



# Top 10 Dividend Elite

Top Dividend Picks With 25+ Years of Rising Dividends

## May 2024 Edition

A monthly special report service from Sure Dividend

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## Top 10 Dividend Elite – May 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="#">SJW Group (SJW)</a>	A	\$55	\$71	56	2.9%	8.0%	5.2%	15.7%
<a href="#">Farmers &amp; Merchants (FMCB)</a>	A	\$994	\$1,464	58	1.8%	5.0%	8.1%	14.7%
<a href="#">Enterprise Bancorp (EBTC)</a>	A	\$25	\$35	30	3.9%	4.0%	7.2%	14.4%
<a href="#">PPG Industries (PPG)</a>	A	\$132	\$161	52	2.0%	8.0%	4.0%	13.9%
<a href="#">Johnson &amp; Johnson (JNJ)</a>	A	\$150	\$182	62	3.3%	6.0%	4.0%	12.8%
<a href="#">Bank OZK (OZK)</a>	A	\$46	\$67	29	3.4%	2.0%	7.7%	12.6%
<a href="#">Target (TGT)</a>	A	\$158	\$159	55	2.8%	10.0%	0.1%	12.2%
<a href="#">Westamerica Banc. (WABC)</a>	A	\$48	\$69	30	3.7%	2.0%	7.5%	12.2%
<a href="#">Brady Corp. (BRC)</a>	A	\$59	\$77	38	1.6%	5.0%	5.4%	11.8%
<a href="#">Black Hills (BKH)</a>	A	\$56	\$66	54	4.6%	4.0%	3.3%	11.2%

*Notes:* Data for the table above is from the 5/3/24 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 SJW, EBTC, OZK & WABC, and will buy shares of FMCB on 5/7/24. Nate Parsh is long JNJ & TGT.

There were three changes in this month’s Top 10 versus last month’s Top 10. Sonoco Products (SON), Automatic Data Processing (ADP), and Gorman-Rupp (GRC) were replaced by Johnson & Johnson (JNJ), Target (TGT), and Brady Corp. (BRC).

The Top 10 has the following average characteristics:

	Top 10 Dividend Elite	S&P 500 <sup>1</sup>
<b>Dividend Yield:</b>	3.0%	1.4%
<b>Growth Rate:</b>	5.4%	5.5%
<b>Valuation Return:</b>	5.3%	-2.7%
<b>Expected Annual Total Returns:</b>	13.1%	4.1%

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

**Note:** Data for this report is from 4/30/24 through 5/3/24.

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

## **SJW Group (SJW)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 15.7%**

### **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 April 26<sup>th</sup>, 2024, SJW Group reported first-quarter results for the period ending March 31<sup>st</sup>, 2024. For the quarter, revenue grew 8.8% to \$149.4 million, beating estimates by \$8.9 million. Earnings-per-share of \$0.36 compared unfavorably to earnings-per-share of \$0.37 in the prior year and this was \$0.02 less than expected.

The improvement in revenue was mostly due to SJW Group's California business, which resulted from higher water rates. In Connecticut, the company benefited from an increase in the infrastructure recovery mechanism. Higher rates overall added \$10 million to results for the quarter while higher customer usage added \$1.8 million. Water production expenses increased \$4.8 million, or 10.2%, to \$51.8 million.

SJW Group reaffirmed its prior outlook for 2024 as well, with the company still expecting earnings-per-share in a range of \$2.68 to \$2.78 for the year. At the midpoint, this would be a 1.9% increase from the prior year.

### **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 8.0% 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 5.2% tailwind from valuation multiple expansion (we see SJW as undervalued based on its 20.2 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 15.7% for SJW going forward.

# Farmers & Merchants Bancorp (FMCB)

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 14.7%**

## 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 \$738 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 Bank reported financial results for the first quarter of fiscal 2024 on 4/17/24. The bank grew its adjusted earnings-per-share 4% over the prior year's quarter, from \$29.44 to \$30.56. It posted 8% growth of loans and 9% growth of deposits. Net interest income dipped -7% due to a contraction of net interest margin amid higher deposit costs.

Management remains optimistic for the foreseeable future, as the 23-year high interest rates are likely to continue to support a wide net interest margin. We reiterate that F&M Bank is one of the most resilient banks during downturns, such as the pandemic, a potential recession or the financial turmoil caused by the collapse of Silicon Valley Bank, Credit Suisse, and First Republic. Given the positive effect of high interest rates on the results of F&M Bank, we still expect record earnings-per-share of \$122.00 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 14.2%, 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 14.7%, which is attributable to the 5.0% growth rate, the current 1.8% dividend yield, and a valuation tailwind of 8.0%. The stock trades for just 8.1 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:** 14.0%

## 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 \$303 million market cap and boasts a 30-year dividend increase streak.

Enterprise posted first-quarter earnings on April 23<sup>rd</sup>, 2024. Loans grew 13% and deposits rose 1% over the prior year's quarter. Net interest margin contracted from 3.76% to 3.20% and net interest income decreased 12% due to higher deposit costs. As a result, earnings-per-share decreased 27%, from \$0.88 to \$0.64. It was the second-worst quarter in 3 years for the bank due to high deposit costs, which have resulted from 16-year high interest rates. In the near term, Enterprise is likely to maintain lackluster business performance due to the headwind from high deposit costs. However, we remain confident in the long-term prospects of this exemplary bank, which has proved essentially immune to downturns thanks to its conservative and resilient business model.

## Safety & Dividend Risk Analysis

As mentioned above, Enterprise has grown its dividend for three consecutive decades. This is an impressive streak regardless of industry, but especially for banks. Enterprise has been prudently managed over time; hence it has continued raising its dividend during all kinds of downturns, including the Great Recession and the pandemic.

Enterprise has grown its dividend at an average annual rate of 7% over the last decade. 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 the business model of the bank.

## Growth, Value & Expected Total Return Analysis

We forecast 4.0% earnings-per-share growth going forward, which we believe will result primarily from a higher branch count, and the higher deposits and loans accompanying it. The bank has grown its earnings-per-share by 8.9% per year on average over the last decade, but we do not believe that level of growth is reasonable for Enterprise at the moment.

Enterprise is currently trading for a price-to-earnings ratio of just 8.6. We believe 12.0 is a fair earnings multiple. As a result, we expect the valuation multiple to add 6.8% to expected total returns over the next 5 years. Also given 4.0% expected growth and a 3.8% starting dividend yield, the stock is expected to offer a total average annual return of 14.0% over the next five years.

## PPG Industries Inc. (PPG)

**Dividend Risk Score:** A

**5-Year Expected Annual Total Returns:** 14.1%

### 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 20<sup>th</sup>, 2023, PPG Industries raised its quarterly dividend 4.8% to \$0.65, extending the company's dividend growth streak to 52 consecutive years.

On April 18<sup>th</sup>, 2024, PPG Industries reported first-quarter results for the period ending March 31<sup>st</sup>, 2024. Revenue fell 1.6% to \$4.31 billion while adjusted earnings-per-share of \$1.86 compared favorably to \$1.82 in the prior year.

First quarter organic growth decreased 2%, or just 1% when excluding a large customer purchase in the prior year. Performance Coatings revenue was lower by 1% to \$2.61 billion while Industrial Coatings decreased 3% to \$1.7 billion.

PPG Industries expects adjusted earnings-per-share to be in a range of \$8.34 to \$8.59 for the year. At the midpoint, this would be a 10.4% increase from the prior year.

### 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 2.0% currently, which is one of the highest yields for the stock in the last decade. This is also above the average yield of the S&P 500 Index.

### 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. With shares trading at 15.5 times estimates, this implies a valuation tailwind. Multiple expansion could add 4.2% to annual returns through 2029.

Combined with our expected growth rate and current yield, total returns could reach 14.1% annually for the next five years.

## **Johnson & Johnson (JNJ)**

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 12.5%**

### **Overview & Current Events**

Johnson & Johnson is a diversified health care company and a leader in the area of innovative medicine and medical devices. Johnson & Johnson was founded in 1886 and employs more than 130,000 around the world. The company is projected to generate close to \$89 billion this year.

On April 16<sup>th</sup>, 2024, Johnson & Johnson announced that it was increasing its quarterly dividend 4.2% to \$1.24, extending the company's dividend growth streak to 62 consecutive years.

Also, on April 16<sup>th</sup>, 2024, the company announced first-quarter results. Revenue for the quarter grew 2.3% to \$21.4 billion while adjusted earnings-per-share of \$2.71 compared to \$2.68 in the prior year. Excluding COVID-19 related sales, revenue increased 7.7% for the quarter. Innovative Medicines was higher by 1.1% on a reported basis and 8.3% when excluding currency exchange. Infectious Disease was weaker for the period, but this was due to far fewer COVID-19 vaccine sales. Oncology, led by Darzalex, continues to perform well. MedTech revenue was up 4.5% on a reported basis and 6.3% in constant currency. Johnson & Johnson provided revised guidance for 2024 as well. The company now expects revenue in a range of \$88.7 billion to \$89.1 billion and adjusted earnings-per-share in a range of \$10.60 to \$10.75. Both totals are up from prior guidance.

On May 1<sup>st</sup>, 2024, Johnson & Johnson announced that it proposed to settle virtually all of its ovarian cancer claims related to its talc products for \$6.5 billion.

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

Health care is typically seen as a defensive sector as these products are often in demand even in economic downturns. Johnson & Johnson has navigated recessions very well, as evidence by its 21% increase in earnings-per-share from 2007 to 2009. The company did struggle slightly during the worst of the COVID-19 pandemic but established a new high for earnings-per-share in 2021.

Johnson & Johnson has increased its dividend for 62 consecutive years, which is one of the longest dividend growth streaks in the marketplace. The projected payout ratio for 2024 is a very reasonable 46%. We expect the growth streak to continue.

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

Johnson & Johnson grew earnings-per-share at a rate of 6.3% annually over the last decade. We forecast earnings growth of 6% per year through 2029.

Shares trade at 14.1 times earnings estimates for the year, which is below our target P/E of 17. Reaching our target valuation by 2029 would add 3.8% to annual returns for the period.

Therefore, we project that Johnson & Johnson will return 12.5% annually over the next five years due to earnings growth of 6%, a starting yield of 3.3%, and a tailwind from multiple expansion.



## Bank OZK (OZK)

**Dividend Risk Score:** A

**5-Year Expected Annual Total Returns:** 13.0%

### 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 \$5.3 billion market cap bank was founded in 1903 and is headquartered in Little Rock, AR.

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

In mid-April, Bank OZK reported (4/17/24) financial results for Q1 2024. Total loans and deposits grew 27% and 32%, respectively, over last year's quarter. Net interest income grew 9% over the prior year's quarter, in sharp contrast to most banks, which incurred a decline in net interest income due to higher costs of deposits. Earnings-per-share grew 6%, from \$1.42 to a new all-time high of \$1.51, and exceeded the analysts' consensus by \$0.05.

Bank OZK is an exemplary bank and hence we are confident that it will not be affected by the turmoil related to regional banks. Management still expects new all-time high earnings-per-share in 2024.

### 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 26% 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 7.4 times our estimate of 2024 earnings. Our fair value multiple is 11.0 times earnings, indicating the potential for an 8.1% 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 13.0% annual total returns.

## Target Corp. (TGT)

**Dividend Risk Score:** A

**5-Year Expected Annual Total Returns:** 12.2%

### Overview & Current Events

Target was founded in 1902 and it has operations solely in the U.S. market, after a failed attempt to expand into Canada. Its business consists of about 1,850 big box stores, which offer general merchandise and food, and they also serve as distribution points for the company's burgeoning e-commerce business.

Target posted fourth quarter results on March 5<sup>th</sup>, 2024. Its revenue grew just 1.7% over the prior year's period. However, thanks to lower markdowns and other inventory costs as well as lower freight costs, gross margin expanded from 22.7% to 25.6% and operating margin expanded from 3.7% to 5.8%. This is a great increase in margins in the retail industry, which is characterized by razor-thin margins. Earnings-per-share jumped 58%, from \$1.89 to \$2.98, thus exceeding analysts' estimates by an impressive \$0.57. The 12% decrease in inventory levels, which helped the retailer reduce its markdowns, bodes well for performance in the upcoming quarters. We expect Target to achieve earnings-per-share of about \$9.35 in fiscal 2024. If this proves correct, it will mark the best performance of the company in the last three years.

### Safety & Dividend Risk Analysis

Target's competitive advantage comes from its everyday low prices on attractive merchandise in its guest-friendly stores. However, given the ongoing price war in the retail sector, Target's moat is not wide. On the bright side, Target is investing heavily in its business in order to navigate through the changing landscape in the retail sector. It has also proved resilient to recessions thanks to the essential nature of its goods and the fact that consumers spend more time at home during rough economic periods. Target's resilience is clearly reflected in its 55-year dividend growth streak, which renders the company a Dividend King.

The payout ratio is somewhat high compared to historical levels, at 47%, but it provides a wide margin to the dividend, particularly given the defensive business model of the company.

### Growth, Value & Expected Total Return Analysis

Target has grown its earnings-per-share at an average annual rate of 8.6% over the last decade. Due to fierce competition and the failed attempt to expand to Canada, earnings-per-share remained almost flat from 2012 to 2017. However, turnaround efforts have borne fruit. Target has significantly improved its performance in recent years. We expect the retailer to expand its margins and thus grow its earnings-per-share by about 10% per year on average over the next five years.

Shares are presently trading hands at 16.9 times our estimate of earnings in 2024. Our fair value multiple is 17.0 times earnings, indicating the potential for a marginal 0.1% annual tailwind from valuation expansion over the next five years. When combined with the 2.8% starting dividend yield and 10.0% anticipated growth of earnings-per-share, this implies the potential for an annual total return of 12.2%.

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

**Dividend Risk Score: A**

**5-Year Expected Annual Total Returns: 12.4%**

### **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 \$326 million.

On April 18<sup>th</sup>, 2024, Westamerica Bancorporation reported Q1 2024 results. For the quarter, revenue declined 4.9% to \$76.2 million while GAAP earnings-per-share of \$1.37 compared to \$1.51 in the prior year.

As of the end of the quarter, nonperforming loans increased 362% to \$957,000 but represented just 0.1% of total loans. First quarter results included provisions for credit losses of \$300,000 compared to a reversal of provision for credit losses of \$1.55 million.

Total loans declined 9.8% to \$853.6 million Net interest income was \$66.1 million, which compares to \$69.7 million for the fourth quarter of 2023 and \$69.6 million in the first quarter of 2023. Net interest margin of 4.30% compared to 4.41% in the fourth quarter of 2023 and 4.18% in the first quarter of 2023. Average total deposits declined 11.3% to \$5.4 billion. We expect 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 9.0 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 7.7% to annual returns over this period. In total, we expect that Westamerica Bancorp. could return 12.4% per year through 2029, stemming from 2.0% earnings growth, a 3.7% starting yield, and a tailwind from multiple expansion.

## **Brady Corp. (BRC)**

**Dividend Risk Score: A**

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

### **Overview & Current Events**

Brady Corp. was founded in 1914, generates annual revenue of approximately \$1.3 billion, and has a market capitalization of \$2.9 billion. The company manufactures and markets specialty materials. Brady Corp.'s reportable segments are made up of geographic regions as opposed to product lines. This includes the Americas & Asia and Europe & Australia. The company's products include absorbents, labels, pipes and valves, signs, tapes, tags, and printers.

On September 4<sup>th</sup>, 2023, Brady Corporation increased its quarterly dividend 2.2% to \$0.235, extending the company's dividend growth streak to 38 consecutive years.

On February 22<sup>nd</sup>, Brady Corp. announced results for the second quarter of fiscal year 2024. Revenue fell 1.1% to \$322.6 million while adjusted earnings-per-share of \$0.93 compared favorably to \$0.76 in the prior year. Organic revenue improved 1.6% for the quarter, led by a 2.5% increase in the Europe & Australia region and a 1.2% gain in the Americas & Asia region. Gross profit margin expanded 220 basis points to 50.2% and the company returned \$22.7 million to shareholders through share repurchases and dividends during the period.

Brady Corp. provide guidance for the fiscal year as well, with the company now expected adjusted earnings-per-share to be in a range of \$3.95 to \$4.10.

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

Brady Corp. is a leader in its industry, despite its smaller size. The company also uses research and development to augment its core businesses. Brady Corp. did remain profitable during the 2007 to 2009 period, but earnings-per-share fell 14.5% during this time. It took until fiscal 2019 for the company to establish a new high for earnings-per-share. However, earnings-per-share have increased nearly every year since.

While dividend growth has been low at less than 2% annually over the last decade, Brady Corp. has increased its dividend for nearly four decades. This qualifies the company as a Dividend Champion. The expected payout ratio for this fiscal year is very low at 23%, meaning that the dividend is likely very safe, and it should be expected to grow in future years.

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

We project that Brady Corp. can grow earnings-per-share by a rate of 5% per year through fiscal year 2029. This is half the growth rate that the company produced over the last half-decade, but earnings-per-share are also starting from a much higher base.

Shares are trading at 14.6 times expected earnings-per-share, below our target valuation of 19 times earnings. Reaching our target valuation could add 5.4% to annual returns over this period.

Combining our expected growth rate, multiple expansion, and the 1.6% starting dividend yield lead to a projected total annual return of 11.7% through fiscal year 2029.

## **Black Hills Corp. (BKH)**

**Dividend Risk Score:** A

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

### **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 \$3.8 billion market cap.

Black Hills Corp. Q4 and full year 2023 results on February 7<sup>th</sup>. 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 14.3, compared to our target multiple of 17.0, implying a 3.5% annual tailwind from multiple expansion over the next five years. Black Hills is expected to produce annual total returns of 11.4% through 2029, stemming from a 4.0% earnings growth rate, the starting yield of 4.7%, 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. Gorman-Rupp Co. (GRC): 2.2%
2. Sonoco Products Co. (SON): 3.7%
3. SJW Group (SJW): 2.9%
4. Roche Holding AG (RHHBY): 4.5%
5. Farmers & Merchants Bancorp (FMCB): 1.8%
6. Enterprise Bancorp, Inc. (EBTC): 3.9%
7. PPG Industries, Inc. (PPG): 2%
8. 3M Co. (MMM): 6.1%
9. Bank OZK (OZK): 3.4%
10. Sysco Corp. (SYY): 2.8%
11. Matthews International Corp. (MATW): 3.6%
12. Johnson & Johnson (JNJ): 3.3%
13. Target Corp (TGT): 2.8%
14. Westamerica Bancorporation (WABC): 3.7%
15. Automatic Data Processing Inc. (ADP): 2.3%
16. Archer Daniels Midland Co. (ADM): 3.4%
17. Brady Corp. (BRC): 1.6%
18. Medtronic Plc (MDT): 3.4%
19. Black Hills Corporation (BKH): 4.7%
20. S&P Global Inc (SPGI): 0.9%
21. Polaris Inc (PII): 3.2%
22. Lowe's Cos., Inc. (LOW): 1.9%
23. Chesapeake Financial Shares Inc (CPKF): 3.7%
24. Tootsie Roll Industries, Inc. (TR): 1.2%
25. Tompkins Financial Corp (TMP): 5.3%
26. Atmos Energy Corp. (ATO): 2.7%
27. FactSet Research Systems Inc. (FDS): 0.9%
28. National Fuel Gas Co. (NFG): 3.7%
29. Brown & Brown, Inc. (BRO): 0.6%
30. Becton Dickinson & Co. (BDX): 1.6%
31. Universal Corp. (UVV): 6.1%
32. Stryker Corp. (SYK): 1%
33. SEI Investments Co. (SEIC): 1.4%
34. Community Trust Bancorp, Inc. (CTBI): 4.3%
35. Brown-Forman Corp. (BF.B): 1.8%
36. Franklin Resources, Inc. (BEN): 5.4%
37. Cincinnati Financial Corp. (CINF): 2.8%
38. Genuine Parts Co. (GPC): 2.6%
39. ABM Industries Inc. (ABM): 2%
40. Nordson Corp. (NDSN): 1%
41. Roper Technologies Inc (ROP): 0.6%
42. Cullen Frost Bankers Inc. (CFR): 3.5%
43. PepsiCo Inc (PEP): 3.1%
44. Middlesex Water Co. (MSEX): 2.5%
45. Coca-Cola Co (KO): 3.1%
46. Donaldson Co. Inc. (DCI): 1.4%
47. Graco Inc. (GGG): 1.3%
48. Abbott Laboratories (ABT): 2.1%
49. Hormel Foods Corp. (HRL): 3.2%
50. Colgate-Palmolive Co. (CL): 2.2%
51. RenaissanceRe Holdings Ltd (RNR): 0.7%
52. Eagle Financial Services, Inc. (EFSI): 4.2%
53. Walmart Inc (WMT): 1.4%
54. McDonald's Corp (MCD): 2.4%
55. Emerson Electric Co. (EMR): 2%
56. RPM International, Inc. (RPM): 1.7%
57. W.W. Grainger Inc. (GWW): 0.9%
58. Lancaster Colony Corp. (LANC): 1.9%
59. California Water Service Group (CWT): 2.2%
60. Tennant Co. (TNC): 1%
61. Illinois Tool Works, Inc. (ITW): 2.3%
62. Canadian National Railway Co. (CNI): 2%
63. A.O. Smith Corp. (AOS): 1.5%
64. Dover Corp. (DOV): 1.1%
65. Jack Henry & Associates, Inc. (JKHY): 1.4%
66. MSA Safety Inc (MSA): 1%
67. Andersons Inc. (ANDE): 1.4%
68. ITT Inc (ITT): 1%
69. Church & Dwight Co., Inc. (CHD): 1.1%

70. Albemarle Corp. (ALB): 1.3%
  71. First Farmers Financial Corp (FFMR): 2.7%
  72. Consolidated Edison, Inc. (ED): 3.5%
  73. Sherwin-Williams Co. (SHW): 0.9%
  74. Pentair plc (PNR): 1.2%
  75. American States Water Co. (AWR): 2.4%
  76. United Bankshares, Inc. (UBSI): 4.4%
  77. Franklin Electric Co., Inc. (FELE): 1%
  78. H.B. Fuller Company (FUL): 1.2%
  79. Kenvue Inc (KVUE): 4.2%
  80. PSB Holdings Inc (WI) (PSBQ): 3%
  81. Bancfirst Corp. (BANF): 1.9%
  82. Caterpillar Inc. (CAT): 1.6%
  83. Lincoln Electric Holdings, Inc. (LECO): 1.3%
  84. General Dynamics Corp. (GD): 2%
  85. Federal Realty Investment Trust. (FRT): 4.2%
  86. AbbVie Inc (ABBV): 3.8%
  87. Aflac Inc. (AFL): 2.4%
  88. Cintas Corporation (CTAS): 0.8%
  89. Parker-Hannifin Corp. (PH): 1.2%
  90. McGrath RentCorp (MGRC): 1.8%
  91. Procter & Gamble Co. (PG): 2.5%
  92. Stepan Co. (SCL): 1.8%
  93. Badger Meter Inc. (BMD): 0.6%
  94. Chubb Limited (CB): 1.4%
  95. MGE Energy, Inc. (MGEE): 2.2%
  96. Ecolab, Inc. (ECL): 1%
  97. Carlisle Companies Inc. (CSL): 0.9%
  98. AptarGroup Inc. (ATR): 1.2%
  99. Linde Plc. (LIN): 1.3%
  100. Commerce Bancshares, Inc. (CBSH): 1.9%
  101. Nucor Corp. (NUE): 1.3%
  102. 1st Source Corp. (SRCE): 2.7%
  103. Expeditors International of Washington, Inc. (EXPD): 1.2%
  104. Cardinal Health, Inc. (CAH): 2%
  105. Exxon Mobil Corp. (XOM): 3.3%
  106. RLI Corp. (RLI): 0.8%
  107. West Pharmaceutical Services, Inc. (WST): 0.2%
8. First Of Long Island Corp. (FLIC): 8.5%
  9. Altria Group Inc. (MO): 8.9%
  10. Norwood Financial Corp. (NWFL): 4.9%
  11. NextEra Energy Inc (NEE): 3%
  12. Novartis AG (NVS): 3.8%
  13. Canadian Utilities Ltd. (CDUAF): 6.1%
  14. J.M. Smucker Co. (SJM): 3.7%
  15. Artesian Resources Corp. (ARTNA): 3.2%
  16. Northwest Natural Holding Co (NWN): 5.1%
  17. Essential Utilities Inc (WTRG): 3.3%
  18. Clorox Co. (CLX): 3.4%
  19. Realty Income Corp. (O): 5.7%
  20. Entergy Corp. (ETR): 4.2%
  21. NNN REIT Inc (NNN): 5.6%
  22. Air Products & Chemicals Inc. (APD): 3%
  23. T. Rowe Price Group Inc. (TROW): 4.5%
  24. McCormick & Co., Inc. (MKC): 2.3%
  25. Essex Property Trust, Inc. (ESS): 4%
  26. UGI Corp. (UGI): 5.8%
  27. Kimberly-Clark Corp. (KMB): 3.6%
  28. John Wiley & Sons Inc. (WLY): 3.7%
  29. Northeast Indiana Bancorp Inc. (NIDB): 4.5%
  30. Old Republic International Corp. (ORI): 3.5%
  31. RTX Corp (RTX): 2.3%
  32. Thomson-Reuters Corp (TRI): 1.4%
  33. UMB Financial Corp. (UMBF): 2%
  34. Fastenal Co. (FAST): 2.3%
  35. Community Bank System, Inc. (CBU): 4.1%
  36. International Business Machines Corp. (IBM): 4%
  37. NACCO Industries Inc. (NC): 3.2%
  38. York Water Co. (YORW): 2.3%
  39. Stanley Black & Decker Inc (SWK): 3.5%
  40. Chevron Corp. (CVX): 4.1%
  41. Erie Indemnity Co. (ERIE): 1.3%

## B-Rated Dividend Risk Securities

1. Eversource Energy (ES): 4.6%
2. Universal Health Realty Income Trust (UHT): 8.1%
3. Enbridge Inc (ENB): 7.6%
4. Enterprise Products Partners L P (EPD): 7.4%
5. Fortis Inc. (FTS): 4.4%
6. Southside Bancshares Inc (SBSI): 5.3%
7. New Jersey Resources Corporation (NJR): 3.8%

## C-Rated Dividend Risk Securities

1. Arrow Financial Corp. (AROW): 4.6%
2. Sanofi (SNY): 4.1%
3. Calvin b. Taylor Bankshares, Inc. (TYCB): 3.2%
4. C.H. Robinson Worldwide, Inc. (CHRW): 3.4%

## D-Rated Dividend Risk Securities

1. Leggett & Platt, Inc. (LEG): 13.9%

## F-Rated Dividend Risk Securities

1. Telephone And Data Systems, Inc. (TDS): 4.8%

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### Disclaimer

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.