



## Contrarian Investors: Don't Expect a Sudden Rebound in Valeant Pharmaceuticals Intl Inc.

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) is in the midst of a transformation overhaul as its new CEO Joseph Papa looks to clean up the mess that Michael Pearson and the old management team left behind. Valeant has lost almost 97% of its value as the stock continues to fall further into the abyss. Unfortunately for many contrarian investors, the stock continued its tumble into the single digits.

### It's undervalued, but is it safe to buy shares?

Many pundits believe that Valeant is extremely undervalued and that the company could offer contrarians the opportunity for a rebound of a lifetime. Valeant owns terrific core assets, but the fire sale of non-core assets is far from over, as the management team looks to raise money to chip away at the mountain of debt.

I think Valeant is close to a bottom, but if you're hungry for a rebound, you've got to be realistic. Valeant probably isn't going to skyrocket overnight or quadruple over the next three years as some of the more bullish analysts out there believe. If you're got a stomach for volatility and you can afford to wait five years or more, then Valeant could be an intriguing rebound play. Bill Ackman had horrible timing when he first initiated a position. And maybe his decision to dump the stock was just as poorly timed.

Valeant recently released the first real positive piece of news in a long time. The company raised its full-year adjusted EBITDA forecast, and the company is on schedule to reach its target of paying back \$5 billion in debt by February 2018. This is promising news, and I believe the rally that followed was completely warranted.

### Where is the stock heading from here?

The rally has since run out of steam, and Valeant appears to be picking up negative momentum again. There's a stigma surrounding Valeant which I don't think will go away with a new management team.

The possibility of a company name change was also brought up, but would this attract investors? Or is it just a cheap trick that investors will see through?

I'm not sure, but it appears that Valeant will require a steady stream of good news to keep the stock moving higher; otherwise, in the short to medium term, I think the stock will continue to decline by default.

I'm a huge fan of the core assets owned by Valeant, and I believe they are absurdly undervalued, but I think it'll take many years to attract investors back to the company and its new, legitimate business model.

I would recommend picking up shares in very small increments on the way down, but only if you truly believe in Joseph Papa and the new management team. I think he's the right man for the job, but keep in mind, he's not a miracle worker. There's still a lot of cleaning up to do, and a sustainable rally may be a year or more away.

Stay smart. Stay hungry. Stay Foolish.

## CATEGORY

1. Investing

## POST TAG

1. Editor's Choice

## 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

## Tags

1. Editor's Choice

## Date

2025/07/30

## Date Created

2017/05/31

## Author

joefrenette

default watermark