The Morning Dividend

Daily dividend investing news from Sure Dividend

Today's edition of The Morning Dividend covers the following topics:

- The Sure Analysis Research Database Weekly Update
- Starbucks Serves Up A 'Grande' Earnings Beat
- Aflac Beats On The Top & Bottom Lines
- UPS Fails To Deliver
- Ford Trucks Through Earnings
- Share The Morning Dividend

The Sure Analysis Research Database Weekly Update

The current top 10 stocks in the Sure Analysis Research Database with "A" ratings for Retirement Suitability are:

1. AbbVie Inc. (ABBV)
2. Newell Brands (NWL)
3. Tanger Factory Outlet Centers Inc. (SKT)
4. Cardinal Health Inc. (CAH)
5. Walgreens Boots Alliance Inc. (WBA)
6. WestRock Co. (WRK)
7. AT&T Inc. (T)
8. The Bank of Nova Scotia (BNS)
9. Bank OZK (OZK)
10. CVS Health Corp. (CVS)

We added 4 new securities to the Sure Analysis Research Database since last week's update:

1. Bayerische Motoren Werke AG (BMWYY)
2. Public Joint Stock Co. Gazprom (OGZPY)
3. Skyworks Solutions Inc. (SWKS)
4. Swiss Re Ltd (SSREY)

We also added quarterly updates on the following 38 securities since last week's update:

1. 1st Source Corp. (SRCE)
2. American Express Co. (AXP)
3. AT&T Inc. (T)
4. Badger Meter Inc. (BMI)
5. BB&T Corp. (BBT)
6. Caterpillar Inc. (CAT)

7. Commerce Bancshares Inc. (CBSH)
8. Community Bank System Inc. (CBU)
9. Crown Castle Intl. Corp. (CCI)
10. Dover Corp. (DOV)
11. Hawaiian Holdings Inc. (HA)
12. HNI Corp. (HNI)
13. Honeywell Intl. Inc. (HON)
14. Johnson & Johnson (JNJ)
15. Kansas City Southern (KSU)
16. Kimberly-Clark Corp. (KMB)
17. Kinder Morgan Inc. (KMI)
18. Las Vegas Sands Corp. (LVS)
19. M&T Bank Corp. (MTB)
20. People's United Financial Inc. (PBCT)
21. Polaris Industries Inc. (PII)
22. Popular Inc. (BPOP)
23. PPG Industries Inc. (PPG)
24. RLI Corp. (RLI)
25. Schlumberger Ltd/NV (SLB)
26. Sonoco Products Co. (SON)
27. Synchrony Financial (SYF)
28. Taiwan Semiconductor Mfg. Co. Ltd (TSM)
29. Telefonaktiebolaget LM Ericsson (ERIC)
30. Texas Instruments Inc. (TXN)
31. The Travelers Companies Inc. (TRV)
32. UMB Financial Corp. (UMBF)
33. Union Pacific Corp. (UNP)
34. United Continental Holdings Inc. (UAL)
35. United Technologies Corp. (UTX)
36. Verizon Communications Inc. (VZ)
37. Westamerica Bancorporation (WABC)
38. Whirlpool Corp. (WHR)

If there are any specific companies you'd like added to the Sure Analysis database, let us know here. The more requests a security gets, the higher a priority it becomes for us.

Starbucks Serves Up A 'Grande' Earnings Beat

Starbucks (SBUX) reported second quarter financial results yesterday after the market closed. While the company slightly missed consensus revenue expectations, earnings came in better than expected and drove the coffeemaker’s stock to all-time highs.

Let’s start by discussing Starbucks’ sales trends. Second quarter comparable store sales increased by 3% globally, driven by 4% comparable store sales growth in the United States and 3% growth in China.

Starbucks also aggressively expanded its store count in the quarter. The company's global net store count grew by 7% in the quarter versus the same quarter a year ago, led by 17% net store count growth in China.

Starbucks' global retail business surpassed 30000 stores in the three-month reporting period. Overall, this combination of same-store sales growth and net locations growth allowed for 9% growth in consolidated net revenues (after adjusting for 'approximately 3% of net reduction from Streamline-driven activities and a 1% headwind from unfavorable currency translation').

On the bottom line, Starbucks' adjusted earnings-per-share of $0.60 increased by 13% over the same period a year ago. For context, analysts were expecting earnings of $0.57.

Starbucks also updated its 2019 financial guidance with the publication o its second-quarter earnings release. The company now expects to generate adjusted earnings-per-share in the range of $2.75 to $2.79, up from previous guidance of $2.68 to $2.73. At the midpoint, this guidance implies growth of 14.5% over fiscal 2018.

Starbucks' performance in the most recent quarter was very strong. With that said, the company is trading at a price-to-earnings ratio in the high twenties – much higher than we're comfortable with. Accordingly, Starbucks earns a hold recommendation from Sure Dividend at current prices.

Aflac Beats On The Top & Bottom Lines

Yesterday, Aflac (AFL) reported financial results for the first quarter of fiscal 2019. The company surpassed consensus expectations on both the top and bottom lines.

More specifically, Aflac's total revenue of $5.7 billion expanded by 3.6% over the $5.5 billion reported in the same period a year ago, while earnings-per-share of $1.23 increased by 35.2% year-on-year.

What drove Aflac's impressive earnings performance? The company realized net investment gains of $103 million, which compares very favorably to last year's net investment *losses* of $98 million. Excluding such non-recurring charges, Aflac's performance was still solid. The company generated adjusted earnings-per-share of $1.12, which increased by 6.7% year-on-year. Aflac's core business growth was primarily driven by Aflac Japan's favorable benefit ratios.

Aflac also allocated capital in a very shareholder-friendly manner in the quarter. The company repurchased $90 million of stock in Q1, which represents approximately 1.3% of the company's current market capitalization. Aflac also issued new financial guidance for the full fiscal year, expecting to generate adjusted earnings-per-share of $4.10 to $4.30 in the twelve-month reporting period. The midpoint of this guidance band implies growth of 10% over fiscal 2018.

Aflac's first quarter performance was better than expected. With that said, the company is trading above our fair value target currently and thus fails to earn a buy recommendation from Sure Dividend at current prices.

UPS Fails To Deliver

UPS (UPS) reported 1st quarter fiscal 2019 results yesterday. The company generated adjusted earnings-per-share of $1.39, versus $1.55 for the same quarter a year ago for a 10.3% decline.

The poor results were largely due to the company's U.S. Domestic segment, which saw adjusted operating profit fall 8.2% versus the same quarter a year ago. The company blamed 'poor weather', but the segment *generated higher revenue* than the same quarter a year ago. The decline was due to falling margins at UPS.

Despite poor results, the company maintained its earnings guidance for fiscal 2019. And, UPS is in the midst of a restructuring program to reduce costs and create greater efficiency, which should boost margins over time.

The market did not respond positively to UPS' quarterly results, sending the stock down 8.1% yesterday.

Despite poor recent results, we view UPS as a buy at current prices. The security appears significantly undervalued. And, we believe the company will continue to grow over the long run. The fact that management did not reduce guidance for fiscal 2019 points to stronger growth the remainder of this year as well.

Ford Trucks Through Earnings

On April 24th, Ford (F) reported financial results for the fist quarter of fiscal 2019. The company blew past analyst estimates on the bottom line, but slightly missed consensus revenue estimates.

Here's what the numbers look like. Revenue of $40.3 billion declined by $1.6 billion over last year's comparable figure, while adjusted earnings before interest and taxes (EBIT) increased by $0.3 billion to $2.4 billion. Cash flow from operations was flat at $3.5 billion while adjusted earnings-per-share of $0.44 expanded by a penny over the same period a year ago.

Here's what Ford's President and Chief Executive Officer, Jim Hackett, said about the company's performance in the quarter:

> *"With a solid plan in place, we promised 2019 would be a year of action and execution for Ford, and that's what we delivered in the first quarter. We're pleased with the progress and the optimism that it brings. Our global team continues to restlessly strive to improve our operational fitness, delight customers with ever-improving vehicles and services, and prepare Ford to win in the future. Our goal remains to become the world's most trusted company, designing smart vehicles for a smart world."*

For investors worried about the cyclicality of Ford's business model, it is important to note that Ford's balance sheet remains strong. The company finished the first quarter with $24.2 billion in cash and $35.2 billion in liquidity, both above the company's targets of $20 billion and $30 billion, respectively. The company also closed on a new $3.5 billion supplemental credit facility on April 23rd.

Ford does not generally provide financial guidance for shareholders. With that said, the company's 2019 is on pace to be a touch stronger than last fiscal year, and the company appears priced to deliver low double-digit returns from its current price. Ford earns a buy recommendation from Sure Dividend at current prices with the caveat that investors must be willing to stomach the potentially high volatility inherent in its business model.