



## Is Valeant Pharmaceuticals Intl Inc. Worth the Risk?

### Description

There are few things that have gone right for **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) over the past few months. Just a short six months ago the company was the best-performing stock on the market with one of the largest market caps.

There's a lot that has changed within and related to Valeant in the past few months. Here's a review of what has changed and how it impacts investors.

#### **Valeant's stock has dropped faster than the market has**

Over the course of the past six months the stock has dropped nearly 65%. While stocks rise and fall on a daily basis, Valeant's peak made it the largest company on the TSX by market cap, which makes the collapse of the stock that much more significant to investors.

One of the many quotes by Warren Buffett that is often repeated is "be fearful when others are greedy, and greedy when others are fearful." This quote couldn't be further from the truth for Valeant, and investors wondering if they should invest in the company should ask themselves whether they are fearful or greedy.

So in other words, at the current price Valeant can be purchased at a bargain, but is the investment worth the risk? There are those that see the company as a large risk, and then there are those that see this as an opportunity to double down and purchase more shares.

#### **Valeant's business model has drawn a lot of attention**

Valeant is well known as a company that grows primarily through acquisitions. More than 100 companies have been acquired by Valeant over the past seven years. What happens once Valeant acquires those companies is what has been the subject of much debate and attention lately.

The company has come under fire in recent months over unfair pricing of drugs from newly acquired companies, even drawing the ire of candidates of the 2016 presidential election. That type of attention has driven the stock price down and even prompted presidential candidate Hillary Clinton to make a

call for prescription-drug-pricing reform as part of her election campaign.

Whether or not that reform will actually occur remains a question that won't be answered until after the election at the earliest and more than likely several years down the road. The more pressing question for both investors and Valeant is if the current model of growth via acquisition then selling medication at higher price points is still sustainable.

When companies go through hard times, investors and employees will turn to leadership for guidance. Unfortunately for Valeant, this is another source of concern as CEO Michael Pearson has been forced into medical leave after being struck ill with a bad case of pneumonia.

Valeant as a company is a great investment. The business model has worked well for the company, and given the amount of bad news the company has had over the past six months, it is arguable that the stock has suffered enough on that bad news.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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