

Endo Intl. tops Valeant's offer for fellow drugmaker Salix (Update)

March 11 2015, by Linda A. Johnson

Specialty drugmaker Endo International PLC is trying to lure Salix Pharmaceuticals Ltd. with an offer Endo said is worth 11 percent more than the \$10 billion Salix has agreed to accept from serial acquirer Valeant Pharmaceuticals International Inc.

Endo's offer Wednesday is the latest in a burst of merger and acquisition activity in the biopharmaceutical industry that began last year.

Endo values its cash and stock offer at \$175 per Salix share, based on Tuesday's closing price, with the offer including \$45 in cash and the rest in Endo common stock.

Valeant, which had offered \$158 per share in February, said in a statement that it is "firmly committed to our all-cash agreed transaction, which delivers immediate and certain value to Salix shareholders."

Endo, based in Dublin, Ireland, said Wednesday that it's submitted its proposal to the Salix board of directors.

According to Endo, its "superior proposal" worth roughly \$11.17 billion would bring shareholders of Salix a "substantial premium and immediate cash value, as well as the opportunity to participate in the significant upside potential of a global leader in specialty pharmaceuticals."

Endo said the deal could close in the second quarter this year.

Salix said in a statement that its board will review Endo's proposal and "pursue the course of action that it believes is in the best interests of the company's stockholders."

If Endo is the winner, it would have to pay Valeant a breakup fee of \$356.4 million that's required under the Valeant-Salix deal announced on Feb. 22.

Salix, based in Raleigh, North Carolina, specializes in medicines for gastrointestinal disorders, including Pepcid and Zegerid for ulcers and gastroesophageal reflux, and Relistor for constipation caused by opioid drugs. It's developing two more drugs for opioid-induced constipation, one for rheumatoid arthritis and a drug called rifaximin for Crohn's disease and preventing complications of liver cirrhosis. Rifaximin is currently under review for a third use, treating irritable bowel syndrome.

In the first nine months of 2014, Salix reported total revenue of \$1.12 billion and a loss of \$129 million.

Endo makes medical devices and brand-name and generic drugs, including ones for pain, urologic disorders, an orthopedic disorder called Dupuytren's contracture and one for an endocrine disorder that causes premature puberty. It's currently developing a drug to treat cellulite, a film that dissolves in the mouth for treating chronic pain and an orthopedic drug for a condition called frozen shoulder syndrome.

Endo, which has U.S. headquarters in Malvern, Pennsylvania, reported 2014 revenue of \$2.88 billion and a net loss of \$721 million.

Its letter to Salix said that company's shareholder would benefit from "Endo's lean operating model and efficient corporate structure"—meaning layoffs are certain.

Likewise, Valeant, which focuses on frequent acquisitions rather than internal drug development, is known for slashing jobs and other costs quickly after each purchase. Valeant specializes in dermatology, eye health and neurology. Both Salix and Endo pale in size next to the Canada-based drugmaker, which last year had revenue of \$8.3 billion and net income of \$912 million.

In trading Wednesday, Salix shares jumped 7 percent, or \$10.96, to \$168.61, then rose another 89 cents in after-hours trading. Endo shares dipped 1.4 percent, or \$1.24, to \$87.76. Valeant slipped \$7.77, or 3.9 percent, to \$193.71.

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