



Goodbye Valeant Pharmaceuticals Intl Inc., Hello Bausch Health Companies Inc.!

Description

It's the beginning of the end for Canada's most infamous pharmaceutical company. **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) was once a respected name in the industry. The company could do no wrong. In 2015, it was named one of Canada's top brands and for a brief period, it surpassed **Royal Bank of Canada** as Canada's largest company by market capitalization. In 2015, the company's share price hit an all-time high of \$338.05.

Oh, how the mighty have fallen.

Now trading in the low 20s, Valeant's fall from grace is well documented. Amid fraud allegations and criminal investigations, the Valeant brand became toxic. Even Warren Buffet would not touch the company despite [pressure from shareholders](#). According to Buffet, "The business model of Valeant was enormously flawed," and he had no interest in investing in the company.

Wild price swings

Since its downturn, Valeant has [experienced wild price swings](#) especially around earnings. Earnings announcements have lead to either double-digit gains or losses on the day of release. The company has been therefore been an investor's nightmare and a trader's dream.

Out with the old, in with the new

On Tuesday, Valeant made a strategic decision to change its name to **Bausch Health Companies Inc.** Beginning in July, the new company is expected to trade under the symbol BHC on the Toronto and New York stock exchanges. Integral to its turnaround plan, Bausch has been one of the company's best performing brands over the past several years.

Bausch & Lomb is a leading eye health company whose brand is revered worldwide. In 2017, Bausch& Lomb was named the most trusted contact lens solution brand for the second consecutive year in Canada by BrandSpark International. Bausch is one of the most trusted names in the eye health industry. As the company tries to put its scandals behind them, management is banking on the name change to help reverse its fortunes.

This is classic case of reactive rebranding in which a company tries to distance itself from its old brand following a reputational crisis. Will it work? Evidence suggests that a properly timed rebranding can have a positive impact on the company. Although it is an expensive endeavour, I believe this is positive news for the company. Valeant needs to rebuild trust with shareholders, and starting fresh with its most trusted brand is a step in the right direction.

Improved outlook

The company's rebranding announcement was also strategically timed. Although revenues came in lower year-over-year (YOY), the company beat analysts estimates on both the top and bottom lines. More important, Valeant guided upwards for 2018. It now expects revenues of \$8.25 billion at the mid-range, up from \$8.2 billion. Likewise, non-GAAP earnings before interest, taxes, depreciation, and amortization (EBITDA) was revised upwards to \$3.225 billion, up from \$3.125 at the mid-range of guidance. It was certainly a good news day for the company.

Valeant is in dire need of a catalyst. Will rebranding be the spark that lights the fire? Only time will tell, but it can only help the company's reputation.

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