



Five for Friday- Shorting Zombie Stocks

In the wake of the failure of Silicon Valley Bank and Credit Suisse, bank balance sheets will come under scrutiny by their executives and regulators. One likely impact will be that they sell assets when possible and tighten their lending standards.

Given the importance of debt-driven consumption, tighter lending standards often accompany recessions. As such, we thought it would be helpful to find five stocks that may likely suffer if lending standards and borrowing rates increase during an economic slowdown.

Our critical screening criteria for this task is the interest coverage ratio. The ratio is derived by dividing a company's earnings before interest and taxes (EBIT) by its interest expense. A ratio below one implies the company cannot meet its interest payments without selling assets or additional borrowing. These are often called zombie stocks.

Sales and earnings growth for the last five years was another factor. The companies we present have flat to negative growth in both categories. As such, it's likely, if those trends continue, they will continue to have to rely on banks or the bond markets to stay afloat.

We excluded financial, MLP, and REIT stocks as their interest coverage ratio is often not comparable to other companies.

The stocks selected potentially offer significant downside if the credit markets tighten. However, we do not generally recommend shorting stocks.

Screening Criteria

We considered the following factors when screening:

- Excluded Financial, REIT, and MLP Stocks
- 5-year Sales and Earnings Growth < 1%
- Interest Coverage < 1

	5-yr Sales Growth	5-yr Earn. Growth	Interest Coverage Ratio
PLYA	-0.27%	-18.00%	0.06
HBM	-0.73%	-21.68%	0.1563
SPB	-0.75%	-4.72%	0.3606
QRTEB	0.94%	-26.53%	0.3717
PHG	-2.15%	-0.32%	0.4274

Company Summaries

Playa Hotels & Resorts N.V. (PLYA)

Playa Hotels & Resorts N.V. (PLYA) - Resorts & Casinos

Description [\(Read Less\)](#)

Playa Hotels & Resorts N.V., together with its subsidiaries, owns, develops, and operates resorts in prime beachfront locations in Mexico and the Caribbean. Playa Hotels & Resorts N.V. was founded in 2006 and is headquartered in Fairfax, Virginia.

Latest Price (Mar 30, 2023, 8:55:21 AM)

\$9.42 ▼ (-\$0.02) (-0.16%)

Last Close

\$9.43

Open

\$9.48

Volume

100,257

Annual Div.

N/A

Mkt Cap (mn)

\$1,558.75

52 Week Range

\$5.35

Day Range

\$9.40

Avg. Volume (3m)

1,572,200

Div. Yield

N/A

Beta

1.52



Hudbay Minerals Inc. (HBM)

Hudbay Minerals Inc. (HBM) - Copper

Description [\(Read Less\)](#)

Hudbay Minerals Inc., a diversified mining company, together with its subsidiaries, focuses on the exploration, development, operation, and optimization of properties in North and South America. It produces copper concentrates containing copper, gold, and silver; silver/gold doré and zinc metals; and molybdenum concentrates. The company owns three polymetallic mines, four ore concentrators, and a zinc production facility in northern Manitoba and Saskatchewan, Canada, as well as in Cusco, Peru; and copper projects in Arizona and Nevada, the United States. HudBay Minerals Inc. was founded in 1927 and is headquartered in Toronto, Canada.

Latest Price (Mar 30, 2023, 8:57:25 AM)

\$5.11 ▲ (\$0.07) (1.39%)

Last Close

\$5.04

Open

\$5.14

Volume

297,098

Annual Div.

\$0.02

Mkt Cap (mn)

\$1,338.95

52 Week Range

\$3.08

Day Range

\$5.09

Avg. Volume (3m)

2,804,730

Div. Yield

0.30%

Beta

1.99



Spectrum Brands Holdings, Inc. (SPB)

Spectrum Brands Holdings, Inc. (SPB) - Household & Personal Products

Description [\(Read Less\)](#)

Spectrum Brands Holdings, Inc. operates as a branded consumer products company worldwide. It operates through three segments: Home and Personal Care; Global Pet Care; and Home and Garden. The Home and Personal Care segment provides home appliances under the Black & Decker, Russell Hobbs, George Foreman, Toastmaster, Juiceman, Farberware, and Breadman brands; and personal care products under the Remington and LumaBella brands. The Global Pet Care segment provides rawhide chewing, dog and cat clean-up and food, training, health and grooming, small animal food and care, and rawhide-free products under the BINI (B-in-1), Dingo, Nature's Miracle, Wild Harvest, Littermaid, Jungle, Excel, FURminator, IAMS, Eukanuba, Healthy-Hide, DreamBone, SmartBones, ProSense, Perfect Coat, eCOTRITION, Birdola, Good Boy, Meowee!, Wildbird, and Walcol brands. This segment also offers aquarium kits, stand-alone tanks, and aquatics equipment and consumables under the Tetra, Marineland, Whisper, Instant Ocean, GloFish, OmegaOne, and OmegaSea brands. The Home and Garden segment provides outdoor insect and weed control solutions, and animal repellents under the Spectracide, Garden Safe, Liquid Fence, and EcoLogic brands; household pest control solutions under the Hot Shot, Black Flag, Roach-Kill, Ultra Kill, The Ant Trap, and Rid-A-Bug brand names; household surface cleaning, maintenance, and restoration products, including bottled liquids, mops, wipes, and markers under the Rejuvenate brand name; and personal-use pesticides and insect repellent products under the Cutter and Repel brands. The company sells its products through retailers, e-commerce and online retailers, wholesalers, and distributors. Spectrum Brands Holdings, Inc. was incorporated in 2009 and is headquartered in Middleton, Wisconsin.

Latest Price (Mar 30, 2023, 9:00:30 AM)

\$64.99 ▲ (\$2.20) (3.50%)

Last Close

\$62.79

Open

\$64.30

Volume

115,546

Annual Div.

\$1.68

Mkt Cap (mn)

\$2,835.59

52 Week Range

\$38.93

Day Range

\$63.79

Avg. Volume (3m)

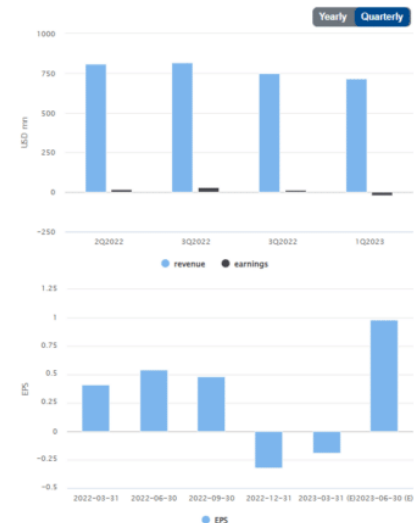
623,750

Div. Yield

2.68%

Beta

1.40



Qurate Retail, Inc. (QRTEB)

Qurate Retail, Inc. (QRTEB) - Internet Retail

Description [Read More](#)

Qurate Retail, Inc., together with its subsidiaries, engages in the video and online commerce industries in North America, Europe, and Asia. The company markets and sells various consumer products primarily through merchandise-focused televised shopping programs, internet, and mobile applications. It also operates as an online retailer offering women's, children's, and men's apparel, and other products, such as home, accessories, and beauty products through its app, mobile, and desktop applications. The company serves approximately 200 million homes through multiple streaming services, social pages, websites, print catalogs, and in-store destinations. The company was formerly known as Liberty Interactive Corporation and changed its name to Qurate Retail, Inc. in April 2018. Qurate Retail, Inc. was founded in 1991 and is headquartered in Englewood, Colorado.

Latest Price (Mar 28, 2023, 2:45:52 PM)

\$4.66 (N/A) (N/A)

\$2 Week Range

\$3.04

Last Close

\$4.66

Day Range

\$21.93

Open

\$4.72

Volume

4

Avg. Volume (3m)

11,786

Annual Div.

N/A

Div. Yield

N/A

Mkt Cap (mn)

\$388.71

Beta

1.94



USD mn

EPS

revenue earnings

EPS

Koninklijke Philips N.V. (PHG)

Koninklijke Philips N.V. (PHG) - Medical Devices

Description [Read More](#)

Koninklijke Philips N.V. operates as a health technology company in North America, the Greater China, and internationally. It operates through Diagnosis & Treatment Businesses, Connected Care Businesses, and Personal Health Businesses segments. The company provides diagnostic imaging solutions, includes magnetic resonance imaging, X-ray systems, and computed tomography (CT) systems and software comprising detector-based spectral CT solutions, as well as molecular and hybrid imaging solutions for nuclear medicine. The company also provides solutions for clinical research, including artificial intelligence, machine learning, and data analytics. The company is also involved in the development and commercialization of medical devices, including catheters, stents, and other minimally invasive surgical solutions.

Latest Price (Mar 30, 2023, 10:57:30 AM)

\$17.87 ▲ (\$0.98) (5.80%)

\$2 Week Range

\$11.75

Last Close

\$16.89

Day Range

\$17.70

Open

\$17.88

Volume

704,244

Avg. Volume (3m)

2,305,950

Annual Div.

\$0.85

Div. Yield

5.03%

Mkt Cap (mn)

\$15,752.07

Beta

0.83



USD mn

EPS

revenue earnings

Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.