



Bausch Health (TSX:BHC) Soars on Falling Debt

Description

Investors are gearing up for **Bausch Health** ([TSX:BHC](#))([NYSE:BHC](#)) to report earnings next week. The company has released exciting news lately on new programs and debt-reduction plans. In addition to these announcements, shareholders can expect a fascinating discussion about the company's strategy to capitalize on growing U.S. demand for cheaper pharmaceutical imports.

Founded in 1983, Bausch Health manufactures prescription drugs and medical devices. The company focuses on products with a broad consumer base: eye health, digestion, and skincare. The company's branded and generic products are accessible on a global scale throughout Canada, Europe, Asia, and Australia.

Bausch pays down \$100 million in debt

Last month, the company announced a \$100 million debt paydown from cash flow operations. The decision will put the company ahead of its amortization payment schedule through the second quarter of next year. The debt paydown may be a sign of a rebound after gaining nearly 15% in the past year.

Bausch is far from being the most profitable company on the Toronto Stock Exchange. The company consistently posts negative return on equity and distributes no dividends to investors.

In comparison, shareholders in U.S. **Pfizer**, the top global pharmaceutical company, have enjoyed between 10% and 30% returns on equity over the past 10 years.

Institutional investors do not seem to be too concerned with the lack of profitability; institutions own over half of Bausch's outstanding shares. The stock's top institutional shareholders include Paulson & Company, Glenview Capital Management, and Vanguard Group.

Bausch expands cash-pay prescription program

In addition to the debt announcement, Bausch announced an expanded cash-pay prescription program

on dermatology products for **Walgreens** patients. Launched in March 2019, the program expands access to popular creams used to treat wrinkles, acne, skin cancer, and dermatitis. Walgreens patients no longer need insurance to purchase these top-selling skincare products at reasonable prices.

Bausch is excited to announce improved access to topical prescriptions such as Retin-A products. Walgreens expects the program to improve operational efficiency and customer service at its pharmacies. The simple pricing model will give pharmacists more time to support patients.

The United States to reduce pharmaceutical import barriers

Demand for affordable prescription drug options in the United States is growing, yet it is unclear how this will influence TSX-traded pharmaceutical companies. The United States imports the majority of its pharmaceuticals from Germany and Ireland. Democrat party contenders are debating policies to address the problem of rising drug prices, including those to remove barriers to importing Canadian alternatives.

On Wednesday, current U.S. president Donald Trump announced a similar proposal. The president is consulting with the FDA to allow prescription drug pilot programs to import Canadian pharmaceuticals.

Donald Trump may be strategizing higher profits and lower drug development costs for the U.S. pharmaceutical industry. Trump's proposal seems to take advantage of [Article 20.36](#) in the Canada-U.S.-Mexico Trade Agreement, the "new NAFTA." This article implies that the governments of Canada, the U.S., and Mexico can disregard international pharmaceutical patents on health treatments.

Foolish takeaway

Shrewd investors interested in betting on growth in Canada's [pharmaceutical industry](#) next year may want to wait until the governments of Canada and the United States finalize the new international trade agreement. The United States may be trying to further advantage its already profitable pharmaceutical industry — at Bausch's expense.

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