



Why Are Shares of Valeant Pharmaceuticals Intl Inc. Plunging This Time?

Description

This must sound like a broken record, but **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) shares are plummeting once again. The company's U.S.-listed shares fell below US\$80 at one point, which hasn't been seen since mid-2013. By comparison, the stock traded for more than US\$240 as recently as September 18.

So, what is causing the stock to fall this time?

A U.S. Senate probe

On Wednesday, a U.S. Senate panel launched a probe into the pricing practices of Valeant and three other drug makers. The panel is led by Republican Susan Collins and Democrat Claire McCaskill, which is emblematic of the bipartisan fury over high drug prices.

The panel requested documents from Valeant regarding three different drugs, two of which—Nitropress and Isuprel—have already been in the news. Valeant raised the prices of these drugs by 625% and 820%, respectively, right after acquiring them earlier this year.

The other drug—Cuprimine—is used to treat Wilson's disease, a rare disorder that causes too much copper to accumulate in one's organs. Without treatment, the disease can cause a slow, painful death. Yet Valeant has increased Cuprimine's price by nearly 3,000%—a 100-pill bottle now costs more than US\$25,000. By comparison, a similar product would cost just \$100 in Canada.

A perfect storm

This is not the first time that Valeant has been investigated. In fact, there has been a flurry of such developments over the past two months.

In mid-September, the U.S. Department of Justice (DoJ) and the U.S. Attorney's Office for the Eastern District of Pennsylvania said in a letter to Valeant that they are probing the company's reporting of prices in connection with the Medicaid Drug Rebate Program. The DoJ is also investigating payments made by Valeant subsidiary Bausch & Lomb to physicians.

If that wasn't enough, two U.S. attorney's offices—one in Massachusetts and one in New York—are investigating Valeant for its drug prices and patient-assistance programs. And to top it all off, the U.S. Federal Trade Commission is looking into Valeant's recent acquisition of Paragon Holdings I, Inc.

A stock to avoid

At this point, there are simply too many regulators with their sights set on Valeant. And given what the company has (allegedly) done, you should not expect this to blow over any time soon.

Furthermore, Valeant is a company with more than US\$30 billion in debt and less than US\$7 billion in equity. So, if there are any major fines against the company or any disruptions to its business model, then the shares could plunge a lot further. You shouldn't be touching this stock with a 50-foot pole.

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