Buy Now? This Health Stock Could Soar Over the Next 2 Years!

Description

When **Bausch Health Companies** (TSX:BHC)(NYSE:BHC), under its former name of Valeant, imploded due to its prior business model and staggering debt and left a lot of investors burned and sour on the stock. The company was left in shambles with a staggering mountain of debt, a massive portfolio of interesting, expensive, but not exactly profitable drugs fueled by an insatiable appetite to acquire drugs using cheap loans, and the questionable practice of raising prices on those newly acquired drugs — even ones that have been on the market for decades.

Fortunately, things have come a long way since then, and Bausch has quietly reformed itself quietly into what is now a viable and somewhat underrated investment option. Let's take a look.

Bausch now has focus, and that's a good thing

One of the first and long-standing strategies adopted by CEO Joe Papa and his team was to sell non-core assets and use the proceeds to chip away at that massive US$30 billion in debt the company was straddled with.

Selling assets can be a double-edged sword; on the one hand, it provides a much-needed injection of capital to immediately pay down debt and reduce future payments. On the other hand, it eliminates future revenue stemming from those now sold-off assets.

Fortunately, Bausch's non-core asset sales were just what the company needed, and the company has paid back over US$5 billion in debt so far, resulting in an immediate reduction in interest rates. Even better is the fact that in 2019 Bausch plans yet another US$1 billion debt reduction.

Also worth noting is the bevy of lawsuits and investigations that have kept Bausch down in recent years, which have mostly been dismissed or settled in recent months. In other words, Bausch is leaner, more efficient, decreasing its debt, and is, in general, more focused than it has been in years, making it the perfect time to start talking about growth.

New product and market opportunities

Last year, Bausch announced a series of new products coming to market that not only fit under in Bausch's new streamlined niche, but, according to company management, hold massive potential to provide up to US$1 billion in annual sales within five years.

Some of that sales growth is set to begin picking up steam over the next year. Earlier this month, Papa alluded to just that when stating that revenue of the "Significant Seven" drugs should double, topping US$300 million. While that may initially sound like a tall order to fill, there is some merit in the statement.

The opportunity, according to Papa, comes in the form of the growing number of young people with nearsightedness conditions as well as the aging population. Both of these segments are perfectly aligned to some of the products within the Significant Seven, which target a variety of eye conditions from bloodshot eyes to glaucoma.

There's a correlation to note between the rise in nearsightedness among younger individuals and our growing use of screens, which is arguably only going to increase over the next few years as mobile devices and new technologies continue to surround us.

Should you buy?

I've been watching Bausch for a while with growing interest. This is clearly a different company from the one that just a few years ago nearly ran into the ground and was responsible for billions in investments evaporating from the market in a short period of time.

Debt is dropping, new products are coming to market, and the company has a superb management team. So then, why is Bausch not a screaming buy? The answer to that comes down to one word: *risk.* In short, Bausch may be too risky of an investment for some investors, but if you have a well-diversified portfolio, a small investment in Bausch may be warranted.

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dafxentiou