



Valeant Pharmaceuticals Intl Inc.: A High-Risk/High-Reward Stock for Patient Rebound Hunters

Description

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) continues to be a tough stock to own, even though it's been over two years since the company's catastrophic collapse. Valeant's new CEO Joseph Papa has done an exceptional job of selling non-core assets to chip away at the mountain of debt accumulated by ex-CEO Michael Pearson's unsustainable acquisition spree, but there's still a tonne of work to be done to get the business and the stock back on an upward trajectory.

The stock is down ~40% over the past year, and as the negative momentum starts to pick up again, is it a [reckless move to buy it today](#)? Or is there [light at the end of the tunnel](#) for those who can deal with the short-term pain that comes with owning the stock?

A big debt problem

Valeant's acquisition days are behind it, as the new management team, led by Mr. Papa, attempts to reinvent the company as a legitimate high-growth pharma play. Management has made it clear that it doesn't plan on eliminating all (or most) of the company's debt (very few, if any, companies are completely debt free); instead, having debt fall in the range of US\$15-20 billion is desired, at least for the medium term, as the company gets back on the growth track with its promising drug pipeline.

While Valeant's new medium-term plan may sound promising, it's important to note that it's nearly impossible to tell whether a new drug will be a hit or a miss. Should all of Valeant's promising up-and-coming drugs be flops, then the company could go into divestiture mode again in a scramble to offload assets for cash as the race against time begins again.

Recent divestitures have bought Valeant enough time to focus on a return to organic growth, but the company still has more debt than some third-world countries, as fellow Fool contributor Demetris Afxentiou pointed out, so it's still an uphill battle for Papa and company.

FDA recently approved Vyzulta for treating glaucoma

A potential hit for Valeant may be Vyzulta, which recently received FDA approval for the treatment of

glaucoma. Many analysts believe that Vyzulta could be a potential blockbuster drug, which may return Valeant into an upward trajectory. Phase three clinical trials have shown to be promising, and should it continue to find success, the drug should give Valeant's revenue a much-needed boost.

Other drugs to keep on your radar

In addition to Vyzulta, Siliq and Relistor Oral could have potential to bring Valeant out of the gutter if clinical trials continue to show promise.

Bottom line

In the best-case scenario, Vyzulta, Siliq, and Relistor Oral would hit the market and become major earnings drivers for Valeant. That would mean cash flows from these drugs could cover a huge chunk of the remaining debt over time.

On the flip side, if all of Valeant's up-and-coming drugs hit a brick wall in late-stage clinical trials, shares of VRX could continue to fall farther into the abyss.

Valeant's a high-risk, high-reward type of stock that is going to suffer from a great deal of short-term volatility. If you've got the cash to risk, Valeant may be a promising rebound candidate should everything go according to plan; otherwise, you may lose your shirt.

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