



The Best Canadian Stock to Buy Right Now!

Description

A quick look at **Theratechnologies** ([TSX:TH](#)) may turn off many investors, as the company experienced a net loss in the past three of five fiscal years.

Some of you may be wondering why I claim that it is the best stock to buy right now. Allow me to explain.

Theratechnologies is a specialty pharmaceutical company with a focus on HIV patients. Its product line consists of EGRIFTA and Trogarzo.

For those of you just getting into the pharmaceutical industry, you need to understand that investing in pharmaceutical companies is risky. The stock price of a pharmaceutical company is almost always purely based on speculation around FDA approval of drugs the company is testing.

Theratechnologies is no exception. After the approval of Trogarzo in March 2018, its share price increased from \$9.79 until it peaked at \$14.48 per share in May 2018. Since then, the stock has been very volatile and currently trades at \$5.43.

Investors should purchase Theratechnologies based on the approval of Trogarzo and increasing revenues.

Approval of Trogarzo

Trogarzo is a drug that is used to treat multi-drug resistant HIV-1, which is a type of HIV often regarded as difficult to treat. What makes this drug such a breakthrough for Theratechnologies is the fact that it received Priority Review status from the FDA, which emphasizes the importance of this drug to those affected by this type of HIV.

In the United States, up to 25,000 Americans with HIV are multi-drug resistant and 12,000 of these people are in urgent need of a new drug, as their viral load has risen to levels that jeopardize their health and pose transfer risks.

The drug will be sold at a wholesale acquisition cost of US\$118,000, which works out to US\$82,600 after rebates and distribution costs are factored in.

Assuming that every person in America opts in for the drug, the company can expect to earn after-rebate revenues of \$2.1 billion. Given its current revenue of \$44 million, the [potential revenue upside in the following years is huge](#).

As is the sad reality with most pharmaceutical companies, the patients usually require the drug to live, which means that the majority of people are willing to spend hundreds of thousands of dollars on these drugs each year if it means increasing their standard of living.

Increasing revenues

In almost any other industry, net income is a more important measure of a company's success than its revenues.

With a pharmaceutical company, however, it has very high R&D costs, which means that in almost every year during the development of drugs, it is likely to report a net loss. This is especially true for a company like Theratechnologies, which only has two drugs on the market.

[Looking at the company's revenues](#), it has increased from \$6 million in fiscal 2014 to \$44 million in fiscal 2018. With the assumptions I made above, Theratechnologies has the potential to achieve revenues that are 50 times greater than its current revenues!

Bottom line

Investing in the pharmaceutical industry is risky business. Despite this, Theratechnologies has received FDA approval for both drugs, which were very recently in development phase.

In the pharmaceutical industry, a FDA decision can make or break a company. The fact that Theratechnologies was approved indicates that it has found a niche in the highly competitive industry.

With the approval of Trogarzo and EGRIFTA, the company is well on its way to turning profit and delivering a superior return on investment.

Further to this, its revenues are increasing, which should give investors confidence that an investment in the company is worthwhile.

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