Why This Dismissed Investment Is Now a Promising Long-Term Gem

Description

There are few stocks on the market today that are as loathed by investors as **Bausch Health Companies** (TSX:BHC)(NYSE:BHC). For those investors that need a quick recap, several years ago, under a different name, Bausch's stock, which was on a cheap-loan-fueled ascension, finally crashed and came tumbling down. The ensuing result was a loss of over 90% in stock value, and Bausch was left with a broken business model, staggering debt, and a slew of court cases.

One of the first reactions by investors who realize that Bausch is the new name of the former entity known as Valeant is overwhelmingly negative. I can appreciate that, particularly as, at the time of its collapse, Valeant was a darling of the market with a market cap that was greater than some of Canada's big banks.

That being said, today's Bausch is very different than Valeant — so much that it really doesn't do justice to mention them together in the same context.

Don't hate Valeant's successor: This is a *very* different company

The two core areas where Bausch has excelled over its prior incarnation have to do with managing its substantial (yet shrinking) debt and how the company plans to continue growing over the next decade.

While the $23 billion in debt that Bausch carries is a lot, it is significantly lower than the more than $30 billion that the company had at the time of the stock collapsing. Bausch sold off non-core and underperforming assets from its massive portfolio to fund that aggressive repayment schedule, and as a result, the company has few, if any, repayments due before 2021.

This has allowed Bausch to turn towards growth and revenue generation. Progress has been slow,with the company posting a revenue gain of just over 1% during the first half of 2019. That being said,there are some stars within Bausch's portfolio that could become significant growth drivers for thecompany over the next decade.

I say *significant* because that's exactly how Bausch refers to those opportunities. A slew of products dubbed the "Significant Seven" by Bausch is set to bring in a billion in revenue. Some of the Significant Seven have already made inroads to reaching that goal, such as Xifaxan, which saw a 21% jump in revenue when compared to the previous year.

In short, a steadily improving balance sheet and an increasingly popular and successful line of products are set to help propel Bausch to new highs over the long term. Bausch has already updated its guidance in 2019 to reflect that potential, with the company now forecasting revenue for 2019 to fall between $8.4 billion and $8.6 billion.

Bausch is set to provide updated financials for the third quarter in a few weeks. In the second quarter, Bausch saw revenues top 3% over the prior year to $2,152 million while also generating $339 million in cash from operations.

Should you buy Bausch?

Bausch currently trades at just below $30 and is not without risk. That being said, Bausch appeals to investors looking to diversify their portfolio with an investment that will provide growth over the long term.

In other words, if you can tolerate some risk, buy it and hold it.

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