

Botox maker Allergan draws bid from Valeant (Update)

April 21 2014, by Ken Sweet

Valeant Pharmaceuticals is teaming up with activist investor Bill Ackman in a bid for Botox maker Allergan that could be worth about \$40 billion.

Valeant said Monday that it intends to propose a merger with Allergan using a combination of Valeant stock and cash. The transaction size has not been disclosed, but Valeant expects the cash portion of the deal to be at least \$15 billion.

Allergan said it had no comment on the bid late Monday.

In a separate filing, Ackman's Pershing Square Capital Management said it owns a 9.7 percent stake in Allergan worth \$4.1 billion. Ackman's stake would make an Allergan deal worth around \$40 billion.

Valeant Pharmaceuticals International Inc. is one of Canada's largest pharmaceutical companies, with revenue of \$5.8 billion last year. The company, headquartered in Laval, Quebec, has pursued an aggressive acquisition strategy. It's racked up more than 50 deals since 2008.

Last August, it completed an \$8.7 billion acquisition of Bausch + Lomb, giving it a major stake in the market for contact lenses, eye drugs and eye surgical devices. Before that, the company's largest deals included a \$1.65 billion tie-up with Biovail Corp. in 2010 and its \$2.6 billion acquisition of dermatology products maker Medicis Pharma in December 2012.

Allergan, which is based in Irvine, Calif., has long been 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 stock jumped \$29.50, or 21 percent, to \$171.50 in after-hours trading.

U.S.-traded shares of Valeant rose \$13.04, or more than 10 percent, to \$139.05.

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