



Valeant Pharmaceutical Intl Inc. Just Raised its Drug Prices Again

Description

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) is at it again. The company just announced 95 new price increases across more than 50 of its products. If you thought the price gouging that got them in hot water last year was over, think again. The company is firing on all cylinders, but this time it has Joseph Papa at the helm and instead of an acquisition spree, it's a fire sale of the Valeant's non-core assets.

It's no mystery that Valeant is drowning in debt. It has \$30 billion worth of debt that needs to be paid back, and the company is going to be selling its assets just as fast as it was acquiring them two years ago.

Valeant just raised a quick \$2 billion from selling some of its non-core assets. The company sold its skin care assets to **L'Oreal SA** for \$1.3 billion and also announced it will also be selling its Dendreon cancer business to China's **Sanpower Group** for \$819.9 million.

There's no question that the buyer of Valeant's assets will have most of the bargaining power since they know that Valeant is desperate and in a very hard spot right now. Because of this, I see acquirers of Valeant's assets being the biggest beneficiaries of the deals considering Valeant paid a huge price tag for most of its assets in the first place and will be forced to let them go for a cheaper price.

The company did not consider value when it went on its acquisition spree a few years ago. It just made deals for the sake of getting the stock higher, but everything came crumbling down when reality set in.

Going forward, we can expect a lot more sales to be made as well as more price hikes on its existing drugs in the efforts to raise enough cash to delever its balance sheet.

I do not believe more drug-price increases are appropriate right now, especially since President-elect Donald Trump made it clear that he's against excessive price gouging. He promised to bring down the cost of prescription drugs, and I believe Valeant will have to reduce its drug prices by a huge amount going forward. More drug-price hikes will do very little to help raise money right now since it's very likely that everything will be reversed in a few short months.

Valeant is still a terrible stock to own. The company has no morals and will continue to abuse the system in order to make a profit. The company's reputation has been damaged, and it could be many years before we see any real gains coming from the stock.

I believe Valeant will eventually pay off its massive debt load after it raises enough from its current sale, but I still wouldn't touch it considering the huge scandal it was involved in over a year ago. Investors have a good memory, and the fall of Valeant will be remembered for a long time.

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