



## More Problems for Valeant Pharmaceuticals Intl Inc.

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) continues to suffer from a myriad of problems, both old and new.

Most of those problems started last year as exposure to drug-pricing practices, a questionable arrangement with a pharmacy, and an unsustainable business model all unraveled around the company, leaving Valeant a confused, debt-ridden sinking ship.

What followed was an inevitable collapse of the stock from over \$340 per share a year ago to the sub-\$40 level the stock currently trades at. Since then, Valeant has been attempting to restore investor confidence and adjust to a more sustainable business model.

### What has Valeant done in the past year?

Given the collapse of the stock and the staggering US\$30 billion in debt Valeant was left with, the company did everything possible to both reduce debt, streamline operations, and re-establish a profitable business model that wasn't reliant on cheap loans.

Valeant has already made a pledge to investors to pay down US\$1.7 billion in debt this year. In June Valeant had paid off US\$730 million, and another US\$273 million in payments is set up to be paid over the course of the rest of the year through scheduled payments.

Valeant has also considered selling assets as a means to reduce debt and ongoing expenses. The problem with doing this, however, is that any valuable asset that could put a dent in Valeant's debt now is also a revenue generator for the company—something Valeant arguably needs just as much.

### Valeant gets sued by former investors

T. Rowe Price Inc., formerly one of Valeant's largest investors, filed a lawsuit against the company recently, alleging that Valeant took part in a "fraudulent scheme," which eventually cost shareholders billions. T. Rowe Price sold Valeant's stock back in May.

The lawsuit was filed in August in New Jersey and is similar to another lawsuit already filed by a teachers' retirement fund.

Valeant already has a number of other lawsuits and investigations underway, including a criminal investigation relating to the company's connection to a pharmacy; they allegedly pushed both insurers and pharmacy benefit staff to pay out reimbursements for some of the company's more expensive medications.

New York Hotel Trades Council & Hotel Association of New York City and the Detectives' Endowment association of New York are also suing Valeant, filing a class-action lawsuit against both Valeant and Philidor Rx Services founders Matthew and Andrew Davenport.

The primary allegations in that lawsuit claim that Valeant's medications were "unnecessarily paid for, or incurred excessive costs" to the subscribers of those programs. The plaintiffs in the case are seeking a trial by jury and damages on behalf of themselves and other similar payers; damages are estimated to be in excess of US\$5 million.

Valeant also has ongoing investigations with both the U.S. Attorney's Office and the U.S. Securities and Exchange Commission.

In my opinion, Valeant remains an incredibly risky investment at this point in time. While the company has acted swiftly in making changes to address the problems of the past, Valeant still has a mountain of debt, countless lawsuits to overcome, and a turnaround plan that still needs to be followed.

At this point, there are far better investments in the market to pick over Valeant that will provide the growth that investors desire.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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

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