

Associated Press

Valeant Pharma to Buy Xcel Pharma

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Valeant Pharma to Buy Xcel Pharma for \$280 Million Plus Expenses

COSTA MESA, Calif. (AP) -- Drug maker Valeant Pharmaceuticals International said Wednesday it agreed to purchase Xcel Pharmaceuticals, a privately held drug company focused on neurology products in the United States, for \$280 million, plus the retirement of \$44 million in Xcel debt.

Valeant will pay either \$280 million in cash or a combination of \$230 million in cash and \$50 million in common stock. Valeant said it will pay all cash if it consummates a stock offering in order to finance the acquisition.

The transaction was unanimously approved by the boards of both companies, and is expected to close following antitrust approval.

Valeant said the deal boosts its North American business and enhances the company's neurology franchise through the acquisition of key products and a specialized neurology sales organization consisting of 94 professionals.

The Xcel transaction adds several marketed neurology products that include Diastat, a treatment of acute repetitive epileptic seizures outside of a hospital setting, and Migranal, a nasal spray used for the treatment of acute migraine headaches. Total sales of Xcel's products in the nine months ended Sept. 30, were \$45.9 million. Upon closing, Valeant's U.S. sales force will increase to about 200 representatives.

The acquisition also adds retigabine, a new Phase 3 candidate in clinical development for the treatment of epilepsy, to Valeant's pipeline. Valeant plans to market retigabine in the United States and certain foreign markets once the Phase 3 trials are completed, subject to regulatory approval.

Valeant expects the Xcel deal to add modestly to earnings in 2005, excluding the impact of acquired in-process research and development, which is currently estimated to be \$120 million. The company plans to record additional research and development expenses for retigabine, including certain milestone payments, which would make the acquisition dilutive for years after 2005, until the anticipated launch of retigabine in 2009.

Bear, Stearns & Co. acted as financial adviser to Valeant in the transaction.