

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

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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 Ateectura.”

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 Ateectura 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 Ateectura which is accelerating on a monthly basis.”

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



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 Ateectura. 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



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.