



Time to Pass on This Recovery Stock for Better Gains

Description

I love a great turnaround story.

There's nothing more satisfying than when a company that appears to be circling the drain and clinging to life finally gets that magic formula it needs to succeed and become profitable again.

Sometimes that turnaround could take several years. Investors and analysts alike have all watched with disbelief at times as **BlackBerry Ltd.** overcame its shortcomings in the smartphone market that it helped create and went into a completely different direction to become an [IoT and software-first play](#).

Obviously, there's no magic formula a company needs to turn its fortunes around. Rather, it involves understanding the market the company operates in and then providing a compelling product or service to that market while keeping costs under control.

Bearing that in mind, let's take a look at another turnaround candidate, **Bausch Health Companies Inc.** ([TSX:BHC](#))([NYSE:BHC](#)).

If you don't recognize Bausch, that's because the company underwent a name change this month. Formerly known as Valeant Pharmaceuticals Intl Inc., Bausch jettisoned its old name as a means of distancing itself from negative associations that Valeant still has with investors when the stock lost an astonishing 90% of its value a few summers ago.

In the case of Bausch, this is the second name change for the company in under a decade; the company formerly known as Valeant was previously called Biovail prior to the company acquiring the Valeant name and dumping the Biovail name, which was entrenched in its own scandals.

Why Bausch?

The Bausch name is firmly entrenched in the company as the Bausch + Lomb line of eye and surgical products are now the company's core brand, which brought in a significant amount of revenue last year — an impressive US\$4.9 billion.

What the new name won't be able to do is fix Bausch's long-term debt and business problems.

Earlier this year, the company announced what it touted as the "Significant Seven" — a line of seven upcoming new drug releases that Bausch viewed as having the potential to bring in billions of revenue over the course of the next decade. Last month, one of those Significant Seven hit a roadblock, as the FDA failed to approve one of those new drugs.

Is Bausch a good investment?

I've been bullish on Bausch in the past, and, to some extent, I still believe that a recovery is possible for the company. CEO Joseph Papa has done an exemplary job at navigating the company through very troubled times following the disastrous position Bausch (then known as Valeant) was in when he joined.

My concern is that the recovery will take time. Having a mountain of US\$25 billion in debt takes time to overcome, and bringing several promising drugs to market to the point where they are adding a billion or more to your bottom line each year also takes time, and as an investor, that time could and should be better spent on any number of other [great growth investments](#).

There's no doubt that Bausch will morph into a better investment that offers growth in time, but at this juncture, unless you're a long-time investor from the Valeant-era that is already in the red, there are far better investments to be made.

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Date

2025/09/11

Date Created

2018/07/25

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