How to Play the Market Sell-Off: 2 Top TSX Stocks to Buy

Description

The S&P/TSX 60 Index is down over 7% in the last six trading sessions. Investors are rightly spooked over the impact of the Coronavirus, which will most likely impact global markets. Several industries, including tech, oil, and airlines, will experience subdued demand over the next few months.

However, there are some industries, such as utilities and pharmaceuticals, that can be safe bets in tough times. We'll look at two pharma stocks that can gain momentum, even in a downturn, due to the inelastic demand for healthcare and related products.

Jamieson Wellness

Jamieson Wellness (TSX:JWEL) is a Canada-based health and wellness company. It develops, manufactures, and markets a brand of vitamins and natural health products. JWEL offers vitamins, minerals, and supplements (VMS) products and certain over-the-counter remedies through its brand. It also offers manufacturing and product development services on a contract manufacturing basis to certain consumer health companies and retailers.

In the last 12 months, shares of Jamieson Wellness have risen 30% compared to the S&P 500 gains of 12%. While broader markets are experiencing a sell-off, Jamieson shares are down just 5% in the last six trading sessions. JWEL went public back in July 2017 at $15.75 per share, which indicates it has returned 65% in fewer than three years.

Investors are rightly optimistic about the company's long-term growth prospects. One Research and Markets report estimates the global vitamins market to grow from $4.91 billion in 2017 to $10.14 billion in 2026 — an annual growth rate of 8.4%.

Jamieson Wellness is well positioned to take advantage of this growth. Analysts expect company sales to grow by 7.6% to $371.28 million in 2020 and 7% to $397.12 million in 2021. Its earnings are estimated to increase by an annual rate of 10.4% in each of the next two years.

The stock is trading at a forward price-to-earnings multiple of 22, which might be considered expensive. However, it has a forward dividend yield of 1.73%, and with a payout ratio of 47.5%, Jamieson has enough room to increase these payments.

Health supplements are just starting to get popular in emerging markets of India and China, which suggests Jamieson can grow its top line at a solid pace if it can gain traction.

Northwest Healthcare Properties

In a downturn driven by a potential pandemic, investors need to diversify their funds into other asset classes. **Northwest Healthcare Properties** (TSX:NWH.UN) is an open-ended real estate fund. This Canada-based REIT has a diversified portfolio of properties across the globe.

Northwest Healthcare generates approximately 40% of sales from the Australasia region followed by Canada at 34%, Brazil at 15%, and Europe at 10%.

This REIT is targeting inorganic growth via acquisitions. It acquired 11 medical properties in Australia for over a billion dollars. Northwest also invested $3 billion in a European joint venture to gain traction and expand its presence in Germany and The Netherlands.

These acquisitions will drive the company's top-line growth which is estimated to grow from $350 million in 2018 to $400 million in 2021. With an occupancy rate of 96% in Canada and 98% in international markets, Northwest is one of the top REITs to own currently.

The demand for healthcare will continue to rise over the years, making Northwest a solid long-term pick. It has a market cap of $1.9 billion, which gives it enough room to grow and expand via acquisitions and investments.

Northwest has a forward yield of 6%. In the last five years, the stock has gained by 6.3% annually. However, after accounting for its tasty five-year historical yield of 7.8%, these returns stand at an impressive 14% per year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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