

This 1 Company May Still Be the Best Contrarian Play of the Year

Description

In October of last year, I wrote about why I thought **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) may be the [best contrarian play for 2017](#); since then, a lot has happened.

I thought I would revisit the Valeant turnaround thesis once more, this time with the emphasis on the pharmaceutical company's management team — a management team I believe has done an amazing job of creating value for shareholders over the course of the past six to 12 months.

Investors want to know what they are going to get

Uncertainty is a terrible thing in general; I want to know what is for dinner, how long I will have to wait in line for that new movie everyone wants to see, and, overall, what my rate of return will be on a given investment.

With Valeant, trying to gauge what my return on investment will be this year or next year may be extremely difficult; however, what has become clear in management's execution of its strategic plan is that I will be able to gauge with some certainty where the company is going and how the company intends to get there.

The ability of any management team to do what they say they are going to do should not be undervalued. In my opinion, part of the recent (deserved) rise in the value of Valeant stock can be attributed to investors simply giving the company's management props for getting the business to where it is today in terms of debt reduction and a return to a reasonable path to long-term profitability.

Divestitures can support a return to organic growth

The company's latest divestiture of its iNova Pharmaceuticals business for nearly \$1 billion in cash is yet another in a long list of steps the company has made to move toward its goal of paying down \$5 billion of debt by early 2018. Valeant remains a significant player in terms of its drug portfolio, and while its R&D program isn't what it once was (due to a shift toward an infamous and ineffective buy-and-hike acquisition program), the company has a decent pipeline of drugs as well a number of valuable pieces it can still sell off to focus on returning to its "organic" growth roots.

Following a divestiture plan strictly can be a difficult thing to do (obviously, the company's best drugs will be the first ones potential suitors call about); however, at this point in time, with the company's stock price hit so hard of late, raising capital via an equity issuance just doesn't make as much sense as biting the bullet and repaying debt as quickly as possible.

Stay Foolish, my friends.

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