



Should You Follow Carl Icahn Into Bausch Health Companies (TSX:BHC)?

Description

Bausch Health Companies ([TSX:BHC](#))([NYSE:BHC](#)) has been [picking up traction](#) in recent weeks thanks in part to a huge vote of confidence by billionaire hedge fund manager Carl Icahn, who took a huge stake in the company in the fourth quarter of 2020.

The Canadian pharmaceutical play, formerly known as the infamous [Valeant Pharmaceuticals](#), has since moved on from the days of Michael Pearson and the M&A spree. With an incredible manager in Joe Papa at the helm and a plethora of incredible eye care, dermatology, and gastrointestinal (GI) assets, the firm is undoubtedly one of very few shining healthcare stocks on the **TSX Index**.

Shares of Bausch Health are now up over 111% from their March lows, with most recent gains coming since November 2020. I've been urging investors to back up the truck on Bausch Health stock on the dip ahead of the spin-off of its Bausch + Lomb business. While the stock is within 3% of hitting its pre-pandemic levels, I'd still argue that there's ample value to be had and would encourage investors to think strongly about initiating a position while shares are trading at \$39 and change.

Carl Icahn takes a big stake in Bausch Health

The legendary activist investor Carl Icahn reportedly took a 7.83% stake (27.8 million shares) in Bausch Health Companies, and you can bet he's going to be active with his position in an effort to enhance shareholder value in the underrated and still tremendously undervalued Canadian pharma play.

Big changes are coming to Bausch Health. Given Carl Icahn's extensive track record of success with activist investments, I think it would be a wise idea to ride on the man's coattails before he has a chance to do work his magic.

The Bausch story hasn't looked this good in a while

Joe Papa has done an unbelievable job of meeting (and exceeding) deleveraging targets, chipping

away at the mountain of debt accumulated back in the days of Valeant's debt-fueled acquisition spree. More recently, Bausch is slated to cut another US\$100 million worth of debt from cash flow from operations.

"As Bausch Health continues its recovery from the effects of the COVID-19 pandemic, we also remain focused on repaying our debt by generating cash through strong business execution and efficient management of our operations." Bausch Health CEO Joe Papa said.

Undoubtedly, there remain a plethora of challenges ahead. Still, there's no denying that Papa has continued to do a remarkable job of turning the ship around, despite the numerous curve balls thrown his way.

Moving ahead, I think Icahn's involvement in the company only serves to enhance the Bausch investment thesis. The company already has an exceptional steward in Joe Papa. With Icahn on board, I think Bausch could really take it to the next level.

Foolish takeaway

While I'm not an advocate of chasing stocks that have recently surged by double-digit percentage points, I am willing to make an exception with Bausch. The stock remains cheap at just 1.4 times its book value. That's a low price to pay for a firm that owns incredible assets and the stewardship to take it to the next level. I'm a huge believer in both Papa and Icahn and would consider initiating a position in the name on a pullback.

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