



Can Valeant Pharmaceuticals Intl Inc. Sell its Way to Success?

Description

It's obvious that **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) is carrying far too much debt. The glory days of borrowing money to buy big companies only to increase the price of the drugs to pay for that debt are long gone. Now it just has the debt.

But Valeant isn't giving up. The company [has tenacity](#). But there's a question I've been thinking about for some time, namely, can Valeant sell its way to success?

To pay off its debt, Valeant has been [selling assets](#). CEO Joseph Papa promised to pay off US\$5 billion by February 2018, but in fact paid off US\$6 billion. Looking forward, there's a bit of breathing room.

In 2020, US\$4.4 billion is due; in 2021, US\$3.2 billion is due; in 2022, US\$6.6 billion is due; in 2023, US\$6 billion is due. From 2024 on, it owes US\$6.3 billion. It has a couple of years with no debt coming due, which puts it in a position to focus on growth.

But here's the problem...

As I said, Valeant has been selling assets to pay off its debt. For example, last year, it sold Dendreon Pharmaceuticals LLC and then used the funds to pay off US\$811 million in debt. That's great, right? Not exactly. In fact, its revenue dropped a bit because Valeant no longer had those products to sell.

The financial machinations are intense. Can the finance department get the debt under control without having to sell all the company? If there are no products left, what will be left of Valeant?

Normally, a company will roll out a product that it believes will generate a billion dollars in revenue: a home run. Valeant, on the other hand, is rolling out seven that it believes will generate a billion dollars in revenue combined.

The company has rolled out seven products they've called the Magnificent Seven; Valeant is projecting that these products will generate US\$1 billion in annual revenue in five years. The products are:

- Vyzulta for glaucoma
- Lumify for eye redness
- Bausch + Lomb Ultra for astigmatism
- Siliq for moderate-to-severe plaque psoriasis
- Jemdel for psoriasis
- Duobrii for plaque psoriasis
- Relistor for constipation in opioid patients

None of these products are likely going to be incredible wins, but if each of them can contribute revenue to the company, it'll help Valeant to continue paying off its debt and spur growth.

There's no denying that Valeant is risky. However, I see a lot of opportunity if Papa and team can continue paying off the debt. But at some point, Valeant will need a home run if it can't keep selling these products to pay off its debt. Ultimately, it needs cash flow to do the trick.

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Author

jaycodon

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