Valeant Pharma plans improved offer for Allergan

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Valeant Pharmaceuticals will not easily accept rejection in its bid to acquire Botox maker Allergan for nearly $46 billion.

A day after Allergan formally turned down the unsolicited offer, Valeant said it will improve that proposal to show its commitment to getting a deal done.

"We are prepared to pay a full and fair price, but consistent with our track record, we will remain financially disciplined," Valeant Chairman and CEO Michael Pearson said Tuesday in a letter to Allergan Inc. shareholders.

Valeant Pharmaceuticals International Inc. plans a May 28 webcast to discuss why it believes its proposal is better than Allergan's plan to remain a stand-alone company. Allergan, based in Irvine, California, hosted its own conference call on Monday and spent more than an hour detailing its growth prospects.

Allergan said that Valeant's uncertain long-term growth prospects and business model create a risk for Allergan shareholders, especially given the stock component of the offer. It also questioned in a letter to Pearson Valeant's cost-cutting plans and whether that would harm the long term viability of its business.

Valeant promised to address concerns raised by Allergan on its own call. It noted that Allergan rejected its bid without discussing it with Valeant.

"On the call, we will discuss why our proposal offers greater short, intermediate, and long-term shareholder value by managing Allergan's assets under Valeant's operating model," Pearson wrote in Tuesday's letter.

Last month, the Canadian drugmaker and activist investor Bill Ackman proposed exchanging each Allergan share for $48.30 in cash and a portion of Valeant's stock.

Allergan stockholders would own 43 percent of the combined company under that proposal.

Ackman's Pershing Square Capital Management LP, Allergan's largest shareholder with a 9.7 percent stake, agreed to take only stock if the deal went through. It would remain as a long-term shareholder of the combined company.

Shortly after Valeant and Ackman made their offer public, Allergan announced a so-called poison pill plan, a defensive tactic that makes a buyout prohibitively expensive. Allergan also told Valeant that it didn't want to discuss a tie-up, but said that it would evaluate the offer.

Credit Suisse analyst Dr. Vamil Divan said in a research note he expected Valeant to make a more compelling offer to convince most Allergan shareholders "to accept the short-term gains and certainty that the deal provides over the steady long-term share price appreciation that (Allergan) is proposing."

Allergan shares were up more than 2 percent to $161.83 shortly before markets opened.