

Allergan board rebuffs latest Valeant offer (Update)

10 June 2014, by Tom Murphy

Allergan's board has unanimously rejected the latest takeover bid from Valeant Pharmaceuticals, and the Botox maker said the offer isn't even worth talking about.

Allergan said Tuesday that the May 30 offer valued at about \$53 billion from the Canadian drugmaker and activist investor Bill Ackman's Pershing Square Capital Management still substantially undervalues Allergan Inc. and creates too much risk for its shareholders because a portion of the offer involves Valeant stock.

"The Allergan (board) must seriously consider the many questions around the sustainability of Valeant's business model as they directly impact the total future consideration for our stockholders," Allergan Chairman and CEO David Pyott said in a letter to his Valeant counterpart, Michael Pearson.

Allergan has said that Valeant's growth is unsustainable because it depends too much on acquisitions. It also said Tuesday that it believes Valeant's "anemic growth" is driven mostly by price increases. Allergan also has raised concerns about cuts that might be made to research and development funding if Valeant were to take over.

Valeant representatives did not respond Tuesday morning to requests from The Associated Press seeking comment. The company has said Allergan's analysis of its business was full of errors.

Allergan also said Tuesday that the deal doesn't offer enough value to warrant discussions between the companies, something Pearson had requested. The Irvine, California, company has said repeatedly that it opposes a deal with Valeant, which first went public with an offer in April.

Pyott said in his letter Tuesday that Allergan expects double-digit sales growth on its own and about \$14 billion in additional free cash flow over

the next five years.

"This provides Allergan with financial flexibility, and the Allergan (board) is confident that Allergan will create significantly more value for stockholders than Valeant's proposal," he wrote.

The latest bid offered to trade each Allergan share for \$72 in cash, a portion of Valeant Pharmaceuticals International Inc. stock and a contingent value right based on future sales. It totaled \$179.25 per share based on the closing price of Valeant stock the day before it made the offer and not counting the contingent value right.

That's close to the \$180-per-share level that some analysts said Valeant's bid would have to reach to grab the interest of Allergan shareholders.

But Valeant had said the offer was contingent on Allergan engaging in a prompt, good-faith negotiation of a merger agreement.

That bid represented an increase from an offer Valeant and Pershing Square made a few days before that involved \$58.30 in cash, the stock portion and the contingent value right.

Ackman's Pershing Square holds a 9.7 percent stake in Allergan. He has said he will move to replace most of Allergan's board of directors as part of the battle for control of the company.

Shares of Allergan, which also makes the dry-eye treatment Restasis, climbed 30 cents to \$164.42 in late-morning trading. Meanwhile, U.S. traded shares of Valeant slipped 75 cents to \$125.88 while the Standard & Poor's 500 index also dipped slightly.

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