



Valeant Pharmaceuticals Intl Inc.: Different Company, but Better Investment?

Description

There are few investors that don't recall the epic drop of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX). Two years ago, the stock was the darling of the exchange, trading at values over \$300 per share with a market cap that was larger than some of Canada's big banks.

Valeant's fall from grace was a lesson for all investors

Valeant's drop from fame resulted in the stock tumbling over 90%, fueled by a flawed business model that was over-reliant on cheap loans to acquire smaller drug companies and in turn boosting prices of those new drugs, which were used to get more loans.

That model worked for a while, at least until sentiment against those price increases came to the attention of lawmakers, and creditors came calling for Valeant's loans.

Once all the dust settled, Valeant was left with a staggering amount of debt that was near US\$30 billion and a failing business model.

Valeant's turnaround has been impressive

If there was one word to describe Valeant's new management headed by CEO Joe Papa, it would be *grit*. On the heels of the failed business model and a mountain of debt, Valeant began an aggressive policy of cutting costs, selling non-core assets, and revamping the company's business model to reach a sustainable point.

In all, Valeant has slashed debt by approximately US\$5 billion over the past year, mostly through selling non-core assets. While impressive, the loss of those assets could spell lower revenues in subsequent quarters provided that Valeant does not have other products ready for market.

Fortunately, Valeant has a number of products that are showing signs of encouragement. The Bausch + Lomb unit of the company recently launched a new contact lens called Biotrue ONEday across 20 European nations. The new lens is targeted at patients suffering from Astigmatism, and the greater contact lens market is valued at nearly US\$10 billion. Analysts view the Bausch + Lomb unit as one

area that will continue to grow and provide revenues for Valeant.

Valeant's dermatology unit also has some promising products coming downstream. The psoriasis drug Siliq received approval from the FDA earlier this summer and could be a driving force in boosting revenues from Valeant's dermatology unit, which has dropped nearly a third in the most recent quarter.

Is Valeant a good investment?

Investors that were burned by Valeant's drop two years ago may be a little hesitant to jump on the bandwagon just yet, as will be those investors that are comparing Valeant today with the company it was two years ago.

In reality, today's Valeant is still heavily indebted, but the difference is that the company has a plan to pay down that debt and get to a sustainable point. Papa has alluded to the fact that the turnaround will take time, possibly as much as several years, but it will come.

Equally reassuring were the comments made last quarter regarding Valeant's debt, specifically that the goal of Valeant in this turnaround is not to be debt-free, but rather to be at a point where debt is manageable, which management believes is in the US\$10-15 billion range.

Is Valeant a buy?

Investors looking only at the long term that are perfectly fine with the higher than normal risk that goes along with buying into a company like Valeant may be able to reap some rewards when the company finally emerges from digging itself out, but most investors would be much better served by investing in any number of other options on the market that will provide better returns over a shorter period of time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/10/01

Date Created

2017/10/24

Author
dafxentiou

default watermark

default watermark