Investors: Forget Valeant Pharmaceuticals Intl Inc.: Check Out CRH Medical Corp. Instead

Description

Last week, **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) got hit yet again, as billionaire investor William Ackman from Pershing Square sold his 18.1 million shares, racking up a loss of $3 billion and sending the stock falling to new lows as hope continues to fade for the company.

Dangerously high debt levels, declining revenues, and pricing pressure are a lot to deal with, and this is clearly evident with Valeant, as we have seen the stock fall from highs of over $330 per share to under $15 today. The risk/reward relationship is not a good one; there's too much risk.

The healthcare industry has one big thing going for it: an aging population. So, where do investors go for exposure to this industry? One place to look is **CRH Medical Corp.** (TSX:CRH), which is a healthcare products and services company that focuses on the treatment of gastrointestinal diseases.

Here are three reasons to own CRH Medical.

Strong revenue growth

A couple of years ago, CRH Medical entered the anesthesia management market with the acquisition of Gastroenterology Anesthesia Associates. In 2016, the company saw a 70% revenue growth rate, fueled by acquisitions as it continued its strategy to get into this new business and have organic growth.

Acquisition opportunities

As the anesthesia market is a fragmented one, there remain plenty of opportunities for expansion. Three acquisitions in the anesthesia business were completed in 2016, and in March 2017, the company acquired another Florida anesthesia practice, which has estimated annual revenue of US$2.2 million and will be immediately accretive to EBITDA and cash flow. Furthermore, the company announced that it will be pursuing a new opportunity to assist gastroenterology practices to transition to monitored anesthesia care.

The company is maintaining a strong balance sheet, as these acquisitions have been largely funded by its strong cash flow. For example, in 2016, the company generated $33 million in cash flow, of which it used $30 million for its acquisitions.

Strong margins and returns

The company’s margins have been strengthening nicely over the last years, and the company has been posting strong returns. In 2016, the company’s operating margin was a strong 31.6%, it generated an ROE of 19.5% and a return on investment of 15.9%

While the stock is not cheap, it has a lot of attractive qualities that make it a good buy for investors looking for exposure to the healthcare sector.

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