



## Was Bill Ackman Wrong to Sell His Stake in Valeant Pharmaceutical Intl Inc.?

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) soared a whopping 24.1% on Tuesday following a forecast upgrade and the announcement that the company recorded its first profit in six quarters. Contrarian investors who have attempted to find a bottom in the stock since the massive plunge have been hurt badly, so you should be aware that the same risks apply, even if the business appears to have turned a corner.

Billionaire activist investor Bill Ackman dumped his entire stake in Valeant after losing his shirt a few months ago, and the stock tanked further as all of his followers dumped their stakes as well. It appears that most of the negative news is already baked in to the stock, so is possible for Valeant to reinvent itself?

### Impressive results seem to indicate that Valeant is getting back on track

Valeant raised its full-year adjusted EBITDA forecast; it expects to see \$3.6-3.75 billion, which was higher than the original estimate of \$3.55-3.7 billion. Net income was at \$628 million, or \$1.79 per share, in the first quarter of this year compared to a \$374 million loss, or -\$1.08 per share, during the same period last year.

The management team with new CEO Joseph Papa at the helm expects to rebuild the brand and regain the trust of the general public after what seems like an endless storm of investigations and negative press. According to Mr. Papa, the company is on schedule to repay \$5 billion worth of debt by February 2018.

Going forward, we can expect Valeant to continue selling as many non-core assets as it's able to. There's still a ton of debt, but I believe the company is on the right track, and it's definitely promising news that the company is reinventing itself as a legitimate pharmaceutical company.

There's not much room for growth over the next year or so since Valeant was never an R&D-heavy company to begin with. However, in a few years, when the debt is brought down to reasonable levels, I believe the company could start to rally to higher levels from here.

## Is Valeant investible?

Sure, the company will be on damage control for a long time, but the core assets, like Bausch and Lomb, are still top notch. I've never been a fan of Valeant's business model, even before the crash it experienced, but now, I think Valeant is shaping up to be an interesting play for contrarian investors who can stomach massive amounts of volatility.

Don't bet the farm on it though, because there could still be a considerable amount of downside left, but for the most part, I think Valeant is somewhat investible for those don't mind taking on a large amount of risk.

I think Bill Ackman's recent disposal of his Valeant shares was poorly timed, just like his decision to initiate a long position when the stock was in bubble territory a few years ago.

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