



Can Bausch Health Companies Inc. (TSX:BHC) Rise From the Ashes of Valeant Stronger than Before?

Description

Well, it has been one wild ride for **Bausch Health Companies Inc.** ([TSX:BHC](#))([NYSE:BHC](#)), formerly known as Valeant Pharmaceuticals. After its wild ride to the top of the TSX heap to its stomach-sucking collapse in 2015, this company has been through the ringer. Management shake-ups, speculation of total collapse, and other difficulties have led this former behemoth to where it stands today. The same company with a new name. Or is it a new company with a new name?

While Bausch's tremendous fall from grace was widely known, the truth is that the company does have [decent underlying businesses](#). The company's core focus is on medications relating to eye health, gastrointestinal diseases, and dermatology. These medications are successful and produce significant revenues and free cash flow.

Bausch's revenues shrank once again in Q2 2018 by 5% year-over-year. The news isn't totally dark, though since its organic revenue portion grew by 3%. The organic growth is especially important for a company like Bausch, as it provides some substance backing its stated desire to change from its past strategy as a growth-by-acquisition company to one that grows organically through positive business strategy and execution.

In addition to its reduced cash flow, the company also recorded a reduction in operating cash flow. However, this is not as negative as it seems, as a large part of the reduction was due to the company making accelerated interest payments on its debt in an effort to continue to get its obligations under control.

There were some other positive points of note in the Q2 earnings announcement. Bausch raised its forward guidance on its EBITDA outlook, instilling more confidence that a turnaround could be underway. While this is merely guidance and has not yet come to pass, the fact that management felt it could make this positive news is encouraging. The company also is experiencing solid sales growth in a number of its drugs, which could contribute positively to earnings in the future.

One of the major problems with this company back in 2015 was the enormous amount of debt that it

had amassed from its growth by acquisition strategy. Even now the debt is still enormous, but Bausch is shrinking it. Since the first quarter of 2016, the company has reduced its debt by around 7 billion USD. To put that in perspective, the company's current market capitalization is around 10 billion USD.

The company has also refinanced a portion of its long-term debt, stretching maturities out into the future. It also negotiated lower rates on some of its debt. Nevertheless, Bausch has a long way to go with its debt reduction, as that debt still totals around 25 billion USD.

The good news about the company is that it really seems to be turning over a new leaf with its focus on debt repayment and growing organically. But the stock remains speculative. Only time will tell whether this former market darling [truly has had a change of heart](#) along with the switch of its moniker. While the change is hopefully more than symbolic, the injured investors who limped away from its downfall will need results to show that this company truly has turned over a new leaf.

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