

Valeant ups Salix bid to \$11.11B and Endo ends quest (Update)

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This May 27, 2013 file photo shows signage at Valeant Pharmaceutical's headquarters in Montreal. Valeant turned up the heat in its bidding fight for Salix Pharmaceuticals on Monday, March 16, 2015, raising its offer to about \$11.11 billion in cash. (AP Photo/The Canadian Press, Ryan Remiorz, File)

Valeant raised its offer for Salix Pharmaceuticals Ltd. by more than \$1 billion Monday, forcing rival bidder Endo International out of the running.

Canada's Valeant Pharmaceuticals International Inc. said it would pay \$11.11 billion in cash, or \$173 per share, a 2 percent premium over Friday's closing price. The companies put the deal's enterprise value at about \$15.8 billion, including debt owed by Salix.

Landing Salix is somewhat of a redemption for Valeant, which was snubbed in its pursuit of Botox-maker Allergan last year. On Monday, Allergan said that its acquisition by Actavis, which like Endo is based in Ireland, has been approved by European regulators.

Valeant is looking to grow and in 2013, it acquired the contact lens-maker Bausch + Lomb for \$8.7 billion.

"We are committed to getting this deal done," Valeant Chairman and CEO J. Michael Pearson said in a printed statement.

Valeant's pursuit of Salix is the latest in a string of big acquisitions in the drug sector that went into overdrive last year.

Big drugmakers have lost tens of billions in annual revenue in recent years due to a tsunami of cheap generic copycats of popular pills taken by millions of people. Because it can take a decade or more to bring a new drug to market, industry leaders are targeting smaller pharmaceutical and biotech companies with existing drugs and promising experimental ones that have undergone some patient testing and could be approved in the near future.

Developers of specialty drugs are among top targets because those medicines usually command very high prices. Salix is a leader in gastrointestinal medicines, with 22 on the market and others close to potential approval.

In midday trading Monday, shares of Salix climbed \$3.35 to \$172.74,

while Valeant added \$4.82 to reach \$202.25.

Valeant's prior offer had been about \$10 billion in cash, or \$158 per share.

Last week, a month after Valeant made its initial offer, Endo tried to come in over the top with a bid worth about 11 percent more. But the offer, unlike Valeant's, also included stock—with cash comprising only \$45 of Endo's total offer of \$175 per Salix share. That created more uncertainty about the final value of the bid when compared with Valeant's all-cash offer.

Endo International PLC folded just a few hours later on Monday.

Less than two weeks ago, AbbVie said it would spend a staggering \$21 billion to buy Pharmacyclics and gain access to a blood cancer treatment that could bring in \$7 billion in annual sales in a few years.

Salix, based in Raleigh, North Carolina, sells drugs 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. Last year, Salix reported total revenue of \$1.13 billion and a net loss of \$415 million.

Valeant specializes in dermatology, eye health and neurology. It focuses on frequent acquisitions rather than internal drug development. Last year it had revenue of \$8.3 billion and net income of \$912 million.

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