

# Welcome to the Big Leagues.

written by Dean Bristow | March 31, 2021

[Valeo Pharma Inc.](#) (CSE: VPH | OTCQB: VPHIF) has taken a big step forward in its business development with [yesterday's news](#) that it has entered into a commercialization and supply agreement for not just one, but two asthma therapies with Novartis Pharmaceuticals Canada Inc. Under the Agreement, Valeo will be responsible for medical and commercial activities for Enerzair Breezhaler® and Actectura Breezhaler® for an initial 8 year period.

These medications launch in Q2/21 giving the company exposure to an estimated \$700 Million per year Canadian asthma market. Government of Canada data indicates that almost 4 million Canadians are afflicted with asthma. For the next 8 years Valeo will help be part of the solution for these people.

These two latest products will join [Redesca®](#), [Redesca HP®](#) and [Amikacin](#), all of which will be launched in the first half of 2021, giving the company a tremendous growth platform for the balance of 2021. Redesca and Redesca HP are low molecular weight heparin ("LMWH") biosimilars, which translates to injectable anticoagulant drugs used primarily to treat and prevent deep vein thrombosis and pulmonary embolism. The Canadian LMWH market is in excess of \$200 Million annually.

These deals are perfect examples of Valeo's business model to acquire, license, and commercialize high quality specialty products that address the needs of patients and healthcare professionals in Canada. The company partners with pharmaceutical companies that have expertise in research & development and manufacturing while Valeo concentrates on the regulatory requirements to get a drug approved in Canada and then focuses on marketing the product. Valeo benefits from

commercializing a drug without the risk and expense of product development.

Initially the company set its modest goals to look for products with potential annual revenue in Canada of between \$5 million and \$20 million. This would allow the company to carve out a niche to better control margins and allow Valeo to propose reasonable milestone payments for exclusive product rights. The targeted products would generally be marketable through Valeo's existing or developing sales channels with a clear path to profitability. The last two deals have dramatically changed the scope and scale for the company, vaulting them into the big leagues whereby they can scale up operations through hiring and expansion of infrastructure to support these major new products. That in turn should give them the firepower to attract more opportunities.

All of this points toward a solid business foundation with the opportunity to grow organically and build on the reputation the company is developing. There's even some potentially explosive upside if the [recently announced](#) trial for Hesperco™ finds success in its current study by the Montreal Heart Institute to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients. That's right, a possible SARS-CoV-2 therapeutic.

The company is reporting its latest quarterly results on Wednesday, March 31 after market close. It would be nice to see the company getting close to being able to grow through internally generated cash flow but given we are likely still a quarter away from these big contracts starting to contribute materially to the bottom line, there may be a requirement to raise a bit of cash in the interim. Nevertheless, we know that a dramatic increase in cash flow is just around the corner and Valeo is gaining traction in much larger product markets. With a

current Market Cap of C\$79 Million after yesterday's 12% rally on the Novartis news, there still seems to be plenty of upside.