Valeant Pharmaceuticals Intl Inc.: Get Ready for a Massive Opportunity

Description

There is no more widely watched fall from grace than that of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX).

default watermark

Several years ago, Valeant could do no harm. The stock was trading at over $250, and the company's market cap exceeded some of the Big Five banks.

But we all know what happened.

A business model fueled by cheap debt used for a series of acquisitions in quick order is never ideal. Valeant bought drugs using borrowed money, hiked prices, and then added the purchased drug to its distributor network before seeking out more loans and repeating the process.

When the controversy over the price hikes came into public focus and those cheap loans came due, the roof came tumbling down on the stock.

Shares tumbled over 90%, and debts skyrocketed, leaving Valeant with more debt than some third-world countries. Amazingly, Valeant has taken on the challenge of developing a workable and sustainable business model and tackling its mountain of debt, which exceeded US$30 billion nearly three years ago.

Since then, Valeant has taken to selling off non-core assets and identifying efficiencies to bring debt down and revenue up. To date, Valeant has already paid down over US$6.5 billion of that initial debt and established a practical approach back to growth.

What can we expect from year-end results?

Valeant is going to report end-of-fiscal and Q4 result in two weeks, and investors have two different views.

Investors burned by Valeant's epic drop (and there are many of them) will be hard-pressed to see any silver lining in Valeant's upcoming earnings report. As of Q3, Valeant had earned US$2.76 billion, yet the company has said a revised full-year guidance for the year will fall into the range of US$3.6-3.75 billion.

Valeant's upcoming earnings could fall within this range. Q4 is typically the strongest quarter for Valeant, and there's little doubt over the earnings potential of the company in this quarter.

Another key point to keep in mind is that Valeant recently announced an added US$200 million payment on its debt. CEO Joseph Papa announced, "We are able to further reduce our debt due to strong operational cash flow." If the upcoming results were really that weak, then the company would not be dropping an additional US$200 million on debt reduction.

Looking more towards the long-term prospects is where Valeant's current position really begins to become interesting.

Earlier this year, Valeant announced a series of upcoming drug releases that the company has coined as its "significant seven." They should help propel Valeant back on the path towards long-term growth.

Is Valeant a sound investment?

This is becoming a tough question to answer. Valeant's debt position is infinitely better than it was a year ago. Papa has noted in the past that becoming debt-free was not the goal of the company, but rather it was to get debt to a manageable position in the realm of US$10-15 billion.

default watermark

Add to this the fact that Valeant has an experienced C-Suite at the helm that should guide the company back to profitability, as well as Valeant's arguably discounted share price, and an opportunity begins to unfold, albeit for long-term investors as a great turnaround stock for 2018.

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
2025/07/21
Date Created
2018/02/14

Author
dafxentiou

default watermark

default watermark