



## Valeant Pharmaceuticals Intl Inc.: The Best Long-Term Rebound Play on the TSX?

### Description

**Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) shares are up a whopping ~41% over the past month, as the stock moves forward with its new growth strategy. Divestiture mode is slowing down, and with Valeant returning to profitability, could it be an opportunity of a lifetime to get in on one of the biggest potential turnaround stories out there? Or will the company's limited financial flexibility lead to missed payments when debts begin to mature in a few years?

Both scenarios are definitely possible, which is why Valeant is a [high-risk/high-reward stock](#) that only disciplined contrarians should consider. While recent divestitures bought the company time to focus on growth initiatives, the clock is still ticking, and eventually the debt collectors will come knocking. If Valeant hasn't had an opportunity to raise more cash via asset sales or promising FDA-approved drugs, then things could start to get ugly all over again.

There's still a mountain of debt, and while CEO Joseph Papa doesn't intend to pay off all the debt at once, the main story is still about paying back the debt before time runs out. While it may seem that the debt is under control with recent divestitures (~\$1 billion paid back since the second quarter), there are still many uncertain variables that will either send Valeant shares skyrocketing or plunging.

Valeant has stayed on top of debt repayments, exceeding expectations to this point, but this could change should the products of its drug pipeline not show any promise over the next year and beyond.

### Terrific Q3 2017 results

Valeant recently reported a solid Q3 2017 with Bausch and Lomb and GI leading the way. Adjusted EBITDA was clocked in at \$951 million, beating analyst expectations of \$876 million, while revenues declined by 10.5% to US\$2.22 billion. The dermatology and diversified segments lagged, but overall, the quarter was solid — a good indication that Mr. Papa has the ship sailing in the right direction.

I believe the post-earnings rally was warranted and could be the start of a move to much higher levels, as more potentially promising news comes from Valeant's drug pipeline.

### **Valeant could break out in 2018 thanks to new drugs**

The success of Valeant will ultimately lie in its upcoming new drugs, which have shown promise up to now. Vyzulta, Siliq, and Relistor Oral are key drugs that could become cash cows over the next few years should all go according to plan.

Vyzulta, used for treating glaucoma, could make Bausch and Lomb an even bigger driver of organic growth in 2018 and beyond. With the recent FDA approval of Vyzulta, I think Valeant is starting to become one of the most promising turnaround candidates on the entire TSX.

"We expect to make this new advancement available for those who suffer with glaucoma before the end of the year." said Mr. Papa.

The imminent launch and the potential for off-the-charts sales are definitely something to be excited about for contrarians.

### **Bottom line**

Joseph Papa has done a fantastic job with Valeant so far. He's the right man for the job, and I think he'll lead Valeant to a rebound over the next five years and beyond. Valeant is now a legitimate business, so smart contrarians would be wise to buy shares today, as the momentum could start to pick up in 2018.

I think Valeant is one of the best rebound candidates in the market today. Bill Ackman was right about the quality of Valeant's underlying assets, but he [didn't have the patience](#) to hang on to his shares. Will you?

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