



Has the Worst Passed for Valeant Pharmaceuticals Intl Inc.?

Description

New CEO Joseph Papa may only be in his third week on the job at **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), but he has already faced some tough questions and alleviated some fears, and more questions are surely to come over the next few weeks.

The new CEO met with investors this week and shed light on some of the challenges the company faces and the way to move forward. Valeant's creditors had the option to force an early payment on loans and bonds after the company missed filing deadlines for financial records with regulators, which triggered default notices.

The company has been hit particularly hard over the past few months, when steep price increases on drugs caught the attention of U.S. lawmakers and regulatory bodies. Both Massachusetts and New York are conducting their own separate inquiries into patient-assistance and pricing programs.

Questionable practices with Philidor RX Services forced the collapse of that relationship last year, and a new deal with Walgreens Boots Alliance has been forged, albeit with some growing pains that Papa labeled as "speed bumps."

A second phase of that program will launch later this summer, and Valeant is also working on new discount programs for some heart medications as well as other drugs that have been brought to the attention of U.S. Congress.

While it is a step in the right direction, Valeant still needs to do something about its debt.

Debt reduction

Valeant has a truly staggering amount of debt—nearly US\$30 billion. Valeant announced this week that the company will target a debt reduction of at least US\$1.5 billion this year. Funding for the reduction will be raised through the sale of specific non-core assets that exist outside of the company's main franchises.

Assuming that a fair price is reached, Valeant has a number of attractive assets that could fetch

billions. Core assets, as defined by the company include its dermatology products in the Bausch & Lomb brand, as well the gastroenterology products.

Some of those core assets, the Bausch & Lomb brand in particular, have a real value that is higher than the current stock price of Valeant. In that case, a partial spin-off of that asset might be what is needed for investors to see the value.

In a little under a year, Valeant has gone from being one of the best investments on the market to being one of the riskiest. While there is something to be said about the company being undervalued, the truth remains that Valeant is in a transitional state.

Currently, the stock trades at just over \$36, down 74% year-to-date. While this may represent an opportunity to buy at a low price for those investors who believe the company will turn around, it's too early to say with any certainty.

If the company can execute the plan set in motion to lower debt, keep core revenue-generating assets in house, and silence drug-pricing concerns through new alliances and discount programs, it will be well on the way to restoring some investor faith.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/08/01

Date Created

2016/05/24

Author

dafxentiou

default watermark