Valeant Pharmaceuticals Intl Inc.: A Year in Review

Description

If there was ever to be a documentary about the rise, fall, and ongoing struggle of any stock, **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) would more than likely be a great candidate.

The beleaguered company has had a whirlwind of a year, and company executives (at least those that are left after exodus over the past year) will be more than happy to ring in the New Year and start 2017 on a better footing.

That being said, let's look at how Valeant fared in 2016.

A new beginning

Going into 2016, investors of Valeant were anything but optimistic. The stock had taken a +50% haircut since problems for Valeant started to compound back in August 2015. In all, over $70 billion in market value had simply evaporated.

Back in January, Howard Schiller was serving as interim CEO, and he provided a telling presentation on changes within Valeant that would serve to put an end to the practices that got Valeant into trouble.

The distribution agreement with **Walgreens Boots Alliance**, which was signed at the close of 2015, was recognized as one of the key avenues from where Valeant could offer products at significantly discounted prices to a large market. The plan at the time was for Valeant's dermatology products to be released through the agreement, then to be followed by other products.

During that same presentation, another announcement was made that would set much of the course of the company for the rest of the year: Valeant was going to devote as much cash as possible–and even consider selling assets–to pay down debt.

On March 15 Valeant reported fourth-quarter earnings and came up short of what had been expected. If this weren't bad enough, Valeant also reduced guidance for the year. Fueled by those results, the stock dropped another 50% on that day alone.

By spring, Valeant had a new CEO in Joseph Papa and was now facing problems straight on, starting with the staggering amount of debt–nearly US$30 billion. Valeant maintained that it would deal with the debt by selling off non-core assets with at least US$1.5 billion of that debt targeted to be removed during the year.

Another problem Valeant had was the ongoing delays relating to the company's financials being filed. Some bondholders filed a notice of default to Valeant, triggering a 60-day countdown to when creditors could seek immediate repayment, which was contingent on Valeant still not filing its required financial statements.

Those statements were delayed due to several findings uncovered from an internal audit at the company, and while Valeant did eventually file an extension and the necessary papers, it did not help confidence in the company, which hit new lows.

Slow and steady comeback

Those new lows were put into perspective as Valeant hit a mind-boggling 90% year-to-date drop. If there was an unseen benefit in any of this for Valeant, it was that investors had, for the most part, realized that Valeant had hit bottom and could not do any worse.

By August, Valeant had paid down over half of what the company had targeted in debt reduction for the year. In addition to the company's targeted reduction, upwards of US$8 billion was earmarked as potential debt reduction that could come from selling non-core assets.

Unfortunately, Valeant realized that any asset that would provide a windfall when sold would not no longer provide a stream of revenue that the company so desperately needed. Additionally, because of Valeant's precarious position, would-be suitors to offload any assets could more than likely fetch a better price–again to the detriment of Valeant.

Valeant ends 2016 in a different position than where it started. Valeant has a new CEO, a new vision, steady, sustainable revenue growth, and a plan to tackle the massive amount of debt that now surpasses the company market value five times over.

In short, Valeant is doing everything that can possibly be done to correct past errors, but those efforts will need years to show improvement.

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