



Valeant Pharmaceuticals Intl Inc. With Papa Is a Great Buy

Description

Many smart investors have never been fans of **Valeant Pharmaceuticals Intl Inc.**

(TSX:VRX)(NYSE:VRX), even before the whole scandal and crash that happened after Valeant was the hottest stock in town with the highest market cap on the TSX. Something seemed fishy with its debt-fueled growth-by-acquisition strategy, and eventually, the house of cards came tumbling down.

Those who got caught up in the hype lost their shirts. Valeant has also been a very tough pill to swallow for contrarians trying to catch a bottom over the past few years as the issues kept piling up. But with new CEO Joseph Papa on board with his turnaround strategy, it may finally be time to pick up shares of VRX.

Bill Ackman's series of unfortunate investment decisions

Activist investor Bill Ackman held on to his shares on the way down until he suddenly decided to throw in the towel after many months of pain. There was just too much effort needed to turn the business around, and that was one of his primary reasons for finally deciding to dump his stake. It seemed that no sustainable bottom could be formed in Valeant, but by the time Ackman gave up, he'd already lost most of his original investment.

Ackman threw in the towel at the worst possible time; shares of VRX surged over 95% from April's low to June's high. The timing wasn't as bad as his initial entry into the stock before the collapse or his decision to buy more shares after the first plunge, but I think there was plenty of value to be had.

Re-gaining everything that Ackman originally lost is out of the question, but Valeant appears to be back on the right track with Mr. Papa at the helm. Mr. Papa had a tough task in front of him, but his decision to find good deals for the company's non-core assets appears to be a winning long-term turnaround strategy.

Papa versus the mountain of debt

Chipping away at US\$30 billion of debt is a daunting task for anyone, but Mr. Papa made it clear that he doesn't plan on becoming completely debt free. Mr. Papa stated that he'd like to see debt as low as

US\$15 billion.

At the end of Q4 2016, the company's debt-to-equity ratio was at 9.47. At the end of the last quarter, this ratio dropped to 7.24. The company is cutting debt extremely fast; in another year or so from now, Valeant could be back to growing again. But don't expect another greed-fueled acquisition spree; the new Valeant is planned to be a legitimate pharmaceutical company that will actually be investable.

Stay smart. Stay hungry. Stay Foolish.

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