



Deal-Making Valeant Pharmaceuticals Intl Inc. Shows No Signs of Slowing Down

Description

The Toronto Stock Exchange is dominated by energy and financial stocks. But over the past few months, one of the best-performing sectors on the TSX has been healthcare, led by **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), an acquisitive drug company whose stock has jumped 52% this year. The stock is expensive, but is it worth considering for your diversified portfolio?

Valeant has made more than 30 acquisitions in the past five years, most recently purchasing Salix Pharmaceuticals for a price of \$173 per share in cash, amounting to approximately US\$11 billion. Valeant outbid Dublin-based generic drug specialist Endo International for Salix. A few days prior to the purchase, Valeant issued more than seven million common shares for gross proceeds of about \$1.45 billion.

Prior to Salix, Valeant made an unsuccessful bid to acquire Allergan, Inc., which ultimately teamed up with Actavis plc. At the time, Valeant Chief Executive Michael Pearson said the company could not justify paying a price of \$219 or more per share for Allergan. But that likely won't stop Valeant from chasing more potential acquisitions. Earlier this year Pearson said Valeant was looking at smaller deals to build on its acquisition of Salix and assets of Dendreon, which Valeant purchased in February for \$495 million after the Seattle biotech firm declared bankruptcy in November 2014.

Of course, the TSX healthcare group, though small, has more than just Valeant. It also includes **Concordia Healthcare Corp.** (TSX:CXR), which closed the purchase of 18 drug products from Covis Pharma and Covis Injectables for \$1.2 billion in cash this week. TD Securities analyst Lennox Gibbs told the *Financial Post* the deal should significantly improve Concordia's revenue diversification, raising his price target on the company to \$110 from \$57.

Another constituent of the healthcare sector is healthcare IT specialist **Catamaran Corp.** (TSX:CCT), which recently agreed to be bought out by U.S. company United Health Group for US\$12.8 billion, or \$61.50 per share, a 27% premium to Catamaran's stock price at the time.

So, there's a lot going on in the TSX's healthcare sector, even though it currently contains just five stocks. But if we had to pick just one, we would focus on Valeant, which shows no sign of slowing down its acquisition hunt, with its share price going along for the ride.

CATEGORY

1. Investing

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1. NYSE:BHC (Bausch Health Companies Inc.)
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