2 Sin Stocks to Watch in 2019

Description

The legalization of cannabis in Canada was celebrated by many consumers, but data in some U.S. states indicates that companies that sell alcoholic beverages may have some reason for concern. It stands to reason that these companies would look to mitigate this risk by using their large purchasing power to get an early step in the fledgling industry.

The so-called "sin stocks" are a worthy target as we head into 2019. Alcohol has often been touted as being "recession-proof." This is not the case, as companies have historically suffered during pullbacks, but the industry does tend to be one of the more robust during difficult economic periods. With global growth set to slow into the next decade, it is worth it for investors to consider alcohol stocks.

Molson Coors Canada (TSX:TPX.B)(NYSE:TAP)

Molson Coors Canada stock has dropped 21.8% in 2018 as of close on December 27. However, shares have climbed 7.3% over the past month. Molson Coors recently announced a partnership with **HEXO Corp.** to develop cannabis-infused beverages.

The company has had some success in international expansion in Europe and Latin America, but volume growth in North America remains a key focus. Regional breweries in North America will continue to contract in 2019 and will be the target of acquisitions going forward. There is speculation among some analysts and experts that the craft beer industry is cannibalizing itself. It was not too long ago that smaller breweries were perceived as an existential threat to large companies like Molson Coors, but this is no longer the case.

Unfortunately, the popularity of macro brands is almost certain to continue sliding into the next decade. Molson Coors is still a risky bet, even with its interesting cannabis investment.

Andrew Peller (TSX:ADW.A)

Andrew Peller stock has dropped 17.7% in 2018 as of close on December 27. Shares are down 22%

over the past three months. Back in June, I'd discussed why I was very high on Andrew Peller and the wine industry at large going forward.

In the second quarter of fiscal 2019, Andrew Peller reported sales growth of 12.5% year over year. Adjusted EBITDA had increased 15.4% over the first six months of fiscal 2019. Andrew Peller is on pace for another record year.

Wine is expected to see its market share increase in 2019, as young demographics continue to show favouritism toward the beverage. There has been an 8% fall in the demand for beer over the last decade in comparison to the rise of wine. Millennial consumers are also more value conscious, which could favour some of the cheaper domestic wine alternatives that Andrew Peller offers over its competitors.

There are some minor concerns for the industry heading into 2019, including rising protectionism, which has caused some cross-border strife. Thankfully, the USMCA was signed by North American leaders in late November and is expected to be ratified by U.S. Congress. The deal gives U.S. producers some added access to Canadian markets, but not enough to make domestic producers nervous.

Andrew Peller stock has recently climbed out of oversold territory, but it remains near 52-week lows as we head into January. The stock is worth consideration for investors on the hunt for long-term growth in 2019.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:ADW.A (Andrew Peller Limited)
3. TSX:TPX.B (Molson Coors Canada Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/16
Date Created
2018/12/28
Author
aocallaghan