



## Valeant Pharmaceuticals Intl Inc. Will Continue to Be a Loser in 2017

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) had a disaster of a year, as the stock continued its decline into the abyss. Billionaire activist investor Bill Ackman, who remains a majority shareholder, got hurt badly from this investment; however, he is now on the board and remains as optimistic as ever with the new CEO Joe Papa at the helm.

I do not share Bill Ackman's optimism, and I believe the only reason he's still in the stock is because he wants to salvage as much upside as he can before dumping his stake. There's zero chance that Bill Ackman will get his original investment back, and he should have cut his losses when he had the chance to many times over the past year.

Sure, Bill Ackman is a smart investor with an impressive track record before Valeant, but he showed that even billionaire hedge fund geniuses can make very bad mistakes, as he continued to hang on to his Valeant shares while they continued to fall into the bottomless pit. I have a general rule: if there's any sign of fraud or borderline fraudulent activities happening in the company, then I am out of the stock. It's a simple rule, but it could save you your shirt.

It's clear that the old management team at Valeant got very greedy; the acquisitions started piling up along with the massive mountain of debt they took on. But there's a new CEO, a new management team with a new strategy, and Bill Ackman on the board. Is it safe to buy the stock now, seeing as the company has completely re-invented itself?

### **New leadership, new strategy: The formula for a rising stock?**

The company is focusing on selling non-core assets in order to pay back its debt on time, and the acquisition days are over, and will be for the next few years at least. CEO Joe Papa is the perfect man for the job, and he's got huge incentives to turn Valeant around. But will the company be successful in turning around?

I think the new leader and strategy are steps in the right direction, but the reputation of the company is permanently tarnished. The stock will always trade at a discount to its intrinsic value and will never reach fair value because of the ruined reputation.

As Warren Buffett once said, "...it takes 20 years to build a reputation, and five minutes to ruin it." This is very true, and in the case of Valeant, investors may never give the company a second look thanks to the shenanigans that went on over the past two years.

### **More difficult times ahead for Valeant**

Valeant is still cleaning up the mess from ex-CEO Michael Pearson, and it could take years to get Valeant growing at a rate of a top pharmaceutical company again. The company had a whopping US\$30.4 billion worth of long-term debt as of Q3 2016. This is a huge problem considering Valeant's market cap is 15% of this amount and continues to drop as time goes on.

Going into 2017, the stock is going to try to repair the damage. You can expect a series of disappointing quarters and the sale of its subsidiaries, like Salix, at a loss, as the company attempts to gather enough cash to pay back its debt.

It's never a good strategy to buy high and sell low. The party is long over for Valeant, but the mess could take years to clean up. The stock is too risky; just stay away.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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