GRANT'S
INTEREST RATE OBSERVER®
Vol. 32, No.11e-ctr Two Wall Street, New York, New York 10005 • www.grantspub.com MAY 30, 2014

Reality check

Everywhere you look, it isn't there. The Sphinx—i.e., the Great Sphinx of Giza—set down in Hebei Province, the People's Republic of China? Not real: a replica, down to the banged-up nose.

That $940 million look-alike of the Austrian village of Hallstatt, created by a Chinese mining mogul in the southeastern province of Guandong? Ersatz.

And the Palace of Versailles, seemingly transplanted in the corporate offices of the now scandal-ridden Harbin Pharmaceuticals Group Sanjing Pharmaceutical? The real one's still outside Paris.

You never know with China. "I think China's property market is like the Titanic and it will soon hit an iceberg in front of it," Pan Shiyi, co-founder and chairman of Soho China Ltd., a big Chinese developer, was quoted as saying in *The Wall Street Journal* on Tuesday. "After hitting the iceberg, the risks will not only be with the real estate sector. The bigger risk will be with the financial sector." To which Pan reportedly added, "When housing prices fall 20% to 30%, these problems will be all exposed."

Pan is correct, of course (see page 3). Nor did he deny saying what he was reported to have said. He only expressed his displeasure at having said it with reporters in the room.

GDP—famously—isn't always what it seems, either. It's sometimes what the statisticians decide it has to be. "Italy is going to start including money raised from prostitution and narcotics in calculating its official GDP data from now on in order to comply with new EU rules," the Canadian Broadcasting Co. reported last week. An economist friend explains: "It seems it's European harmonization. Such activities are legal in the Netherlands, so the reasoning is they should be added to GDP where they are illegal, to ensure comparability."

You might suppose that corporate accounting conventions furnish less scope for harmonization than national income accounting protocols do. The truth is otherwise. Only peruse the broadside that Allergan Inc., maker of Botox, Restasis and Lumigan, leveled against Valeant Pharmaceuticals, its aggressive corporate suitor, on Tuesday.

To constant readers, the charges will sound familiar (*Grant's*, March 7). Thus, Allergan observes, Valeant is a roll-up. Its growth strategy is accounting and tax-driven. It heavily relies on "adjusted," non-GAAP reporting techniques. It can't seem to manage what it acquires or to keep the executives it hires.

For a glimpse of what might befall Allergan under Valeant management, the handout suggests, only consider the aftermath of Valeant's 2013 acquisition of Bausch & Lomb. The volumes of B&Ls key American product lines fell by an average of 19% in the fourth quarter. Revenues were positive thanks only to large, likely unsustainable price increases.

What *is* real, anyway?

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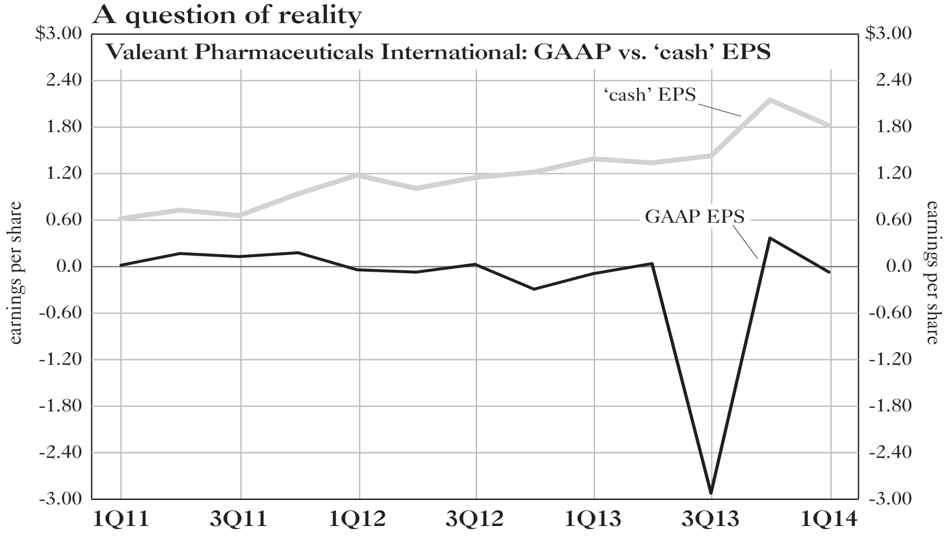
A question of reality



source: company reports