



## On the Move! Valeant Pharmaceuticals Intl Inc. Rises Again

### Description

Just when you thought there could be no more drama with **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), the company comes through with a massive announcement.

Except this time, the announcement is good news. Here's a look at the recent news about Valeant and what this means to investors.

#### Finally, a non-core asset sale

Valeant has been struggling for over a year due to questionable drug-pricing practices and a myriad of financing deals that left the company with a staggering US\$30 billion in debt. While Valeant attempts to churn out a profitable (or at least sustainable) business model, company management noted last year that Valeant would be selling off non-core assets to pay down debt and decrease expenses.

Some of those non-core assets were sold off this week. Valeant announced the sale of three skincare brands as well as the Dendreon cancer-treatment business in two separate deals for US\$2.12 billion.

L'Oréal SA, a France-based cosmetics company, purchased the three skincare brands, AcneFree, Ambi, and CerAve, from Valeant for US\$1.3 billion, whereas Sanpower Group Co. Ltd., a private Chinese company, will purchase Dendreon for US\$819.9 million.

The skincare brands provide approximately US\$168 million in revenue annually, but Valeant needed the sale to pay down debt, and L'Oréal was willing to pay an inflated price for the brands. Valeant purchased Dendreon in 2015 out of bankruptcy for US\$445 million. Selling Dendreon for nearly double what Valeant paid for the company less than two years ago is great news for Valeant.

#### Are there more deals on the horizon?

This is more than likely just the start of Valeant unloading all of the non-core assets the company has acquired over the past few years.

Valeant recently had discussions with **Takeda Pharmaceutical Co. Ltd.** over a sale of Valeant's Salix

gastrointestinal business, and Takeda was rumoured to be willing to pay up to US\$1 billion for Salix.

Unfortunately for Valeant, those negotiations came to a halt in November of last year, which sent Valeant shares tumbling significantly. While Takeda did eventually make a purchase, it was for Ariad Pharmaceuticals, Inc. for approximately US\$5.2 billion. That being said, Ariad management has alluded that further deals could be in store, maybe even with Valeant.

This week Valeant CEO Joseph Papa set a target that Valeant would pay down US\$5 billion of the company's debt over the next 18-month period; the proceeds would come from both non-core asset sales as well as from improving operational results.

### **What's next for Valeant?**

Valeant is doing everything that the company needs to do: it's getting a stable business running, offloading expensive, unused products, and forging new alliances and deals where they are profitable.

One such deal is a drug distribution deal with **Walgreens Boots Alliance** signed last year. While that deal initially showed signs of growing pains, management remain certain that the venture will prove a successful revenue driver for the company.

Valeant's management is also another factor that needs to be taken into consideration. Papa has been at the helm of the company for just under a year, and CFO Paul Herendeen has only been at Valeant for a few months. Both executives are veterans in the industry and have the experience and know-how to turn the company around if given enough time.

Unfortunately for existing investors, particularly those long on Valeant, progress on Valeant's turnaround is likely to be both slow and painful. While over the long term, Valeant may seem like an interesting opportunity, the stock is far too risky an investment.

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