2 Sin Stocks to Buy During a Slowdown

Description

Good times or bad, human beings need their vices. These “sin” companies offer addictive products to their customers, but, more importantly, they offer a feeling of familiarity that people crave when things are not going their way (as is often the case during a recession). For investors, sin stocks offer stable cash flows, a steady rate of growth, and little disruption to your portfolio. Here are two stocks on the index that meet this cut.

A&W Revenue Royalties Income Fund

A&W Root Beer, The Burger Family, and Chubby Chicken are the brands that **A&W Revenue Royalties Income Fund** (TSX:AW) gets its 3% royalty from. A&W is a solid play in this sector.

With over 960 restaurants in Canada, A&W posted good numbers in the third quarter of 2019. Royalty income for the third quarter of 2019 was $11.1 million — an increase of 5.8% from royalty income of $10.5 million in 2018. Year-to-date royalty income came in at $30.9 million — an increase of 11.7% from $27.6 million in 2018.

Fast-food chains make money during good times and make more money during a slowdown. That’s because people opt for cheaper meals during recessions and A&W fits this bill perfectly. This doesn’t mean, however, that A&W meals are inferior. A&W prides itself on the quality of its produce and ingredients.

In fact, its mission pretty much spells it out: “To be loved for our natural ingredients, great taste, convenience, and for doing what’s right, making A&W the #1 choice for millennial burger lovers.”

Millennials care about the environment, and A&W was quick to try and make a buck out of this fact. It’s one of the first major burger chains in Canada that introduced **Beyond Meat** burgers on its menus.

Moves like these are why we are sure the management can keep competitors at bay for a long time. A dividend yield of 5.13% is just icing on the cake for this stock.

Crono Group

Marijuana stocks were all the rage some time back, but this year has not been good for them. They have taken a pounding on the stock markets — none more so than **Cronos Group** (TSX:CRON)(NASDAQ:CRON). The stock is trading at $9.12, down from a 52-week high of $31.77. Cronos has been on a downward spiral since March this year. Why should you buy into this stock now?

One major reason is that it looks like **Altria Group's** $1.8 billion investment in Cronos for a 45% stake is starting to pay off. Cronos just announced its results for the third quarter of 2019, and despite a 238% increase in sales volumes ($12.7 million from $3.76 million in the same period in 2018), the numbers were still $3 million lower than analyst estimates. This could soon change with the launch of PEACE+, a hemp-derived cannabidiol (CBD) brand.

Cronos said, "PEACE+ will sell hemp-derived CBD tincture products through a test market of approximately 1,000 retail stores in the U.S. The company intends to utilize Altria Group, Inc.'s sales and distribution network to access the U.S. convenience store retail channel in order to gain consumer insights prior to expanding distribution more broadly."

Bottom line

Both these stocks are perfectly poised to do well during a slowdown. They are available at attractive price points, too.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:CRON (Cronos Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/09/29
Date Created
2019/11/24
Author
araghunath