



Valeant Pharmaceuticals Intl Inc.: Is it a Turnaround Candidate or Is More Trouble Ahead?

Description

Just a few short months ago **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) was the darling of the market. Its ballooning market cap shot the stock to the top of the exchange.

The company had topped all analysts' forecasts for over 20 consecutive quarters up until fall of 2015. And that's when news started to break about the company's practices, which sent the stock crashing down.

What happened?

Questions about drug pricing and a questionable relationship with the specialty pharmacy Philidor Rx Services raised more than a few eyebrows last fall, which pushed the stock down from the stratosphere.

Philidor's claim was that it helped distribute more expensive drugs (from Valeant) over alternatives. Valeant has since cut ties with Philidor and started an internal review with a panel of independent directors serving as overseers.

The controversy even made its way into the U.S presidential election; candidates have been questioning the potential unfair pricing of drugs, particularly after a drug company is acquired by another company.

Valeant's most recent error

Valeant made news this week by announcing an accounting error that made things seem worse than what they really are.

Valeant claims that \$58 million in revenue was improperly booked back in 2014, when the drugs were shipped to a distributor (Philidor), rather than waiting for the drugs to be dispensed to the patients. That time lapse would result in nearly \$0.10 earnings per share being transferred over to 2015.

The market responded in a somewhat positive way. The stock is currently trading just over \$115, having soared by nearly 11% in the past two days of trading. Year-to-date the stock tells another story, however, as it is still down by nearly 18%.

Keep in mind that even with the recent bump, the stock is still well over 60% off from the highs that it hit last year.

What's next?

The fact that the stock has jumped as much as it did on this news is something to look at in a positive light as most investors were probably expecting something much, much worse.

For Valeant and investors, this ride may be far from over. Investors that have been looking for an opportunity to jump off the ship might take this price surge and move on to other investments or breathe a sigh of relief and take a wait-and-see approach.

Either way, in my opinion, Valeant represents an extremely risky investment at the moment, and there are other, less risky options available to invest in that would produce better results for investors without the roller-coaster ride of news.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/10/01

Date Created

2016/02/25

Author

dafxentiou

default watermark