Top 10 Dividend Elite

Top Dividend Picks With 25+ Years of Rising Dividends

April 2024 Edition

A monthly special report service from Sure Dividend

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Table of Contents

Top 10 Dividend Elite – April 2024

Name & Ticker	Div. Risk Score	Price	Fair Value	# Years Div. Inc	Div. Yield	Exp. Growth Return	Exp. Value Return	Exp. Total Return
SJW Group (SJW)	A	$55	$71	56	2.9%	8.0%	5.1%	15.6%
Sonoco Products (SON)	A	$58	$84	41	3.5%	5.0%	7.8%	15.5%
Farmers & Merchants (FMCB)	A	$975	$1,464	58	1.8%	5.0%	8.5%	15.1%
Enterprise Bancorp (EBTC)	A	$25	$35	30	3.8%	4.0%	7.0%	14.2%
Bank OZK (OZK)	A	$44	$67	28	3.5%	2.0%	8.9%	13.8%
Automatic Data (ADP)	A	$241	$265	49	2.3%	9.0%	1.9%	12.9%
PPG Industries (PPG)	A	$140	$161	52	1.9%	8.0%	2.9%	12.6%
Gorman-Rupp (GRC)	A	$38	$37	51	1.9%	12.0%	-0.8%	12.5%
Westamerica Banc. (WABC)	A	$47	$69	30	3.7%	2.0%	7.8%	12.5%
Black Hills (BKH)	A	$54	$66	54	4.8%	4.0%	4.1%	12.0%

***Notes:** Data for the table above is from the 4/5/24 spreadsheet of our Sure Analysis Research Database. “Div.” stands for Dividend. “# Years Div. Inc” shows the consecutive years of dividend growth. “Exp.” Stands for Expected. Expected returns are annualized and based on 5-year forward projections. Data in the table above may be different than individual company analysis pages due to writing the company reports throughout the previous several days.*

***Disclosures:** Sure Dividend is long SON, EBTC, OZK & WABC. Nate Parsh is long ADP.*

There were two changes in this month’s Top 10 versus last month’s Top 10. 3M (MMM) and Archer-Daniels-Midland (ADM) were replaced by Automatic Data Processing (ADP) and PPG Industries (PPG).

The Top 10 has the following average characteristics:

	Top 10 Dividend Elite	S&P 500[1]
Dividend Yield:	3.0%	1.4%
Growth Rate:	5.9%	5.5%
Valuation Return:	5.3%	-3.1%
Expected Annual Total Returns:	13.7%	3.7%

Please keep reading to see detailed analyses on the Top 10 Dividend Elite.

Note: Data for this report is from 4/2/24 through 4/5/24.

[1] The S&P 500 valuation return uses the average P/E of the last 10 years for a fair value estimate.

SJW Group (SJW)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 15.8%

Overview & Current Events

SJW is a water utility services provider in the United States. It operates in two segments: Water Utility Services, and Real Estate Services. The company engages in production, purchase, storage, purification, distribution, and selling of water and wastewater services. The company has ~403,000 connections serving about 1.5 million people in California, Connecticut, Maine, and Texas. SJW is the product of a slew of mergers over the decades, and the dividend increase streak stands at 56 years, making it a Dividend King. Total annual revenue is about $670 million, and the stock's market cap is $1.8 billion.

On January 25th, 2024, SJW announced a 5.3% dividend increase, boosting its annualized dividend per share from $1.53 to $1.60. This is the company's 56th consecutive annual dividend increase.

On February 22nd, 2024, SJW Group announced Q4 and full-year results for 2023. For the quarter, earnings-per-share of $0.59 compared unfavorably to earnings-per-share of $1.09 in the prior year, but this was in-line with expectations. For the year, earnings-per-share of $2.68 compared favorably to $2.43 in 2022.

The decline in earnings-per-share in the most recent quarter was primarily related to a delayed decision in the company's general rate case in California that caused SJW Group to recognize a full year of revenue in the fourth quarter of 2022.

SJW Group's 2024 outlook shows the company is expecting earnings-per-share in a range of $2.68 to $2.78. At the midpoint, this would be a 1.9% increase from the prior year. Accordingly, we expect earnings-per-share of $2.73 in fiscal 2024.

Safety & Dividend Risk Analysis

As a water utility, SJW benefits from strong competitive advantages within the geographical locations in which it operates. The company also benefits from providing perhaps the most essential of all utility services; water. The stability and long-term growth of the company is evidenced by its 56-year streak of consecutive dividend increases. The stock has a 59% payout ratio of expected 2024 earnings, which is reasonable for a utility. We view the dividend as very safe.

Growth, Value & Expected Total Return Analysis

SJW has maintained profitability but seen volatile earnings over the last decade. Earnings-per-share peaked at $2.86 in 2017, hit a low of $1.35 in 2019, and were $2.68 in 2023. We see 8% growth going forward, driven by continued population growth in its service areas, but also rate adjustments afforded by local municipalities to support infrastructure investment.

With 8.0% projected growth, a 5.4% tailwind from valuation multiple expansion (we see SJW as undervalued based on its 20.0 price-to-earnings ratio versus our 26.0 fair value price-to-earnings ratio estimate), and the 2.9% dividend yield, we forecast total returns of 15.8% for SJW going forward.

Sonoco Products Co. (SON)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 15.9%

Overview & Current Events

Founded in 1899, Sonoco Products provides packaging, industrial products, and supply chain services to its customers. Sonoco Products currently trades with a $5.7 billion market cap.

On January 30th, 2024, Sonoco announced the sale of its Protective Solutions business to Black Diamond Capital Management for ~$80 million in cash. The Protective Solutions business was responsible for ~2.5% of Sonoco's sales, so this divestiture will not be significant to future results.

On February 14th, 2024, Sonoco announced fourth-quarter and full-year results for the period ending December 31st, 2024. For the quarter, revenue declined 1.8% to $1.64 billion, but this was $20 million above expectations. Adjusted earnings-per-share (EPS) of $1.02 compared unfavorably to $1.27 in the prior year and was $0.08 below estimates. For full fiscal 2023, revenue decreased 6% to $6.8 billion while adjusted of $5.26 compared unfavorably to $6.48 in the prior year. This was, however, the company's second-best adjusted EPS result in its history.

Sonoco Products provided an outlook for 2024 as well, with the company expecting adjusted earnings-per-share of $5.10 to $5.40 for the year. At the midpoint, this would be a slight decline from 2023. We have initiated our forecast for EPS of $5.25 accordingly.

Safety & Dividend Risk Analysis

Sonoco operates in a cyclical industry, which is reflected in the company's Great Recession performance. Earnings-per-share totaled $2.38, $2.24, $1.78, and $2.34 for the 2007 through 2010 period. The company remained strongly profitable during the Great Recession. Sonoco also performed well during the COVID turbulence, with earnings-per-share in the 2019 through 2021 period of $3.53, $3.41, and $3.93, respectively.

Sonoco has increased its dividend for 41 consecutive years. This includes several recessionary periods. We view the dividend as safe and forecast it to continue to grow as the company's expected dividend payout ratio is just 39% for 2024.

Growth, Value & Expected Total Return Analysis

Sonoco realized earnings-per-share growth of 8.9% over the last 9 years. We feel a 5.0% annual growth rate through 2029 is achievable given the company's strong historical performance, partially offset by weaker recent results.

Shares are trading at 10.8 times the midpoint of guidance for the year. With a target valuation of 16 times earnings, this implies an 8.1% annual tailwind from multiple expansion over this period.

We project that Sonoco Products could offer a total return of 15.9% annually over the next five years, stemming from a 5.0% earnings growth rate, a starting yield of 3.6%, and a high single-digit contribution from multiple expansion.

Farmers & Merchants Bancorp (FMCB)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 15.1%

Overview & Current Events

Farmers & Merchants Bancorp is a small community bank with just over 30 locations in California. It was founded in 1916, generates about $225 million in annual revenue, and has a current market cap of $724 million. Further, the company has paid dividends to shareholders for 88 consecutive years and has raised its dividend for 58 years. Given that longevity, the company is a part of the elite Dividend Kings club.

F&M posted fourth-quarter and full-year earnings on January 24th, 2024 and results were quite strong. Earnings-per-share moved 21% higher year-over-year to $116.61 for the year. That is a record earnings level for F&M. Total assets ended the year at $5.3 billion, which was flat year-over-year.

Loan growth was up 4% year-over-year, and deposits fell 2%. Loans ended the year at $3.65 billion, while deposits were $4.67 billion. The resulting loan-to-deposit ratio is just under 80%, which is very sustainable so long as deposits don’t fall off meaningfully.

Net interest income was up 11% due to higher net interest margin, which rose from 3.81% to 4.30%. Management noted it is bullish on net interest margin for this year, boding well for 2024 earnings. We see $122 in earnings-per-share for this year.

Safety & Dividend Risk Analysis

F&M’s appeal is in its conservative management approach. This extends to its deposit and lending practices, and also the way its capital base is managed. Total capital is currently 13.8%, which is well above regulatory minimums and the bank is extremely well capitalized as a result. This also boosts its ability to see stable earnings and translates to its ability to pay a dividend. Further, this aids F&M in weathering recessions, and there is perhaps no better proof of its ability to do that than its nearly nine decades of dividend payments to shareholders.

We see the dividend payout ratio at under 15% for this year, which means dividend safety is outstanding. Growth in the payout has been modest in recent years, and we don’t necessarily see that changing.

Growth, Value & Expected Total Return Analysis

We see the bank with potential for 5.0% growth moving forward, which we see accruing from higher loan balances, but also strengthening net interest margin. That estimate is likely on the conservative side, as F&M has *more than tripled* earnings-per-share from 2017 through 2023. Share repurchases aid in the company’s growth; the company’s share count declined by 5.8% from 2020 through 2023.

We estimate total annual return potential at 15.1%, which is attributable to the 5.0% growth rate, the current 1.8% dividend yield, and a valuation tailwind of 8.5%. The stock trades for just 8.0 times this year’s earnings estimate, which is well below our estimate of fair value at 12.0 times earnings. We believe the market has not yet caught onto strong recent growth from this sleepy regional bank stock.

Enterprise Bancorp Inc. (EBTC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 14.3%

Overview & Current Events

Enterprise Bancorp is a bank holding company that was founded in 1989. The bank has nearly 30 locations in the Northeastern U.S., and it operates in a traditional manner for a community bank, focusing on taking in deposits and lending them profitably. About half of the company's loan portfolio is commercial real estate, while about a third is in commercial construction loans, so its consumer exposure is quite limited. Enterprise also offers investment services and insurance services. The bank has a $306 million market cap and boasts a 30-year dividend increase streak.

Enterprise posted fourth-quarter and full-year earnings on January 25th, 2024 and results were somewhat mixed. Loans were up 12% quarter-over-quarter, while deposits declined 1%. Net interest margin was down one basis point, but net interest income was down 13% on higher deposit funding costs.

Earnings-per-share was off 37% to 64 cents, marking the worst earnings performance in three years, as the bank struggled to cope with sharply higher interest rates.

Enterprise boosted its dividend by 4%. We see 2024 earnings-per-share at $2.90, which would be the worst performance since 2020. However, we see the bank's commercial real estate and commercial construction portfolio as under pressure, and deposit funding costs have been a significant headwind of late.

Safety & Dividend Risk Analysis

As mentioned, Enterprise has boosted its dividend for three consecutive decades. That's an impressive streak regardless of industry, but especially for banks. Enterprise has been prudently managed over time such that even deep recessions see the bank able to continue to raise its dividend.

The past decade has seen roughly 7% annualized growth in the payout, and we see continued growth for many years to come. The payout ratio is just one-third of earnings, so we believe there is no reasonable scenario where Enterprise would be forced to cut the dividend. During the Great Recession, earnings actually increased, highlighting the safety and effectiveness of its model.

Growth, Value & Expected Total Return Analysis

We forecast 4.0% earnings-per-share growth going forward, which we believe will accrue from higher branch counts, which drives more deposits and lending. Earnings-per-share growth has averaged roughly 9% in the past decade, but we do not believe that level of growth is reasonable for Enterprise at the moment.

Enterprise is trading for a price-to-earnings ratio of just 8.5. We believe 12.0 is a fair value multiple. As a result, we expect the valuation multiple to add 7.2% to expected total returns over the next 5 years. This, plus Enterprise's 4.0% expected growth and 3.9% starting dividend yield bring us to expected total returns of 14.3% annually over the next five years.

Bank OZK (OZK)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 13.5%

Overview & Current Events

Bank OZK, previously Bank of the Ozarks, is a regional bank that offers services such as checking, business banking, commercial loans, and mortgages to its customers in Arkansas, Florida, North Carolina, Texas, Alabama, South Carolina, New York, and California. The $5.0 billion market cap bank was founded in 1903 and is headquartered in Little Rock, AR.

In mid-January, Bank OZK reported (1/18/24) financial results for the fourth quarter of fiscal 2023. Total loans and deposits grew 27% and 28%, respectively, over last year's quarter. Net interest income grew 9% over the prior year's quarter. Earnings-per-share grew 12%, from $1.34 to a new all-time high of $1.50, and exceeded the analysts' consensus by $0.05.

Many banks are currently being pressured by rising deposit costs. Bank OZK is growing its net interest margin and its earnings. Management issued guidance for new all-time high earnings-per-share in 2024. We expect earnings-per-share of $6.10 in fiscal 2024.

On April 1st, 2024, Bank OZK announced a $0.39 quarterly dividend, representing a 2.6% raise over the last quarter's payment and a 11.4% raise year-over-year. This marks the company's 55th consecutive *quarter* of raising its dividend.

Safety & Dividend Risk Analysis

Bank OZK not only remained profitable during the Great Recession but managed to grow its earnings and dividends as well. The bank also managed to grow its dividend in 2020, though earnings-per-share did decline 32% before reaching new all-time highs in 2021, 2022, and 2023, and is expected to do so in 2024 as well.

The company has managed to increase its dividends through difficult economic periods because it has achieved profitability through recessions, and because it maintains a conservative payout ratio. Bank OZK's payout ratio is just 25% of expected 2024 earnings.

Growth, Value & Expected Total Return Analysis

We believe that Bank OZK will continue to grow. Non-interest income makes up just a small amount of the bank's profits. Due to record earnings-per-share expected this year, we expect 2.0% earnings-per-share growth over the next five years. This is much lower than the historical growth rate of Bank OZK but is warranted due the high comparison base.

Shares are presently trading hands at 7.3 times our estimate of 2024 earnings. Our fair value multiple is 11.0 times earnings, indicating the potential for an 8.7% annual tailwind from valuation expansion over the next 5 years. When combined with the 3.4% starting dividend yield and 2.0% anticipated growth, this implies the potential for 13.5% annual total returns.

Automatic Data Processing Inc. (ADP)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.5%

Overview & Current Events

Automatic Data Processing (ADP) is one of the largest business services outsourcing companies in the world. The company provides payroll services, human resources technology, and various other business operations to more than 700,000 corporate customers. Automatic Data Processing was founded in 1949, has a market capitalization of more than $100 billion, and generates annual revenue of approximately $19 billion.

On January 31st, 2024, Automatic Data Processing announced results for the second quarter of fiscal year 2024. Adjusted earnings-per-share of $2.13 compared favorably to $1.96 in the prior year. Revenue grew 6.4% to $4.67 billion and organic constant currency revenue improved 6%. Interest on funds held for clients increased 20% to $225 million, as market rates remain high relative to recent history. Average client funds balances did decline 2% to $32.6 billion, but the yield on those funds improved 50 basis points to 2.8%. Adjusted EBIT grew 7% year-over-year to $1.1 billion, with the adjusted EBIT margin rising slightly to 24.6% of revenue.

Following second-quarter earnings results, we project that Automatic Data Processing will earn $9.15 in fiscal year 2024.

Safety & Dividend Risk Analysis

Automatic Data Processing benefits from its leading position in the business service industry. The sheer number of corporate customers dwarfs the competition, making Automatic Data Processing the go to name in this area. The company generates revenue from holding client funds that are then paid out to employees. This has become an important source of revenue for the company.

Automatic Data Processing could potentially be impacted by the next recession. However, the business performed very well during the 2007 to 2009 period despite the harsh operating environment. Earnings-per-share totaled $1.83, $2.20, and $2.39 during this period. The company also held up well during the worst of the COVID-19 pandemic, as earnings-per-share still grew before accelerating during the past few years.
The company's business model has been the catalyst for the dividend, which Automatic Data Processing has increased for 49 consecutive years. This leaves the company one year shy of achieving Dividend King status. The projected payout ratio for this fiscal year is 61%, which is well within the long-term range over the last decade. Shares yield 2.3%.

Growth, Value & Expected Total Return Analysis

Given the strength of the business, we project that Automatic Data Processing will grow earnings-per-share by 9% annually over the next five years. This is slightly below the long-term growth rate of 10.2%.

Our 2029 target P/E ratio is 29.0. With shares trading at 26.9 currently, this implies an annual valuation tailwind of 1.5% over this period. Combined with our growth estimates and the current yield, annual returns are expected to be 12.5% for the next five years.

PPG Industries Inc. (PPG)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.2%

Overview & Current Events

PPG Industries (PPG) is the largest paints and coatings company in the world. The company has just two competitors, Sherwin-Williams (SHW) and Dutch paint company Akzo Nobel, that are of comparative size. PPG Industries was founded in the late 1800s and has become a global company, with operations in more than 70 countries around the world. The company has a market capitalization of $33 billion and generates annual revenue in excess of $18 billion.

On July 20th, 2023, PPG Industries raised its quarterly dividend 4.8% to $0.65, extending the company's dividend growth streak to 52 consecutive years.

On January 18th, 2024, PPG Industries reported fourth-quarter and full year 2024 results. For the quarter, revenue grew 3.8% and adjusted earnings-per-share of $1.53 compared to $1.22 in the prior year. For 2024, revenue grew 2.8% to $18.2 billion while adjusted earnings-per-share of $7.67 compared to $6.05 in the prior year.

Performance Coatings' revenue grew 5% due to strength in Aerospace and higher selling prices throughout the business. These gains were partially offset by a 1% decrease in volume. Revenue for Industrial Coatings improved 2% as demand for Automative OEMs was strong. Volume and pricing were stable, but currency acted as a tailwind to results. PPG Industries expects adjusted earnings-per-share in a range of $8.34 to $8.59 for the year. At the midpoint, this would represent a 10.4% increase from 2023.

Safety & Dividend Risk Analysis

PPG Industries' primary competitive advantage is that it is one of the most well-known and respected companies in its industry, with a size and scale advantage that most competitors cannot duplicate. This helps to limit the competition and prevent price wars. This has proved beneficial to the company as results have reached new records as price increases have not been offset by volume declines to a large degree.

This entrenched business model has helped to sustain PPG Industries' dividend and fuel growth for more than five decades. The expected payout ratio for 2024 is just 31%, meaning that the dividend is likely to continue to grow in the years ahead. Shares yield 1.8% currently, which is one of the highest yields for the stock in the last decade.

Growth, Value & Expected Total Return Analysis

We expect 8.0% earnings-per-share growth from PPG Industries annually over the next 5 years, which is slightly ahead of the 10-year growth rate of 7.4%.

Our target price-to-earnings ratio for the stock is 19, which is below the long-term average of more than 22.0. Multiple expansion could add 2.5% to annual returns through 2029.

Combined with our expected growth rate and current yield, total returns could reach 12.2% annually for the next five years.

Gorman-Rupp Co. (GRC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.6%

Overview & Current Events

Gorman-Rupp is a manufacturing company that began operations more than 90 years ago. It has since grown into a niche industry leader in a variety of pumps and pump systems, with annual revenue of nearly $700 million, and a market cap of $1 billion. It generates about one-third of its revenue from outside the U.S., introducing some diversification, but also currency translation risk. Gorman-Rupp also has an extremely impressive dividend increase streak of 51 years, making it a member of the highly prestigious Dividend Kings.

The company posted fourth-quarter and full-year earnings on February 2nd, 2024, and results were ahead of expectations on both revenue and earnings. Adjusted earnings-per-share totaled 34 cents, which was nine cents better than expected. Revenue was up 10% year-over-year to $161 million, which was $4 million better than consensus estimates.

Volumes were higher, driving the top line, as well as the positive impact from pricing actions that were taken to combat input cost inflation. Domestic sales were up 13%, while international sales were up just 2%.

Gross profit was 451 million, or 31.7% of revenue, which was up from last year by a huge margin of 660 basis points. Operating income was 13.6% of revenue, up from just 8.6% a year ago. We start the year with an estimate of $1.60 in earnings-per-share, which would mark a record year of earnings, should it come to fruition.

Safety & Dividend Risk Analysis

Gorman-Rupp's half-century dividend increase streak means its dividend safety is quite outstanding. Part of this is due to the company's long-term earnings growth capacity, but also because the payout ratio is under half of earnings. That combination of a conservative payout ratio and strong long-term earnings growth means we see many years of dividend increases on the horizon.

We note that because Gorman-Rupp is beholden to economic conditions, it can suffer during recessionary periods. However, despite this, it has managed to weather all recessions since the 1970s and continue to raise its dividend.

Growth, Value & Expected Total Return Analysis

Gorman-Rupp's earnings volatility remains a potential issue, but we also note that over time, its earnings growth is outstanding. Right now, the company is in the midst of a big upswing in earnings. We see 12.0% earnings growth going forward for the time being, which could be driven by high single-digit growth rates in revenue, attributable to higher volumes and pricing increases as well. This is also boosting margins, as we saw at the end of 2023 once more. Management is focusing on cost containment efforts, again aiding margin growth.

We see total returns of just over 12.6%, mostly driven by earnings growth, with the 1.9% dividend yield slightly more than offsetting a small valuation headwind.

Westamerica Bancorp. (WABC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.5%

Overview & Current Events

Westamerica Bancorp. is the holding company for Westamerica Bank. Westamerica is a regional community bank with 79 branch locations in Northern and Central California. The company can trace its origins back to 1884. Westamerica offers clients access to savings, checking, and money market accounts. The company's loan portfolio consists of both commercial and residential real estate loans as well as construction loans. Westamerica has annual revenues of $328 million.

On January 18th, 2024 Westamerica Bancorp. announced fourth-quarter and full-year earnings results for the period ending December 31st, 2023. For the quarter, revenue grew 1.4% to $80.7 million while GAAP earnings-per-share of $1.48 compared to $1.46 in the prior year. Revenue was $0.1 million below estimates while earnings-per-share came in $0.02 ahead of expectations. For 2023, revenue increased 22% to $325.2 million while earnings-per-share of $6.06 compared favorably to $4.54 in the prior year.

As of the end of the quarter, nonperforming loans increased 175% to $401,000, but represented just 0.09% of total loans. Total loans declined 9.4% to $873.6 million. Net interest income was $69.7 million, which compares to $72.1 million for the third quarter of 2023 and $69.2 million in the fourth quarter of 2022. Net interest margin of 4.41% compared to 4.43% in the third quarter of 2023 and 3.95% in the fourth quarter of 2022. Average total deposits declined 12.2% to $5.6 billion.

We expect that the company will earn $5.32 in 2024, matching analyst expectations.

Safety & Dividend Risk Analysis

Unlike many in the banking sector, Westamerica Bancorp. showed resiliency during the time period of 2007 through 2009, with earnings-per-share growing 4.6% during the period. Rising interest rates have benefited the company greatly. And the company did well during 2019 through 2021, with earnings-per-share of $2.98, $2.98, and $3.22.

Westamerica Bancorp. has a low payout ratio of just 33% of expected 2024 earnings. And the company has paid higher annual dividends for 30 consecutive years. It should be noted that the company tends to raise its dividend every other year.

Growth, Value & Expected Total Return Analysis

Earnings-per-share have a compound annual growth rate of 11.3% from 2014 through 2023. As earnings are starting from a high base (all-time highs in 2023), we conservatively forecast growth of 2.0% per year.

Shares of Westamerica Bancorp. are trading at 8.9 times our earnings-per-share estimate for 2024. With a target price-to-earnings ratio of 13.0, this implies a meaningful tailwind from multiple expansion. Reaching this target by 2029 would result in valuation adding 7.8% to annual returns over this period. In total, we expect that Westamerica Bancorp. could return 12.5% per year through 2029, stemming from 2.0% earnings growth, a 3.7% starting yield, and a tailwind from multiple expansion.

Black Hills Corp. (BKH)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.0%

Overview & Current Events

Black Hills Corp. is an electric utility that provides electricity and natural gas to customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota, and Wyoming. Black Hills was founded in 1941, and has a $3.7 billion market cap.

Black Hills Corp. Q4 and full year 2023 results on February 7th. The company generated earnings-per-share of $1.17 during the fourth quarter, up by 6% versus the previous year's quarter. Q4 and Q1 are seasonally stronger quarters due to higher natural gas demand for heating, which was again showcased by the above-average profitability during the fourth quarter.

Black Hills Corp. forecasts earnings-per-share of $3.80 to $4.00 for the current fiscal year. The company earned $3.91 in fiscal 2023 (down from an all-time high of $3.97 in 2022), which means that the current guidance implies around flat earnings compared to the previous year.

Safety & Dividend Risk Analysis

Demand for electricity and gas is not very cyclical, although it is dependent upon weather conditions to some degree. Thus, Black Hills should remain profitable under most circumstances. The company should be able to weather future recessions well.

Black Hills pays out roughly 67% of its net profits in the form of dividends. It should be noted that Black Hills Corp. was not able to cover its dividend with net profits during 2008 or 2011. The company nevertheless raised its dividend during those years, and its decades-long dividend growth track record gives investors assurance that a dividend cut is unlikely.

Growth, Value & Expected Total Return Analysis

Black Hills Corp.'s profitability has been volatile over the last decade. However, earnings-per-share grew by 3.4% annually from 2014 through 2023. The swings in its profits are primarily based on the impact that weather conditions have on the demand for electricity for cooling in summer, and natural gas for heating in winter. Black Hills Corp.'s growth over the coming years depends on several factors. This includes rate reviews, which drive revenues and profits per kWh. Another factor is the expansion of the company's existing assets via new utility infrastructure. Black Hills regularly adds new projects to its growth investment backlog. We forecast 4.0% annual growth.

Shares of Black Hills have a price-to-earnings ratio of 13.9, compared to our target multiple of 17.0, implying a 4.0% annual tailwind from multiple expansion over the next five years. Black Hills is expected to produce annual total returns of 12.0% through 2029, stemming from a 4.0% earnings growth rate, the starting yield of 4.8%, and the previously mentioned contribution from multiple expansion.

Ranking Procedure

The method we use to compute the rankings for the Top 10 Dividend Elite is as follows:

Note: Rankings are done using *Sure Analysis Research Database* data from between 2 and 5 days before the publication of the Top 10 Dividend Elite special report in order to allow for analysis and publication of the report.

1. Filter for securities with 25+ years of consecutive dividend increases with a Dividend Risk Score of "A" and expected total returns of 10% or higher.
2. Sort by expected total returns (the higher the better).
3. If there are fewer than 10 securities, repeat the procedure for securities with a Dividend Risk Score of "B."
4. If there are still fewer than 10 securities, repeat the steps above with a minimum expected total return threshold of 9%.
5. If there are still fewer than 10 securities, continue reducing the minimum expected total return threshold by 1 percentage point and redo steps 1 through 3 until we have 10 securities.

Note: We will veto securities as necessary from our Top 10 based on qualitative analysis. We also remove international securities from the Top 10.

To receive an A Dividend Risk Score, a security must be in the top 20% for dividend safety. To receive a B Dividend Risk Score, a security must be in the top 40% for dividend safety. The formula for the Dividend Risk Score is below:

Dividend Risk Score (Raw) = Payout Ratio x 100 – # Years of Steady or Rising Dividends + 50 if deemed risky during a recession

We view securities with A and B Dividend Risk Scores as generally having secure dividends that are very unlikely to be reduced in the near future.

Our expected total returns are calculated in the *Sure Analysis Research Database*. They are based on expected returns over the next five years. Our expected total returns take into account dividends, growth, and valuation returns.

Note that our expected total returns are based on the idea that the economy will continue forward "as is" for the foreseeable future, and not encounter a recession. Recessions happen, of course, and we seek to recommend securities likely to pay steady or rising dividends during recessions. Recession safety factors into our Dividend Risk Scores, and in turn our Top 10 Dividend Elite rankings.

List of Securities with 25+ Years of Rising Dividends by Dividend Risk Score

Each of the securities with 25+ years of rising dividends in the *Sure Analysis Research Database* are grouped according to Dividend Risk Score and sorted (from highest to lowest) by expected 5-year total return using data from the *Sure Analysis Research Database*. Dividend Yield is included next to each security's ticker symbol.

The Dividend Risk Score uses payout ratio, dividend history, and recession resiliency to measure a company's dividend safety. You can learn more about how the score is calculated in the Sure Analysis Glossary. See our Ranking Procedure for more information.

Click on the name of any security below to go to that security's Sure Analysis page (if you are a member of the *Sure Analysis Research Database*).

A-Rated Dividend Risk Scores

1. 3M Co. (MMM): 6.5%
2. Sonoco Products Co. (SON): 3.6%
3. SJW Group (SJW): 2.9%
4. Farmers & Merchants Bancorp (FMCB): 1.8%
5. Enterprise Bancorp, Inc. (EBTC): 3.9%
6. Roche Holding AG (RHHBY): 4.1%
7. Bank OZK (OZK): 3.4%
8. Automatic Data Processing Inc. (ADP): 2.3%
9. Gorman-Rupp Co. (GRC): 1.9%
10. Westamerica Bancorporation (WABC): 3.7%
11. PPG Industries, Inc. (PPG): 1.8%
12. Black Hills Corporation (BKH): 4.8%
13. Johnson & Johnson (JNJ): 3.1%
14. Brady Corp. (BRC): 1.6%
15. Universal Corp. (UVV): 6.4%
16. Matthews International Corp. (MATW): 3.4%
17. Community Trust Bancorp, Inc. (CTBI): 4.5%
18. Atmos Energy Corp. (ATO): 2.8%
19. Sysco Corp. (SYY): 2.5%
20. S&P Global Inc (SPGI): 0.9%
21. Archer Daniels Midland Co. (ADM): 3.2%
22. Medtronic Plc (MDT): 3.2%
23. Polaris Inc (PII): 2.7%
24. Chesapeake Financial Shares Inc (CPKF): 3.5%
25. National Fuel Gas Co. (NFG): 3.7%
26. Genuine Parts Co. (GPC): 2.6%
27. Middlesex Water Co. (MSEX): 2.7%
28. Target Corp (TGT): 2.5%
29. Lowe`s Cos., Inc. (LOW): 1.8%
30. Tootsie Roll Industries, Inc. (TR): 1.2%
31. Becton Dickinson & Co. (BDX): 1.6%
32. Tompkins Financial Corp (TMP): 5%
33. Coca-Cola Co (KO): 3.2%
34. ABM Industries Inc. (ABM): 2%
35. Cincinnati Financial Corp. (CINF): 2.7%
36. California Water Service Group (CWT): 2.5%
37. Stryker Corp. (SYK): 0.9%
38. Colgate-Palmolive Co. (CL): 2.3%
39. SEI Investments Co. (SEIC): 1.3%
40. Hormel Foods Corp. (HRL): 3.3%
41. Brown-Forman Corp. (BF.B): 1.7%
42. Nordson Corp. (NDSN): 1%
43. Donaldson Co. Inc. (DCI): 1.3%
44. Cullen Frost Bankers Inc. (CFR): 3.4%
45. Roper Technologies Inc (ROP): 0.6%
46. McDonald`s Corp (MCD): 2.4%
47. Walmart Inc (WMT): 1.4%
48. Eagle Financial Services, Inc. (EFSI): 4.1%
49. Brown & Brown, Inc. (BRO): 0.6%
50. RenaissanceRe Holdings Ltd (RNR): 0.7%
51. Dover Corp. (DOV): 1.2%
52. Consolidated Edison, Inc. (ED): 3.7%
53. Church & Dwight Co., Inc. (CHD): 1.1%
54. Franklin Resources, Inc. (BEN): 4.5%
55. Emerson Electric Co. (EMR): 1.8%
56. Northeast Indiana Bancorp Inc. (NIDB): 4%
57. American States Water Co. (AWR): 2.5%
58. Lancaster Colony Corp. (LANC): 1.8%
59. Tennant Co. (TNC): 0.9%
60. Bancfirst Corp. (BANF): 2%
61. Graco Inc. (GGG): 1.1%
62. Andersons Inc. (ANDE): 1.4%
63. Abbott Laboratories (ABT): 2%
64. RPM International, Inc. (RPM): 1.6%
65. ITT Inc (ITT): 1%
66. W.W. Grainger Inc. (GWW): 0.7%
67. Jack Henry & Associates, Inc. (JKHY): 1.3%
68. Canadian National Railway Co. (CNI): 1.9%
69. Illinois Tool Works, Inc. (ITW): 2.1%

70. MSA Safety Inc (MSA): 1%
71. First Farmers Financial Corp (FFMR): 2.6%
72. A.O. Smith Corp. (AOS): 1.4%
73. Federal Realty Investment Trust. (FRT): 4.4%
74. PSB Holdings Inc (WI) (PSBQ): 2.9%
75. United Bankshares, Inc. (UBSI): 4.3%
76. Pentair plc (PNR): 1.1%
77. Albemarle Corp. (ALB): 1.2%
78. Procter & Gamble Co. (PG): 2.4%
79. Badger Meter Inc. (BMI): 0.7%
80. Franklin Electric Co., Inc. (FELE): 1%
81. General Dynamics Corp. (GD): 1.9%
82. Aflac Inc. (AFL): 2.3%
83. H.B. Fuller Company (FUL): 1%
84. Sherwin-Williams Co. (SHW): 0.9%
85. Cintas Corporation (CTAS): 0.8%
86. Kenvue Inc (KVUE): 3.9%
87. Parker-Hannifin Corp. (PH): 1.1%
88. MGE Energy, Inc. (MGEE): 2.2%
89. Chubb Limited (CB): 1.4%
90. AptarGroup Inc. (ATR): 1.3%
91. Commerce Bancshares, Inc. (CBSH): 2.1%
92. Stepan Co. (SCL): 1.7%
93. AbbVie Inc (ABBV): 3.5%
94. Caterpillar Inc. (CAT): 1.4%
95. Carlisle Companies Inc. (CSL): 0.9%
96. Ecolab, Inc. (ECL): 1%
97. Lincoln Electric Holdings, Inc. (LECO): 1.1%
98. McGrath RentCorp (MGRC): 1.6%
99. Linde Plc. (LIN): 1.2%
100. 1st Source Corp. (SRCE): 2.7%
101. Expeditors International of Washington, Inc. (EXPD): 1.2%
102. Exxon Mobil Corp. (XOM): 3.2%
103. RLI Corp. (RLI): 0.7%
104. Cardinal Health, Inc. (CAH): 1.8%
105. Nucor Corp. (NUE): 1.1%
106. West Pharmaceutical Services, Inc. (WST): 0.2%

B-Rated Dividend Risk Securities

1. Eversource Energy (ES): 4.9%
2. Universal Health Realty Income Trust (UHT): 8.4%
3. NextEra Energy Inc (NEE): 3.3%
4. New Jersey Resources Corporation (NJR): 3.9%
5. Enbridge Inc (ENB): 7.5%
6. Fortis Inc. (FTS): 4.5%
7. Altria Group Inc. (MO): 9.3%
8. Novartis AG (NVS): 3.7%
9. Southside Bancshares Inc (SBSI): 5.1%
10. Enterprise Products Partners L P (EPD): 6.9%
11. Northwest Natural Holding Co (NWN): 5.3%
12. Essential Utilities Inc (WTRG): 3.4%
13. Artesian Resources Corp. (ARTNA): 3.2%
14. Canadian Utilities Ltd. (CDUAF): 6%
15. Norwood Financial Corp. (NWFL): 4.7%
16. Realty Income Corp. (O): 5.8%
17. First Of Long Island Corp. (FLIC): 7.9%
18. Entergy Corp. (ETR): 4.3%
19. UGI Corp. (UGI): 6.1%
20. Essex Property Trust, Inc. (ESS): 4.1%
21. J.M. Smucker Co. (SJM): 3.5%
22. PepsiCo Inc (PEP): 3.2%
23. Air Products & Chemicals Inc. (APD): 3%
24. NNN REIT Inc (NNN): 5.5%
25. Kimberly-Clark Corp. (KMB): 3.9%
26. Clorox Co. (CLX): 3.3%
27. McCormick & Co., Inc. (MKC): 2.2%
28. RTX Corp (RTX): 2.4%
29. John Wiley & Sons Inc. (WLY): 3.6%
30. T. Rowe Price Group Inc. (TROW): 4.2%
31. Old Republic International Corp. (ORI): 3.4%
32. Thomson-Reuters Corp (TRI): 1.4%
33. UMB Financial Corp. (UMBF): 1.9%
34. York Water Co. (YORW): 2.4%
35. Community Bank System, Inc. (CBU): 3.9%
36. NACCO Industries Inc. (NC): 3%
37. Fastenal Co. (FAST): 2%
38. International Business Machines Corp. (IBM): 3.5%
39. Chevron Corp. (CVX): 4.1%
40. Stanley Black & Decker Inc (SWK): 3.4%
41. Erie Indemnity Co. (ERIE): 1.3%

C-Rated Dividend Risk Securities

1. Sanofi (SNY): 4%
2. Arrow Financial Corp. (AROW): 4.5%
3. Calvin b. Taylor Bankshares, Inc. (TYCB): 3%
4. C.H. Robinson Worldwide, Inc. (CHRW): 3.4%

D-Rated Dividend Risk Securities

1. Leggett & Platt, Inc. (LEG): 9.9%

F-Rated Dividend Risk Securities

1. Telephone & Data Systems, Inc. (TDS): 4.7%