

Valeant mulls sale of business tied to drug price hikes

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Controversial pharma company Valeant signaled Monday it expects to dispose of a business associated with large drug price increases and foresees much more modest price hikes in the future.

Valeant Pharmaceuticals International plans "some modifications to our strategy," said chief executive Michael Pearson in a conference call with analysts.

Pearson said Valeant's Neuro/Other segment, which has been heavily price-dependent and currently accounts for about 20 percent of revenues, will decline to 10 percent of 2016 revenues and "will continue to shrink as percentage of the company."

"We have and are seriously considering spinning off or selling this piece of our business," Pearson said.

Pearson said Valeant would pump up investment in research and development, not previously an emphasis at the Canadian company that has been called a serial acquirer.

Valeant has been under increasing scrutiny after raising prices of some key drugs following acquisitions of drug rights. Lawmakers in the US Congress have spotlighted price increases of two heart medications, Nitropress and Isuprel, by 525 and 212 percent, respectively.

Valeant has also received subpoenas from US federal prosecutors on the

pricing and distribution of its drugs.

Pharma stocks have been volatile since Democratic presidential frontrunner Hillary Clinton pledged to address runaway price increases. Valeant shares have lost about 33 percent since Clinton announced her plans on Twitter on September 21.

Pearson alluded to newspaper articles that have been "sort of an attack" on pharma pricing.

"I do think, given that environment, the pricing the pharmaceutical companies will take in the future will be more modest," he said. "We assume not more than 10 percent for... any of our products."

The Laval, Quebec-based Valeant said the scale of its price increases had been exaggerated and it had increased prices on 85 of 156 branded pharmaceuticals by an average of 36 percent.

Pearson cited a Deutsche Bank report that said Valeant had raised prices on 56 of 69 products by an average 66 percent. Such reports "contribute to the overall misinformation about our pricing," Pearson said.

Valeant plans to provide quantitative price-volume data on its entire portfolio, he said.

The comments came as Valeant lifted its 2015 revenue forecast to \$11.0-\$11.2 billion from the prior \$10.7- \$11.1 billion. Valeant increased its profit range from \$11.50-\$11.80 per share to \$11.67-\$11.87 per share.

Valeant's US-traded shares tumbled 9.3 percent to \$161.13 in afternoon trade on the New York Stock Exchange.

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