



Valeant Pharmaceuticals Intl Inc.: 3 More Game-Changing Updates

Description

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) shocked the markets once again on Monday with a press release containing three interesting updates.

We take a look at each of them below.

1. Michael Pearson is returning

Michael Pearson will be resuming his role as CEO, effective immediately, according to the release. He had stepped aside at the end of December due to a severe case of pneumonia as well as other medical complications.

Mr. Pearson's return is a mixed blessing for the company. On the one hand, Mr. Pearson successfully built the company into the pharmaceutical behemoth that it is today. Nomura Securities analyst Shibani Malhotra even said that Valeant would lose its competitive advantage without Mr. Pearson and that the company should consider selling itself in such a scenario.

On the other hand, Mr. Pearson is also associated with all of Valeant's recent troubles, which could make him somewhat of a lightning rod. Worse still, he is not particularly comfortable in the spotlight; public speaking is not his strong suit. To top it all off, Mr. Pearson's biggest strength—identifying the right acquisition targets—isn't nearly as relevant today as it had been in the past.

2. Delaying results

Given the timing of Mr. Pearson's return, Valeant is delaying the reporting of its fourth-quarter results. At least that's what it says in the press release. But this smells very fishy. After all, Mr. Pearson couldn't have waited a few days to return? It's not as if the company needs him back immediately.

3. Restating guidance

In addition to delaying fourth-quarter results, Valeant is also pulling its guidance for the year 2016. This raises even more suspicions than the delayed results because Mr. Pearson's return should have no

effect on the company's guidance.

To put it bluntly, the delayed results and pulled guidance probably have more to do with each other than Valeant would like to admit. And I personally don't believe that Mr. Pearson's return is what caused these issues.

There is one other possible explanation. When Mr. Pearson went on medical leave, Valeant bears speculated that he didn't want his signature on the company's latest filings. So Valeant's decision on Monday could simply be an attempt to refute those criticisms. And if that is indeed the case, then the fall in its share price may be unwarranted.

But let's not forget that this is a company with some serious credibility issues already. Thus it shouldn't be surprising that investors aren't buying the company's latest explanation. And this is a stock you should definitely stay away from, no matter how cheap it looks.

CATEGORY

1. Investing

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