



## This Healthcare Stock Defied Gravity in its Heyday: Today, it Is Undervalued

### Description

If **Bausch Health Companies** ([TSX:BHC](#))([NYSE:BHC](#)) was a buy back in 2015 (as per many analysts back then) at over \$200 and even \$300 a share, when debt levels were spiraling out of control, P/E multiples were in the mid-30s, and the company had a debt-to-EBITDA ratio that was untenable, what is it today after it has taken steps to address these issues and more?

Let's take a look at what's changed with this [healthcare stock](#).

Although debt levels are still untenable, they have at least been managed better by instituting a company-wide goal of reducing debt and managing maturities and interest expenses — something the company's new CEO Joseph Papa has been adamant about.

Re-financing at lower interest rates, slowly paying down debt with excess cash flow, and limiting new debt issuances have been key moves to get the debt situation under control.

Net debt was reduced by over \$100 million in the most recent quarter, and although this is pretty insignificant relative to total debt on the books of over \$23 billion, it is at least progress in the right direction. Three years ago, the company's debt levels were north of \$30 billion.

Furthermore, the practice of instituting sharp and egregious price increases has been scaled back with the help of regulatory pressure, and after the SEC got after the company about its accounting practices, the company's books are being put in order.

So, with this, the company can start to get back to the business of running a profitable healthcare company that has its stakeholders' best interests at heart, including patients in need of medical care and the company's shareholders.

### Revenue turning the corner

First-quarter total revenue came in at just over \$2 billion, which represents a 4% constant-currency increase, as revenue inches its way back up after falling off a cliff in the years leading up to 2018.

## Valuation still attractive

After trading at multiples as high as over 30 times back in its heyday, Bausch stock is now trading at P/E multiples of below 10 times.

And although the company is a fraction of what it was, with revenue roughly 20% lower today compared to 2015, and EPS roughly 59% lower these days compared to 2015, we can see a bottoming of these numbers and the light at the end of the tunnel.

## Final thoughts

While Bausch's recovery remains in early stages, the healthcare sector is booming, as the population is aging rapidly, and so healthcare needs and spending will see a sustained upward trend.

The company is resolving litigation, which is removing some clouds over its stock. It is slowly reducing debt, removing another cloud. And its valuation still does not reflect much good news and actually appears [undervalued](#) for this powerhouse.

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1. Investing

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