



Why Bausch Health's Stock Price Rose 15.3% in April

Description

Bausch Health Companies ([TSX:BHC](#))([NYSE:BHC](#)) rose in April along with the **S&P/TSX Composite Index**. This came as the initial shock of the virus and the economic toll of the shutdown gave way to hope — hope that this massive disruption will be short term, and [hope that government aid and support](#) will help pave the way for a rebound soon.

Bausch Health's stock price rallied 15.3% in April compared to a 10.5% rally for the TSX. This was a sigh of relief after a pretty brutal first three months of the year. During the first three months, Bausch Health's stock price fell 35.3% — almost three times the fall of the TSX index. But in April, the stock has outperformed in what may be the beginning of a new trend. Why did Bausch Health stock outperform the TSX Index in April?

Bausch Health's stock price rose as Virazole enters clinical trials for the treatment of COVID-19

Virazole is one of Bausch Health's drugs that is currently approved in many countries, including Canada and the United States. It treats severe pneumonia and respiratory infections in infants and young children caused by respiratory syncytial virus. In mid-April, Bausch Health announced that the drug will enter clinical trials for treatment of COVID-19-related respiratory distress. Virazole's two key benefits are that it is inhaled directly into the lungs and that it limits viral replication. The drug has already been given to patients on a compassionate-use basis.

While this is just a clinical trial, this is exciting news for the company and potentially for the COVID-19 fight. The anti-viral activity of the drug means that it is very promising with much potential.

Bausch Health's stock price rose as the healthcare sector remains among the most defensive sectors

[The healthcare sector is one of the most sheltered from an economic recession or depression](#). This is

an essential sector that provides essential products and services. It is a shelter from economic troubles and a defensive sector that should provide peace of mind.

The problem is that while Bausch Health stock is part of a defensive sector, it is by no means a defensive company. The company has been attempting to transform itself from the mess of its former self, Valeant Pharmaceuticals. Progress has been made, but many company-specific risks remain.

Bausch Health risks

One of the biggest worries that remains with Bausch Health stock is the fact that debt levels at the company remain high. The company has attempted to manage this by refinancing its debt and by extending maturities. While these are positive steps that have helped, the problem remains.

Bausch Health management is of the view that much of the growth will come in the 2021/2022 time period, but investors are nervous. The performance of new products is still uncertain. Stagnating growth and heavy debt loads make Bausch Health stock a risky one.

Foolish bottom line

Bausch Health stock price rallied in April, outperforming the TSX Index. The company is filled with potential, with an extensive product portfolio and many competencies. Investors need to balance this with the risk that comes with the company's heavily indebted balance sheet. April was a good month for Bausch Health stock, but the risks remain high.

CATEGORY

1. Coronavirus
2. Investing

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2. TSX:BHC (Bausch Health Companies Inc.)

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