



## Should Investors Avoid Concordia Healthcare Corp.?

### Description

Canadian healthcare stocks don't exactly appear to be the best investments right now, what with the recent political pressure that **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) has been coming under. As is typically the case in the markets, when one stock gets knocked off its pedestal, others tend to follow and that's what's happened with **Concordia Healthcare Corp.** (TSX:CXR)(NASDAQ:CXR).

Because of a near-perfect storm, Concordia had selling pressure that was amplified when the news came out that Valeant was under investigation.

Here's why Concordia was targeted: Valeant buys companies, slashes R&D expenses, and increases the price of drugs. That's part of how it has been growing. Concordia does the exact same thing. Therefore, if Valeant is going to get in trouble for doing this, investors were concerned that Concordia would be in trouble as well.

The problems started because of the announcement that Concordia was acquiring **Amdipharm**, a U.K.-based company. This would have given Concordia, which has a 100% dependence on the United States, access to 100 markets that Amdipharm sells its pharmaceuticals in.

And there was good news about the deal. According to the company, adjusted EBITDA would soar in 2016 to US\$510-540. The problem was that the company was going to need to borrow US\$2.8 billion to finance the deal, which would have given it a lot of debt at an interest rate not very borrower friendly.

### Should investors avoid it?

There are two ways to look at that question. On the one hand, it could continue to be held back by Valeant's problems. At this point in time Concordia is not under investigation from any government. But investors could remain spooked because they don't want to get hurt by Valeant's problems.

However, on the other hand, the acquisition is also a very good deal if it can handle the debt load. Amdipharm allows Concordia to diversify its business around the world and it ensures that no one drug becomes the dominant money maker. This is important in the drug business because a company can

be just one generic drug away from losing its dominance in the market.

My advice when it comes to these kinds of companies is simple: if it's going to keep you up at night, avoid it. While I believe the markets are not treating Concordia fairly, that could continue for some time. Therefore, if holding a stock like this will keep you awake, just avoid it. There are plenty of other great companies out there.

However, if you can handle the potential volatility and want to acquire shares in a company that are, by and large, very attractively priced, then I would advise starting a position. Valeant's got the problem, not Concordia. And the recent acquisition is a good move for the company so long as debt doesn't hold it back.

## **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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