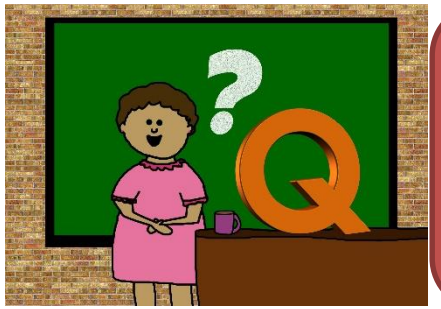
INDUSTRY ANALYSIS.

- Can do a life-cycle analysis of the industry to isolate likelihood of dividend payments:

✓ Growth phase = no dividends

✓ Consolidation = growing dividends

✓ Maturity phase = steady/constant dividends



Why are we focussing on dividends?

Dividends help us assess the value of a company.

IIMB
तेजस्वि नावधीतमस्तु

INDUSTRY ANALYSIS.

Introduction to Investments
Prof S G Badrinath
Industry and Company Analysis

Sectors and the economy (again each time a little different)

a) Most correlated with expansions and contractions
Capital goods (factory machinery, aircraft)
Consumer cyclical (auto, housing)
Technology (computers, telecom)
Transportation (airlines, shipping)

Best time to buy: growth has slowed and rates falling
Worst time to buy: as fast growing economy slows

b) Sectors that do well at end of expansions
Basic materials (steel, aluminium)
Energy (oil, natural gas)

c) Sectors that do well when the economy slows
Financial services
Utilities

d) Sectors best when heading into a recession
Consumer staples (food, toothpaste)
Healthcare (drugs, HMOs)

Longer term: focus on whether earnings estimates are likely to be cut, maintained, or will go but up.

Shorter term: are earnings surprises priced in?

IIMB
तेजस्वि नावधीतमस्तु

© All Rights Reserved.
This document has been authored by Prof S G Badrinath and is permitted for use only within the course “Introduction to Investments" delivered in the online course format by IIM Bangalore. No part of this document, including any logo, data, illustrations, pictures, scripts, may be reproduced, or stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior permission of the author.