



Hide in the Dark to Avoid the Recession

Description

With the potential for a recession stronger than ever, investors need to begin considering where they want to take shelter from the storm once it finally hits. As always, there is the potential to exit the market altogether, but the caveat is that there will be no growth if the timing is not 100% accurate — and it rarely is.

The first fork in the road is a toss up between growth and value stocks, and it should be a “no-brainer.” Investors need to take refuge in value stocks that will continue to pay dividends during bad times. One of the best names that comes to mind is none other than **Cineplex Inc.** ([TSX:CGX](#)), which is the [largest player](#) in the movie theatre sector in the country.

At a price of \$31.37, investors will receive a dividend yield of no less than 5.3%. The likelihood of consumers seeking to save money on an evening out increases, and the frequency with which they attend movies also increases. Traditionally, this sector has performed very well during periods of economic weakness.

When considering the industry using Michael Porter’s five forces, it is important to realize that there are very few other competitors, which leads to very little rivalry within the industry. To boot, consumers have very little power to go elsewhere or negotiate lower prices.

The power of suppliers is a little different. With only so many companies making movies, the movie theatres need the movie producers as much as the movie producers need the movie theatres. It’s a relationship with very little wiggle room in either direction.

Barring vertical integration from any movie production company, the status quo is expected to remain the same for a long period of time.

For consumers who are seeking substitutes, there are very few alternatives to see a new movie. They can only wait for it to be available for viewing at home, or attempt to download it free of charge, which will only work until they are caught and fined. The threat of substitutes is not a major concern.

Last up is the threat of new entrants. Although this is a low-probability event, it would have

substantially negative consequences for any movie theatre operator in the country.

At the present time, the only real risk of major [competition](#) in the Canadian marketplace is **AMC Entertainment Holdings Inc.** ([NYSE:AMC](#)). In spite of having the firepower to open a number of cinemas in a short period of time. AMC is not of major concern. Having recently completed a major acquisition in southern United States and South America, the company currently has its hands full for at least several years, as the integration of these locations will take at least another year.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. TSX:CGX (Cineplex Inc.)

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