



## Could Valeant Pharmaceuticals Intl Inc. Go to \$0?

### Description

**Valeant Pharmaceutical Intl Inc.** (TSX:VRX)(NYSE:VRX) has been a huge destroyer of wealth for investors who were too high on the hype. Even activist investor Bill Ackman lost his shirt; he kept hanging on to his shares as they plummeted further into the abyss. He stated that he made a “huge mistake” and that he was “deeply and profoundly” sorry for losing billions of dollars for his fund, Pershing Square Holdings Ltd.

It would take an extraordinarily large amount of effort on Ackman’s part to salvage some upside, so he finally threw in the towel after Valeant lost over 95% of its value. There are valuable lessons to be learned from Ackman’s mistake. It’s never a good idea to hang on to shares just because you don’t want to feel the pain of realizing a loss. Sure, Warren Buffett advises that investors “never lose money,” but you’ve got to know when to admit defeat when major issues could destroy the intrinsic value of a stock.

Bill Ackman thought that Valeant was trading at a huge discount to its intrinsic value when it dropped, and it appeared to be because the assets looked to be top notch. Bausch and Lomb is a terrific business and one of the largest manufacturers of contact lenses in the world.

Where did things go wrong?

Sure, the assets were great, but Valeant had to drown in a massive amount of debt to acquire them. The company was on a greedy acquisition spree, and the old management team probably never had value on their minds. They just wanted to drive the stock up in the short term, but at the expense of the long-term fundamentals of the business.

The company is in fire-sale mode as it prepares to liquidate as many non-core assets as it can, so it can meet its debt obligations. There’s still a lot of selling to do, and it’s truly a race against time before the debt matures. Everyone knows Valeant’s story, so potential buyers of Valeant’s assets will have most of the bargaining power. I believe Valeant will be scrambling to sell assets over the next few years, and there won’t be much room for R&D or growth.

The stock is ridiculously cheap right now, but many pundits believe that Valeant could possibly

go bankrupt within the next few years. This is a possibility, so investors should take extreme caution when considering owning shares of Valeant right now. On the bright side, Ackman's followers are already out the stock, so that's one less negative catalyst that you don't have to worry about.

CEO Joseph Papa collected a fat \$63 million last year as the stock continued to crumble. This move doesn't make sense to me, and it's got to be troubling to shareholders who are looking for a rebound. I believe the company's reputation is permanently tarnished, and it's going to be a tough road ahead for Valeant.

Valeant is a cheap stock, but don't be tricked into thinking the company is near a bottom, because you could still end up losing your shirt. If you want to gamble on Valeant, then you should at least know the risks.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

## Category

1. Investing

## Date

2025/07/30

## Date Created

2017/04/03

## Author

joefrenette

default watermark

default watermark