

## Valeant Pharmaceuticals Intl Inc. Has No Friends

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) has never been a particularly well-liked company. But over the past six weeks, the company has made some new enemies.

Now it seems that everyone has their sights set on Valeant, whether it be regulators, politicians, health insurance providers, or short sellers. And any one of them could do significant damage to the company and its stock price. We take a look at each in turn below.

#### The regulators

Two weeks ago, two U.S. prosecutors—one from Massachusetts and the other from Manhattan—subpoenaed Valeant. They are investigating the company's pricing strategies and patient-assistance programs.

Then on Monday, in the midst of Valeant's current troubles, the company said it was subpoenaed by the U.S. Department of Justice (DoJ) back in mid-September. The DoJ subpoena was related to payments made and agreements between its Bausch & Lomb division and medical professionals.

Valeant clearly wanted to bury this news, only disclosing it six weeks after the fact (without issuing a press release) at a time when there were other headlines surrounding the company. So, you should expect more headlines to come from this investigation, especially since the DoJ is involved. That won't be good for the stock price.

#### The politicians

In response to the recent uproar over drug-price increases, Democratic presidential candidates Hillary Clinton and Bernie Sanders are proposing sweeping reforms to bring costs back down. This includes importing more lower-cost drugs from Canada, as well as having Medicare negotiate its own discounted rates. That would, of course, be bad news for Valeant.

Republicans haven't been silent on the issue either. Presidential candidate Marco Rubio said that some companies were engaged in "pure profiteering." Polls show that Americans are sick of high drug costs, and this attitude crosses party lines. Eventually, you may see more action from the U.S. government.

#### Health insurance providers

Thanks to recent revelations about Philidor, it's starting to look like Valeant is ripping off health insurance providers. It also looks like Valeant was using a complex structure to hide its actions.

Health insurance providers will not be amused and may refuse to offer some of Valeant's drugs, atleast in cases where a competing drug (or generic) is available. Once again, that would put a big dent in the company's bottom line.

### **Short sellers**

To be clear, Valeant's troubles are not caused by short sellers such as Citron's Andrew Left. But the short sellers have made Valeant's headaches a lot worse.

They have done a lot of investigative work (especially John Hempton at Bronte Capital) and have brought to light a lot of the issues surrounding Valeant. They have also contributed to Valeant's stock price declines (especially Andrew Left), which inhibits the company's ability to make more acquisitions.

### **No friends**

Even the pharmaceutical industry's chief lobby, PhRMA, has thrown Valeant under the bus. The organization said that Valeant's strategy is "more reflective of a hedge fund than an innovative biopharmaceutical company."

So, at this point, there is a massive bullseye on Valeant, and a number of different people are aiming straight for that target. Investors should stay very far away.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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