



Valeant Pharmaceuticals Intl Inc.: Another Day, Another Controversy

Description

When Andrew Left of Citron Research declared he wouldn't comment anymore on **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), the company's shareholders breathed a sigh of relief. In fact, Valeant's shares ticked up on the development.

But Mr. Left is not Valeant's biggest nemesis. That title undoubtedly belongs to John Hempton of Bronte Capital, whose research and writing on Valeant has been much more thorough than Mr. Left's. And unlike Mr. Left, Mr. Hempton is not done bashing the company.

In a blog post on Wednesday, Mr. Hempton had fresh new allegations for Valeant to respond to, which should make shareholders very nervous. We take a closer look below.

More pharmacies

In his blog post, Mr. Hempton identified 78 pharmacies that he believes has ties to Valeant. Interestingly, these pharmacies have names related to either chess terms or Stephen King novels. Mr. Hempton did not post any hard evidence of wrongdoing by Valeant, but he did claim that the people on registration documents for these pharmacies are Valeant employees.

So why is this significant? Well, Valeant has found itself in hot water over its past relationship with specialty pharmacy Philidor RX. As the argument (against Valeant) goes, Philidor engaged in some very shady business practices to sell high-priced drugs and did so under Valeant's direction. Valeant has since ended its relationship with Philidor.

If Valeant were indeed registering other pharmacies, it could theoretically employ similar tactics that were used at Philidor.

How big of a deal is this?

There seems to be some disagreement over the size of this issue.

According to Valeant, specialty pharmacies accounted for well under 10% of total revenue, with

Philidor making up almost all of this amount. Thus very little of Valeant's revenue is affected by these issues.

But Mr. Hempton disagrees. He references a statement made last year by Valeant during the company's dispute with **Allergan**. In this statement, Valeant indicated that alternate fulfillment channels (including specialty pharmacies) account for roughly 70% of revenue.

The non-denial

Valeant quickly responded to Mr. Hempton, claiming the blog post had "significant inaccuracies." But Valeant did not deny that it registered these new pharmacies.

This follows a familiar pattern, one that should be very concerning for shareholders. Throughout this saga Valeant has not been very transparent when responding to allegations. For example, in the company's most recent conference call, it did not respond to any questions about Philidor.

It's still too early to say what exactly Valeant has done, and I don't want to speculate. But there's one thing we can be pretty sure about: Mr. Hempton will have more to say on this issue. So even if Valeant's stock looks cheap, you should still stay far away.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/07/21

Date Created

2015/11/26

Author

bensinclair

default watermark