



Valeant Pharmaceuticals Intl Inc. May Raise Another US\$2 Billion to Pay Back Debt: Time to Buy?

Description

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) is using CEO Joe Papa's new strategy to turn the controversial debt-fueled greed-fest that was Valeant into a legitimate business with a manageable amount of debt.

I think Joe Papa will probably be successful in turning Valeant around, but it's going to take some time and patience on the management team's part. Valeant will be on damage control for quite some time, and it will probably take at least two years before the company can focus on growth again.

Is Valeant near a bottom?

While Valeant seems to be one of the more intriguing contrarian plays on the TSX today, I would urge the average investor to be cautious and to not buy too many shares at once. The company is still speculative and is subject to a high amount of headline risk, so it's not safe to assume a bottom is near. Although it appears that most of the bad news is already baked in to the current stock price, if any roadblocks come between Valeant and its new goal, then more pain could be in store for Valeant.

The name Valeant probably gives investors a bad vibe, and for that reason the stock will probably decline by default, unless some catalyst brings the stock up. The last quarter was a breath of fresh air for the company, and it's quite possible that more positive quarters may be around the corner as Joe Papa continues to clean up the huge mess.

There has been talk of a company name change, which could change the way investors think about the company. After all, Joe Papa and the new management team have a completely different business model. Even if all the corruption has left the company, many investors may still shun the stock for its severely tarnished reputation regardless of who's in charge. I'm not sure if a name change will help attract investors back, but it certainly wouldn't hurt the company at this point.

Another US\$2 billion may be raised

Valeant is reportedly speaking with German company **Carl Zeiss Meditec AG** regarding the sale of

Bausch & Lomb's eye surgery assets. According to *Bloomberg*, the deal could rake in about US\$2 billion for Valeant, which would be a small step in bringing the debt back to reasonable levels. The acquisition spree produced a whopping US\$30 billion in debt, but every deal is a step closer to bringing Valeant back on track.

Joe Papa appears to be taking his time with the sale of assets, and I think that's the right way to go about the situation. There's no point in dumping assets as fast as possible because getting a reasonably fair deal is key to making Valeant great again.

Should you buy now?

If you're an aggressive investor that isn't rattled by stomach-churning volatility, then Valeant is a top candidate for a turnaround over the next few years as the company chips away at the mountain of debt. The bottom may not be here yet, so you should buy in tiny increments in the months ahead.

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