

Biovail Stock Hit by Bank of America "Sell" Rating

Reuters Wednesday October 8, 2003

Shares of Biovail Corp. (Toronto:BVF; NYSE:BVF) fell more than 13 percent on Wednesday after Bank of America Securities initiated coverage of Canada's largest publicly traded pharmaceutical company with a "sell" rating, citing aggressive accounting practices as a concern.

Biovail's shares have fallen nearly 38 percent since Oct. 3, when it warned third-quarter earnings and sales would be lower than previous estimates, prompting a slew of analysts to trim their forecasts, price targets and share ratings.

Bank of America analyst David Maris, in his Wednesday report, included feedback from outside accounting experts from the three leading U.S. business schools.

"Their review raises meaningful caution signs, in our opinion," Maris wrote, adding that "their findings portray a company that, although it seems to meet accounting standards, could be considered aggressive in its approach to accounting."

Maris cautioned, however, that the findings do not show that "there is any widespread accounting impropriety, but perhaps aggressiveness beyond what we have observed at peer companies."

Canadian firm **Veritas Investment Research** has also described Biovail's accounting practices as aggressive.

After Biovail reported second-quarter earnings in July, **Anthony Scilipoti**, an analyst with **Veritas**, wrote in a report that while Biovail met its earnings and revenue forecasts, "the way in which it did so once again leaves us scratching our heads."

According to U.S. generally accepted accounting practices, Biovail reported a loss of 1 cent a share, which translated into an income of 52 cents a share under its own accounting procedures. However, **Scilipoti** said that **Veritas** GAAP -- which stripped out a benefit Biovail received from GlaxoSmithKline related to the lower cost of a product -- showed Biovail recorded a loss of 28 cents a share.

Shares of Biovail were down 12 percent, or C\$4.70, at C\$34.05 in Toronto. Earlier, they had fallen to C\$33.

In New York, the shares dropped \$3.55 to \$25.50, after sagging to \$24.80 earlier in the session.

(\$1=\$1.33 Canadian)