



Long-Term Investors: Buy the Dip With Valeant Pharmaceuticals Intl Inc.

Description

The reaction an investor gets when they hear about **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) tends to be mixed, to say the least. Still hampered by a negative image stemming from a very public dispute with lawmakers over the validity of massive price hikes on critical life-saving drugs, the once-dominant pharmaceuticals giant has seen its share price drop approximately 95% from its peak two years ago.

Here's why long-term investors should take a look at this company, despite the noise and the roller-coaster ride shares have been on of late.

Excellent earnings results, again

Valeant reported earnings this week which beat analyst expectations again, sending the company's share price higher by more than 10% on Tuesday. The company reported adjusted earnings per share of \$1.03, nearly 9% higher than analyst expectations of \$0.94 per share. Revenue increased quarter over quarter to US\$951 million; however, year over year, revenue declined by approximately 10%.

Since Tuesday morning, however, the company's share price has dropped a whopping 18%, displaying the extremely volatile nature of the underlying business — equally reflective of the volatile nature in which investors view Valeant.

The question of whether this massive drop represents a buying opportunity or a moment for pause is what many are talking about now, given the significant swings Valeant shares have seen over the past three trading days.

Bottom line

It is true that Valeant remains an extremely speculative play in the pharmaceutical industry (an industry which already tends to be much more volatile than the average sector overall), and that the company's management team still has a long way to go to achieve a reasonable level of debt, at which point the company will be able to once again focus on revenue and profitability growth. As fellow Fool contributor Joey Frenette has [pointed out](#), assuming Valeant is able to achieve its \$5 billion debt repayment target

by early 2018, the company will have until 2020 to work on its organic growth profile and pipeline of drugs, given that its growth profile is what investors are going to care about moving forward.

It will be up to Valeant's management team to make this all happen; one thing the company does have at the moment is an execution and operationally focused management team that has proven success in delivering results over time. Right now, a bet on Valeant is more of a faith-based statement in the ability of the company's management team to hit its targets — a bet perhaps not many would be willing to make, but one which is potentially very lucrative if management is able to pull it off.

Stay Foolish, my friends.

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