



Warren Buffett Is Betting Big on Drug Stocks

Description

Billionaire investor Warren Buffett advises people [not to time the market](#), because it's a useless exercise. However, his [recent buys](#) seem to suggest he's timing for something else — the COVID-19 vaccine. **Berkshire Hathaway** bought four pharma stocks in the third quarter of 2020.

Since 1999, the GOAT of investing has been mulling on deploying money in the drug industry. He's considering buying a basket of stocks consisting of the leading pharmaceutical companies trading at below-market multiples. Well, the time has arrived to bet on a sector he was thinking of investing in some 20 years ago.

Opportunity lost

Drug stocks tanked in the early 1990s due the proposed healthcare reforms of then U.S. president Bill Clinton. Berkshire Hathaway could have bought the entire industry but didn't. In hindsight, Buffett said it was a mistake. His vice-chairman Charlie Munger added, "We stupidly blew that one."

The Oracle of Omaha admits lacking specialist knowledge in picking a winner in the sector, although he knew investing in some drug makers could pay off handsomely. It was an opportunity lost, but pharma stocks are ripe for the picking in 2020.

Timely investments

Berkshire bought more than \$5 billion worth of shares in **AbbVie**, **Bristol Myers Squibb**, **Merck**, and **Pfizer** in Q3 2020. The world knows that Pfizer is seeking clearance for its coronavirus vaccine after the latest trial results show it was more than 95% effective against COVID-19.

There's a silver lining now to the pandemic and possibly containment. Pfizer's completed trial involved 44,000 people. The testing approach was found to be safe, effective, did not cause major health issues, and protected more than 95% of the human volunteers.

Promising biotech

On the TSX, **Bellus Health** ([TSX:BLU](#))([NASDAQ:BLU](#)) isn't attracting investors' attention. The biotech stock is faring poorly in 2020, with its 57.39% year-to-date loss. This \$327.5 million clinical-stage biopharmaceutical company develops therapeutics for the treatment of chronic cough and other hypersensitization disorders.

BLU-5937 is Bellus's lead candidate and catalyst for growth. The stock hasn't taken off because the drug is still under development. According to Roberto Bellini, president and CEO of BELLUS Health, the trials are progressing, and the biotech firm is completing key steps required to advance the development plans for BLU-5937.

Bellus is refining its clinical strategy for BLU-5937 based on learnings from the Phase 2 RELIEF trial. The trial design of the Phase 2b SOOTHE trial is ready for initiation in the fourth quarter of 2020.

Management believes the mechanism of BLU-5937 may have broad applicability as a potential treatment for many additional hypersensitization-related conditions. Hold off buying Bellus in the meantime. The biotech stock should generate interest once the firm delivers on its milestones.

End of a health crisis?

In some way, COVID-19 must have given drug stocks a boost or tailwind. For Warren Buffett, he won't make the same mistake again. Berkshire Hathaway bought four pharma stocks at relative bargains. Also, Buffett loves cash cows. The big drug makers generate significant operating cash flows.

One analyst notes that Buffett usually makes investments on the tail end of a crisis. Does it mean the health crisis is ending soon? No one can tell for sure, but his new positions indicate pharma stocks are great value buys today.

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