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Valeant Triumphs Over Rivals in Pharmaceutical M&A Battle

By Daniel Tucker Dowling, LL.M Candidate 2015 | March 3, 2015

The year 2014 saw $3.5 trillion in merger and acquisition (M&A) transactions, the most since 2008, and according to KPMG data, this year could be even bigger. The highly acquisitive Canadian pharmaceutical company, Valeant (VRX), recently added to 2015's already growing total by entering a deal to purchase Salix Pharmaceuticals (SLXP) for a total value of $14.6 billion.

Valeant's diversified portfolio now includes at least 1,500 drugs, due largely to its more than 40 acquisitions of other pharmaceutical companies since 2008. Many of Valeant's acquisitions have been funded by issuing substantial amounts of debt, which has left many shareholders skeptical; yet VRX's share count has also more than doubled in the 5-year period that saw upwards of 40 acquisitions. Among the high-profile acquisitions in that period, the $8.7 billion acquisition of eye-care company Bausch & Lomb in 2013 is largely responsible for the $58 billion market valuation ascribed to Valeant.

By acquiring Salix, the maker of several prominent gastrointestinal drugs, Valeant adds to a diversified portfolio of drugs that already touches nearly every conceivable branch of medicine. The acquisition also provides some solace after Valeant was spurned in its year-long effort to acquire Allergan, the maker of Botox, last year. Ultimately, Allergen was acquired by Actavis in November 2014 for $66 billion, a takeover that is expected to be completed in March 2015.

The recent deal to acquire Salix brings last year's disappointment full circle for Valeant, as Allergan was one of a group of many pharmaceutical companies, which also included Actavis, courting Salix in recent months. Although Allergan was able to fight off its would-be-acquirer in 2014, the Salix deal in 2015 is a triumph for Valeant over its former target. To be sure, Valeant shareholders will welcome additions to its ever-expanding sales pipeline, which shareholders hope will allow it to reduce its leverage ratio below 4 by the second half of 2016, as the company has promised.