



## The Epic Collapse of Valeant Pharmaceuticals Intl Inc. Continues

### Description

At this time nine months ago, **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) was one of the most valuable companies in Canada.

And then the collapse started.

Shares of the embattled company dropped significantly in the months that followed as a trail of bad news and questionable practices led to investors dropping the company from their portfolios.

More news this week caused the company to drop even further to levels not seen since 2011. Here's a quick recap of what happened and what this means for investors.

### The end of the Valeant business model?

Part of how Valeant got so big so fast is due to the company's business model. Cheap loans let Valeant scoop up drug companies that were undervalued, and then once in control Valeant would push prices up and integrate the acquired drugs into its own distribution network.

This allowed the company to bypass having its own research and development arm.

For a while, this enabled the company to grow exponentially but, as many realized, both the ballooning debt as well as the practice of raising drug prices could not last forever.

### Valeant can't pay its debts

Following a string of findings and internal reviews, Valeant announced recently that it would not seek out any more drug deals, instead opting to focus on reducing some of its massive debt.

Valeant has revised the company's profit targets for the year—the second such downward revision in the past five months. The company also intends to delay the filing of fourth-quarter earnings as a result of improper accounting practices that were uncovered in an internal investigation.

That delay announcement also comes with a twist in that Valeant is now close to the very real

possibility of defaulting on some of the \$30 billion in debt it has if it is unable to file an annual report by the end of April.

CEO Michael Pearson, made note of the company's problems in a recent conference call: "Our business is not operating on all cylinders ... but we and I are committed to get it back on track."

### **What's next for investors?**

Valeant's epic collapse has cost investors billions. Pershing Square, the U.S.-based hedge fund operated by billionaire Bill Ackman, holds a significant stake in Valeant and likely lost well over a billion in just a few hours.

Despite the losses, Ackman remains committed to Valeant and intends to take a more proactive role and work to restore investor confidence.

For many investors, however, it may be too little, too late. An estimated \$15 billion was erased by the recent drop in stock price.

As tempting as an investment in Valeant is given the current price, the truth is that the company is an incredibly risky investment at this point in time. In my opinion, investors would be better served by seeking out one of many other investments that offer better growth prospects.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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