These 2 Oversold Healthcare Stocks Are too Cheap to Ignore Any Longer

Description

The healthcare industry has been hit with a wave of weakness over the past few weeks due to concerns about price gouging, but I think this is a short-term issue that has resulted in a very attractive long-term buying opportunity. Let's take a look at two beaten-down stocks that are now trading at very inexpensive valuations compared with both their five-year and industry averages, so you can decide which would be the best fit for your portfolio.

Concordia Healthcare Corp.

(All figures are in U.S. dollars)

Concordia Healthcare Corp. (TSX:CXR)(NASDAQ:CXRX) is a diverse healthcare company focused on legacy pharmaceutical products and orphan drugs. Its stock has risen over 27% year-to-date, but it has fallen over 40% in the last month.

At today's levels, Concordia's stock trades at just 12.6 times fiscal 2015's estimated earnings per share of $4.74 and only 8.2 times fiscal 2016's estimated earnings per share of $7.27, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 101.3 and the industry average multiple of 32.1.

I think Concordia's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of $71 by the conclusion of fiscal 2015 and upwards of $109 by the conclusion of fiscal 2016, representing upside of over 18% and 82%, respectively, from current levels.

In addition, Concordia pays a quarterly dividend of $0.075 per share, or $0.30 per share annually, giving its stock a 0.65% yield.

Valeant Pharmaceuticals Intl Inc.

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) is one of the world's largest pharmaceutical companies. Its stock has risen over 43% year-to-date, but it has fallen over 19% in the last month.

At current levels, Valeant's stock trades at just 20.5 times fiscal 2015's estimated earnings per share of $11.61 and only 14.8 times fiscal 2016's estimated earnings per share of $16.12, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 185.4 and the industry average multiple of 32.1.

I think Valeant's stock could consistently command a fair multiple of at least 25, which would place its shares upwards of $290 by the conclusion of fiscal 2015 and around $403 by the conclusion of fiscal 2016, representing upside of more than 21% and 69%, respectively, from today's levels.

Which of these healthcare stocks should you buy today?

Concordia Healthcare and Valeant Pharmaceuticals represent two of the most attractive long-term investment opportunities in the healthcare industry today. All Foolish investors should strongly consider establishing positions in one of them.

CATEGORY

1. Investing

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1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)

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