



## Will Donald Trump Give Valeant Pharmaceuticals Intl Inc. a Much-Needed Lifeline?

### Description

After a frustrating period of decline, **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) stock has jumped a staggering 28% in just the past five days with nearly 13% of those gains coming on June 22 alone.

While many biotech stocks surged in anticipation of President Trump's softening stance on sky-high drug prices, investors in Valeant are particularly on edge, given how desperately they've waited for a lifeline to pull the beleaguered drug maker out of the hole. Will Trump provide the much-needed boost?

### What Trump is doing

Even during his presidential election campaigns, Trump was vocal about the exorbitant specialty-drug prices and proposed policies to lower drug prices to make health care more affordable.

For a company like Valeant, which had an acquire-drugs-and-raise-prices policy, investors were spooked that Valeant's sales and profits might hit the brick wall under Trump's presidency.

Things have finally started to roll. The Senate just unveiled the healthcare bill, and there are reports of the president softening his stance on drug prices, as evident from his executive order draft report.

For a stock that has lost 90% of its value in two years, any bit of positive news, even if speculative, is bound to send it higher. The market perhaps now expects that policies for faster clinical trials and drug approvals, along with a not-too-rigid cap on drug prices, could revive Valeant.

### Testing times for Valeant

As of now, no one really knows what Trump's final executive order will look like. Drug prices will likely be lowered, but we don't know how or by how much.

No matter how hopeful the market might be, Valeant's struggles continue, and its possibilities of a turn still boil down to how effectively and quickly new CEO Joseph Papa can rebuild the company's balance

sheet, unlock value from core assets like Bausch + Lomb, and restore investors' faith.

Remember, Valeant has a huge debt burden — running into US\$28.5 billion as of last quarter — and is aggressively selling assets to deleverage, which also means it'll lose whatever revenue those assets were generating.

So far this year, Valeant has already offloaded CeraVe, AMBI, and AcneFree skincare brands, and is selling its oncology business Dendreon as well as iNova Pharmaceuticals. Balancing divestitures and top-line growth will be an uphill task for the company.

### Should you buy Valeant now?

Valeant's interest coverage ratio — the amount of operating earnings that can cover interest expenses — has [hit dangerous levels](#). The company is still very much in trouble, and prudent Fools might want to wait until Valeant delivers some visible quarters of improvement.

The stock could dive right back down, just as it has soared, on even the tiniest setback. Unless fundamentals improve, Valeant will be a roller-coaster ride.

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