



## Why Bausch Health Stock (TSX:BHC) Is Rallying Almost 8%

### Description

**Bausch Health Companies Inc.** ([TSX:BHC](#))([NYSE:BHC](#)) stock started the day strong, rallying as much as 13%. At the time of writing, the stock is still up almost 8%. What happened? What should investors take away from this stock price action?

The company reported second-quarter results today. [The coronavirus pandemic has hit results pretty significantly](#). But this hasn't stopped the progress that Bausch Health is making. Today is a big day. Four years ago, the company announced a plan to bring this healthcare giant back to success. This management team that took over back then has taken action of many fronts. And the progress is clear.

## Bausch Health Companies stock rallies on its transformation progress

With the company's second-quarter result this morning, Bausch Health reminded us of their history — one that includes reckless acquisitions and debt, sharp drug price increases, and investigations into accounting practices. The result was a company mired in investigations and riddled with debt with no clear strategic focus.

So when the current management team took over four years ago, [their goal was to conduct a transformation](#). The plan was to first stabilize the company, then transform it. Today, the stabilization effort appears well underway if not mostly achieved. The company has resolved nearly all litigation, it has divested \$4 billion of non-core assets and has paid down nearly \$8 billion of debt.

## Bausch Health Companies announces the spin-off of eye care business

Bausch Health's intention is to spin off its eye health business as an independent, publicly traded company. This will create two independent businesses. The first is a fully integrated pure eye health company. The second is an international diversified pharmaceutical company. This is a big step in

Bausch's plan to unlock value.

The spinoff will result in greater focus and synergies. While more granular details and estimates were not given, there are cost savings and additional opportunities of growth from this.

## Bausch Health Companies moves forward with strength

It is becoming increasingly clear that Bausch Health Companies is on a healthy long-term path. The coronavirus pandemic negatively impacted second-quarter results. Surgeries have declined significantly and patients are postponing or limiting doctor visits. And consumers have scaled back their contact lens purchases as they stay home more. The business is feeling the strain.

While we can expect the pandemic to continue to negatively impact results, the company looks good longer term. Even this year, Bausch is expecting to generate \$1 billion in cash from operations. Given the pressures of the coronavirus pandemic, that's a pretty good result.

In the meantime, Bausch Health is in a good position related to its liquidity. There are no mandatory amortization payments or maturities until 2023. 80% of its debt is fixed at an average cost of 5.9%, and the company's revolver is undrawn.

On top of all this, Bausch Health Companies generated \$200 million in cash in the second quarter. And the company's cash balance has grown, affording it a greater safety net and flexibility.

## Foolish bottom line

Bausch Health Companies is pushing forward in its transformation. While the coronavirus pandemic is hitting results, the future looks bright. This Canadian healthcare giant continues to position itself to pursue more focused growth.

The company's focus on its balance sheet and cash flows is paying off. Bausch Health Companies stock is rallying on the continued progress — and is fast becoming a top Canadian healthcare stock.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Sharewise
6. Yahoo CA

**Category**

1. Coronavirus
2. Investing

**Date**

2025/09/01

**Date Created**

2020/08/06

**Author**

karenjennifer

default watermark

default watermark