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# Eye Care Company Is Being Sold to Valeant

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Bausch & Lomb, the eye care company, agreed on Monday to sell itself to Valeant Pharmaceuticals International of Canada for about $8.7 billion, sidestepping the lengthier process of an initial public offering.

Under the terms of the deal, Valeant will pay $4.5 billion to the investor group that owns Bausch & Lomb, led by the private equity firm Warburg Pincus. It will also spend about $4.2 billion to repay Bausch & Lomb's debt.

The agreement continues the flurry of deal-making in the health care industry, as companies seek to buy the growth they are hard-pressed to generate on their own. Announced merger volume in the sector this year is up 14 percent from the period a year earlier, even as takeovers have fallen 8 percent.

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Valeant, based in Laval, Quebec, has made acquisitions a core part of its growth strategy as it has become a big specialty drug maker. The Bausch & Lomb deal is the company's biggest, over three times the value of its $2.6 billion purchase of the skin care company Medicis Pharmaceutical last year.

Adding Bausch & Lomb, a giant maker of contact lens solution and surgical devices, will significantly bolster Valeant's offerings in the sector.

Bausch & Lomb will absorb its new parent's existing ophthalmology operations, creating a business that is expected to generate more than $3.5 billion in net revenue this year.

"We believe it's a great move for the company," J. Michael Pearson, Valeant's chief executive, said in an interview by phone.

While Bausch & Lomb's products don't necessarily include home runs, Mr. Pearson said, "there's an opportunity for a lot of singles and doubles here."

Brent Saunders, the chief executive of Bausch & Lomb, said in a statement: "Our companies have a shared commitment to providing innovative and high-quality products and exceptional service to customers."

The takeover also means a tidy payday for Warburg Pincus, which led a $4.5 billion leveraged buyout of Bausch & Lomb in 2007. The firm already benefited from a $772 million special dividend that Bausch & Lomb paid out in March, the bulk of which went to its controlling investor group.

Through the deal, Warburg Pincus is expected to reap a return of as much as three times its original investment, according to a person briefed on the matter.

Warburg Pincus began exploring a sale or initial public offering for Bausch & Lomb late last year and held preliminary talks with a number of potential bidders. Among them was Valeant, though Mr. Pearson said that at the time he and his board could not justify paying the more than the $10 billion that Warburg Pincus was seeking.

Instead, Bausch & Lomb filed in March for an initial public offering.

Until last month, Valeant was pursuing a takeover of a different company, the generic drug maker Actavis, in what would have been a deal worth over $13 billion. When those talks collapsed, Valeant then turned to Bausch & Lomb. Mr. Pearson said the bulk of the work on Monday's transaction took place over the last week, with much of the initial due diligence already completed.

Though Valeant's offer was lower than the valuation that Bausch & Lomb would have fetched in an initial offering, it allowed Warburg Pincus to exit its investment quickly. Taking the company public would have meant a more gradual sale over two to three years.

The transaction is expected to close in the third quarter, pending regulatory approval.

Mr. Pearson said that while integrating Bausch & Lomb would take some time, Valeant would continue to pursue what he described as smaller "tuck-in" acquisitions. But deal-making will remain a core part of the company's growth plans.

"Our strategy is our strategy," he said. "Our aspiration is to become the most valuable pharmaceutical company in the world."

Valeant was counseled by Skadden, Arps, Slate, Meagher & Flom, and Osler, Hoskin & Harcourt. Bausch & Lomb was advised by Goldman Sachs, JPMorgan Chase and the law firm Cleary Gottlieb Steen & Hamilton.

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