The Morning Dividend

Daily dividend investing news from Sure Dividend

Good morning,

Today's May 24th, 2019 edition of The Morning Dividend covers the following new income investing stories:

- The Sure Analysis Research Database Weekly Update
- Foot Locker: Guidance Doublespeak & Earnings Miss
- RBC & TD Face Off In Battle Of Canadian Banks
- Ross Stores Continues To Perform Well
- Other Dividend News
- New From Sure Dividend
- Share The Morning Dividend

Markets					
S&P 500	2822	-1.19%	**Oil**	$58.57	-3.05%
Dow Jones	25490	-1.11%	**Gold**	$1,282.52	0.31%
NASDAQ	7628	-1.58%	**10-Year Treasuries**	2.31%	-5 bps

You currently have *|REFCOUNT|* referrals, and your referral link to share The Morning Dividend is: http://www.signup.suredividend.com/?ref=*|REFERALCOD|*

See the "Share The Morning Dividend" section of this email to learn how you can get our most valuable work for free by sharing 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. Tanger Factory Outlet Centers Inc. (SKT)
3. Newell Brands Inc. (NWL)
4. Bed Bath & Beyond (BBBY)

5. Walgreens Boots Alliance Inc. (WBA)
6. The Bank of Nova Scotia (BNS)
7. Bank OZK (OZK)
8. WestRock Co. (WRK)
9. Caterpillar Inc. (CAT)
10. Eaton Vance Corp. (EV)

We added quarterly updates on the following 55 securities since last week's update:

1. ABB Ltd (ABB)
2. Alibaba Grp. Holding Ltd (BABA)
3. Applied Materials Inc. (AMAT)
4. Aqua America Inc. (WTR)
5. Archer-Daniels-Midland Co. (ADM)
6. AutoZone Inc. (AZO)
7. BHP Group Ltd (BHP)
8. Canadian Imperial Bank of Commerce (CM)
9. Canadian National Railway Co. (CNI)
10. Canadian Natural Resources Ltd (CNQ.TO)
11. Cincinnati Financial Corp. (CINF)
12. Cisco Systems Inc. (CSCO)
13. Daimler AG (DDAIF)
14. Deere & Co. (DE)
15. Domtar Corp. (UFS)
16. EPR Properties (EPR)
17. Ferrari NV (RACE)
18. Flowers Foods Inc. (FLO)
19. Franklin Electric Co. Inc. (FELE)
20. General Dynamics Corp. (GD)
21. General Motors Co. (GM)
22. Gladstone Inv. Corp. (GAIN)
23. HCP Inc. (HCP)
24. Honda Motor Co. Ltd (HMC)
25. Imperial Brands plc (IMBBY)
26. J.C. Penney Co. Inc. (JCP)
27. Jack Henry & Associates Inc. (JKHY)
28. Kohl's Corp. (KSS)
29. Kulicke & Soffa Industries Inc. (KLIC)
30. Methanex Corp. (MEOH)
31. Morningstar Inc. (MORN)
32. Nestlé SA (NSRGY)
33. Nordson Corp. (NDSN)
34. Northrop Grumman Corp. (NOC)
35. Norwegian Cruise Line Holdings Ltd (NCLH)
36. Novo Nordisk A/S (NVO)
37. O'Reilly Automotive Inc. (ORLY)

38. Occidental Petroleum Corp. (OXY)
39. Perrigo Co. plc (PRGO)
40. Pfizer Inc. (PFE)
41. Precision Drilling Corp. (PDS)
42. Raytheon Co. (RTN)
43. Restaurant Brands Intl. Inc. (QSR)
44. SAP SE (SAP)
45. Seagate Technology plc (STX)
46. Stepan Co. (SCL)
47. Swiss Re Ltd (SSREY)
48. Targa Resources Corp. (TRGP)
49. Target Corp. (TGT)
50. Tenaris SA (TS)
51. The TJX Companies Inc. (TJX)
52. TransCanada Corp. (TRP)
53. Vodafone Grp. Plc (VOD)
54. Walmart Inc. (WMT)
55. Xcel Energy Inc. (XEL)

We also added the 1 new security to our investment research database:

1. Physicians Realty Trust (DOC)

If there are any specific companies you'd like added to The Sure Analysis database, let us know here. Your feedback matters; we add companies based on how frequently they are requested.

Footlocker: Guidance Doublespeak & Earnings Miss

Foot Locker (FL) reported its first quarter results for fiscal 2019 this morning. Actual results for the quarter were solid:

- Adjusted EPS growth of 5.5%
- Comparable store sales up 4.6%
- Gross margin up from 32.9% to 33.2%

The company’s CEO Richard Johnson had the following to say about quarterly results:

“We started the year with great energy, innovative products, and exciting customer events, leading to solid top-line growth in the first quarter with strong performance across our regions, banners, channels, and categories. Based on the momentum we have underway, we feel confident that the updated strategic imperatives we introduced at our Investor Day in March position us to deliver on our long-term goals.”

Foot Locker also issued a statement that can only be described as doublespeak. The company's press release from today says that *"The company is on track with its previously stated full year guidance"*, but also that *"earnings per share are now expected to be up high-single digits based on share repurchase activity to date"*. Previously, the company had called for "double digit" earnings-per-share growth in fiscal 2019.

Foot Locker's share price is likely down significantly because the company's adjusted earnings-per-share of $1.53 in the quarter missed analyst estimates of $1.60 by 4.4%, and because the company lowered its guidance (while also somehow restating its guidance).

Despite the confusing guidance statement, we continue to rate Foot Locker as a buy. The company is performing well, management is returning cash to shareholders through share buybacks and dividends, and the security appears undervalued at current prices.

RBC & TD Face Off In Battle Of Canadian Banks

Both the Royal Bank of Canada (RY) and the Toronto-Dominion Bank (TD) reported second quarter financial results yesterday.

Let's start by discussing RBC's financial results. The larger of the two banks generated net income of $3.2 billion in the second quarter, which represents growth of 6% from the prior year, while diluted earnings-per-share of $2.20 increase by 7% year-on-year.

RBC operated with a return on equity of 17.5% in the quarter and reported a common equity tier 1 ratio of 11.8%.

Through the first six months of the fiscal year, RBC's net income is up 5% and its diluted earnings-per-share has increased by 7%.

TD's results were quite similar. The company generated adjusted net income growth of 6.7% while adjusted diluted earnings-per-share rose by 8.0%.

TD finished the quarter with a common equity tier 1 capital ratio of 12.0%, which represents a 16 basis point expansion over the same period a year ago. The bank's strongest business unit was its U.S. Retail segment, which saw net income increase by 23% over the same period a year ago.

Overall, TD and RBC both had quarters that were in-line with our expectations. Each bank seems positioned to deliver low double-digit returns from their current prices, which qualifies them to both earn buy recommendations from Sure Dividend today.

Ross Stores Continues To Perform Well

Ross Stores (ROST) reported its first quarter earnings for fiscal 2020 yesterday. Highlights from the report are below:

- Earnings-per-share growth of 3.6%
- Comparable store sales growth of 2%
- Sales growth of 6%

The company's CEO Barbara Rentler had the following to say about the company's results:

"For the first quarter, we delivered sales gains at the high end of our guidance as well as better-than-expected earnings per share growth despite continued underperformance in Ladies apparel. While operating margin of 14.1% was down from the prior year, it was above plan mainly due to higher merchandise margin. As expected, this improvement was more than offset by increases in freight and wage costs and the timing of packaway-related expenses that benefited the prior year period. During the first quarter of fiscal 2019, we repurchased 3.4 million shares of common stock for an aggregate price of $320 million. As planned, we remain on track to buy back a total of $1.275 billion in common stock during fiscal 2019."

Ross Stores share repurchase plan is helping to lift earnings-per-share. Share repurchases of $1.275 billion equate to 3.7% of the company's market cap at current prices.

The company also slightly increased its guidance for fiscal 2020. Earnings-per-share guidance increased from a range of $4.30-$4.50 to a range of $4.38-$4.52; a 1.1% hike at the median. The new earnings-per-share guidance range represents 4.5% earnings-per-share growth versus fiscal 2019. The company did not change its guidance for 1% to 2% comparable store sales growth.

Overall, Ross Stores had a solid-if-unspectacular quarter. The company beat analyst expectations for earnings-per-share by $0.01. The guidance increase – while small – is a positive sign as well.

We rate Ross Stores as a hold at current prices. The company has a long streak of rising dividends and will likely continue growing earnings-per-share ahead. Unfortunately, the security appears somewhat overvalued at current prices, so now is not the time to initiate a position.

Other Dividend News

- HCP Inc. boosts revolving credit facility by $500 million to $2.5 billion
- Public Storage to redeem 6.00% preferred shares for $287.5 million
- Shell starts production at Appomattox in the Gulf of Mexico
- Flowers Foods announces management changes

New From Sure Dividend

Don't miss the following articles and videos that we've published since yesterday's Morning Dividend:

- Video: 6 Reasons Why 3M Stock Is A Hold Today [May 2019 Analysis]
- Article: Will Alphabet Stock Ever Pay A Dividend?