



Is Valeant Pharmaceuticals Intl Inc. Still a Good Buy?

Description

The incredible growth story of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) has entered a cooling down phase—maybe.

Valeant has experienced almost unprecedented growth over the past few years—the stock has grown by 45% in the past year, and over the course of the past five years the stock is up by over 700%. The incredible thing about these figures is that they are actually down from what they were as recent as a few weeks ago.

Let's take a look at why Valeant dropped and whether or not the company is still a good buy.

Valeant is a pharmaceutical company that focuses on growth through acquisitions. The company has an extensive distribution network that is used for the myriad of companies that Valeant has acquired over the years.

The company has acquired seven companies just this year, and isn't afraid to spend big on getting the company they are after. As recent as a few weeks ago, the company acquired the manufacturer of the drug Addyi, more commonly known as the female Viagra, for a reported \$1 billion.

This model has worked well for Valeant, but recently the company has been subject of a sell-off, sparked by a single tweet from Democratic presidential candidate Hillary Clinton.

The tweet that caused a massive sell-off

Clinton tweeted of her intention to address what she claimed was price gouging: "Price gouging like this in the specialty drug market is outrageous. Tomorrow I'll lay out a plan to take it on."

The focus of the tweet was a drug offered by another company, but that did not prevent Valeant from being drawn into the spotlight as well. Valeant's heart drugs Nitropress and Isuprel increased in price by over 210% and 520% each the day that Valeant acquired the rights to sell them.

The subsequent sell-off saw Valeant lose a significant portion of its value over the course of a few

days—nearly 20%— and Democrats in the U.S. are asking to subpoena the company for documents relating to the price increases.

Valeant CEO Mike Pearson addressed the pricing concerns in a letter to all employees: “Valeant is well positioned for strong organic growth, even assuming little to no price increases.”

The market seems to believe this as well, with the stock recouping a good portion of the losses from the sell-off in the days that followed. Currently, the stock is just over \$238, but, incredibly, is still up over 28% year-to-date.

In my opinion, Valeant remains a great buy for investors seeking long-term growth. The fact that the stock can be purchased at a significant discount without any changes to the company’s growth prospects is an opportunity that investors should seize.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
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