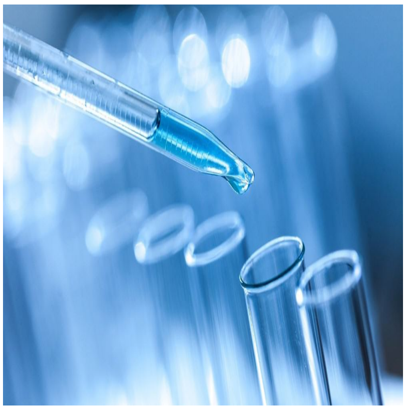

2 Biotech Stocks to Buy Before the Down Market Recovers

Description

Biotech companies are often at the cutting edge of medical research, making them relatively risky but profitable investments. Yet, the prospects can be dramatically different for each biotech company. Many new ventures fail even before entering the market, resulting in millions of dollars in losses. Or a promising new drug in the clinical trial phase is scrapped or delayed due to regulatory issues.

All of this makes biotech stocks quite exciting choices, especially for investors with adequate risk tolerance. Here are two biotech stocks you may consider investing in. They are not discounted per se, but there is a decent probability of them moving up in a TSX bull market. So you may want to consider buying them before that happens.

A biopharmaceutical company

Theratechnologies (TSX:TH) is a commercial-stage biopharmaceutical company focusing on innovative therapies. It currently has commercial rights to two medicines approved in multiple markets, including the US and Europe. Additionally, the biotech has plenty of cutting-edge therapeutic solutions in the pipeline. The therapies under research mostly fall into two categories – oncology and HIV treatments.

One of the most promising cancer therapies the company is researching received a fast-track designation from the FDA in 2021. If it’s approved after the clinical trials, the company may experience a significant boost via that first-in-class technology.

The stock has had an impressive run in the last 10 years. TH experienced over 4,800% growth between 2013 and 2018 and, more recently, over 100% growth between 2020 and 2021. It’s currently trading at an 83% discount from its five-year peak, perfectly positioned to ride any growth momentum internally (one of its therapies) or externally (market recovery).

A clinical-stage biotech company

BELLUS Health (TSX:BLU) is one of the largest biotech companies in the country (by market capitalization). Though the maker of therapeutics for the persistent cough is a shadow of its former, powerful self. The stock peaked in 2004, when it was one of the most expensive companies in Canada at that time, trading at over $3,600 a share.

Even though those days are gone, it's still a compelling investment, especially if you can buy it at a discounted price.

The crown jewel of the company's research is the novel P2X3 antagonist, which can be used to treat chronic cough. Treatments based on this antagonist are being developed and tested.

As a leader involved in this research area, the company stands to reap the rewards if those treatments see mainstream adoption. Coronavirus might have contributed to a higher degree of exposure to lung diseases. Such a case would drive demand for the company's drugs.

BELLUS stock has spiked twice in the last five years alone, growing over 950% in one instance and over 450% in the other. BLU has started to decline from its recent peak, but it's not heavily discounted right now. If you buy it before the market goes bullish again, you may benefit from its growth to the next peak.

Foolish takeaway

The two biotech companies may experience exceptional growth in the right market conditions when their research starts to pay off. Even if you don't want to buy these stocks right now, it's worth placing them on watch. Perhaps, they do not fit with your risk tolerance today. Keeping an eye on them and waiting for a visible bullish trend to develop may be the intelligent thing to do.

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