



## Valeant Pharmaceuticals Intl Inc. Sure Has Fight in it

### Description

It's hard not to admire a company that is fighting hard to prove that it's not a failure and attempt to achieve the type of greatness it once had. That's the story of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), a company that at one time was known as the Hedge Fund Hotel before coming under attack for price-gouging tactics.

Now, with its new CEO Joseph Papa and a mission to clean up the balance sheet and return this company to success, we can clearly see that Valeant has plenty of fight in it. And even when the markets suggest the company may be down, it keeps moving forward.

The big argument against Valeant has always been debt. Before the price-gouging accusations, Valeant had funded its aggressive growth by borrowing tens of billions of dollars. That strategy made sense. If Valeant borrowed money to buy a company that was selling its drug for \$100 per dose and then increased the price of that drug to \$500 per dose, it would come out ahead.

Valeant has been getting rid of that debt. Papa promised to get rid of US\$5 billion in debt by February 2018. Valeant has already paid off US\$6 billion. That's a big feat, because Valeant was sitting on US\$32 billion when Papa took over.

Back in December, [Papa took steps](#) to buy the company more time to pay off its debt. In 2020, US\$4.4 billion of debt is due; in 2021, Valeant owes US\$3.2 billion; in 2022, it owes US\$6.6 billion; in 2023, it owes US\$6 billion; Valeant owes an additional US\$6.3 billion from 2024 on. Papa reduced that 2020 amount to under US\$3 billion, and though the interest rate has been increased on those notes, Valeant has more freedom to move assets around as it sees fit.

I honestly wasn't sure what to expect from Valeant when it came to paying off debt, but management has certainly showed that it has the fight in it to get things under control. And that's important, because the company has numerous initiatives that it believes will help it achieve growth.

Dubbed the “[Magnificent Seven](#),” these products have either been approved or are going to be approved shortly. Management projects they will generate US\$1 billion in annual revenue in five years. The products are

- Vyzulta for glaucoma
- Lumify for treating eye redness
- Bausch + Lomb Ultra, which are contacts for people with astigmatism
- Siliq for moderate to severe plaque psoriasis
- Jemdel for psoriasis
- Duobrii for plaque psoriasis
- Relistor for constipation in opioid patients

But here’s one negative thing to think about: sometimes, companies will present a single drug or product that can reach US\$1 billion in revenue by itself; Valeant needs seven drugs to hit that same number. So, while this is a step in the right direction, it shows that it’s going to take time to develop major blockbusters.

Valeant investors (and Papa) want to see this company reach share prices that it used to have. But if you’re going to own Valeant, you have to understand the risks. That debt still exists, and the company can only sell so many assets to get debt free without losing all of its assets. And product development takes time. Valeant could become an amazing investment, but you need to have fight in you to handle this company.

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