



# Top 10 Dividend Elite

Top Dividend Picks With 25+ Years of Rising Dividends

## January 2024 Edition

A monthly special report service from Sure Dividend

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## Table of Contents

Top 10 Dividend Elite – January 2024.....	3
Polaris Inc. (PII).....	4
Sonoco Products Co. (SON) .....	5
3M Co. (MMM) .....	6
Automatic Data Processing Inc. (ADP) .....	7
Archer-Daniels-Midland Co. (ADM) .....	8
Chesapeake Financial Shares Inc. (CPKF) .....	9
Sysco Corp. (SYY).....	10
Westamerica Bancorp. (WABC).....	11
SJW Group (SJW).....	12
National Fuel Gas Co. (NFG) .....	13
Ranking Procedure .....	14
List of Securities with 25+ Years of Rising Dividends by Dividend Risk Score .....	15

## Top 10 Dividend Elite – January 2024

Name & Ticker	Div. Risk Score	Price	Fair Value	# Years Div. Inc	Div. Yield	Exp. Growth Return	Exp. Value Return	Exp. Total Return
<a href="#">Polaris (PLI)</a>	A	\$88	\$147	28	2.9%	4.0%	10.8%	17.2%
<a href="#">Sonoco Products (SON)</a>	A	\$57	\$85	41	3.6%	5.0%	8.3%	16.1%
<a href="#">3M (MMM)</a>	A	\$108	\$154	65	5.5%	5.0%	7.3%	16.1%
<a href="#">Automatic Data Proc. (ADP)</a>	A	\$234	\$265	49	2.4%	8.0%	2.5%	12.6%
<a href="#">Archer-Daniels-Mid. (ADM)</a>	A	\$72	\$102	50	2.5%	3.0%	7.3%	12.3%
<a href="#">Chesapeake Financial (CPKF)</a>	A	\$19	\$26	30	3.2%	3.0%	6.5%	12.1%
<a href="#">Sysco (SYY)</a>	A	\$75	\$86	53	2.7%	7.0%	2.7%	12.1%
<a href="#">Westamerica Banc. (WABC)</a>	A	\$56	\$79	30	3.2%	2.0%	7.3%	11.7%
<a href="#">SJW Group (SJW)</a>	A	\$64	\$70	55	2.4%	8.0%	1.7%	11.7%
<a href="#">National Fuel Gas (NFG)</a>	A	\$51	\$73	53	3.9%	1.0%	7.6%	11.5%

**Notes:** Data for the table above is from the 1/5/24 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 owns SON, MMM & WABC.

There were 4 changes in this month's Top 10 versus last month's Top 10. Walgreens Boots Alliance (WBA), Enterprise Bancorp (EBTC), Bank OZK (OZK), and Brady Corp. (BRC) were replaced by Automatic Data Processing (ADP), Archer-Daniels-Midland (ADM), SJW Group (SJW), and National Fuel Gas (NFG).

The Top 10 has the following average characteristics:

	Top 10 Dividend Elite	S&P 500 <sup>1</sup>
<b>Dividend Yield:</b>	3.2%	1.5%
<b>Growth Rate:</b>	4.6%	5.5%
<b>Valuation Return:</b>	6.2%	-1.8%
<b>Expected Annual Total Returns:</b>	13.3%	5.1%

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

**Note:** Data for this report is from 1/2/24 through 1/5/24.

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

## **Polaris Inc. (PII)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 16.6%**

### **Overview & Current Events**

Founded in 1954 and headquartered in Medina, Minnesota, Polaris designs, engineers, and manufactures snowmobiles, all-terrain vehicles (ATVs), and motorcycles. In addition, related accessories and replacement parts are sold for these vehicles through dealers located throughout the U.S. The company owns 30+ brands including Polaris, Ranger, RZR, Sportsman, Indian Motorcycle, Slingshot, and Transamerican Auto Parts. The global powersports maker, serving over 100 countries, generated \$8.6 billion in sales in 2022 and has a \$5 billion market cap.

On October 24<sup>th</sup>, 2023, Polaris reported Q3 results. Revenue decreased 3.8% to \$2.25 billion. Adjusted earnings-per-share of \$2.71 compared unfavorably to \$3.25 previously. For the quarter, Marine sales declined 48%, On-Road fell 19%; and Off-Road, the largest component of the company, improved 6%. Sales for Marine and On-Road were lower due to a decrease in volumes. Off-Road benefited from strength in snowmobile demand and gains in Parts, Garments, and Accessories. Polaris updated guidance for 2023. For the year, the company now expects revenue to be up 3% to 5% compared to prior guidance of up 3% to 6%. Adjusted earnings-per-share are now projected to be down 4% to down 8% compared to prior guidance of down 2% to up 3%.

### **Safety & Dividend Risk Analysis**

Despite its somewhat cyclical industry, Polaris held up very well during the Great Recession. The company's earnings-per-share for the 2006 to 2010 period were \$1.36, \$1.55, \$1.75, \$1.53, and \$2.14. Earnings-per-share were flat for the worst of the period and the company established a new high in 2010. Results have been mostly higher since, including 22% growth in 2020.

The company has increased its dividend payments for 28 consecutive years, a surprisingly strong streak given the cyclical nature of Polaris' operations. The company has achieved this by maintaining a low payout ratio to buffer earnings downturns when they occur. The company's current payout ratio is just 27% of expected 2023 earnings.

### **Growth, Value & Expected Total Return Analysis**

Polaris has grown its earnings-per-share at a 7.6% annual rate from 2013 through 2022. The company can generate growth via replacement needs for ATVs, snowmobiles, and similar vehicles; growth in international markets; bolt-on acquisitions; and margin expansion. We forecast 4% growth of earnings-per-share over the next five years.

Polaris is trading at 9.2 times expected fiscal 2023 earnings. This valuation multiple is much lower than our assumed fair price-to-earnings ratio of 15.0. Should shares revert to this level over the next 5 years, the stock would enjoy a 10.2% annualized gain from multiple expansion. When combined with a 4.0% growth rate and the 2.9% dividend, expected total returns come to 16.6% per year over the next five years.

## **Sonoco Products Co. (SON)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 16.3%**

### **Overview & Current Events**

Founded in 1899, Sonoco Products provides packaging, industrial products, and supply chain services to its customers. The company's end-markets include appliances, electronics, beverage, construction, and food. Sonoco Products is composed of the business segments: Consumer Packaging, Industrial Paper Packaging, and All Other.

On April 19<sup>th</sup>, 2023, Sonoco Products raised its quarterly dividend 4.1% to \$0.51, extending the company's dividend growth streak to 41 consecutive years.

On October 31<sup>st</sup>, 2023, Sonoco Products reported third-quarter results for the period ending October 1<sup>st</sup>, 2023. For the quarter, revenue decreased 9.5% to \$1.7 billion, which was \$30 million below estimates. Adjusted earnings-per-share of \$1.46 compared unfavorably to \$1.60 in the prior year, but this was \$0.18 more than expected.

For the quarter, Consumer Packaging revenues were down by 9% to \$938 million due to lower volumes and prices. Flexible packaging, rigid paper, and metal packaging business performed well. Industrial Paper Packing sales fell 12% to \$580 million due to weaker global demand for paper and converted paper products. All Other decreased 3% to \$192 million as weaker volume and mix were only partially offset by pricing action.

Sonoco Products provided an updated outlook for 2023 as well, with the company now expecting adjusted earnings-per-share of \$5.25 to \$5.40 for the year, compared to \$5.10 to \$5.40, \$5.70 to \$6.00, and \$5.70 to \$5.90 previously.

### **Safety & Dividend Risk Analysis**

Sonoco Products operates in a cyclical industry, which is reflected in the company's performance during the Great Recession. 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 38% for 2023.

### **Growth, Value & Expected Total Return Analysis**

Sonoco Products has seen earnings-per-share growth of 12.2% over the last decade and 11.5% over the last five years, though much of that growth has occurred recently. We feel that a 5.0% annual growth rate through 2028 is achievable.

We project that Sonoco Products could offer a total return of 16.3% annually over the next five years, stemming from a 5.0% earnings growth rate, a starting yield of 3.6%, and an 8.5% annual contribution from valuation multiple expansion.

## 3M Co. (MMM)

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 16.2%**

### Overview & Current Events

3M is a large diversified industrial company founded in 1902. The company now has a market cap of \$60 billion. 3M sells more than 60,000 products that are used in homes, hospitals, office buildings, and schools around the world.

On July 26<sup>th</sup>, 2022, 3M announced that it would be spinning off its Health Care segment into a standalone entity. On November 16<sup>th</sup>, 2023, 3M announced the name of the new company would be “Solventum.” The transaction is likely to be completed in the first half of 2024.

On June 22<sup>nd</sup>, 2023, 3M resolved claims by Public Water Suppliers which includes a present value commitment of \$10.3 to \$12.5 billion payable over 13 years. The deal attained preliminary court approval on August 29<sup>th</sup>, 2023. The company is still facing other potential liabilities from PFAS, PFOA, and PFOS compounds. While the amount of these liabilities is unknown, the company has shown an ability to spread out liability payments far into the future, which reduces their cash flow impact in any one year.

Also on August 29<sup>th</sup>, 3M announced it reached an agreement to resolve the Combat Arms Earplug litigation against Aearo Technologies. Under the agreement, 3M will pay \$6.0 billion between 2023 and 2029, including \$5.0 billion in cash and \$1.0 billion in 3M common stock.

3M reported Q3 2023 earnings on October 24<sup>th</sup>, 2023. For the quarter, revenue declined 3.6% to \$8.3 billion, but was \$280 million above estimates. Adjusted earnings-per-share of \$2.68 compared to \$2.69 in the prior year but was \$0.33 more than projected. 3M updated its outlook for 2023 as well, with the company now expecting adjusted earnings-per-share between \$8.95 to \$9.15, up from \$8.60 to \$9.10. On a comparable basis, adjusted earnings-per-share for 2022 was \$9.88. Organic growth for 2023 is now projected to be down 3% compared to a prior range of down 3% to flat.

### Safety & Dividend Risk Analysis

3M operates in a cyclical industry that tends to rise and fall with the health of the economy. At 65 years, 3M has one of the longest dividend growth streaks in the market. Legal woes have called the company’s dividend into perspective. 3M should be able to continue slowly increasing its dividend as it can access debt to fund litigation expenses as needed, in addition to free cash flows. The company currently has a 66% payout ratio.

### Growth, Value & Expected Total Return Analysis

We believe 3M could see 5% annual earnings growth through 2028. Shares are trading at 11.9 times our expected earnings-per-share of \$9.05 for 2023, compared to our target P/E of 17, implying a 7.4% tailwind to annual returns for the period. We forecast annual returns of 16.2% through 2028, stemming from a 5% earnings growth rate, a 5.6% starting yield, and the aforementioned contribution from valuation multiple expansion.

# Automatic Data Processing Inc. (ADP)

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 12.8%**

## Overview & Current Events

Automatic Data Processing, or simply ADP, provides cloud-based human capital management solutions globally. The company operates two primary segments: Employer Services and Professional Employer Organization (PEO). Through these segments, the company offers payroll services, benefits administration, talent management, general HR management, insurance, retirement, compliance services, and HCM solutions. ADP was founded in 1949, produces about \$19 billion in annual revenue, and trades with a market cap of \$96 billion. The company is also just one year away from being a Dividend King, as its dividend increase streak sits at 49 consecutive years.

ADP's first quarter earnings were reported on October 25<sup>th</sup>, 2023 and results were uncharacteristically mixed for the company, as it beat on the bottom line, but missed revenue estimates slightly. Adjusted earnings-per-share came to \$2.08, which was ahead of estimates by six cents. Revenue grew 7% year-over-year to \$4.5 billion but missed estimates by \$10 million.

Employer Services revenue was up 9%, driven by strong new business bookings and high retention rates, as well as higher client funds interest revenue. The Employer Services segment is allowed to invest funds held for clients, so higher market interest rates generally drive higher income for ADP.

PEO Services revenue was only up 3%, with new business bookings growing the top line. Margins in this segment suffered, declining 90 basis points from higher selling costs.

Total operating expenses in the quarter rose 7.4% to \$3.48 billion, largely keeping pace with revenue growth. We see \$9.15 in earnings-per-share for fiscal 2024.

## Safety & Dividend Risk Analysis

ADP's balance sheet is quite clean when adjusting out client funds held as liabilities on the balance sheet, meaning its capital structure is highly sustainable. Higher market interest rates are a source of strength for ADP as it can profitably invest funds held for clients, diversifying its sources of earnings in the process, and increasing dividend safety. With a payout ratio of just over 60% of earnings, as well as its 49-year streak of dividend increases, we see no risk to the payout in the coming years.

## Growth, Value & Expected Total Return Analysis

ADP's historical growth has been in the low double-digits, but we see a more modest 8% growth rate going forward. We see revenue growth as the primary driver, as the company has proven it can grow the top line under just about any set of circumstances. Margins have generally been trending upward, although not recently. Still, higher market interest rates mean another tailwind for earnings so we're comfortable with 8%.

Total returns are expected to be 12.8% annually, accruing from the 8% growth rate, a 2.6% valuation tailwind, and the 2.4% dividend yield.

# Archer-Daniels-Midland Co. (ADM)

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 11.9%**

## Overview & Current Events

Archer-Daniels-Midland (ADM) is an agricultural commodities company based in Chicago. The company has a very long history dating back to 1902, and is a Dividend King, having raised its payout for 50 consecutive years. The company procures, transports, stores, processes, and merchandises a huge variety of agricultural products and food ingredients across the globe. The three segments it operates are Ag Services and Oilseeds, Carbohydrate Solutions, and Nutrition. These segments produce a combined \$95 billion in annual revenue, and the stock trades with a market value of \$39 billion.

ADM posted third-quarter earnings on October 24<sup>th</sup>, 2023 and results were somewhat weak, missing estimates on both the top and bottom lines. Revenue fell more than 12% year-over-year to \$21.7 billion and missed estimates by almost \$2 billion. Earnings came to \$1.63 on an adjusted basis per-share, which was nine cents light against expectations. ADM's relative weakness in the third quarter was primarily attributable to the Nutrition segment, which was well behind the other two segments. However, management believes this weakness is temporary and remains confident of the company's future.

The company noted it's making investments in operational efficiency and innovation as a way to help combat the weakness in revenue and earnings in the coming quarters. Despite the weak quarter, management raised its guidance for the year, and we see \$7.28 in adjusted earnings-per-share for fiscal 2023.

## Safety & Dividend Risk Analysis

ADM's long-term debt has risen substantially in recent years and sits today at just over \$8 billion. However, the company has used debt to make acquisitions and support organic business growth, so we do not see its debt as a source of potential issues for the dividend down the road.

Aiding this safety is the fact that the payout ratio is just 25% of earnings, meaning it is ultra-safe given the fairly predictable nature of ADM's earnings profile. With forecasted long-term growth in earnings – even at a modest rate of 3% annually – we believe there are many years of dividend increases on the way for ADM's shareholders. The company's recession resilience is quite good given it primarily provides food-related products that have relatively constant demand in all economic circumstances.

## Growth, Value & Expected Total Return Analysis

ADM's growth in earnings has been somewhat lumpy in the past, but the overall trend has undoubtedly been higher. Given the high base of earnings for fiscal 2023, we expect 3% growth moving forward. We note that while ADM's recession resilience is strong, it also does not necessarily benefit from a strong economy. The company's margins are somewhat out of its control, but efficiency efforts underway should help.

Aiding the 3% earnings growth should be a valuation tailwind of 6.9%, as well as the dividend yield of 2.5%. Overall, we expect total annual returns to be 11.9%.



## **Chesapeake Financial Shares Inc. (CPKF)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 12.7%**

### **Overview & Current Events**

Chesapeake Financial is a holding company that owns a community bank of the same name. The bank was founded in 1900 in Virginia, and today, operates 16 offices that offer traditional banking and wealth management services in small communities.

Chesapeake is one of the smallest companies we cover based on its market cap of \$89 million. Chesapeake's very impressive 30-year streak of dividend increases is outstanding among banks of all sizes, but the stock does not qualify as a Dividend Aristocrat due to its small size (it is not anywhere close to being in the S&P 500).

Chesapeake posted third-quarter earnings on October 24<sup>th</sup>, 2023 and results were largely in line with expectations. Earnings came to \$2.478 million, a 58% decline from the year-ago period. The year-ago period included a non-recurring pre-tax gain of \$2.2 million from the partial sale of its investment brokerage firm. On a per-share basis, earnings fell from \$1.26 to \$0.53.

Total assets ended the quarter at \$1.382 billion, up slightly from the end of 2022. Asset quality remains quite good, as nonperforming assets were 0.376%, compared to 0.431% in last year's Q3. Net interest margin was 3.366% for the quarter. The company also noted Flexent and Chesapeake Payment Systems are providing strong tailwinds to noninterest income. We forecast \$3.00 in earnings-per-share for this year.

### **Safety & Dividend Risk Analysis**

Chesapeake's payout ratio remains low, at 20% of expected profits, and we expect that to continue. That means the safety of the dividend is outstanding, and we see earnings growth at about the same rate as dividend growth, so the three decades of dividend increases appears not to be at risk.

There is inherent recession risk with Chesapeake, as there is with any bank, but its history of extremely high lending standards, and net interest margin in the area of 3.5% means we expect the bank's earnings to hold up in the next recession.

### **Growth, Value & Expected Total Return Analysis**

We anticipate earnings growth of 3% annually for the next five years. The bank's low loan-to-deposit ratio is moving higher, and in conjunction with high lending margins, should lead to earnings growth.

The stock trades for 6.2 times our earnings estimate for this year, which could lead to a 7.0% tailwind to total returns, should it revert to our fair value estimate of 8.5 times earnings. The 3.2% dividend yield and 3% earnings growth, combined with the valuation tailwind, could see Chesapeake produce 12.7% total annual returns, with a safe dividend payment.

## Sysco Corp. (SY) )

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 12.1%**

### Overview & Current Events

Sysco is the largest wholesale food distributor in the United States and is expanding internationally. The company was founded in Houston, Texas in 1969 and serves 725,000 locations with food delivery, including restaurants, hospitals, schools, hotels, and other facilities. The company has more than 72,000 employees and a \$38 billion market capitalization.

On October 31<sup>st</sup>, 2023, Sysco reported first-quarter results for fiscal year 2024. In Q1, sales rose to \$19.6 billion, a 2.6% increase from the previous year, with gross profit climbing 4.6% to \$3.6 billion and gross margin reaching 18.6%. This growth is attributed to higher volumes and effective management of product cost inflation.

U.S. Foodservice Operations experienced profitable growth with Q1 sales reaching \$13.7 billion, a 0.9% increase. In the International Foodservice Operations segment, Q1 sales increased to \$3.7 billion, a 12.2% increase from the previous year, or 9.0% on a constant currency basis.

We are forecasting \$4.31 in earnings-per-share for fiscal year 2024.

### Safety & Dividend Risk Analysis

Sysco has an economic moat due to its large-scale and entrenched distribution infrastructure, which gives it a cost advantage over most competitors. Food distribution is the type of industry likely to benefit from a lack of change. This has helped Sysco to increase its dividend for 53 consecutive years, making the company a Dividend King.

Sysco is also quite defensive, despite some sensitivity to weak economic periods. Sysco's earnings fell during the Great Recession from \$1.81 in 2008 to \$1.77 in 2009 but rebounded the next year. Likewise, the company's earnings fell during the COVID pandemic from \$3.55 in 2019 to \$1.44 by 2021 but rebounded to \$3.25 in 2022 and \$4.01 in 2023. Sysco tends to see earnings declines during recessions but remains profitable.

### Growth, Value & Expected Total Return Analysis

Sysco has grown earnings by 3.9% annually over the past five years and by 9.6% over the past nine years. The company has a variety of growth avenues including acquisitions, share repurchases, and cost cuts. We project 7% annual earnings-per-share growth.

Shares are trading at 17.4 times estimated earnings. We have a fair value estimate of 20 times earnings, closer to its average multiple over the last decade. If shares were to revert to this multiple, this would imply a 3.7% annualized contribution from this component. When combined with the 7.0% growth rate and 2.7% starting dividend yield, expected total returns come to 12.1% per year.

## **Westamerica Bancorp. (WABC)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 11.7%**

### **Overview & Current Events**

Westamerica Bancorp. is the holding company for Westamerica Bank. Westamerica is a regional community bank with nearly 80 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 around \$325 million.

On October 20<sup>th</sup>, 2023, Westamerica reported third-quarter earnings results for the period ending September 30<sup>th</sup>, 2023. Revenue increased 14.8% to \$83.4 million while GAAP earnings-per-share of \$1.56 compared to \$1.26 in the prior year. Revenue was \$3.5 million better than expected while earnings-per-share were \$0.13 above estimates.

As of the end of the quarter, nonperforming loans increased 28.2% to \$1.24 million year-over-year and grew 45.1% quarter-over-quarter. Third-quarter results included provisions for credit losses of \$400,000 compared to no credit losses in the prior year. Total loans decreased 8.6% to \$904 million as commercial loans fell 20.4% while consumer loans were lower by 14.7%. Net interest income was \$72.1 million, which compares to \$70.3 million for the second quarter of 2023 and \$60.7 million in the third quarter of 2022. Net interest margin of 4.43% compared to 4.34% in the second quarter of 2023 and 3.44% in the third quarter of 2022. Average total deposits declined 11.9% to \$5.7 billion.

We forecast the company will generate earnings-per-share of \$6.06 in 2023.

### **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 29% of expected 2023 earnings. And the company has increased its dividend for 30 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 almost 7% over the last decade. As earnings are starting from a high base, we conservatively forecast growth of 2% per year.

Shares of Westamerica Bancorp. are trading at 9.2 times our earnings-per-share estimate for 2023. With a target price-to-earnings ratio of 13, this implies a meaningful tailwind from multiple expansion. Reaching this target by 2028 would result in valuation adding 7.3% to annual returns over this period. In total, we expect that Westamerica Bancorp. could return 11.7% per year through 2028, stemming from 2% earnings growth, a 3.2% starting yield, and a tailwind from multiple expansion.

## **SJW Group (SJW)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 11.4%**

### **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 232 thousand connections serving about one million people in California, as well as 141 thousand connections serving about half a million people in Connecticut and Maine. The company also has a small operation in Texas. SJW is the product of a slew of mergers over the decades, and the dividend increase streak stands at 55 years, making it a Dividend King. Total revenue is about \$650 million, and the stock's market cap is \$2.1 billion.

SJW posted third-quarter earnings on October 30<sup>th</sup>, 2023 and results were excellent, handily beating expectations on both the top and bottom lines. Revenue was \$205 million, up more than 16% year-over-year, and beat estimates by about \$18 million. This was driven by \$22.6 million in rate filings, higher customer usage of \$8.3 million from weather conditions, as well as customer growth of \$1.1 million. These were partially offset by a \$3.2 million decline from regulatory mechanism adjustments.

Earnings came to \$1.13 per-share, beating estimates by 18 cents. The gain was driven primarily by rate filings in Connecticut and Maine, as well as higher customer usage. Earnings in the year-ago period were just 82 cents by comparison.

Management updated earnings guidance for the year with a big boost of 25 cents per-share on the low end, and 20 cents on the high end. We now see \$2.68 in earnings-per-share as a result.

### **Safety & Dividend Risk Analysis**

We believe SJW's geographic diversification is a core strength, which gives it access to parts of California and New England. The areas where it operates are seeing reliable population growth and with it, higher water usage. Infrastructure investments that are required to support this population growth have also afforded the company reliable sources of regulatory rate adjustments. With strong recession resilience, and the payout at just 57% of earnings for this year, we see the dividend as extremely safe. SJW's payout ratio is on the lower end for a utility, further aiding its dividend safety.

### **Growth, Value & Expected Total Return Analysis**

SJW's earnings growth has been volatile but averaged about 6% annually. 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% projected growth, a modest 1.4% tailwind from the valuation, and the 2.3% dividend yield, we forecast total returns of 11.4% for SJW going forward. In addition, we believe the dividend will grow at about 6% annually for the foreseeable future.

## **National Fuel Gas Co. (NFG)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 11.5%**

### **Overview & Current Events**

National Fuel Gas Co. (NFG) is a diversified energy company based in New York. The company operates four segments: Exploration and Production, Pipeline and Storage, Gathering, and Utility. Through these segments it offers a wide and deep array of energy-related services, including development and production of natural gas and oil, interstate natural gas storage and transportation, energy-related construction, and traditional utility services to end users. The company traces its roots back to 1902, produces about \$2.4 billion in annual revenue, and has a current market cap of \$4.7 billion. It is also a Dividend King, having boosted its annual payout for an impressive 53 consecutive years. The company reported fourth-quarter and full-year earnings on November 1<sup>st</sup>, 2023 and results were weak on both the top and bottom lines. National Fuel Gas posted revenue of \$369 million, which was more than 15% lower than the year-ago period and missed expectations by \$106 million. Earnings-per-share on an adjusted basis came to 78 cents, which missed estimates by seven cents.

On the plus side, National Fuel Gas did boost its production by 7% year-over-year, attributable to development in Appalachia. However, natural gas prices fell 18% year-over-year on an average realized price basis, from \$2.84 to \$2.33. That caused a deterioration not only in revenue, but earnings as well, as adjusted earnings-per-share fell from \$1.19 to \$0.78.

Still, management saw fit to provide strong guidance for fiscal 2024 of \$5.40 to \$5.90 in adjusted earnings-per-share, implying 9% year-over-year growth at the midpoint. We have placed our initial estimate at \$5.65 as a result.

### **Safety & Dividend Risk Analysis**

NFG's balance sheet is highly leveraged with debt, as is the case with most utility and energy companies. However, the \$2.4 billion in long-term debt has a very high interest level coverage, and free cash flow production has been improving in recent quarters. We do not believe the company's leverage or earnings profile will put the payout at risk anytime soon. In addition, with the payout ratio at just 35% of earnings, NFG's interest coverage and earnings profile could face significant deterioration before the dividend's safety would be in question. And as an energy and utility company, NFG's earnings are largely recession resilient.

### **Growth, Value & Expected Total Return Analysis**

National Fuel Gas has seen its growth in recent years driven by higher natural gas production and expansion of its pipeline network. It averaged just over 4% average annual earnings growth in recent years, but we see just 1% from this year's base of \$5.65. A sizable wildcard for the company's earnings continues to be natural gas prices, as National Fuel Gas has no control over selling prices.

In addition to 1% growth, we see total returns of 11.5% being driven by a valuation tailwind of 7.6%, as well as the dividend yield of 3.9%.

## 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. Albemarle Corp. (ALB): 1.1%                  | 35. Atmos Energy Corp. (ATO): 2.7%               |
| 2. Polaris Inc (PII): 2.9%                      | 36. Nordson Corp. (NDSN): 1.1%                   |
| 3. Sonoco Products Co. (SON): 3.6%              | 37. PPG Industries, Inc. (PPG): 1.8%             |
| 4. 3M Co. (MMM): 5.6%                           | 38. Dover Corp. (DOV): 1.4%                      |
| 5. Walgreens Boots Alliance Inc (WBA): 7.5%     | 39. Coca-Cola Co (KO): 3.1%                      |
| 6. Chesapeake Financial Shares Inc (CPKF): 3.2% | 40. Emerson Electric Co. (EMR): 2.2%             |
| 7. Automatic Data Processing Inc. (ADP): 2.4%   | 41. Gorman-Rupp Co. (GRC): 2.1%                  |
| 8. Sysco Corp. (SYYS): 2.7%                     | 42. Northwest Natural Holding Co (NWN): 4.9%     |
| 9. Westamerica Bancorporation (WABC): 3.2%      | 43. Colgate-Palmolive Co. (CL): 2.4%             |
| 10. Stanley Black & Decker Inc (SWK): 3.4%      | 44. Hormel Foods Corp. (HRL): 3.5%               |
| 11. Archer-Daniels-Midland Co. (ADM): 2.5%      | 45. SEI Investments Co. (SEIC): 1.5%             |
| 12. Lowe's Cos., Inc. (LOW): 2.1%               | 46. RPM International, Inc. (RPM): 1.7%          |
| 13. SJW Group (SJW): 2.3%                       | 47. Brown & Brown, Inc. (BRO): 0.7%              |
| 14. National Fuel Gas Co. (NFG): 3.9%           | 48. Middlesex Water Co. (MSEX): 2.1%             |
| 15. Becton Dickinson & Co. (BDX): 1.6%          | 49. Eagle Financial Services, Inc. (EFSI): 4%    |
| 16. Target Corp (TGT): 3.2%                     | 50. Northeast Indiana Bancorp Inc. (NIDB): 3.8%  |
| 17. Genuine Parts Co. (GPC): 2.8%               | 51. Air Products & Chemicals Inc. (APD): 2.6%    |
| 18. Roche Holding AG (RHHBY): 3.4%              | 52. MSA Safety Inc (MSA): 1.1%                   |
| 19. Medtronic Plc (MDT): 3.3%                   | 53. Brown-Forman Corp. (BF.B): 1.6%              |
| 20. Lancaster Colony Corp. (LANC): 2.2%         | 54. Parker-Hannifin Corp. (PH): 1.3%             |
| 21. Brady Corp. (BRC): 1.6%                     | 55. Walmart Inc (WMT): 1.4%                      |
| 22. Tennant Co. (TNC): 1.3%                     | 56. Bancfirst Corp. (BANF): 1.8%                 |
| 23. Black Hills Corporation (BKH): 4.5%         | 57. Graco Inc. (GGG): 1.2%                       |
| 24. Enterprise Bancorp Inc. (EBTC): 2.9%        | 58. ITT Inc (ITT): 1%                            |
| 25. Community Trust Bancorp Inc. (CTBI): 4.3%   | 59. Pentair plc (PNR): 1.3%                      |
| 26. Donaldson Co. Inc. (DCI): 1.6%              | 60. A.O. Smith Corp. (AOS): 1.6%                 |
| 27. ABM Industries Inc. (ABM): 2.1%             | 61. Cintas Corporation (CTAS): 0.9%              |
| 28. Farmers & Merchants Bancorp (FMCB): 1.6%    | 62. Roper Technologies Inc (ROP): 0.6%           |
| 29. Bank OZK (OZK): 3.2%                        | 63. Norwood Financial Corp. (NWFL): 3.9%         |
| 30. Johnson & Johnson (JNJ): 3%                 | 64. First Financial Corp. - Indiana (THFF): 4.3% |
| 31. Stryker Corp. (SYK): 1.1%                   | 65. Jack Henry & Associates, Inc. (JKHY): 1.3%   |
| 32. Cincinnati Financial Corp. (CINF): 2.9%     | 66. Church & Dwight Co., Inc. (CHD): 1.2%        |
| 33. Matthews International Corp. (MATW): 2.7%   | 67. S&P Global Inc (SPGI): 0.8%                  |
| 34. Cullen Frost Bankers Inc. (CFR): 3.5%       | 68. RenaissanceRe Holdings Ltd (RNR): 0.8%       |
|   | 69. Caterpillar Inc. (CAT): 1.8%                 |

70. McDonald's Corp (MCD): 2.3%
71. Procter & Gamble Co. (PG): 2.5%
72. Franklin Electric Co., Inc. (FELE): 1%
73. Commerce Bancshares, Inc. (CBSH): 2%
74. Universal Corp. (UVV): 4.9%
75. MGE Energy, Inc. (MGEE): 2.3%
76. Tompkins Financial Corp (TMP): 4.3%
77. Illinois Tool Works, Inc. (ITW): 2.2%
78. Consolidated Edison, Inc. (ED): 3.5%
79. Tootsie Roll Industries, Inc. (TR): 1%
80. Federal Realty Investment Trust. (FRT): 4.3%
81. First Farmers Financial Corp (FFMR): 2.5%
82. Lincoln Electric Holdings, Inc. (LECO): 1.4%
83. Kenvue Inc (KVUE): 3.8%
84. Sherwin-Williams Co. (SHW): 0.8%
85. W.W. Grainger Inc. (GWW): 0.9%
86. Abbott Laboratories (ABT): 2%
87. PSB Holdings Inc (WI) (PSBQ): 2.7%
88. Andersons Inc. (ANDE): 1.3%
89. H.B. Fuller Company (FUL): 1%
90. Franklin Resources, Inc. (BEN): 4.4%
91. AptarGroup Inc. (ATR): 1.3%
92. General Dynamics Corp. (GD): 2.1%
93. AbbVie Inc (ABBV): 3.7%
94. Ecolab, Inc. (ECL): 1.2%
95. American States Water Co. (AWR): 2.2%
96. Carlisle Companies Inc. (CSL): 1.1%
97. California Water Service Group (CWT): 2%
98. United Bankshares, Inc. (UBSI): 4%
99. Linde Plc. (LIN): 1.2%
100. Exxon Mobil Corp. (XOM): 3.7%
101. Aflac Inc. (AFL): 2%
102. Chubb Limited (CB): 1.5%
103. 1st Source Corp. (SRCE): 2.6%
104. Chevron Corp. (CVX): 4%
105. McGrath RentCorp (MGRC): 1.6%
106. Badger Meter Inc. (BMI): 0.7%
107. Stepan Co. (SCL): 1.7%
108. West Pharmaceutical Services, Inc. (WST): 0.2%
109. Cardinal Health, Inc. (CAH): 1.9%
110. Expeditors International of Washington, Inc. (EXPD): 1.1%
111. RLI Corp. (RLI): 0.8%
112. Nucor Corp. (NUE): 1.2%

## B-Rated Dividend Risk Securities

1. Eversource Energy (ES): 4.2%
2. Calvin b. Taylor Bankshares, Inc. (TYCB): 3.1%
3. NextEra Energy Inc (NEE): 3%

4. Enbridge Inc (ENB): 7.2%
5. Altria Group Inc. (MO): 9.5%
6. New Jersey Resources Corporation (NJR): 3.7%
7. Fortis Inc. (FTS): 4.2%
8. Enterprise Products Partners L P (EPD): 7.4%
9. UGI Corp. (UGI): 6.1%
10. Kimberly-Clark Corp. (KMB): 3.9%
11. Universal Health Realty Income Trust (UHT): 6.8%
12. McCormick & Co., Inc. (MKC): 2.4%
13. Southside Bancshares Inc (SBSI): 4.5%
14. Essential Utilities Inc (WTRG): 3.2%
15. John Wiley & Sons Inc. (WLY): 4.6%
16. Entergy Corp. (ETR): 4.4%
17. RTX Corp (RTX): 2.8%
18. York Water Co. (YORW): 2.1%
19. First Of Long Island Corp. (FLIC): 6.5%
20. Essex Property Trust, Inc. (ESS): 3.8%
21. Artesian Resources Corp. (ARTNA): 2.9%
22. NNN REIT Inc (NNN): 5.3%
23. Novartis AG (NVS): 3.3%
24. T. Rowe Price Group Inc. (TROW): 4.6%
25. J.M. Smucker Co. (SJM): 3.3%
26. PepsiCo Inc (PEP): 2.9%
27. Canadian Utilities Ltd. (CDUAF): 5.4%
28. Old Republic International Corp. (ORI): 3.3%
29. Canadian National Railway Co. (CNI): 1.9%
30. Thomson-Reuters Corp (TRI): 1.4%
31. Community Bank System, Inc. (CBU): 3.6%
32. International Business Machines Corp. (IBM): 4.1%
33. UMB Financial Corp. (UMBF): 1.9%
34. C.H. Robinson Worldwide, Inc. (CHRW): 2.8%
35. Erie Indemnity Co. (ERIE): 1.5%

## C-Rated Dividend Risk Securities

1. Sanofi (SNY): 3.8%
2. Telephone And Data Systems, Inc. (TDS): 4.1%
3. Realty Income Corp. (O): 5.3%
4. Clorox Co. (CLX): 3.4%
5. NACCO Industries Inc. (NC): 2.4%

## D-Rated Dividend Risk Securities

1. Leggett & Platt, Inc. (LEG): 7.3%
2. Arrow Financial Corp. (AROW): 3.9%

## F-Rated Dividend Risk Securities

1. N/A

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### Disclaimer

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Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this special report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in securities. Past performance is not a guarantee of future performance.