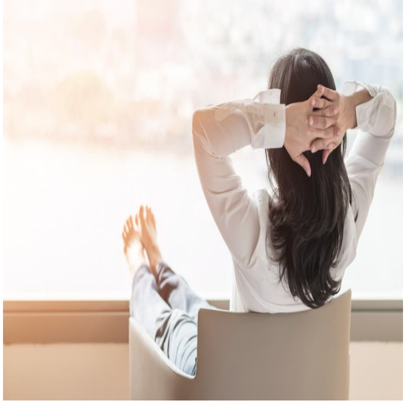

TFSA Investors: Bausch Health Companies (TSX:BHC) Stock Is Incredibly Cheap Today

Description

Bausch Health Companies Inc. (TSX:BHC)(NYSE:BHC) stock is up approximately 12% year-to-date. While this is not the best performance on the TSX this year, it indicates that Bausch Health Companies stock is not in freefall anymore.

This raises the question of whether now is a good time for TFSA investors to get back into this once-darling Canadian healthcare stock for long-term wealth creation.

So as we ponder this question, let's look at what *is* working for Bausch at this time.

The healthcare sector is attractive for many reasons

The healthcare sector is a famously defensive sector, which is an increasingly attractive sector to be in given the increasingly tenuous economic environment. With goods and services (i.e., drugs and medical care) that are insensitive to fluctuations in the economy and consumer wealth, the healthcare space in an attractive one at this time.

Interest rates are hovering at all-time lows, and they risk going even lower as the economy remains mired in difficulties both domestically and globally. While the Bank of Canada kept the overnight interest rate at 1.75% this week, officials are expecting a slowdown in the second half of the year as Canadian business investment has contracted significantly, consumer spending has been worse than expected, and as trade wars continue to wreak havoc on global business.

The aging population is the other reason that the healthcare sector represents an attractive investment space. Increasing dollars will be spent on an aging population that will require more medication and healthcare services than ever before.

Bausch gets its act together

After years of irresponsible behaviour that included taking on excessive debt loads for the sake of higher and higher growth, Bausch shed its former name (Valeant Pharmaceuticals), replaced management, and got down to the business of building a good business based on sound financial and value-add decisions.

Net debt has been reduced by approximately $7 billion compared to three years ago, declining from over $30 billion to the current $23 billion. While this is still high and certainly elevates the risk profile of the stock, it is at least moving in the right direction.

In the first six months of 2019, revenue increased 1.1% (higher on a constant currency basis). While this is not outstanding, it also shows progress after falling off a cliff in prior years.

Notably, the company’s largest drug, Xifaxan, saw a 21% year-over-year revenue increase. Management instituted an increase to 2019 revenue guidance (expected between $8.4 billion and $8.6 billion compared to prior guidance of $8.35 to $8.55 billion).

Foolish bottom line

While Bausch Health Companies still has a long way to go in its turnaround effort, the company is doing many things right. Given its outstanding litigation and its heavy debt load, the stock is still in the penalty box,

But Bausch Health Companies stock is now trading at well below 10 times earnings just as the company is really taking action to develop and maintain a steady, growing business anchored by its significant seven drugs, which are expected to grow from $100 million in revenue in 2017 to over $1 billion in 2022.

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