3 Reasons This Biotech Stock Could Double in 2019

Description

Many investors have realized hefty windfalls from biotech stocks. There is always a pot of gold whenever the FDA grants approvals for new drug applications (NDAs). However, investing in this industry is risky business too. Obtaining approval is dependent on clinical trial success, which is a hit-or-miss thing.

Lately, Montreal-based **Theratechnologies** (TSX:TH) has appeared on investors' radars. Market analysts have adjusted their forecasts. The price target is a high of $17.25, which represents roughly a 115% climb from its current price of $8.02. But what does this $616.7 million company have to merit such lofty expectations?

Evaluating biotech stocks

First and foremost, you need to look into the research areas the biotech firm is focused on. Usually, a drug to treat cancer, diabetes, heart, or neurological diseases, and other debilitating illnesses shape the destiny of the company. A life-altering technology can also push the company to prominence in the healthcare sector.

The next yardstick is the pipeline or the drug candidates with potential. Companies with more than one product in clinical trials always gain the advantage. But in some cases, having products in various stages of development is detrimental. The biotech can have multiple pathways to success or be spread out too thinly.

Share prices of biotech firms skyrocket whenever the products are in the late stages of R&D and nearing FDA approval. A testing failure can lead to a sell down. But if there is rebound potential during re-testing, a biotech firm can survive the backlash. Once a drug is successfully launched, profitability is assured for years on end.

Strong revenue growth

Theratechnologies's president and CEO Luc Tanguay is overly optimistic after the excellent start in 2019: "Revenues are almost double what they were at the same time last year. We are more active than ever in the U.S. to support our two products. We are also preparing for the potential launch of Trogarzo in Europe which may represent a sizeable future source of revenues."

The company reported record first-quarter net sales of $20.1 million in Q1 2019, which is 86% better than the same quarter last year. From a negative EBITDA of $2 million in Q1 2018, the company managed to turn it around and reflect a positive EBITDA of $2 million in the Q1 2019.

Strong cash position

In terms of cash position, the company stands on solid ground with $70.9 million cash as of February 28, 2019. The lead products, Egrifta (tesamorelin) and Trogarzo (ibalizumab), are the income generators. Both are no longer in clinical testing stages but are widely accepted drugs worldwide.

The former is for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy. The latter is for the treatment of multi-drug-resistant HIV-1 patients. And the sales of these top two drugs are rising dramatically.

Given the high scorecard of Theratechnologies, the market analysts can't be faulted to anticipate the stock's meteoric rise in the months ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TH (Theratechnologies Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2019/04/13
Author
cliew