

Valeo Pharma's rocketing growth in sales points to positive cash flow this year

Stock market investors love companies that can quickly expand and rapidly grow their revenues. The very best of these companies can sometimes grow revenue for many years in excess of 50%pa. This is because rapidly growing revenue means a company is scaling fast and their fixed costs become relatively smaller each year, allowing profits, once they begin, to surge.

In the case of Tesla, the Company grew its revenues for many years to gain scale. Then boom! In 2021, Tesla increased revenue by 71% and net earnings by 665%. Naturally, the stock price has responded to this, up about 20X in the past 3 years.

What if I told you there was a Company growing revenues twice as fast as Tesla?

Today's company is doing just that.

Valeo Pharma Inc. (TSX: VPH | OTCQB: VPHIF) ("Valeo") grew revenues 128% YoY in Q1, 2022. Analyst's estimates are that Valeo will grow revenues by over 150% (2.5x) in 2022, and something similar again in 2023.

According to Marketscreener.com Valeo is forecast by analysts to increase revenue as follows: 2021 – C\$13.6 million, 2022 – C\$35.8 million, 2023 – C\$74.1 million, and 2024 – C\$112 million. Net profits are forecast to turn positive in 2023 at C\$2.96 million then increase ~5x in 2024 to C\$14.7 million. While these are only forecasts, Valeo is already showing it can grow rapidly as we saw in the recent Q1, 2022 results.

Valeo Pharma Q1, 2022 results highlights

- “Revenues were \$4.2 million for the quarter ended January 31, 2022 compared to \$1.9 million for the quarter ended January 31, 2021 and \$3.4 million for the fourth quarter ended October 31, 2021, representing a **128% increase** and 25% increase respectively. The increase resulted mainly from the added contribution of Redesca, and also a strong contribution from other products in the portfolio....
- Net loss and Adjusted EBITDA in Q1-22 were down 23% and 19% respectively as compared to the prior Q4-21 quarterly performance. The improvement of our financial performance over the prior quarter results from improvement of our operating margins derived mainly from the revenue growth of our three lead products, Redesca, Enerzair and Atectura.”

Source: Valeo Pharma First Quarter 2022 financial results

Valeo Senior Vice-President and CFO, Luc Mainville, stated:

“Our first quarter 2022 results clearly demonstrated the growing impact of Redesca, Enerzair and Atectura on our revenues and margins. With the cost of implementing our new business and commercial infrastructure now fully accounted for, **we anticipate that the sequential revenue growth of our lead products will expand our operating margins.** This will help steadily decline our quarterly operating loss and **favorably position Valeo to achieve cash flow positive status in the last quarter of the year on a going forward basis**”.





Note: Bold emphasis by the author.

Valeo CEO, Steve Saviuk, stated:


“As we had forecasted, Redesca has rapidly become Valeo’s best selling product. Reimbursement coverage is positively impacting prescription growth for Enerzair and Atectura which is accelerating on a monthly basis.”

Valeo Pharma's pharmaceutical products, uses, and estimated peak sales revenue

Growing Portfolio of Commercial Products

	RESPIRATORY			Launched	Est. Peak Sales	
	ENERZAIR®	Asthma	Transformative	2021	\$75-90M	Core
	ATECTURA®	Asthma	Transformative	2021	\$25-35M	
	SPECIALTY PRODUCTS					
	REDESCA®	Blood Thinner	Transformative	2021	\$30-35M	
	M-ESLON®	Pain (Tablet)	Base	2016	\$10-12M	Non-Core
	AMETOP™	Topical Analgesic	Base	2020	\$1-2M	
	HESPERCO®	Immune system	Base	2020	\$1-2M	
	NEUROLOGY					
	ONSTRYV®	Parkinson's Disease	Base	2019	\$2-4M	Non-Core
	ONCOLOGY					
	YONDELIS®	Soft-Tissue Sarcoma	Base	2020	\$1-2M	

Total Estimated Peak Sales from existing portfolio of commercial products : \$145M - \$182M



Source: Valeo Pharma company presentation

About Valeo Pharma

Valeo's business is based on forming partnerships with pharmaceutical companies that do the research & development and manufacturing while Valeo concentrates on the regulatory requirements and the sales and marketing of the pharmaceutical products.

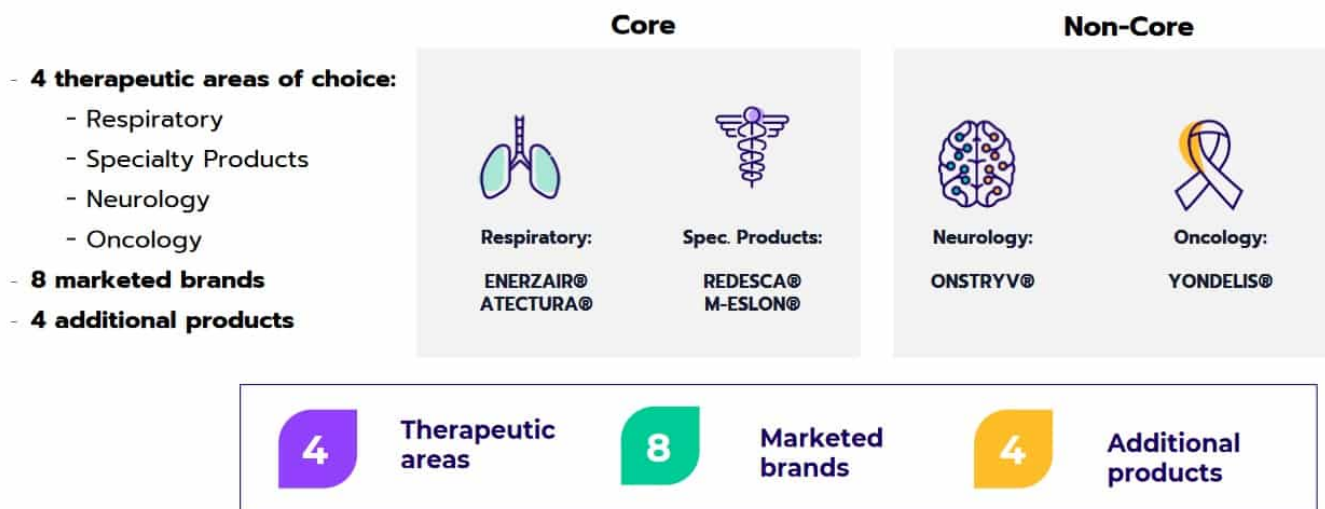
Valeo describe their business by stating the following:

- "Specialty pharma dedicated to the commercialization of innovative prescription products in Canada.
- Licenses and acquires Canadian rights to clinically de-risked, commercial stage, proprietary drugs."

Valeo's three leading specialty pharmaceuticals are Redesca, Enerzair and Aectura. These three pharmaceuticals now have more than 90% private and public Canadian reimbursement

coverage, with additional coverage recently achieved in British Columbia, Saskatchewan and Prince Edward Island. Redesca is used as a blood thinner and Enerzair & Ateectura are used for respiratory conditions such as Asthma.

Valeo Pharma's pharmaceutical product areas – respiratory, specialty products, neurology, oncology



Valeo's peak sales forecast for current portfolio

Valeo's rapidly growing revenue stream – Commercialized Product Portfolio



Source: Valeo Pharma company presentation

Closing remarks

Valeo Pharma is a company on the move. Company revenues are surging higher, up 128% YoY in Q1, 2022. Analyst's forecasts are for Valeo's revenue to go from C\$13.6 million in 2021 to C\$74.1 million in 2023, when Valeo is also forecast to become earnings positive. Valeo forecast their peak sales based only on their current portfolio of products have the potential to reach C\$150 million pa.

Yet despite all this growth, Valeo's stock price has only moved sideways the past few years. Tesla also saw its stock move sideways for several years before surging 20x higher. I will leave you to draw your own conclusions.

Valeo Pharma Inc. trades on a market cap of only C\$52 million. Looks very promising.