Recession Investors: 4 Intriguing Stocks for Hard Times

Description

Entertainment and recreational cannabis might be a sound investment combination in today's helter-skelter political and economic environment. Just as affordable "luxury" products are known to be recession-proof, so too could less traditional health and well-being industries benefit in times of increased cultural stress. With that in mind, let's take a look at the stats for a few TSX index stocks that might improve counterintuitively as a result of a potential market downturn.

Cineplex (TSX:CGX)

Down 5.14% in the last five days, it seems not everybody is star struck by a proffered dividend yield of 6.92%, or 43% discount against the future cash flow price. Still, it should be borne in mind that Cineplex has managed to stay positive in a tough year with a one-year past earnings growth of 8.9%. Confidence-led investors should take note that there has also been more inside buying of Cineplex shares than selling in the last three months.

It's not one for growth investors, though, with a low 5.2% expected annual growth in earnings on the way. Nor is it a sound pick for strict value investors despite that discount, with a P/E of 20.6 times earnings, PEG of 4 times growth, and P/B of 2.3 times book all higher than the market.

However, compare this with a somewhat related American counterpart, such as **Netflix** (NASDAQ:NFLX) and Cineplex looks positively cheap. The darling of the NASDAQ has displayed some truly gravity-defying qualities, making it a favourite of capital gains investors. However, its multiples are high, with a P/E of 128.3 times earnings, P/B of 29.7 times book and PEG 4.3 times growth in earnings counting this one out for value investors.

Up 0.95% in the last five days, Netflix stock is really still recovering after its October tumble: a Christmas reversal began a steep climb that plateaued for the last couple of weeks of January, before the more gradual rise that characterizes its current behaviour. And well might it be popular, with a one-year past earnings growth of 116.7% that outperformed even its own impressive five-year average growth rate of 46%.

Canopy Growth (TSX:WEED)(NYSE:CGC)

A 118.9% expected annual growth in earnings is on the way for this TSX index marijuana super-stock. Having gained 4.3% in the last five days at the time of writing, Canopy Growth is healthy (see a low level of comparative debt at 10.7% of net worth), and not too badly valued, with a P/B of 3 times book.

VIVO Cannabis (TSX:VIVO)

Up 4.55% in the last five days at the time of writing, VIVO Cannabis has some impressive stats: a 101.7% expected annual growth in earnings meets a share price that's undervalued against its future cash flow value by more than 50% and backed up with a P/B of 1.1 times book – a ratio that beats the TSX index. Like Canopy Growth, VIVO Cannabis has a healthy balance sheet (refer here to an acceptable debt level of 12.6% of net worth).

The bottom line

As many investment choices are emotionally driven, a canny trader may want to try and second-guess what a full-blown recession could do to the behaviour of stocks like Cineplex and Netflix, or Canopy Growth and VIVO, on the markets. With the exception of Netflix, the above stocks aren't too badly valued, and all four could improve if the industries they represent manage to thrive during a widespread economic downturn.

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2. NASDAQ:NFLX (Netflix, Inc.)
3. TSX:CGX (Cineplex Inc.)
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Date
2025/07/03
Date Created
2019/02/21

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