



## Should Investors Pick Up Shares of Concordia Healthcare Corp.?

### Description

If you're an investor in **Concordia Healthcare Corp.** (TSX:CXR)(NASDAQ:CXR), there's a very good chance that you're probably cursing **Valeant Pharmaceuticals Intl Inc.** Because it's been accused of buying companies and hiking the price of drugs, Valeant's shares plummeted. Since Concordia has similar practices, investors decided to punish Concordia as well.

Fortunately, I think that investors' concerns are an overreaction. While Valeant is still dealing with problems, there's no reason to expect that Concordia will see those same problems. And truthfully, the company has been doing pretty well.

In its Q3 2015 results, the company had adjusted earnings per share of US\$1.46 on revenues of US\$94.91 million. That's an incredible improvement year over year from US\$0.56 adjusted EPS on US\$36.43 million. A significant chunk of that improvement in revenue came from the 18 products it bought from Covis Pharma for \$1.2 billion. This deal finally was completed in April, so the company had nearly a year to generate revenue.

But despite the growth, investors have remained spooked due the US\$3.5 billion deal to buy **Amdipharm Mercury Ltd.**, which is Concordia's biggest acquisition yet. Investors are concerned because of the potential for the company to issue new shares to help pay down the debt. Any time a company has to sell new shares, investors react poorly because it dilutes their holdings.

I think the deal is smart for Concordia, though. Right now, the bulk of the company's business comes from the United States, which isn't all that bad considering there is a lot of money to be made there.

Amdipharm operates in more than 100 countries, which means that Concordia will be able to diversify its revenue across the world. This is very important for two reasons. The first is because Amdipharm provides its own products that Concordia will be able to sell. But the second reason this is great is because Concordia will be able to sell its products around the world as well.

According to the companies, if this deal were to go through, which it likely will, revenue from the combined companies in 2016 would be almost US\$920 million, which is significantly greater than what the company makes. My stance on debt and dilution is that if the company is going to become even

more successful from that event, I am okay with it. This deal sounds like one that makes Concordia that much greater.

### **Prices are a steal**

Based on present day prices, I believe that Concordia is a great buy for investors. It doesn't follow any of the normal fundamentals that we look for in quality stocks, but because it is currently growing, I anticipate that the stock price should continue to rise.

The one concern is whether or not governments start to investigate Concordia for practices that Valeant is under investigation for. That could interfere in the company's attempts at further growth.

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