

FIRST CUT: STOCKS

The First Cut is designed as a starting point, showing the top stocks that pass relatively simple screens of interest to individual investors.

Stocks With Consistent Dividend Increases and Positive Free Cash Flow

Investors seek out dividend-paying stocks as a steady source of portfolio income with the added benefit of downside protection during market downturns. This First Cut seeks out domestic, exchange-listed stocks that have consistently raised their annual dividend payment over the last seven years while maintaining positive free cash flow over each of the last seven years.

Free cash flow is calculated by examining cash flow from operations (measure of a firm's ability to generate cash from day-to-day operations) and then subtracting capital expenditures (capex) and dividend payments.

Companies passing this screen must also be currently paying a lower percentage of earnings as dividends (dividend payout ratio) than their seven-year average.

The 14 nonfinancial and 14 financial stocks with the highest dividend yields (annual dividend payment divided by price) and with a current dividend yield above their seven-year average yield made the First Cut. Financials are segmented from stocks in other sectors because their financial statements are not comparable with firms in other industries. ■

—John Bajkowski, AAI president

Stocks With Consistent Dividend Increases and Positive Free Cash Flow

(Ranked by Dividend Yield)

Company	Ticker	Div Yield		Ind Div (\$/Shr)	Free Cash Flow (\$/Shr)	5-Yr Annual Growth Rate (%)			Share Price 8/9/24 (\$/Shr)	52-Wk Price Change (%)	Industry
		Current (%)	7-Yr Avg (%)			Div	Free Cash Flow	EPS			
Nonfinancials											
Kimberly-Clark Corp.	KMB	3.5	3.4	4.88	3.74	3.4	11.6	3.6	140.32	9.8	Personal Products
Sirius XM Holdings Inc.	SIRI	3.4	1.1	0.11	0.21	17.1	(6.2)	4.7	3.14	(35.7)	Broadcasting
Comcast Corp.	CMCSA	3.2	2.2	1.24	2.44	8.8	2.9	7.9	39.08	(13.7)	Telecom Servs - Wireless
Johnson & Johnson	JNJ	3.1	2.7	4.96	3.52	5.8	(5.2)	(1.5)	160.62	(7.2)	Pharmaceuticals
Sysco Corp.	SYU	2.7	2.4	2.04	1.89	7.3	8.4	6.2	75.63	2.9	Food Retail & Distribution
McDonald's Corp.	MCD	2.5	2.4	6.68	3.26	8.3	24.7	8.7	267.91	(7.1)	Restaurants & Bars
Microchip Technology Inc.	MCHP	2.4	1.7	1.82	1.98	18.2	7.0	36.4	76.09	(9.5)	Semiconductors
Celanese Corp.	CE	2.2	2.1	2.80	7.47	6.1	6.2	15.1	126.50	0.2	Chemicals - Specialty
Honeywell International Inc.	HON	2.2	2.1	4.32	3.91	6.4	(13.3)	0.2	198.23	4.8	Consumer Goods Conglomerates
Lowe's Companies Inc.	LOW	2.0	1.8	4.60	10.03	19.3	7.3	35.9	235.83	7.4	Retailers - Home Improve
Abbott Laboratories	ABT	2.0	1.8	2.20	1.12	12.7	(12.3)	18.6	108.71	3.2	Medical Equip, Supply & Distrib
Becton Dickinson and Co.	BDX	1.6	1.4	3.80	7.27	3.9	(2.5)	11.0	235.90	(16.2)	Medical Equip, Supply & Distrib
Innospec Inc.	IOSP	1.4	1.3	1.48	5.86	9.6	14.8	7.0	106.41	(0.8)	Chemicals - Specialty
Amphenol Corp.	APH	1.1	1.0	0.66	1.43	14.1	24.9	8.5	62.62	41.6	Electronic Equipment & Parts
Financials											
Peoples Bancorp Inc.	PEBO	5.4	4.2	1.60	2.34	6.7	(1.7)	7.7	29.37	5.8	Banks
Horace Mann Educators Corp.	HMN	4.0	3.1	1.36	5.02	3.0	10.2	19.9	33.74	17.5	Insurance - Property & Casualty
Choiceone Financial Services	COFS	4.0	3.4	1.08	5.44	8.1	39.0	6.8	26.80	8.4	Banks
Fulton Financial Corp.	FULT	3.9	3.4	0.68	1.87	5.7	6.3	6.8	17.27	22.7	Banks
CNA Financial Corp.	CNA	3.6	3.3	1.76	5.02	5.3	43.5	8.2	49.16	19.6	Insurance - Property & Casualty
Westamerica Bancorp	WABC	3.6	2.9	1.76	4.06	1.5	17.0	17.8	48.57	(0.9)	Banks
Mercantile Bank Corp.	MBWM	3.5	3.4	1.44	3.26	7.6	7.6	15.2	41.53	17.4	Banks
ACNB Corp.	ACNB	3.4	3.0	1.28	2.99	5.1	2.6	3.7	37.35	9.1	Banks
Cadence Bank	CADE	3.4	2.6	1.00	2.30	9.4	4.2	(15.0)	29.63	17.4	Banks
First Commonwealth Financial	FCF	3.3	3.1	0.52	0.81	7.2	(3.5)	7.4	15.99	13.7	Banks
Hanover Insurance Group Inc.	THG	2.6	2.2	3.40	10.49	8.1	(11.8)	(30.1)	132.94	19.9	Insurance - Property & Casualty
Peoples Bancorp of NC	PEBK	2.6	2.3	0.76	2.50	7.9	6.5	4.5	28.69	40.0	Banks
Home Bancorp, Inc.	HBCP	2.6	2.3	1.00	4.57	7.1	0.3	8.5	39.21	13.3	Banks
1st Source Corp.	SRCE	2.5	2.4	1.44	5.95	6.3	7.4	10.0	57.04	18.7	Banks

Source: AAI Stock Investor Pro, LSEG Data & Analytics and I/B/E/S. Data as of 8/9/2024.