



This week we piggyback on a recent Goldman Sachs research report. Goldman analyzed 250 public companies that have been around for the last three recessions (2001, 2008, and 2020). Their goal was to find the companies whose earnings are most and least vulnerable to a recession. The report is timely, as the market expects profit margins to expand, but history has proven otherwise in prior recessions.

Per their report: *Consensus expects the median firm in (the first) screen to expand its margins by 121 bp in 2023, vs. a typical contraction of 691 bp during previous recessions.*

To find the stocks that are the most and least vulnerable to a recession, Goldman compares each company's current expected 2023 net profit margins to their historical margin performance during the prior three recessions.

For example, NVR is the least vulnerable stock on their list. Consensus EPS estimates forecast that NVR's net profit margin will fall by 1.85%. Over the last three recessions, their net profit margin only fell by .42%. They also show that NVR's expected profit margin is 39% below its 20-year average profit margin.

In this scan, we take the top 29 least vulnerable companies and then screen them for value, adding another layer of conservatism. To see Goldman's most and least vulnerable stocks, please [CLICK HERE](#).

Screening Criteria

- Market Cap >\$5B
- PEG Ratio < 2
- P/E < 10
- Forward P/E < 15
- P/S < 2
- P/B < 2

Our screen returned four companies, as shown below. Not only do all four stocks trade at low valuations and are among the least vulnerable to a recession, but they all have double-digit EPS growth over the last five years and robust EPS growth expectations over the next five years.

Ticker	PEG	P/E	F P/E	P/S	P/B
DHI	0.44	5.26	4.72	0.84	1.55
NUE	0.10	3.94	9.27	0.72	1.97
PHM	0.58	5.37	4.30	0.72	1.46
TSN	0.94	7.04	10.33	0.57	1.56

Company Summaries (all descriptions courtesy Zacks)

D.R. Horton (DHI)

D.R. Horton, Inc. is one of the leading national homebuilders, primarily engaged in the construction and sale of single-family houses both in the entry-level and move-up markets. D.R. Horton's operations are spread across markets in states in the East, Midwest, Southeast, South Central, Southwest and West regions of the United States. Its houses are sold under the brand names D.R. Horton - America's Builder, Emerald Homes, Express Homes and Freedom Homes. D.R. Horton operates through three segments: Homebuilding, Forestar, Financial Services and Rental.



Nucor (NUE)

Nucor Corporation is a leading producer of structural steel, steel bars, steel joists, steel deck and cold finished bars in the United States. It also produces direct reduced iron (DRI) that is used in its steel mills. The company has operating facilities, primarily in the United States and Canada. Also, most of its operating facilities and customers are located in North America. Over the years, the company has grown through acquisitions as well as by tapping new markets and expanding geographically. Through its network of mini-mills, the company produces steel sheets, bars, plates as well as various structural and other products.



PulteGroup (PHM)

PulteGroup Inc. engages in homebuilding and financial services businesses in the United States. The company conducts operations through two primary business segments - Homebuilding and Financial Services. The Homebuilding segment offers a wide variety of home designs including single family detached, townhouses, condominiums and duplexes at different prices, with a variety of options and amenities to all major customer segments: first-time, move-up and active adult. Pulte's brand portfolio includes Pulte move-up brand, Centex first-time brand, Del Webb active adult, DiVosta Homes and John Wieland Homes and Neighborhoods. The homebuilding division is broken down into six reportable segments; Northeast, Southeast, Florida, Texas, Midwest and West. Pulte's Financial Services business includes mortgage banking and title operations through Pulte Mortgage and other subsidiaries. Pulte Mortgage arranges financing by originating mortgage loans for homebuyers.



Tyson Foods (TSN)

Tyson Foods Inc. is the biggest U.S. chicken company and produces, distributes and markets chicken, beef, pork as well as prepared foods. The company's products are marketed and sold primarily by sales staff to grocery retailers, grocery wholesalers, meat distributors, military commissaries, industrial food processing companies, chain restaurants, international export companies and domestic distributors.



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.