Speed Solutions Ltd: “The curious case of Teva”

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Teva is an Israeli success story and the world's biggest generic drug company in the world. Its story is entrenched in the story of Israel. It was the “stock of the people”, and everybody had a share. However, according to Speed Solutions Ltd, in the past 4-5 years, and mainly since the death of Eli Horowitz in 2011, Teva lost an absurd amount of money, but most of all, lost the trust of the people.

Teva stock declined from $70 per share to a price of $6, and there might be many reasons as to why this has happened. After crashing by 48% in 2017 due to weakness in its core businesses, as well as its ballooned debt load, the company announced in early August that its full-year profit expectations would fall well short of estimates, and that it would be cutting its dividend by 75%, to $0.085 per share a quarter. Before that, Teva had been among the highest-yielding healthcare stocks in the global market.

During February 2018, the stock lost around 11%, while its revenue dropped 15.9% year-over-year, and earnings-per-share fell nearly 33%. One of the most significant headwinds that the company was facing at that time was the declining demand for Copaxone, Teva's most significant blockbuster drug for MS, following Mylan's launch of a generic version of the drug the previous fall. According to Speed Solutions Ltd., Teva's most significant error, one that made it wipe out $57 billion during 2015-2017, was its decision to acquire Actavis, the generic division of Allergan, Inc., in an attempt to corner the generic market. Things took a turn for the worse, as the generic sector began to lose its profitability shortly after the merge.

The Opioid crisis

The cherry on the icing of Teva's shit cake is Teva's entanglement in the massive class-action lawsuits that was filed against drug companies in the US for aggressive marketing of opioid drugs, causing an opioid epidemic.

However, things are beginning to look rosier for Teva on that end. Speed Solutions Ltd. experts estimate that Teva Pharmaceuticals Industries Ltd's global US lawsuit will only cost the company around $1.5 billion - $3 billion. In the meantime, both sides appear to reach an understanding of the framework agreement with four US states: North Carolina, Pennsylvania, Tennessee, and Texas. All in all, the settlement is good for the company's creditors after the company's CEO inherited it with $39 billion worth of debt and reduced it to $34 billion before the outbreak of the opioids crisis, meaning that he made good progress. Although the fear was that this debt could gain mount to enormous proportions because of the lawsuit, in the long-run, it gives the shareholders hope, if there are no more skeletons hiding in the company's closet. On November 25th, Teva rose by 7%, after a report by Bloomberg that progress was made in the negotiations.

What can we expect from Teva in the future?

According to Speed Solutions Ltd., after Teva has struggled ever since it dismissed an ill-conceived acquisition of Actavis Generics, management has been focused on creating a more efficient company by cutting its manufacturing locations and headcount.

The biggest question that the company faces right now is whether it can get itself back on track. At the moment, the company's fourth-quarter financials reflect a state of troublesome headwinds, with revenue tumbling 16% year-over-year and non-GAAP earnings per share sliding 32.6% to $0.93. Blaming its anemic performance on price compression in its generic drug business and a significant decline in sales of its best-selling drug Copaxone, in terms of profitability, the company made progress on its restructuring plan. Still, its efforts weren't enough to offset the negative drag caused by declining sales.

According to Speed Solutions Ltd., looking further out, the company has three drugs it hopes will help stabilize its financials: Austedo, fremanezumab, and fasinumab. While a large opioid settlement could slow down the company's plan to pay off its debts, it would in no way, shape or form threaten Teva in terms of bankruptcy or anything like that, because of strong cash flow generation and an active business.

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