



Billionaire John Paulson Doubles Down on Valeant Pharmaceuticals Intl Inc.

Description

Billionaire hedge fund manager John Paulson has more than tripled the size of his stake in **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), which could suggest the biotech giant has a lot more upside ahead of it.

Valeant has become a favourite among hedge funds. Since 2010 shares have climbed more than 15-fold, making early investors rich in the process. However, Paulson's position indicates the company still has a long-growth runway.

According to SEC filings published last week, the money manager increased his stake in Valeant nearly fourfold during the first quarter. Today his hedge fund Paulson & Co. owns a US\$400 million position in the company as of March 31, up from under US\$100 million at the start of the year.

Is Valeant Pharmaceuticals the next Berkshire Hathaway?

While Paulson's move is a big vote of confidence in Valeant, he's just one of many big money managers backing the company.

At the annual Sohn Investment Conference earlier this month, billionaire investor Bill Ackman called Valeant "a very early stage **Berkshire Hathaway**." In his view the company is much more than a traditional pharmaceutical firm. Instead, Ackman describes Valeant as a platform to carry out investment activities in much the same way Berkshire is a platform for Warren Buffett's business dealings.

To some extent, Ackman's view is correct. Management's strategy has been to buy up small and mid-size drug makers, then push their finished products through Valeant's deep distribution network. As *Fortune* noted, the company has made more than 100 acquisitions since 2008.

Most of Valeant's purchases have been pharmaceutical-based. However, the company did agree to acquire Bausch & Lomb last year in order to break into the ophthalmic and eye vision business. This has added a substantial degree of diversity to Valeant's product portfolio.

Ackman estimates that Valeant should be able to complete between US\$7 billion and US\$20 billion worth of acquisitions on an *annual basis*. Based on that assumption, he believes the stock should be worth more than US\$330 a share—50% higher from where it trades today.

If you don't buy Valeant now, you'll kick yourself later

However, John Paulson and Bill Ackman aren't the only ones who see an opportunity.

According to SEC filings, famed value investor Jeffrey Ubben now owns a US\$2.7 billion (yes, that's billion with a *b*) stake in Valeant. A number of other hedge fund managers—including D.E. Shaw, Jim Simons, and Israel Englander—have been building positions in the company as well.

What could have these smart money managers so excited? I'd say it could only mean one thing—they see an epic rally ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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