

# Valeant, Ackman make \$45.6B Allergan bid

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Valeant Pharmaceuticals and activist investor Bill Ackman have unveiled details of their offer to buy Botox maker Allergan, proposing a cash-and-stock deal that could be worth about \$45.6 billion.

If an acquisition happens, it would give Valeant an array of other cosmetic and eye drugs and add to a string of more than 50 acquisitions that have made it one of Canada's largest drugmakers.

Each Allergan share would be exchanged for \$48.30 in cash and 0.83 shares of Valeant Pharmaceuticals International Inc. common stock. Shareholders can choose a mix of cash and stock.

Allergan Inc. stockholders would own 43 percent of the combined company.

Ackman's Pershing Square Capital Management LP—Allergan's biggest stockholder at 9.7 percent—has agreed to take only stock in the transaction and plans to continue as a long-term shareholder of the combined company.

Valeant Chairman and CEO J. Michael Pearson said in a statement that Allergan CEO David Pyott and the company's board have made it clear that they don't want to have talks about a potential combination. But Pearson said he's hoping that the offer being put on the table will enable the two sides "to engage in productive discussions."

Allergan said in a statement that if it received an offer that its

board—along with financial and legal advisers—would evaluate it.

Late Tuesday, the company said it had adopted a one-year shareholder rights plan. Shareholder rights plans, or "poison pills," are typically used by a company when it is trying to ward off a hostile takeover attempt. Allergan said its aim is to allow its board to have time to weigh the merits of any deal.

Valeant, which is based in Laval, Quebec, said Tuesday that it anticipates the proposed Allergan deal resulting in more than \$2.7 billion in annual cost savings.

Allergan, based in Irvine, California, has long been considered one of the star performers in the specialty pharmaceutical sector. "Specialty pharmaceutical" is an industry term that differentiates smaller drugmakers from much bigger companies that sell a wide array of drugs, such as Pfizer and Merck.

Allergan reported revenue of \$6.3 billion last year, up 12 percent from 2012. The company's growth has been driven by expanding use of its blockbuster product, Botox, combined with a broad offering of eye care drugs, skin care formulas and breast implants.

Last year Botox sales rose 12 percent to nearly \$2 billion. First introduced in 1989, the injectable drug is most famous for its ability to smooth wrinkle lines on aging foreheads. But over the years Allergan has racked up more than a half-dozen other approved uses for Botox, including treatment for neck spasms, eye muscle disorders and migraine headaches.

Allergan's shares jumped more than 15 percent in Tuesday trading. Valeant's stock rose more than 7 percent.

Valeant also announced Tuesday that it is raising its full-year earnings forecast to \$8.55 to \$8.80 per share, up from \$8.25 to \$8.75 per share. It's also boosting its revenue guidance to a range of \$8.3 billion to \$8.7 billion. Previously the company predicted revenue of \$8.2 billion to \$8.6 billion.

Analysts surveyed by FactSet expect 2014 earnings of \$9.63 per share on revenue of \$9.35 billion.

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