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Bausch Health Companies Inc. (BHC) CEO Joe Papa on Q4 2020 Results - Earnings Call Transcript

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EPS of $1.33 beats by $0.22 | Revenue of $2.21B (-0.49% Y/Y) beats by $38.39M

Bausch Health Companies Inc. (NYSE:BHC) Q4 2020 Earnings Conference Call February 24, 2021 8:00 AM ET

Company Participants

Art Shannon - Investor Relations
Joe Papa - Chairman and Chief Executive Officer
Paul Herendeen - Chief Financial Officer

Conference Call Participants

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Chris Schott - JPMorgan
Umer Raffat - Evercore
David Amsellem - Piper Sandler
Gregg Gilbert - Truist Securities
Akash Tewari - Wolfe Research
Terence Flynn - Goldman Sachs
Doug Miehm - RBC Capital Markets

Operator

Good morning and welcome to the Bausch Health Companies Fourth Quarter Earnings Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Art Shannon. Please go ahead.

Art Shannon

Thank you very much. Good morning, everyone and welcome to our fourth quarter and full year 2020 financial results conference call. Participating on today's call are Chairman and Chief Executive Officer, Mr. Joe Papa; and Chief Financial Officer, Mr. Paul Herendeen. In addition to this live webcast, a copy of today's slide presentation and a replay of this conference call will be available on our website under the Investor Relations section.

Before we begin, we would like to remind you that our presentation today contains forward-looking information. We would ask that you take a moment to read the forward-looking statement legend at the beginning of our presentation as it contains important information. This presentation contains non-GAAP financial measures. For more information about these measures, please refer to Slide 2 of the presentation. Non-GAAP reconciliations can be found in the appendix of the presentation posted on our website. Finally, the financial guidance in this presentation is effective as of today only. It is our policy to generally not update guidance until the following quarter and not to update or affirm guidance other than through broadly disseminated public disclosure.

With that, it's my pleasure to turn the call over to Joe.

Joe Papa

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Thank you, Art and thank you everyone for joining us. Today, I will begin with the 2020 highlights. Paul Herendeen, our CFO will then review the fourth quarter and full year financial results and discuss our 2021 guidance. I will then discuss our 2021 strategic focus, which includes executing on our business recovery, unleashing growth drivers and accelerating strategic alternatives to drive shareholder value before opening the line for questions.

Let's begin with Slide 5. In a year with unprecedented business disruption due to COVID, we finished the year strong and outperformed the high-end of our latest 2020 guidance by generating revenue that exceeded $8 billion. And most importantly, strong cash flow of over $1 billion helped us to repay approximately $900 million of debt. During the COVID-related downturn, we are focused on executing on our business. We grew market share for key promoted products. We managed operating expenses to optimize 2020 EBITDA. We invested in our pipeline for future growth. And we exited the year with strong momentum carrying us into 2021 and are well positioned to benefit from recovery related tailwinds and capitalize on key growth drivers and catalysts, while pursuing alternatives to accelerate shareholder value creation. You will hear more from Paul, but excluding the impact of any potential divestitures we may announce. We are targeting approximately $1 billion of debt paid out in 2021. And earlier today, we announced that Icahn Enterprises will add two new Board members to Bausch Healthcare to help us further our goal to accelerate shareholder value creation.

Turning to Slide 6, the full year fourth quarter results demonstrate that operational recovery is in progress. After experiencing significant COVID-related declines earlier in 2020, fourth quarter revenues was down only 1% compared to the prior year quarter. I want to call out a few highlights. Our vision care business grew in the U.S. during 2020. Our eye vitamin franchise continued to drive strong growth and we launched infused SiHy daily lenses in the U.S. and ULTRA ONE DAY in Australia, Hong Kong and Canada. XIFAXAN quarterly revenues hit a record high of $411 million in the fourth quarter and reported revenue for XIFAXAN, TRULANCE and RELISTOR all grew into 2020 versus last year. Thermage revenue grew by 47% in 2020 compared to 2019 driven by strong demand in China and expansion into other geographies. Thanks to a great Bausch Health team effort in 2020. Our supply chain continued to meet demand for all of our customers. We grew market share with our key brands. We managed OpEx to optimize EBITDA and we generated more than $1.1 billion of cash from operations during 2020. And we are seeking to accelerate the spin of B&L our eye health business that we believe will unlock shareholder value.

With that, I will turn it over to Paul to cover the financial results in more detail.

Paul Herendeen

Yes. Thanks, Joe. I am going to focus mainly on our quarterly results as they show our continuing recovery for the impacts of COVID.

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On Slide 7, you see revenue by segment and business units within the segments for the quarter and the full year. Starting with B&L International, overall, the segment was flat on an organic basis versus Q4 2019. The top performer in the segment was the international pharma business, up 12% organically as that portfolio of products was less impacted by COVID. In fact, certain products in this segment saw increased demand, including [indiscernible] and our broad spectrum anti-parasitic ivermectin. We saw organic growth in almost all countries and regions led in order by Eastern Europe, Egypt, LatAm, Poland and Russia. This business was a star of the quarter under challenging circumstances and the business heads there, including Fernando Zarate, [indiscernible], Kate Simon, [indiscernible], Muhittin Bilgutay and their leader, Tom Appio, deserving lot of credit.

Next up is the global consumer business. It was down 1% organically. There is a theme across the B&L Consumer, B&L Vision Care and B&L Surgical businesses and that is that the recovery in the U.S. is coming faster than what we are observing outside the United States. In the consumer segment, the U.S. business was up 3% organically versus Q4 of 2019. While the o-U.S. business was down 2%, driving growth in the U.S. were our eye vitamins and LUMIFY. Outside the U.S., resurgences of COVID, the associated impact of social restrictions and changes in consumer behaviors slowed the recovery in various geographies. Global vision care was down 1% organically, up 5% in the U.S. and down 3% outside the United States. In the U.S., the growers were of the recently launched infused daily disposable SiHy lenses, Biotrue ONEday Toric and Ultra Toric lenses. Outside the U.S., it's the same theme as I just described for consumer, recovering from COVID, but at a slower pace than we saw in the U.S.

Global surgical was down 7% organically, flat in the U.S. versus Q4 2019, but down 9% o-U.S. U.S. eye care professionals adapted more quickly to get back up and running with COVID protocols in place than outside the United States. Also, the recovery in the U.S. has been more of a linear progression, while o-U.S. surgical activity was strengthening in October and then weakened, especially in Europe in November and December as new [ways] [ph] of COVID cases emerged. Finally, Global Ophtho Rx was down 10% organically, and here, the U.S. is lagging the recovery outside the United States. The U.S. was down 15% organically versus Q4 2019, while o-U.S. we were down only 4%. In the U.S., despite the rebound in surgical procedures, patients flow into doctor's offices is still well below 2019 levels and that has certainly impacted volumes of our Ophtho Rx products. The impact of the Lotemax LOE also contributed to the quarter-over-quarter decline. So, that's B&L International revenue.

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On to Salix, where revenue was up 2% compared with Q4 of 2019, our key promoted products were all up versus Q4 of '19, with XIFAXAN up 4%, TRULANCE up 33% and RELISTOR up 7%. XIFAXAN Rxs have not yet recovered to pre-COVID levels. Extended UV TRx in the quarter were down 3.5% versus Q4 of 2019 and that's a good proxy for unit demand – end unit demand. However, our XIFAXAN sales volume in the quarter was up 2% as retailers rebalanced their inventories during the quarter after substantially reducing them in the depths of COVID. Note that the fluctuations of XIFAXAN channel inventories were sorted out during the year and we ended 2020 with appropriate levels based on current sales volumes. Realized net selling price for XIFAXAN was up 2%. TRULANCE continues to grow nicely, volume up 45%, which is broadly consistent with the 40% increase in TRxs versus Q4 2019, it was offset by a 14% decrease in realized net pricing. Improved managed care coverage comes at the cost of increased rebates, but we expect that the expanded coverage will be a cost effective aid to delivering high TRULANCE volume growth in the future, a strong finish to the year for Salix.

Next, the Ortho Derm segment, first, I want to note that our colleague, Scott Hirsch, is now leading this segment and I am personally excited about the changes that are underway to reposition our medical derm business to capitalize on the strengths of our Ortho Derm colleagues and product portfolio. We will talk more about this in the coming quarters.

In Q4, the med derm business was down 22% organically roughly 10% of that decline was due to the losses of exclusivity on products, including Solodyn, Acanya, ELIDEL and ZOVIRAX. Our promoted brands, particularly those early in their lifecycle, continue to be impacted by less patient office visits. Global Solta, under the skillful leadership of our colleague, Tom Hart, continues its string of impressive quarters, posting 31% organic growth. Solta grew in all regions, APAC, U.S., EMEA, Canada and LatAm. China alone accounted for more than half of the organic growth.

Finally, diversified was down 9% organically, with 8% of that decline coming from LOEs in the neurology business. Setting aside the LOE drag, the neuro business had a solid quarter driven by growth of the WELLBUTRIN/APLENZIN franchise, Librax and PEPCID. The 15% decline in generics revenue was mainly a function of a very strong performance in Q4 of '19. Dentistry continues to recover from the effects of COVID and was down only 4%. So, net revenue in the quarter. Total company revenue was down 1% organically. We finished the year gathering momentum and we are carrying that forward into 2021.

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Turning to Slide 8 and I will walk down our P&L for the quarter. We covered revenue. Our gross profit margin decreased by some 50 basis points versus Q4 of '19. Mix was as always a factor and unfavorable manufacturing variances and hits to cost of goods sold precipitated by COVID played a role as well. Selling, advertising and promotional expenses were 8% favorable to Q4 of '19 on a constant currency basis. As you look back at 2020, you would see that in Q2 we pulled back dramatically on OpEx spending as we work to conserve cash and protect earnings. In Q3, we began to ramp up promotional activities and – I am going to say this is the important point in Q4, just as our revenue had not yet returned to pre-COVID levels, our promotional efforts were also not back to full strength. I am bringing this up here for context when I talk about 2021 guidance later.

Adjusted G&A was favorable to Q4 last year by 4% on a constant currency basis and those expenses also do not reflect full efforts on some foundational projects, for example, in IT that are important to resume with full force. R&D was 4% higher on a constant currency basis as we were able to restart activities that were paused. The net result, we posted adjusted EBITDA of $911 million in the quarter, up 2% on a constant currency basis from the prior year quarter, I will call that, good stuff.

Please flip to Slide 9. The full year 2020 was so colored by COVID that the comparison versus 2019 is not especially meaningful, but there are some things here worth mentioning. We estimate – excuse me we estimate that the COVID impact for the full year at revenue was roughly $740 million, but for COVID, we would have met our original 2020 revenue guidance. But the thing I am most proud of is that the BHC team was able to react quickly to reduce expenses, conserve cash and weather the worst of the COVID storm. We prioritized the safety of our colleagues, adapted to find ways to serve patients and our customers and we were in the state of readiness to get back to driving our business forward as things began to open up.

The payoff of these efforts is on Slide 10. In Q4, we generated $394 million of cash from operating activities and $1.111 million for the full year. Those are both on a GAAP basis. Adjusted for the settlement of legacy legal settlements and some separation costs, our cash from loss was $475 million in the quarter and $1.235 billion for the year. Our company is a strong cash generator. We convert a lot of our earnings to cash in part due to our being a Canadian company. Last quarter, there were some folks that were concerned about our level of cash generation. Now hopefully, our Q4 results put those concerns to rest. As a result of our strong cash generation and efforts to better utilize our cash around the globe, as Joe said, we were able to repay slightly more than $900 million of debt in 2020 and I will call that pretty good in this year of years.

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Let's go to Slide 11, the balance sheet summary. Total debt at the end of the year was $24.2 billion. And I want to point out that the $1.8 billion of cash includes the $1.21 billion to settle the U.S. Securities class action, so net usable cash at year end was some $600 million.

On Slide 12, you see the schedule of our debt maturities. No maturities or mandatory amortization until 2024. Our active management of our debt complex was an asset for us back in the spring when liquidity concerns were understandably high. So, that's Q4 in 2020.

Let's turn to our guidance for 2021 starting on Slide 14. Our guidance calls for revenue between $8.6 billion and $8.8 billion and adjusted EBITDA between $3.4 billion to $3.55 billion. First and to be very clear, our revenue and operating earnings in 2021 could have been quite different, but for COVID. We are fortunate to be a diversified company across a number of different businesses and geographies and each of those businesses have and will recover from the impacts of COVID at different rates. We made great progress in Q3 and Q4 of 2020, but we are not all the way back. We also expect adjusted cash generated from operations to be approximately $1.5 billion in 2021, roughly the same as what we generated in 2019 and we are targeting approximately $1 billion of debt pay-down during the year.

On Slide 15, we show a bridge from 2020 actual results to our guidance for 2021. But I think it's also helpful to look back at the full year 2019 that was undisturbed by COVID. 2019 reported revenue was $8.6 billion and adjusted EBITDA was $3.571 billion and adjusted operating margin of 41.5%. At the midpoint of our 2021 guidance ranges, we have an operating margin of 40%, 150 basis points less than we posted in 2019. Why? Well, there are three main factors. First, our guidance for gross margin in 2021 of roughly 72% is some 70 basis points less than the 72.7% we saw in 2019. That's due to mix and a bit of a COVID hangover on manufacturing costs that will flow through 2021. Second, our R&D spend in 2019 totaled $471 million and we are guiding the circa $525 million in 2021, $54 million more and represents 6% of revenue at the midpoint versus 5.5% in 2019. And finally, our SG&A as a percent of revenue is expected to be higher in 2021 as we re-prime the promotional pump to drive our revenue to recapture our pre-COVID revenue growth trajectory. I want to point out that our guidance of $2.6 billion for SG&A is a big increase versus 2020. But if you compare it back to 2019, the $2.6 billion represents roughly 2% growth per annum off of what we would submit was a tightly managed year.

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Finally, I call your attention to the expected growth drag on 2021 revenue and profit from LOE assets. We are looking at a roughly $105 million drag on revenue in 2021. This is substantially less than we have had to overcome in prior years. In 2016, our company was facing a mountain of LOEs coming at us in the condensed timeframe. And so we started disclosing the expected impacts to you so you could follow along. Obviously, this made it more difficult for us to post growth. In the last 3 years, the growth drag ranged from $290 million to $360 million. The great news is that the impact of the bolus of LOEs has dramatically declined. And importantly, looking out over the next 5 years, LOEs will be quite manageable. The LOEs have been a long road for us, but this governor on our growth is mostly behind us.

Back to you, Joe.

Joe Papa

Thank you, Paul. Let's get started with the Bausch and Lomb International highlights on Slide 17. The chart on the top left shows that recovery is in progress. In Global Vision Care, recovery in the U.S. is ahead of the rest of the world, with reported revenue growth of 2% compared to 2019 driven by line extensions for Biotrue ONEday and Ultra. In global consumer, despite the pandemic, our eye vitamin franchises and LUMIFY grew organically, both revenue and procedures in global surgical are approaching pre-pandemic levels and we expect delayed cataract surgeries from 2020 to create tailwind for 2021 and beyond. VYZULTA TRxs grew by more than 40% in 2020 compared to last year. Finally, as Paul mentioned, international Rx was a standout with strong organic revenue growth of 6% compared to last year.

You can see the strong signs that recovery is in progress from the charts on Slide #18. Starting on the top left, field consumptions for U.S. Vision Care shows recovery in progress for the last 7 months. Next, VYZULTA TRxs also show a positive, consistent trend. LUMIFY recovery has been in progress since April of 2020. And finally, Stellaris Elite procedures in the U.S. and international surgical revenues are now similar to pre-COVID levels. Growing market share was our focus during the COVID downturn. And on Slide 19, we show that market share gains we achieved. VYZULTA is up 40 basis points; LOTEMAX SM is up 160 basis points; and PROLENSA is up 180 basis points. On the bottom left, we show the strong positive trend in market share for our intraocular lenses in the U.S. And finally, on the bottom right, U.S. consumers also gain share in key segments.

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Moving now to Slide 20, INFUSE is our daily SiHy lens, which was launched in the U.S. in August. It's a significant opportunity. We estimate the U.S. market for these lenses will grow from $1 billion today to approximately $3 billion in 2030. The global opportunity is also significant, which we expect global revenue for Bausch and Lomb SiHy Daily lenses to exceed $250 million. We paired INFUSE with ocular protections and electrolytes and we are encouraged by the results. The lens is doing exceptionally well with patients who experienced contact lens dryness. We have great results from a recent online survey on Page 20. 94% of patients agreed that INFUSE helps keep contact lens from feeling dry. This data supports that INFUSE addresses one of the big issues in the SiHy Daily market and we believe these lenses will be an important growth driver.

Let's turn to Salix on Slide #21. With organic revenue growth of 2% in the fourth quarter versus last year, we are seeing clear signs of recoveries in progress. Let's start with our largest product, XIFAXAN. As I mentioned earlier, XIFAXAN TRxs grew sequentially by 2% compared to the third quarter of 2020. TRULANCE TRxs grew by 47% in 2020 compared to the overall market growth of about 6%. Finally, RELISTOR TRxs grew by 9% in 2020 compared to a market decline of 4%. On Slide 22, we have shown the strong recovery trend for XIFAXAN, TRULANCE and RELISTOR TRxs.

On Slide 23, we show the GI market share gains we achieved relative to last year. In terms of TRx market share, XIFAXAN is up 80 basis points, TRULANCE is up 170 basis points, and RELISTOR is up 160 basis points. One additional point to note on TRULANCE, new Rx market share also increased from 5.5% at the time of the acquisition by Bausch Health in March of 2019 to 12.1% new Rx share in December 2020. We believe this is a great leading indicator for future TRULANCE TRx per share gains.

Now on to Ortho Dermalogics on Slide 24 few highlights to note. Notwithstanding the impact of COVID, Solta had a great 2020. Thermage reported revenue grew by 47% in 2020 compared to last year, which was driven by China and expansion into new geographies. We expect the aesthetic market to continue to grow driven by the new Zoom culture and by consumers who have the ability to invest in self care. 2021 growth catalyst includes continued market penetration in China and the U.S. as well as geographic expansion into Europe.

Another growth catalyst is the U.S. launch of Solta's Clear and Brilliant Touch laser, a treatment that can help prevent the worsening of fine lines and wrinkles. JUBLIA also grew in 2020 compared to last year, with reported revenue up 3% and TRx growth up 18% compared to a flat market. Finally, our psoriasis products, we believe there is much more to do here, but to be clear, DUOBRII and SILIQ both grew substantially in 2020 versus last year. DUOBRII TRxs grew 53% compared to 5% market and SILIQ reported revenue grew by 39%.

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The charts on Slide 25 show the recovery in Ortho Dermalogics. Thermage revenue had a great performance in 2020. It benefited from the increased demand for aesthetics, the JUBLIA TRx trends showed solid recovery since April 2020. And lastly, DUOBRII TRxs began to recover over the summer. We highlight the gains in TRx market share we were able to achieve for key promoted brands, DUOBRII, up 40 basis points; JUBLIA, up 140 basis points; and ONEXTON up 70 basis points.

Turning now to Slide #27, we have identified the key growth drivers for our business in 2021 and beyond. First, we expect a ramp up and additional approval for the SiHy Daily lenses. We have now launched these lenders in Japan, U.S., Hong Kong, Australia and Canada and we anticipate launching in Europe over the next year. Next, we expect a tailwind going into 2021 from a backlog of cataract surgeries that were delayed in 2020 due to COVID. In the U.S., we estimate that about 650,000 cataract surgeries or roughly 16% were delayed in 2020. While outside the U.S., we estimate that approximately 20% of the surgeries were delayed, creating a potential tailwind for 2021 and beyond. And we are expanding the sales force of the Thermage franchise into Europe. And finally, given the momentum, which we head into the year, we expect to see strong performances in recovery of leading brands, including XIFAXAN, Ultra, PreserVision, LUMIFY and VYZULTA.

We also have a number of near-term catalysts at upcoming R&D pipeline, which is outlined on Slide #28. We expect to initiate a Phase 2 trial for amiselimod or S1P modulator for patients with mild-to-moderate ulcerative colitis. We expect readout of Phase 3 results for NOV03 investigational treatment for dry eye disease. We have also published the NOV03 Phase 2 data for dry eye disease and the data is outstanding and importantly met all of the primary endpoints. We are also making progress with our rifaximin lifecycle programs. In addition to our program for sickle cell disease, we recently received positive feedback from the FDA on a new rifaximin formulation for the prevention of the complications of cirrhosis and we are proceeding straight to a Phase 3 study for what we refer to as the RED-SEA trial starting in the second half of 2021. In addition, we are exploring several COVID-focused treatments. To be clear, we are not a vaccine company, but we have found ways to contribute to the ongoing efforts to combat the disease.

With that as background, let's move to Slide #31. I want to give a brief update on the progress we are making on a previously announced intention to separate Bausch and Lomb into an independent company. First, we took this action because we saw an opportunity to unlock shareholder value, especially relative to our peer eye health companies that we see for B&L. We have been making good progress on our goal since our announcement in August 2020. We are on track for the financial segmentation reporting to be complete by the end of the first quarter of 2021. And we expect all internal objectives necessary for the spin of B&L to be achieved by the end of the third quarter of 2021. At the same time, our operational focus is on taking action as the potential to expedite the spin-off.

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As I mentioned in 2020, when we hired strategic advisors, we also received a number of inbound calls expressing interest in our great businesses and creative ways to unlock value for all of our stakeholders, which may include divestments. As we have previously stated, improving our leverage ratio continues to be a priority and we are focused on that. We are planning to increase our EBITDA, as Paul mentioned, which will increase cash decrease debt and decrease leverage. We also believe that improving working capital will also help us to decrease debt. And we believe pursuing a spin-off that is preceded by an IPO process could also potentially accelerate the timing of our B&L spin. To be clear, we are and have been actively pursuing all opportunities to expedite leverage improvement and deliver shareholder value. And to your answer another investor question, to be clear, we are not planning to issue Bausch Healthcare equity at these levels.

To wrap up, we exited 2020 with great momentum and remain strategically focused on executing on our business, capitalizing on key growth drivers and catalysts to grow EBITDA, improving working capital efficiency, delever our company and unlock shareholder value. With that, operator, let's open up the line for questions. Operator, any questions please.

Question-and-Answer Session

Operator

[Operator Instructions] The first question is from Chris Schott from JPMorgan. Please go ahead.

Chris Schott

Great. Thanks so much for the questions. Maybe just coming back on asset divestitures, I was just trying to still get a sense – just your view on sense of urgency here. As I think about how you balance kind of the speed of unlocking value quickly versus taking your time to maximize full value for existing shareholders? I guess I am just trying to get a sense of how you think about any asset value slippage, etcetera, that could be lost, I guess, in a sale, but could accelerate a separation process [indiscernible] trying to get your hands around kind of how you are approaching this process? And maybe a second question on that same topic, based on the interest you've seen in your assets so far, is a 2021 separation a stretch at this point or is that looking more like a base case outcome?

Joe Papa

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Okay. Let me start on the asset divestiture portion of your question. I think clearly, as I stated in my comments that we have had a number of inbound interested parties. We have hired some advisors to help us on this. And we clearly know that the most important thing that we think will unlock value is as we spin the B&L company out as a separate company. We will have two great companies, a pure-play eye health company and a diversified international pharma business. So, we clearly know that the most important thing that we are seeking to do is to spin out the B&L. As you appropriately talked about, we are trying to balance that question of speed and getting good value, but we believe the most important thing to do is to spin out the B&L business as soon as possible. So, I think the way I will say it, I don't want to negotiate on the conference call, but we are seeking to move with speed. We will seek to do that, but we certainly want to make sure we get good value for our shareholders. I don't want to say maximize full value. I want to say get good value for our shareholders. The important point is that we are moving to expedite all those activities.

On the question of timing of the overall spin of B&L, we will be ready after the third quarter of 2021 to have all those requirements that are necessary. We will have the – all of the things done from a legal entity point of view, from an organizational design, those activities will all be complete. We will make sure at that point that we have a very tax-efficient strategy. Clearly, one of the advantages the Bausch Healthcare Company has is our efficiency in our tax because of our legal entity structure. Our team has done a great job with that. So, I think all of those things will be ready. Obviously, we have to solve the question on leverage. We think that the way I will attempt to solve that leverage and what was Paul and I have been talking about, I think since August is what are those steps we are going to take. We are going to work clearly to increase EBITDA, which will increase cash, decrease debt and obviously decrease leverage. We will continue to look at working capital efficiency. We have done some things already with our Project CORE activities, but we think that could also help us to decrease debt. And obviously, the divestment comment that you made also is part of that. And there is the potential of course to proceed the spin-off with an IPO that could also – IPO of the B&L business that could also help us potentially accelerate the timing. Those would be the course of actions that I think we would be best taking to help us to accelerate this, which we think will create the value for our shareholders. Operator, next question please.

Operator

The next question is from Umer Raffat from Evercore. Please go ahead.

Umer Raffat

Hi, thanks so much for taking my questions. Paul, on Slide 31 around B&L spin-off, you mentioned the financial segmentation will be complete in 1Q, which is in line with expectation. But previously, you had also mentioned that leadership team announcements will happen this quarter. Is that something we should expect in the next 3 to 4 weeks? And then also a second one perhaps just thinking about – stepping back and thinking about the bigger picture here, it does seem like a meaningful driver of your total sum of the parts valuation has also a lot to do with the value of the RemainCo. And I think it can't be overstated the significance of R&D strategy and R&D programs for that RemainCo. So, I guess where are we with that? Is there any effort underway at the Board level to perhaps bring in a high profile Head of R&D or at least have a very well laid out R&D strategy in place just to help us think through the value of the RemainCo? Thank you.

Joe Papa

Umer, it's Joe Papa. I am going to take the first part of that question, leadership and then I will turn to Paul on the RemainCo part and then I will potentially comment as well on the R&D point. On the question – the first question though on the leadership announcement, as I mentioned, we will do the financial reporting and complete that for Q1 2021. We will have that in May of 2021. It seemed to us a very logical time at that point to announce key leadership. We believe that we have a great Bausch Healthcare team. We have got good succession planning in place that the Board has done. We believe we will be in a position to announce that with the first quarter results, which is planned for May of 2021. So, that's the timing that we think that's a very logical timing for us to do the – in line with the quarter one financial reporting. On the second part of the question, Paul, you want to take that?

Paul Herendeen

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Yes, sure. And now Umer, thanks for the question because, yes, there – the value of RemainCo matters and there is an opportunity to enhance that value. And it's frankly something that Joe, myself and our Board have been focused on since we got here, which is to take a company and if you go back to 2015 that essentially [assumed] [ph] R&D and said it was all about acquisitions and flipped that and started the process of building an internal portfolio of projects, R&D projects that can sustain the company over an extended period of time. I want to first frame what does RemCo look like, because it's an interesting thing to focus on. What you end up with is a diversified international pharma company that's got strength, a market-leading position in GI in the U.S., a strong position in medical derm in the U.S. in emerging aesthetics business, which is in the U.S. but frankly, strongest in Asia Pac and looking to expand into West of Europe. You've got a strong [neuro] [ph] business, which, albeit not a great growth driver, is an incredible cash generator here in the U.S. We have a dentistry business in the U.S. We have a – what I'll call a derivative generics business in the U.S. and then the last piece, which you shouldn't lose sight of is, we have this international pharma business, which I called it out on the call earlier, was the star of this particular quarter, a very durable business that does not face the challenges that U.S. pharma companies face that have a lot of value and is a great entity.

So what do you need to do in order to be able to make that the most value that it can be is you hit it right on the head. You continually invest in R&D. Example, this year, we ramped up our investment to where we're guiding to circa $525 million in 2021. Internally and at the Board level we focus greatly on ways to ensure that our GI business has prospects of managing through a pretty much date certain LOE of XIFAXAN in early 2028. The projects are outlined, Joe went through and I'm not going to use the time here to repeat them. But Joe went through and talked about a couple of those projects. Now I will tell you, we look constantly to add to that portfolio, whether it's in GI, whether it's in derm, whether it's in neuro or any other business.

Interestingly, where we've had our most success in fleshing out a portfolio over the last, call it, 24 months, has been in our Ophtho Rx business that's part of the Spinco.

It wasn't that we were focused solely on trying to do deals in Ophtho Rx, but that was certainly an area where we knew we had been underinvested for many years and needed to reprime that, I can't use that analogy again to say we needed to restart investment and build out that portfolio so that we had a credible and valuable portfolio in Ophtho Rx, and our team did, I think, a great job of doing that. It wasn't that we weren't focused on the same things in GI, for example. It was that those were the transactions that were available to us that were in our real house that we could go ahead and close. We expect that we'll have that same sort of success in each of the other parts of RemCo that I just described to you. It's not a process that's done, but I will tell you that internally, it's a high focus area. And we've made a lot of progress since the days of 2015. I'll stop there.

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Joe Papa

And I, maybe just a couple of other comments on the R&D programs. I think we've had some great news that came out and sitting in our earnings deck that what we're thinking about on that rifaximin reformulations and the next generation programs. Obviously, we believe the sickle cell is, first and foremost, a great opportunity for rifaximin because of the efficacy we've seen with a product that has a relatively clean safety profile for these patients who have sickle cell disease. Beyond that, we also got great news from the FDA. We now have a rifaximin life cycle program for next generation that looks at prevention of cirrhosis complications. And we are proceeding directly to a Phase 3 trial this year. We think that's great news for the opportunity in front of us to reduce the problems of cirrhosis with patients who have unfortunately hepatic issues. Beyond that, we think we've demonstrated great results with TRULANCE. We think that clearly is another important part of the next generation. We talked about what it's done this year. That's obviously significant, but I'll give you one other insight. We think the opportunity to TRULANCE is significant. The market leader is over $1 billion. And we've got – in one example, where we had a direct ability to get a good market access position. We've moved now from being about a 10%, 11% in share of the new Rxs to be the market leader in one customer. Now admittedly, that's only one customer, but that's certainly the example that we think we can look at to grow TRULANCE from where it is today to be, certainly, several hundreds of millions of dollars as an opportunity just in terms of what we're doing for that development with TRULANCE. So I do think there is great things there. As I mentioned, we also did the amiselimod S1P modulator Phase 2 trial, which we'll start in the first half of the year. So we think we've got a number of things underway for the business, especially in the Salix next-generation opportunities. Operator, let's take our next call, please.

Operator

Next question is from David Amsellem from Piper Sandler. Please go ahead.

David Amsellem

Thanks. I wanted to focus just on the Salix business, and in particular, I'm still struggling to understand why XIFAXAN has been relatively weak in the context of – well, if you look at TRULANCE, which has done quite well, more practices have opened. So in the second half, I would have expected to see more recovery out of the XIFAXAN. And then still, we're seeing year-over-year declines in total prescriptions. So can you just enlighten me as to what is happening with XIFAXAN? Do you think the product is maturing and its performance vis-à-vis TRULANCE? Thanks.

Joe Papa

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Yes. Number one, we think XIFAXAN still has a lot of runway in front of it, just let me say that right upfront. We think the issues for COVID have been two factors: number one, we have seen reductions in patients being admitted to nursing homes. It makes sense, knowing what we know about what's happened with COVID in patients and nursing home. And as a result, some of those patients have just not shown the growth that we've seen in the past. The second probably more important factor though is IBS-D. What we know about IBS-D is that particular treatment is more episodic. The number of patients that have gone to gastroenterologists is down from where it was a year ago. So – and that's mostly related to COVID. We think as the patient started to come back to gastroenterologists, they focused on what we think are the key things for them. We're doing the endoscopies, the colonoscopies. And over time, we do think that we – the IBS-D will pick up. So, for an example, while IBS-D was down to be clear in 2020, the most recent data with IBS-D shows us now flat over the last 10 weeks versus a year ago. So we are now seeing that starting to turn. The other thing, data point, I will remind you of is that we know that IBS-D still has about 12 million prescriptions a year for antispasmodics, anti-diarrheals products like Lomotil, BENTYL dicyclomine things like that, that are opportunities, and we believe we have a better solution for those patients. You don't have to take a chronic medication like BENTYL dicyclomine type product. They can get episodic treatment. Treat for a couple of weeks, and many patients will respond, and they will not need to take a chronic medication. So we do think, over the long term, there is still a lot of growth in IBS-D and especially as we start to take some of these actions for these new indications like reduction in the symptoms of cirrhosis, we think those are going to be really big opportunities for the rifaximin molecule over the long term. So a lot of upside, we still believe and what we will see with XIFAXAN and the rifaximin next-generation products. Operator, next question please.

Operator

The next question is from Gregg Gilbert from Truist Securities. Please go ahead.

Gregg Gilbert

Hi, thank you, guys. Two questions. First, did your newest shareholder bring to the table any new ideas that you were not already pursuing or an urgency that you were not pursuing them with? Trying to understand what's changed there or whether the settlement is more of a reduction in distraction? And then as it relates to B&L longer term, guys, earlier in your tenure, you were asked frequently whether B&L was investing for the long-term. And could it stand on its own and be competitive. Maybe you could update us on your thinking there in terms of how B&L would be positioned versus its peers from an investment rate? Growth is obviously there, but perhaps pros and cons. Thank you.

Joe Papa

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Sure. So first of all, we are delighted to welcome a highly respected investor who agrees with us that there is an opportunity to increase shareholder value with the overall Bausch Healthcare business. So we are delighted to welcome highly respective investor Carl Icahn and his team to join the Board, on the first comment. On the second comment, I think it's clear. We welcome open communication with all of our shareholders, and we have constructive input along the way from all of our shareholders. We have already on our Board two great investors, John Paulson and Rob Hale from ValueAct. So we're delighted to get this. The important comment I want to make sure is that there has been absolute alignment that, number one, there is a lot of upside or opportunities to unlock upside in our company, significant value upside. And I think that's been echoed by our discussions with Carl Icahn and his team. And also that we are aligned that we believe the important question is how can we unlock this value by spinning out B&L, which we think will trade very well with the peers in the eye health business. I mean if you – I won't go into all the details. You all are the experts on comparing us with other companies. But if you look at where companies like Alcon traded where Cooper trade, where Zeiss traded, they are all at 25x plus EBITDA for 2020 numbers So clearly, we think there is a significant upside opportunity for us at the Bausch and Lomb spin for our business. Paul, do you want to take the second part of the question in terms of our investments that we've made in B&L and importantly, how we're looking at that?

Paul Herendeen

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Sure. And thanks for the question, Greg. Yes, I mean, we did talk about this a lot because the B&L, if you went back, let's call it, pre 2016, did not have the level of investment that – certainly, if Joe and I had and at the helm and allocating capital. We would have allocated more capital to that business. It's a great business, and we would be ahead of where we are today. The easiest example of that is INFUSE and what we call ULTRA ONE DAY outside the U.S., the daily silicon hydrogel lens. Like how can you be in the Vision Care business did not have this. And when Joe and I got here, it was one of the first things that we activated, was a program to do that. Now as a result of that, they say about investment and investing behind that business, in '17, '18, '19 and '20, the preponderance of our CapEx really was focused in the B&L business where it had been under invested in. I like the CapEx in B&L to investment in R&D. I mean, it's kind of growth – that is growth CapEx and was decision that even though we were and are a levered company, and obviously, capital is very dear to us. Absolutely turned and allocated that CapEx. That's one example. Second is we have rotated it and we continue to invest in R&D. I used the example a moment ago. I won't jump all over it, but of how we enhance the Ophtho Rx pipeline by pursuing business development deals. There is an example. Another one I would throw out to you is look at how well our consumer business is doing, particularly in the U.S. That is a function of providing Joe Gordon and his team that run that business with the resources that they need to drive that growth at very attractive rates. The mostly used example there is DTC advertising. I hope everybody on this call constantly seize our advertisements for our eye vitamins and for LUMIFY. We are allocating capital to that business in a way that is giving us the opportunity to start to demonstrate on a very consistent basis, the kind of growth that, that business can do on its own. To be perfectly clear, that business was as part of the whole – as part of BHC whole benefited from Joe's and mine perspective way back that it was a very attractive business that deserve more investment certainly than it had seen under the prior management regime and honestly, perhaps even under prior ownership before that.

Joe Papa

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I think Paul answered it really well, Greg. The only thing I'm going to add to what Paul said is, I think the concept that we have of an integrated eye health business is the other issue that I think gives us an advantage. And by what that I mean the fact that we have a vision correction business. We have a prescription business. We have a surgical business. We have a consumer business. We think those are important as you think about the ability to compete in the eye health business going forward. We know there is a lot of roll-ups of the ophthalmology practices. We think having a place where they can get the full line offering that's important to patients. Important to our customers is one of the things that we will have an advantage in the marketplace, and that clearly is something that we think will be important. A simple example, when a patient needs surgery or a cataract procedure, they are also going to need the ophthalmology prescription products. We have them. We think we have an integrated offering. We think that's the other reason why we will be very successful in competing. But obviously, we will leave it in your hands to make those judgments to peer multiples. Let's take our next question.

Operator

Next question is from Akash Tewari from Wolfe Research. Please go ahead.

Akash Tewari

Hey, guys. So just a few. We've seen a few of your peers recently guided to FX tailwinds for 2021. Given where you are today and kind of your geographies is it crazy to think that Bausch could see maybe a $200 million to $300 million FX benefit that's kind of embedded in your guidance? And then, Paul, I know you can't comment on this stuff totally, but there is some investor speculation that you might be involved in some capacity, whether it's with the RemainCo or the Spinco. What is – can you kind of maybe, with broad strokes, speak about your interest and potentially the Spinco and the commercial opportunity that stands in front of you? And then just lastly, on Slide 20, you noted that B&L, SiHy Daily are expected to exceed $250 million in sales. Is that a peak number or is that for 2021? Thanks.

Joe Papa

Let me take that last question first, because I think [indiscernible]. On the question of the SiHy Daily to be clear, that is an opportunity that we believe it can exceed peak sales numbers of over $250 million to be clear. That is not a number for 2021 to be clear. We viewed that and the way we phrased it, it was a global expectation for our SiHy Daily and that we viewed that as a peak number, not a 2021 number. So Paul, why don't you take the FX question?

Paul Herendeen

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Sure. And it is a good question. So even if you look at the bridge on Slide 15 going from '20 to '21, you see that at revenue, FX is a tailwind of $165 million and arriving at our guidance range of $8.6 billion to $8.8 billion. That's as of now. And if there is – you are going to try to forecast that we're expecting FX rates to improve from here, I will tell you that I've been terrible at forecasting FX rates. It's one of the reasons why I always talk about constant currency and organic growth because it takes the currency out of the mix. We benefit from it when it comes in our direction. And it feels good. But frankly, if that was the only thing that caused you to grow, it's not all that interesting. We always call it out and always try to isolate it for you and will even isolate it for you in May when we report our first quarter. And again, in August when we report our second and show you how it changed from where we were prior. So I'm going to hope that currency moves in our direction because it feels good. But from a constant currency organic basis, not how we measure ourselves. We measure ourselves constant currency in organic to get back to what did we do versus the serendipity of how did FX rates go around the globe. The second question you asked around – it's kind of like are you interested in RemCo. I think your former partner, Umer, asked me this. It might have been last quarter or the quarter before. You probably heard it in my response to thinking about RemCo. That is a very attractive business. It will be definitionally a levered business when it comes out. And these are all things that I like. So yes, if you would ask me pick one, as much as I love the B&L business, I'm probably more suited to thinking about RemCo.

Joe Papa

So I think I'll just repeat in addition to what Paul said. We think from a leadership point of view, we'll have more to say about that in the May timing. We think we've got a great team at Bausch Healthcare, and we think we'll have more to say in terms of how we're looking at leadership and what's going to happen with the business when we come out with our financial segment reporting in May of 2021 and then have more comments about the leadership team and the individuals that will be involved and how they will be evolved in May. Operator, let's take the next question.

Operator

Next question is from Terence Flynn from Goldman Sachs. Please go ahead.

Terence Flynn

Great. Thanks for taking the questions. Maybe two for me. I was just wondering, as you think about 2021, you mentioned as procedure backlog in cataracts as a growth tailwind. Just wondering if there is anything you can do to capture maybe a larger share than your current market share of that backlog? And then on RemainCo, just wondering if you're still committed to the 5.5x leverage target? Thank you.

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Joe Papa

Sure. On the first part of the question, I think I'm going to just refer you back to the slide that we put forth in that. We are clearly seeing a return to pre-COVID levels for our procedures as evidenced by – as a reminder, everyone, we have a Stellaris Elite machine, it reports on a daily basis. What – how much it's being used, so we can track what's happening around the U.S. We don't have those capabilities in Europe because of some reporting requirements, but we do have it to see what's happening in the U.S. and we are seeing the ability to show our Stellaris Elite machines are back to pre-COVID levels. On the specific question of gaining this year, we have shown, at least in the U.S. data that the U.S. Bausch and Lomb IOL market share has moved from, I'd say, a low of around 10.2%, we're up to about 11.6%. So we are gaining share in the IOL market. We are continuing to move forward with new innovations there. Our belief is that's what will drive that. But we do believe that, as I said, both in the United States and around the world, you're seeing somewhere around 15% to 20% delay in cataract surgeries because of COVID, our expectation for 2021 and beyond is that those procedures will come back. We have looked at some of the IQVIA data that has said. And looking at elective procedures, one of the procedures that's coming back the quickest is cataract surgery. So we are tracking that type of data, and that is the basis for why we do think there is a tailwind for us for 2021 and beyond. So operator, I think we have time for maybe one more question, and then we'll conclude. So, one more question please.

Operator

Next question is from Doug Miehm from RBC Capital Markets. Please go ahead.

Doug Miehm

Yes. Thank you. So just on the debt. So you'd indicated that you were going to go out perhaps at 4 and 5.5x for the individual businesses. I'd just like you to confirm that. And then how important is investment-grade to the Spinco? And then finally, Paul, can you comment – it looks like you've reiterated your '22 growth targets of 3 to 5 and 4 to 7. But maybe you can comment on why the street remains so far below those numbers right now. And I'll leave it there. Thanks.

Paul Herendeen

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Sure. Yes, thanks for the question, Doug. Let's start with the debt leverage. So I'm going to take this in order. First, we're going to be ready to go, as Joe said, operationally with the things that we need to do internally in order to be able to go here by the end of Q3 of this year. Our primary commitment is to unlocking shareholder value. And frankly, the leverage of the entities will be an outcome of that work to determine what's the best path forward. The value of RemainCo is important to the equation. And frankly, the way you described it, is it important to be investment-grade for Spinco? As I would submit, there is a relationship between the degree of leverage on Spinco and your ability to attract a higher multiple. If you were to lever up Spinco to a high level, it's unlikely that you would get the right EV multiple in order to unlock that value. At the same time, the leverage that you put on Spinco is important to the leverage at RemCo. So there are lots of levers that need to be pulled here in order to try to find the place where we deliver value to all BHC shareholders. And so we're looking at all of those things. And it is something that they are an endless array of alternatives here, and we will be ready to execute on that spin operationally in 2021 and move forward as expeditiously as possible in order to unlock value. Joe, do you want to take the CAGR or to do you want me to?

Joe Papa

No, why don't you quickly do it and I'll do a closing comment.

Paul Herendeen

Yes, sure. On the long-term base, yes, we kept it in there because definitionally, we believe we could still hit that. I said in my remarks, regarding our guidance for 2021, and to be triple clear, we would be ahead of this unquestionably, my mind, anyway, in 2021 from both a revenue and profitability standpoint, but for COVID. We are not in 2021, fully recovered from COVID. But as we regain that, we think we have every ability to still produce the results within the ranges that were articulated by that long-term – longer term CAGR guidance. I'll stop there, Joe.

Joe Papa

Thank you for the comments, Paul. I agree with what Paul said. And just let me say in closing, thank you, everyone, for joining us today. I would just quickly summarize by saying we exited 2020 with great momentum, and we remain strategically focused on executing on the business, capitalizing on the key growth drivers and catalysts to grow EBITDA. We want to continue to improve working capital efficiency, delever our company. And importantly, unlock shareholder value with the spin of the B&L business. So thank you for joining us. I look forward to having further conversations with everyone in the near future. Have a great day, everyone.

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Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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