



ALERT: 1 Pharma Stock for Value Investors With a Significant Margin of Safety

Description

HLS Therapeutics ([TSX:HLS](#)) is a North American-based [specialty pharmaceutical company](#) focused on commercializing clinically differentiated pharmaceutical products in the specialty central nervous system (CNS) market. HLS holds a diversified portfolio of royalty interests on global sales of four different pharmaceutical products, which, in effect, provides HLS with income based on worldwide sales of such products.

HLS pursues additional product and pipeline opportunities in the CNS therapeutic markets through targeted business development efforts. HLS's experienced management team has a long and [proven track record](#) of successfully sourcing, developing, and commercializing drugs in a variety of therapeutic areas at every stage of the lifecycle throughout North America and internationally. In the financial years ended 2019 and 2020, HLS generated revenues of \$54.2 million and \$56.1 million, respectively.

Product acquisition expertise

Members of HLS's executive management team and the HLS board have on average more than 20 years of pharmaceutical product acquisition and operational experience. As a result, the HLS management team has a broad network within the industry and a proven track record of success. HLS's team is also experienced in various aspects of governance, corporate financing, pharmaceutical operations. In addition, members of management maintain a significant ownership interest in HLS in order to align interests with shareholders.

Superior business model

Similar to **Trillium**, HLS also has the flexibility to consider a broad range of acquisition targets from a variety of therapeutic areas in addition to the CNS space. Because HLS has operations in both Canada and the United States, it has the ability to acquire and commercialize products in either or both countries. Such flexibility is advantageous to certain vendors or licensors.

Predictable cost structure

The company's management has considerable experience managing commercial-stage pharmaceutical operations in North American markets. HLS's management has established a predictable cost structure by relying on a small but experienced employee base and outsourcing to leading outsource service providers certain of the operational functions associated with HLS's business, including warehousing, distribution, customer service, and regulatory affairs.

This predictability, scalability, flexibility and efficiency gained by contracting with established, experienced service organizations assists HLS in improving HLS's margins, achieving profitability and facilitating growth. Further, the HLS model is not dependent on price increases. HLS makes competitively sound and typically modest pricing adjustments to maintain product viability and competitiveness.

Partnership with leading service providers

HLS has a network of leading external advisors. While retaining strategic direction and direct oversight, the company enters relationships with select leading providers of pharmaceutical contract services for many of the operational functions associated with HLS's business. These outsourcing relationships minimize the need for significant overhead and provide HLS with scalability, and flexibility to adapt to market conditions in a cost-effective manner.

Robust business strategy

Overall, HLS's business strategy is to acquire a diversified portfolio of branded pharmaceutical products for commercialization in North American markets. HLS's current strategic focus is on the acquisition and distribution of pharmaceuticals that address unmet medical needs in specialty CNS disorders, such as schizophrenia. HLS is well positioned to focus on these therapeutic areas to add significant shareholder value.

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