



Despite FDA Rejection, Valeant (TSX:VRX) Stock Is Ready to Soar

Description

The dramatic fall of once-massive **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) has come with a lot of pain for investors that rode that wave higher just a few years ago. With the company's management team completely overhauled, and the strategy of the drug maker taking a 180-degree turn, new investors in Valeant are hoping that things will be different this time around.

The hope is that organic growth will begin to drive the story with Valeant; for a company that was once so tethered to the ability of the company's management team to make hostile takeover bids and win bidding wars by paying exorbitant premiums for pharmaceutical companies that were on the block, this dramatic change has led to a vast reduction in the expectations placed on growth for Valeant over the long term.

The company's performance in growing its existing divisions organically has come under the microscope — so much so that Valeant's share price took a hit mid-June, when it was announced that one of the company's plaque psoriasis lotions, Duobrii, had been rejected by U.S. regulators. Since the announcement of the rejection of this drug, shares of Valeant have traded down more than 10% from its previous [52-week high](#) seen just before the announcement.

Investors are right to place specific individual drugs under scrutiny, as Valeant's management team will need to show that its so-called Significant Seven drugs will really be able to drive the company's sales to meet the firm's target of \$1 billion in less than five years. Duobrii was one of the Significant Seven drugs, so this news certainly hit close to home for many investors betting on the ability of the company's dermatology division to drive future profitability and revenue growth.

That being said, all may not be lost with Duobrii, as Valeant's management team has expressed it will be working with regulators to generate additional data as necessary; a potential acceptance of Duobrii may be delayed by six to 12 months, according to analysts, providing optimism for the company's long-term goals, but certainly dampening the party in the short term.

Bottom line

The scrutiny with which investors are analyzing shares of Valeant is most certainly warranted, and this

recent stock price drop is an indication that any future delays with respect to core drug approvals is likely to be met with fire and fury by financial markets. That being said, Valeant's new management team has done an excellent job of trimming the fat, [paying down debt](#), and re-focusing operations on its core divisions, which are beginning to see organic growth.

The trials and tribulations of organic growth may impact Valeant's stock price in the coming quarters; however, I expect this company to remain a solid, speculative, long-term play for investors looking for pharma exposure.

Stay Foolish, my friends.

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