Is Valeant Pharmaceuticals Intl Inc. Still on Track?

Description

After more than two years since collapsing by over 90%, **Valeant Pharmaceuticals Intl Inc**. (TSX:VRX)(NYSE:VRX) still garners a loyal following of investors that anxiously await the once darling of the market to make a recovery.

In the aftermath of that epic collapse, Valeant was left with over US$30 billion in debt from a failing business model that relied on cheap loans to prop up acquisition after acquisition for the company.

Valeant has been working diligently to restore both its balance sheet and credibility. The company brought in the experienced Joseph Papa as CEO and he has, along with CFO Paul Herendeen, been instrumental in turning the company around.

Has Valeant turned around?

While the company hasn't turned around completely, it has made progress. In the fourth-quarter results announced last month, Valeant reported revenue of $2.163 billion and an adjusted EBITDA of $875 million.

Valeant was quick to provide an update with respect to its debt, with Papa noting on the call that "since the end of the first quarter of 2015, we've reduced our total debt by more than 20%, and we will continue to address our debt, as well as reduce expenses."

Much of that debt and expense reduction came from selling non-core assets, which is a double-edged sword. On one hand, the company benefits from paying down some debt, but on the other hand, the loss of future revenues from those sold-off assets needs to be taken into consideration.

So far, that process has worked well. Valeant committed to paying down US$5 billion in debt by last month, but in reality, the company has paid US$6 billion. This has given the company the necessary room to focus on growth, at least until the next batch of US$4.4 billion worth of debt comes due in 2020.

Valeant's fourth-quarter numbers were stable, but not impressive. Looking forward to 2018, however, Valeant provided full-year guidance that sees revenues falling in line between $8.1 to $8.3 billion. This falls in lower than the $8.4 billion that many were expecting Valeant would report.

Can Valeant's "Significant Seven" be significant enough?

Earlier this year, I'd mentioned Valeant's Significant Seven — seven drugs coming to market over the next year that Valeant is proposing will provide upwards of $1 billion in annual revenue over the course of five years.

The drugs are an equal mix of Bausch + Lomb and plaque psoriasis drugs that play nicely into Valeant's core product portfolio.

Final thoughts: Should you invest in Valeant?

Whether or not these drugs will reach their stated potential remains to be seen, but the one thing that is certain is that there won't be a magic button that fixes all of Valeant's woes.

Valeant is doing everything it possibly can to pay down its debt, expand with new products, and nurture existing relationships with distributors. Assuming that Valeant can continue down this path, the company could very well be on the right track to recovery.

As an investment opportunity, Valeant's business is vastly improved, but it's still not the ideal growth pick that most investors are looking for. The company still holds considerable risk to all but the most risk-tolerant investors.

In other words, most investors are better off seeking out any one of several great growth stocks that are not only performing well but beating the market.

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
2025/08/21
Date Created
2018/03/31

Author
dafxentiou