The Morning Dividend

Daily dividend investing news from Sure Dividend

Good morning,

Today's August 2nd, 2019 edition of The Morning Dividend covers the following new income investing stories:

Markets - 2019-08-02		
S&P 500	2954	-0.90%
Dow Jones	26583	-1.05%
NASDAQ	8111	-0.79%
Oil	$55.29	-4.38%
Gold	$1,437.51	2.10%
10-Year Treasuries	1.86%	-18 bps

The Morning Dividend focuses on timely dividend and market news. We believe investing is most effective when it is practiced with a long-term approach, while still staying informed. To that end, our long-term investing quote of the day is below:

"A value strategy is of little use to the impatient investor since it usually takes time to pay off."

- Seth Klarman

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The Sure Analysis Research Database Weekly Update

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

1. Walgreens Boots Alliance Inc. (WBA)
2. Bank OZK (OZK)
3. Eaton Vance Corp. (EV)
4. Caterpillar Inc. (CAT)
5. Cardinal Health Inc. (CAH)
6. Leggett & Platt Inc. (LEG)
7. Cullen/Frost Bankers, Inc. (CFR)
8. Target Corp. (TGT)
9. Lowe's CompaniesInc. (LOW)
10. Calvin B. Taylor Bankshares Inc. (TYCB)

We added quarterly updates on the following 32 securities since last week's update:

1. Aflac Inc. (AFL)
2. Alphabet Inc. (GOOG)
3. Amazon.com Inc. (AMZN)
4. Ameriprise Financial Inc. (AMP)
5. AstraZeneca plc (AZN)
6. Chipotle Mexican Grill Inc. (CMG)
7. Community Trust Bancorp Inc. (CTBI)
8. Diageo plc (DEO)
9. First Financial Corp. (THFF)
10. Ford Motor Co. (F)
11. Halliburton Co. (HAL)
12. Intel Corp. (INTC)
13. International Business Machines Corp. (IBM)
14. Kansas City Southern (KSU)
15. Lazard Ltd (LAZ)
16. Lockheed Martin Corp. (LMT)
17. Morningstar Inc. (MORN)
18. Northrop Grumman Corp. (NOC)

19. Old Republic Intl. Corp. (ORI)
20. Omnicom Grp. Inc. (OMC)
21. Popular Inc. (BPOP)
22. POSCO (PKX)
23. Raytheon Co. (RTN)
24. Schlumberger Ltd/NV (SLB)
25. SEI Investments Co. (SEIC)
26. SJW Grp. (SJW)
27. Southwest Airlines Co. (LUV)
28. Starbucks Corp. (SBUX)
29. Stryker Corp. (SYK)
30. T-Mobile US Inc. (TMUS)
31. Textron Inc. (TXT)
32. United Bankshares Inc. (UBSI)

We also added 4 new securities to our investment research database:

1. Algonquin Power & Utilities Corp. (AQN)
2. Healthcare Trust of America Inc. (HTA)
3. Nutrien Ltd. (NTR)
4. Sabra Health Care REIT Inc. (SBRA)

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.

Buckeye Partners Misses Expectations, Shares Flat

Yesterday after the markets closed, midstream MLP Buckeye Partners (BPL) reported financial results for the second quarter of fiscal 2019. While the company's revenues and profits both slightly missed expectations, the partnership's units failed to trade downwards in yesterday's after-hours trading.

As we dig into the company's results, keep in mind that Buckeye's results were impacted by the sale of the partnership's equity interest in VTTI B.V. and a recent sale of a package of domestic pipeline and terminal assets. For context, these divested assets contributed $43.0 million to second quarter 2018 adjusted EBITDA.

On the top line, Buckeye generated revenue of $791.7 million, which decreased by 15.8% from the same period a year ago.

Further down the income statement, Buckeye's adjusted EBITDA was $214.3 million for the second quarter, which again compares poorly to last year's comparison. More specifically, Buckeye's adjusted EBITDA declined by 15.9% over the same period a year ago.

Profit metrics showed similar declines. On the bottom line, Buckeye Partners generated an operating income decline of 5.6% while net income attributable to Buckeye Partners' declined by 2.1% year-on-year. The reason Buckeye's operating income and net income performance better than other metrics further up the income statement is due to declines in cost of goods sold, interest and debt expenses, and income tax expenses, which were likely due to the asset divestitures outlined earlier in this piece.

Buckeye also provided an update on its proposed takeover by IFM Global Infrastructure Fund, which was announced on May 10th, 2019. On July 31st, the merger agreement relating to the proposed merger was approved by the vote of the majority of LP units. Separately, the firm's waiting period under the Hart-Scott-Rodino Antitrust Improvements Act has expired. Buckeye continues to believe that the merger remains on track to close in the fourth quarter of 2019.

Overall, it was a disappointing quarter from Buckeye Partners. The company has a pending acquisition offer outstanding, so it is currently a merger arbitrage speculation and not a fundamental investment; accordingly, we are not providing a buy, hold, or sell rating for Buckeye Partners at this time.

Consolidated Edison Meets Expectations, Shares Up 0.9%

Yesterday after the markets closed, Consolidated Edison (ED) reported financial results for the second quarter of fiscal 2019. The company basically met expectations on both the top and bottom lines (technically, it missed earnings estimates by $0.01), causing shares to rise modestly in this morning's premarket trading.

On the top line, Consolidated Edison generated total operating revenues of $2.7 billion, which represents growth of 1.8% year-on-year. The company's total operating revenues increased by a slightly better 3.3% year-on-year through the first half of fiscal 2019.

Further down the income statement, Consolidated Edison's operating income of $458 million increased by 7.5% in the second quarter while operating income increased by 8.4% through the first half of the current fiscal year.

On the bottom line, Consolidated Edison generated adjusted earnings of $189 million or $0.58, which was flat year-on-year for company-wide profits and declined by 4.9% on a per-share basis due to the impact of a higher number of shares outstanding.

Consolidated Edison also reaffirmed its 2019 financial guidance with the publication of its second quarter earnings release. The company continues to expect to generate adjusted earnings-per-share between $4.25 and $4.45 in the twelve-month reporting period.

For context, Consolidated Edison generated $4.43 of earnings-per-share in fiscal 2018, so even if the company achieves the high point of its guidance band, it will barely show any growth in the current fiscal year.

Overall, Consolidated Edison's second quarter results were not spectacular but they were in-line with our long-term expectations for the company. While Consolidated Edison will never be a high-growth glamor stock, many investors find appeal in its safety and dividend growth. However, the company trades significantly above our fair value estimate today, so Consolidated Edison earns a sell recommendation from Sure Dividend at current prices.

Exxon Mobil Beats Earnings and Revenue Expectations, Shares Up 2%

This morning before the markets opened, Exxon Mobil (XOM) reported financial results for the second quarter of fiscal 2019. The company beat consensus estimates for both earnings and revenue, causing shares to rise approximately 2% in today's premarket trading.

Here are what the numbers look like. Revenues of $69.1 billion decreased by 6.0% year-on-year, while year-to-date revenue of $132.7 decreased by 6.4% through the first six months of the year.

Exxon Mobil's production was stronger than its revenue trends would imply. The company's oil-equivalent production was 3.9 million barrels per day, which represents an increase of 7% from the same period in 2018.

While the company's overall dollar-denominated revenues declined in the quarter, Exxon Mobil did have a few operational bright spots in the reporting period.

The company's upstream liquids production increased by 8% year-on-year, driven by strength from the Permian Basin geography and reduced downtime. Natural gas volumes increased by 5% (excluding entitlement effects and divestments). Separately, Exxon Mobil is preparing to start up its Liza Phase 1 development in Guyana, which is estimated to house recoverable resources of more than 6 billion oil-equivalent barrels.

Exxon Mobil's U.S. Gulf Coast stream cracker plant also exceeded its design capacity by more than 10%, less than a year after the location was started up.

On the bottom line, Exxon Mobil generated earnings of $3.1 billion, which represents a decrease of 21% from the same period last year. Similarly, diluted earnings-per-share of $0.73 also declined by 21% year-on-year.

Bottom line results through the first half of the year were even worse. Exxon Mobil has generated earnings of $5.5 billion through the first six months of fiscal 2019, a decline of 36%. Year-to-date diluted earnings-per-share of $1.28 also declined by 36%.

Overall, Exxon Mobil's second quarter results were slightly better than the markets expected. The company seems capable of delivering low double-digit returns from its current price, which allows it to earn a buy recommendation from Sure Dividend today.

New From Sure Dividend

- Article: 5 Brokerages for Dividend Investors
- Video: IBM Q2 2019 Dividend Safety Update

Other Dividend News

- **Campbell Soup (CPB)** agrees to sell its Australian snack unit Arnott's to KKR for $2.2 billion
- **Restaurant Brands (QSR)** reports tasty 7.9% sales growth in this morning's Q2 2019 earnings release
- **LyondellBasell (LYB)** generates EPS of $2.70 in its Q2 2019 earnings release, missing estimates of $2.83 by 4.6%
- **Newell Brands (NWL)** shares surge 9% on smaller than expected revenue decline and margin expansion in this morning's Q2 2019 earnings release
- **Ferrari (RACE)** shares fall more than 3% premarket despite modest EPS and revenue beats in its recent earnings release

- **Fortis (FTS)** misses analyst consensus adjusted EPS by 6.9% in this morning's Q2 2019 earnings release
- **Honda (HMC)** sees EPS decline 28.9% in its fiscal 2020 Q1 earnings release
- **Petrobras (PBR)** generates largest Q2 quarterly profit ever thanks in large part to asset sales in today's Q2 2019 earnings release
- **Chevron (CVX)** blows analyst expectations for EPS out of the water with its 24.0% EPS beat in the company's Q2 2019 earnings release
- **W.P. Carey (WPC)** beats analyst adjusted FFO/share estimates by 8.0%, but slightly reduces guidance for full fiscal 2019 in this morning's Q2 2019 earnings release
- **Federal Realty (FRT)** grows its FFO/share by 3.2% in its most recent earnings release and maintains its fiscal 2019 guidance
- **National Fuel Gas (NFG)** beats analyst adjusted EPS estimates by 7.6% in its most recent quarter, but misses revenue estimates
- **Telephone and Data Systems (TDS)** reports a 3.4% EPS decline in yesterday's Q2 2019 earnings release
- **Western Union (WU)** sees adjusted EPS decline 2.2% in its fiscal Q2 of 2019 earnings release
- **Brookfield Property (BPY)** beats analyst consensus FFO/share estimates by 5.6% in its most recent quarterly earnings announcement
- **Enbridge (ENB)** reports strong results this morning to beat analyst consensus estimates for adjusted EPS by 13.6% in its fiscal Q2
- **Brookfield Infrastructure Partners (BIP)** delivers a modest 2.4% FFO/share beat in this morning's Q2 219 earnings release