

A Rose By Any Other Name: Will Valeant as "Bausch" Smell Sweet?

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A Rose By Any Other Name: Will Valeant as "Bausch" Smell Sweet?

By Linda McDonough (bio at end)
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Embattled drug company **Valeant** (TSX and NSDQ: VRX) is trying hard to turn its fortunes around. It welcomed Joe Papa, who held the same title at private label company Perrigo, as its new CEO in May 2016.

Mr. Papa, a well-regarded industry veteran, has promised to limit drug price increases to less than 10% annually. He has been busy selling off "non-core" businesses and attempting to resurrect growth.

Now Papa is changing Valeant's name to **Bausch Health Companies**. Pay no attention to the fact that Valeant bought the eye care specialist Bausch + Lomb way back in 2013. I suppose after the near-death experience of an \$84 billion loss in market cap and the fraud arrest of your ex-CEO, it feels a bit silly sporting a name like Valeant.

Like the dachshund named Killer or the standard poodle christened Sport, Valeant just does not feel entirely appropriate for a company infamously known for its ethical lapses and spectacular crash. Valeant's market cap rose to more than \$90 billion in the winter of 2015 and currently sits at a bit more than \$7 billion. Years of stockpiling small drug company acquisitions left the company with an ailing portfolio of drugs and a balance sheet stuffed with debt. The company's playbook of buying up less utilized drugs and raising their prices to exorbitant levels worked until it finally didn't. Not exactly the sort of stock that [income-oriented investors should embrace](#).

Exposure of the company's link to a mail-order drug company ignited a congressional and legal investigation into the company's drug pricing practices. The mail-order company helped to hinder efforts by insurance companies to substitute Valeant's pricey drugs with cheaper generic versions.

The stock hit a high of \$264 at its peak in December 2015 and almost buried hedge fund magnate Bill Ackman's Pershing Square fund that lost nearly \$4 billion in it.

The stock's plunge was epic (see chart below, with data from Bloomberg).



Webster's dictionary defines "valiant" as:

- 1: possessing or acting with bravery or boldness: *courageous valiant soldiers*
- 2: marked by, exhibiting, or carried out with courage or determination: *heroic*

I suppose buying languishing drugs and raising their prices 1,000% could be defined as bold and, indeed, was an effort carried out with a perverse sort of courage.

However, it is likely Papa feels the name is tainted and would prefer to break this association.

Papa's Got a Brand New Bag

In describing the choice of Bausch Health Companies, Papa noted that the name summons the strict work ethic put forth by J.J. Bausch, who opened his first optical goods shop in Rochester, N.Y. over one hundred years ago.

Papa noted in a company-released statement: "These qualities form the foundation of what we are today as we continue to build an innovative company striving to improve the health of patients globally."

Mr. Papa is not the first CEO to attempt an image makeover via a name change.

In April 2017, Taser changed its name to **Axon Enterprise**. Management felt the name Taser was linked too closely with the firm's controversial stun-guns and did not showcase the company's hope to grow its camera and video cloud storage business. It is unclear if the choice of Axon is to evoke the image of a similarly named neural network, but it seems to make sense. For what it is worth, the stock is up 260% since it dropped the Taser nameplate.

Other corporate name changes carry more philosophical theory. When leather handbag maker Coach changed its name to **Tapestry** in the fall of 2017, CEO Victor Luis waxed poetic about the new name: "It is a wonderful metaphor for what we believe in, which is individual threads of different colors all working together to create a picture... We embrace our differences, whether they be race, gender, sexual orientation or belief systems."

However, as Shakespeare reminded us so many years ago in *Romeo and Juliet*: "A rose by any other name would smell as sweet."

Tapestry still sells handbags and Axon still sells Taser stun guns. Their name changes signify a gradual shift in their product lines, whether it be Coach's purchase of Kate Spade or Taser's introduction of body cameras. But their basic business model did not change overnight.

The jury is still out on whether Valeant's switch to Bausch can transform what used to be a reckless, debt-bloated drug company into a drab health care supplier, but a bland name like Bausch is undoubtedly a good start. We will see if investor gains turn out to be sweet. In the meantime, if you are averse to risky investments and you seek reliable income, [check out this new presentation by clicking here](#).

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See About the Analyst below.

About the Analyst



Linda McDonough is a veteran hedge fund analyst who loves to break down company financial statements and identify market inefficiencies to uncover big opportunities. She believes in a boots-on-the-ground approach that includes surveying customers, interviewing company executives, or doing whatever it takes to see what others don't. She's now brought her experience as a hedge fund analyst to subscribers of her *Profit Catalyst Alert* service. Her system identifies small- and mid-cap stocks that are about to move due to catalytic events that few others can identify...until it's too late. These events often times result in massive gains for her followers.