Top Biotech Stock to Buy in October

Description

September has never been a month to get excited about. It's a month of pain, and this year investors felt the full force on their TFSAs (Tax-Free Savings Accounts) and RRSPs (Registered Retirement Savings Plans). Indeed, the S&P 500 dropped just shy of 10% in what was a swift downward move, dragging the U.S. indices to new lows not seen since June.

Where the bear market moves is anybody's guess. With a recession on the way and growing fear that earnings will take a couple of steps backward, everyone seems to be trampling over one another to the exits before the next round of earnings come due. Indeed, things can always be better than expected, but with central banks flooring it when it comes to interest rates, it's never been so hard to hit the buy button, especially now that buying the dip is punished with steep losses, rather than rewarded with huge gains.

Buying the dip has gotten harder

Indeed, going into 2022, a lot of us were conditioned to take advantage of any market spill. They were short-lived. With markets steadily taking the escalator down for around 10 months, dip buyers are starting to get exhausted. Eventually, markets will turn a corner, and they'll regain confidence. However, given the bull traps (bear market rallies) we've seen this year (the June-August rally was the most painful to see falter!), chasing momentum now seems futile.

In any case, there are still ways to make money as we inch into a tough year. Specifically, the biotech and healthcare space may be ripe with opportunity for investors. Biotechs tend to be less correlated to the state of the economy at any given instance. Demand for health care tends to remain stable, whether or not there's a negative sign in front of a nation's GDP (gross domestic product) for a given quarter.

In this piece, we'll check out one intriguing biotech stock that may be worth pursuing amid market-wide weakness.

Bausch: A biotech stock that's down and out

Biotech plays on the Canadian stock market are few and far between. But there are some intriguing value options for investors willing to go against the grain. Enter **Bausch Health Companies** (TSX:BHC)(NYSE:BHC), which is fresh off a collapse of more than 75% year to date. The firm has been steadily chipping away at debt since its days as the infamous Valeant Pharmaceuticals.

Though spinoffs of Bausch + Lomb and Solta bode well for the balance sheet, it's generic competition (think IBS drug Xifaxan) that could weigh heavily on sales and margins moving forward. In the face of such competitive headwinds, management has endured quite a shuffle. Undoubtedly, such major moves in the c-suite have made the haze of uncertainty that much thicker for investors.

There's a lot of baggage at Bausch. But the valuation is compelling at $9 and change per share. The stock trades at just 0.3 times price to sales. A lot of the bad news (including generic competition) seems baked in here, especially after a weak second quarter that saw earnings per share fall short of estimates ($0.56 versus the $0.89 estimate).

The bottom line

Biotech investing isn't easy. Booms and busts are typical in the industry based on what comes out of the drug pipeline. Bausch has gone bust amid its profound transformation. Though recent quarters were bleak, I think the multiple has come down by way too much. In a market headed south, I find it tough to believe that Bausch will be as influenced by broader exogenous events (think Fed meetings) over the next 18 months.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/09/10
Date Created
2022/10/08
Author
joefrenette