



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
--	--	--	--	--	--	--	--	--	--	--	--	8.04	11.67	17.32	24.71	<b>30.90</b>	<b>33.85</b>	Sales per sh	<b>41.20</b>
--	--	--	--	--	--	--	--	--	--	--	--	3.30	4.84	6.48	13.72	<b>16.75</b>	<b>17.90</b>	"Cash Flow" per sh	<b>21.90</b>
--	--	--	--	--	--	--	--	--	--	--	--	2.93	4.51	6.24	8.34	<b>10.90</b>	<b>12.00</b>	Earnings per sh <sup>A</sup>	<b>16.00</b>
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
--	--	--	--	--	--	--	--	--	--	--	--	1.26	.60	.56	.87	<b>.90</b>	<b>.90</b>	Cap'l Spending per sh	<b>.90</b>
--	--	--	--	--	--	--	--	--	--	--	--	13.08	12.23	15.71	16.25	<b>19.70</b>	<b>23.55</b>	Book Value per sh	<b>35.30</b>
--	--	--	--	--	--	--	--	--	--	--	--	306.37	303.86	333.04	334.40	<b>340.00</b>	<b>340.00</b>	Common Shs Outst'g <sup>B</sup>	<b>340.00</b>
--	--	--	--	--	--	--	--	--	--	--	--	15.7	11.6	14.3	15.6	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	<b>15.0</b>
--	--	--	--	--	--	--	--	--	--	--	--	.98	.74	.80	.82			Relative P/E Ratio	<b>.95</b>
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil

**CAPITAL STRUCTURE as of 3/31/15**  
 Total Debt \$26021 mill. Due in 5 Yrs \$10205 mill.  
 LT Debt \$25898 mill. LT Interest \$1000 mill. (80% of Capital)

	2013	2014	2015	2016	2017	2018	2019	2020
Operating Margin	--	--	--	<b>49.0%</b>	<b>51.0%</b>			
Depreciation (\$mill)	--	--	--	<b>2000</b>	<b>2000</b>			
Net Profit (\$mill)	--	--	--	<b>3700</b>	<b>4080</b>			
Income Tax Rate	--	--	--	<b>5.0%</b>	<b>5.0%</b>			
Net Profit Margin	--	--	--	<b>35.2%</b>	<b>35.5%</b>			
Working Cap'l (\$mill)	--	--	--	<b>5000</b>	<b>5000</b>			
Long-Term Debt (\$mill)	--	--	--	<b>20000</b>	<b>20000</b>			
Shr. Equity (\$mill)	--	--	--	<b>6700</b>	<b>8000</b>			
Return on Total Cap'l	--	--	--	<b>15.5%</b>	<b>16.5%</b>			
Return on Shr. Equity	--	--	--	<b>55.0%</b>	<b>51.0%</b>			
Retained to Com Eq	--	--	--	<b>55.0%</b>	<b>51.0%</b>			
All Div'ds to Net Prof	--	--	--	Nil	Nil			

**Leases, Uncapitalized:** Annual rentals \$44.2 mill.

**No Defined Benefit Pension Plan**  
 Pfd Stock None

**Common Stock** 342,479,119 shares as of 4/27/15  
**MARKET CAP: \$75.5 billion (Large Cap)**

**CURRENT POSITION**

	2013	2014	3/31/15
Cash Assets	600.3	322.6	1864.4
Receivables	1814.8	2075.8	2108.8
Inventory (FIFO)	883.0	950.6	998.9
Other	587.8	844.1	11220.1
Current Assets	3885.9	4193.1	16192.2
Accs Payable	327.0	398.0	352.5
Debt Due	204.8	.9	122.8
Other	1980.6	2331.9	2621.8
Current Liab.	2512.4	2730.8	3097.1

**BUSINESS:** Valeant Pharmaceuticals International is a multinational specialty pharmaceutical and medical device company that develops, manufactures, and markets a broad range of branded, generic and branded generic pharmaceuticals, over-the-counter (OTC) products, and medical devices, which are marketed directly or indirectly in over 100 countries. Formed 9/10 when Biovail Corporation and Valeant Pharmaceuticals merged. Officers and directors own 8.6% of common stock; Ruane, Cundiff & Goldfarb, 10.3%; Pershing Square, 5.8%; ValueAct Holdings, 5.7%; T. Rowe, 5.3% (4/15 proxy) Chairman and CEO: J. Michael Pearson. Inc.: DE. Address: 2150 Saint Elzear Blvd. West Laval, QC H7L 4A8, Canada. Telephone: 514-744-6792. Internet: www.valeant.com.

**Valeant Pharmaceuticals could be eyeing a deal with Zoetis.** On June 25th, reports surfaced that Valeant had made a preliminary approach to buy the animal health giant. While no official offer was made, the news created a buzz on Wall Street with shares of VRX advancing almost 2% and ZTS rallying nearly 12%. At this juncture, it is unclear if Zoetis would be open to a potential sale. Valeant just completed its \$11 billion acquisition of Salix Pharmaceuticals in April.

**Management recently raised its 2015 guidance.** The drugmaker reported earnings of \$2.36 a share in the March period, comfortably ahead of our \$2.30 estimate. The beat was driven by better-than-expected performance in U.S. Dermatology (revenue +38% year over year) and U.S. Ophthalmology Rx (+30%), which largely helped to offset the negative impact from foreign exchange. Following the release, management upped its full-year earnings guidance range from \$10.10-\$10.40 a share, to \$10.90-\$11.20 a share, and its revenue forecast from \$9.2 billion-\$9.3 billion, to \$10.4 billion-\$10.6 billion. The revisions reflect the implementation of a wholesaler inventory reduction program related to Salix. For full-year 2015, we are targeting share net of \$10.90 on revenues of \$10.5 billion.

**Valeant stock continues to be one of the top performers in the large pharma space.** The shares have advanced 10% in price since our April report and are up an impressive 53% year to date (this followed up a 22% gain in 2014). While some believe that the company may be overextending itself with its aggressive growth-through-M&A strategy, the investment community has clearly not shared in these feelings. The most recent acquisition of Salix has thus far been well received.

**The stock has been upgraded a notch for Timeliness to 2 (Above Average).** As a result, shares of VRX are now ranked to outperform the market over the six to 12 month window, making it one of the few timely selections within the industry. That said, the equity's positive performance of late has chewed into much of the upside we envision out to 2018-2020. Capital-gains potential over this time is below the Value Line average.

*Michael Ratty* July 10, 2015

(A) Fully-diluted earnings. Next earnings report due late July. May not sum due to change in share count.	(B) In millions.	Company's Financial Strength	B++
		Stock's Price Stability	30
		Price Growth Persistence	NMF
		Earnings Predictability	NMF