



## Is Valeant Pharmaceuticals Intl Inc. a Buy on Recent Acquisition News?

### Description

It never seems to end for **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX). *The Wall Street Journal* reported yesterday that Valeant would be acquiring **Sprout Pharmaceuticals Inc.**, the maker of the controversial “female Viagra,” Addyi. Only a few days prior, Sprout had gained FDA approval to sell the drug in the United States.

As is typical with Valeant, it waited until the product was right at the end of its development before it reached out and made its \$1 billion bid. The reason this acquisition is so interesting is because of the potential this drug has around the world. First and foremost, this is the first product that takes Valeant into the women’s health product market. This is a big move for the company because it has a global supply chain, but it wasn’t in that particular market.

Second, because it is the first drug of its kind, it doesn’t have to worry about competitors. Consider when **Pfizer** launched Viagra. Almost immediately after, doctors were prescribing it at a rate of 10,000 a day. Now, I’m not suggesting that this will happen with Addyi because this is targeted towards premenopausal women, but there is certainly a market for it. And with Valeant holding the only pill available, it has the potential to be very successful.

Because of this, I believe that in the long term, Valeant will generate much more than what it paid for the company. More importantly, now that it is entering the women’s health product market, I anticipate even more acquisitions in this sector. This is good because Valeant is not like many other pharmaceutical companies.

### It’s a platform company

Bill Ackman, the hedge fund manager, has often said that Valeant is a unique kind of company. He calls it a platform company, similar to **Berkshire Hathaway Inc.** Berkshire doesn’t launch any unique products and for the most part, Valeant doesn’t have an organic pipeline of products either. Instead, the way that it gains value is through acquisitions.

Ackman believes that portfolio companies are consistently undervalued because the markets aren’t as fast as the acquisition. Consider this: right before Bausch & Lomb was acquired, Valeant traded at \$74

per share. After the announcement, it jumped to \$95. Before it bought Salix, it was trading at \$217. After the announcement, it jumped to \$250.

If we look at Valeant under the classic lens of value investing, this company is an awful investment. Its P/E is outrageous, it has a significant amount of debt, and it doesn't bring any organic products to market. However, if we view it as a platform company that acquires other companies for value, I can suddenly start seeing good, long-term potential on pharmaceutical acquisitions.

Because of this, I say Valeant is worth the investment. And with how things are going around the world, you might be able to find some valuable shares at a decreased price as everyone rushes away from the market.

## CATEGORY

1. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

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

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jaycodon

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