



Valeant Pharmaceuticals Intl Inc.'s Significant 7 Could Be a Game Changer

Description

There is no other event in the market of recent memory that strikes a chord as deep and as memorable as the epic collapse of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) several years ago.

Valeant's fall from grace saw the company, which at the time had a higher market cap than some of the big banks, erase over 90% of its value, leaving the company with a broken business model and over US\$30 billion in debt.

Since that time, Valeant has changed leadership, and under the stewardship of CEO Joseph Papa, the company has made [significant progress](#) digging itself out from a mountain of troubles, which was reflected by the bump in the stock price in 2017.

Valeant's progress so far

One of the key issues with Valeant is that mountain of debt. US\$30 billion in debt is an incredible amount of money for any company, let alone one in need of a business-model revamp.

Papa has been clear on multiple occasions that being completely debt-free is not something that Valeant is looking at, but rather it wants to get its debt to a manageable level, which is in the realm of US\$10-15 billion.

To raise capital and slash that debt, Valeant has been selling non-core assets and looking at efficiencies and cost-cutting efforts at every juncture. So far, Valeant has been successful, with a US\$5 billion debt target set last August which was met late last year, well before the due date set for next month.

Meeting that obligation also means Valeant has no maturing debt before 2020, which gives Valeant more time to work on growing its revenue stream.

Valeant's seven new drugs

Over the past few years, Valeant's revenue stream has dried up. Some of this stems from the lost

revenue associated with those non-core asset sales, while some is attributed to changes to Valeant's distribution model.

Any way you look at it, Valeant's revenue stream is in dire need of a catalyst, and Valeant hopes that what the company is referring to as the "Significant Seven," an assortment of drugs slated to gain approval this year, are enough to do that and more.

The seven new drugs are

- Vyzulta: Slated to be a boon for the Bausch + Lomb core unit, this new drug will cater to the growing glaucoma market, which could balloon to US\$11 billion within the next two years.
- Lumify: Another Bausch + Lomb product, which serves as an over-the-counter choice for treating eye redness, received its approval from the FDA one month ago.
- Bausch + Lomb Ultra: As the name implies, Ultra comprises a third Bausch + Lomb offering, this time in the form of extended-wear contact lenses for people with astigmatism. In the third fiscal quarter, Ultra brought in US\$21 million in sales.
- Siliq: This drug is for treating moderate to severe chronic plaque psoriasis. Sales numbers from this drug are expected in the next quarter, and Valeant has already given a boost to its salesforce numbers in this sector to kickstart growth.
- Jemdel: This is another psoriasis drug that Valeant submitted for approval to the FDA last month.
- Duobrii: This is the third plaque-psoriasis-related drug submitted to the FDA for approval. Approval and commercialization should occur in the second half of the year.
- Relistor: This is a drug that aids opioid patients dealing with constipation. Relistor has already seen impressive growth with US\$17 million in sales noted in the third quarter.

Valeant is looking at these seven products as key drivers of US\$1 billion in annualized revenue once they hit their peak sales potential over the next several years.

Can Valeant succeed?

Valeant so far has surpassed the expectations of many. The company has paid down a massive amount of debt, while not significantly reducing its revenue potential. The fact that Valeant has addressed its targeted debt obligations gives it the opportunity to focus on improving its revenue model, which these seven offerings may end up doing.

In my opinion, Valeant poses an intriguing investment opportunity for those investors that have a high tolerance to risk. The company will not return to its former highs, but this high-risk option has some potential as one of several [great turnaround candidates](#).

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