Top 10 Dividend Elite

Top Dividend Picks With 25+ Years of Rising Dividends

October 2024 Edition

A monthly special report service from Sure Dividend

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Top 10 Dividend Elite – October 2024

Name & Ticker	Div. Risk Score	Price	Fair Value	# Years Div. Inc	Div. Yield	Exp. Growth Return	Exp. Value Return	Exp. Total Return
Farmers & Merch. (FMCB)	A	$970	$1,464	59	1.8%	5.0%	8.6%	15.2%
Bank OZK (OZK)	A	$42	$67	30	3.9%	2.0%	9.8%	14.9%
SJW Group (SJW)	A	$57	$71	56	2.8%	8.0%	4.4%	14.8%
PPG Industries (PPG)	A	$128	$156	53	2.1%	8.0%	4.1%	14.0%
Sysco (SYY)	A	$76	$92	53	2.7%	7.0%	3.9%	13.2%
Target (TGT)	A	$150	$162	56	3.0%	9.0%	1.6%	13.0%
Genuine Parts (GPC)	A	$137	$160	68	2.9%	7.0%	3.2%	12.8%
Westamerica Ba. (WABC)	A	$48	$68	30	3.7%	2.0%	7.4%	12.2%
Tennant Company (TNC)	A	$91	$114	53	1.2%	6.0%	4.6%	11.9%
Automatic Data (ADP)	A	$285	$290	49	2.0%	9.0%	0.4%	11.1%

Notes: *Data for the table above is from the 10/4/24 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's Real Money Portfolio is long FMCB, OZK, SJW, PPG & WABC, and will buy additional shares of SJW on 10/8/24. Ben Reynolds is long FMCB & PPG.*

There were 2 changes in this month's Top 10 versus last month's Top 10. FactSet Research Systems (FDS) and Chesapeake Financial Shares (CPKF) were replaced by Westamerica Bancorp. (WABC) and Tennant Co. (TNC).

The Top 10 has the following average characteristics:

	Top 10 Dividend Elite	S&P 500[1]
Dividend Yield:	2.6%	1.3%
Growth Rate:	6.3%	5.5%
Valuation Return:	4.8%	-0.9%
Expected Annual Total Returns:	13.3%	5.8%

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

Note: Data for this report is from 10/1/24 through 10/4/24.

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

Farmers & Merchants Bancorp (FMCB)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 15.2%

Overview & Current Events

Farmers & Merchants Bancorp is a small community bank with 32 locations in California. It is a traditional bank, as its business is focused on taking in deposits and lending them profitability. It was founded in 1916, generates about $225 million in annual revenue, and has a current market cap of $717 million. Further, the company has paid dividends to shareholders for 89 consecutive years and has raised its dividend for 59 years. Given that longevity, the company is a part of the elite Dividend Kings club.

On July 17th, 2024, F&M Bank reported results for the second quarter of fiscal 2024. It grew its earnings-per-share 5% over the prior year's quarter, from $28.03 to $29.39. It posted 5% growth of loans and flat deposits. Net interest income dipped 3% due to a contraction of net interest margin from 4.28% to 3.91% amid increased deposit costs.

Management remains optimistic for the foreseeable future, as the bank enjoys one of the widest net interest margins in its sector. 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 business momentum of F&M Bank, we 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 14.6%, 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.

The stock has a payout ratio of 14%, which means that dividend safety is outstanding. Growth in the payout has been modest in recent years and is unlikely to change.

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 from the relatively new branch in Oakland. 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 15.2%, which is attributable to the 5.0% growth rate, the current 1.8% dividend yield, and a valuation tailwind of 8.6%. The stock trades for just 8.0 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.

Bank OZK (OZK)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 15.1%

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 $4.7 billion market cap bank was founded in 1903 and is headquartered in Little Rock, AR.

On July 17th, 2024, Bank OZK reported financial results for the second quarter of 2024. Total loans and deposits grew 21.5% and 25%, 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 3%, from $1.47 to a new all-time high of $1.52, though they missed the analysts' consensus by $0.01. Bank OZK has exceeded the analysts' consensus in 15 of the last 17 quarters.

Bank OZK has posted record earnings-per-share and record net interest income for 7 and 8 consecutive quarters, respectively. Management still expects new all-time high earnings-per-share in 2024.

On October 1st, 2024, Bank OZK announced a $0.41 quarterly dividend, representing a 2.5% raise over the last quarter's payment and a 10.8% raise year-over-year. This marks the company's 57th consecutive *quarter* of raising its dividend.

Safety & Dividend Risk Analysis

Bank OZK remained profitable during the Great Recession and managed to grow its earnings and dividends as well. It also managed to grow its dividend in 2020, though earnings-per-share declined 32% before reaching new all-time highs in 2021, 2022, and 2023. Earnings-per-share are expected to reach new all-time highs in 2024 as well.

The bank has managed to raise 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 27% 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 16.2% average annual growth rate of Bank OZK over the last decade but is warranted due the high comparison base.

Shares are presently trading hands at just 6.8 times our estimate of 2024 earnings. Our fair value multiple is 11.0 times earnings, indicating the potential for a 10.0% annual tailwind from valuation expansion over the next 5 years. When combined with the 3.9% starting dividend yield and 2.0% anticipated growth, this implies the potential for 15.1% annual total returns.

SJW Group (SJW)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 14.5%

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 $1.9 billion.

On July 25th, 2024, SJW Group reported second-quarter results for the period ending June 30th, 2024. For the quarter, revenue grew 12.3% to $176.2 million, topping estimates by $10.2 million. Earnings-per-share of $0.66 compared favorably to earnings-per-share of $0.58 in the prior year and was $0.08 more than expected.

As with prior periods, revenue growth was mostly due to the company's California business, which benefited from higher water rates while an increase in customers aided the Texas business. Higher rates overall added $13 million to results while higher customer usage added $3.8 million. Operating production expenses totaled $135.6 million, an 8% increase from the prior year.

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 water which is perhaps the most essential of all utility services. 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 4.2% tailwind from valuation multiple expansion (we see SJW as undervalued based on its 21.2 price-to-earnings ratio versus our 26.0 fair value price-to-earnings ratio estimate), and the 2.8% dividend yield, we forecast total returns of 14.5% for SJW going forward.

PPG Industries Inc. (PPG)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 13.5%

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 $30 billion and generates annual revenue in excess of $18 billion.

On July 18th, 2024, PPG Industries raised its quarterly dividend 4.6% to $0.68, extending the company's dividend growth streak to 53 consecutive years.

Also, on July 18th, 2024, PPG Industries reported second-quarter results for the period ending June 30th, 2024. Revenue decreased 1.6% to $4.79 billion while adjusted earnings-per-share of $2.50 compared favorably to $2.25 in the prior year.

Second-quarter organic growth was flat compared to the prior year. Performance Coatings revenue of $3.048 billion was unchanged from the prior year while Industrial Coatings fell 5% to $1.746 billion.

PPG Industries expects adjusted earnings-per-share to be in a range of $8.15 to $8.30 for the year, down from $8.34 to $8.59 previously.

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 33%, meaning that the dividend is likely to continue to grow in the years ahead.

Growth, Value & Expected Total Return Analysis

PPG Industries' earnings-per-share have increased by 7.4% annually over the last decade. We forecast that the company can grow earnings-per-share by 8.0% per year through 2029 given the strength of its business model and its ability to raise prices without seeing a drastic decline in volume.

Shares of the company currently trade with a price-to-earnings ratio of 15.7. Our target multiple is 19.0 times earnings. Reaching our target valuation by 2029 would add 3.6% to annual returns over this period.

In total, we project that PPG Industries will provide a total annual return of 13.5% through 2029. This stems from earnings growth of 8.0%, a starting dividend yield of 2.1%, and a tailwind from multiple expansion.

Sysco Corp. (SYY)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.8%

Overview & Current Events

Sysco Corp. is the largest wholesale food distributor in the United States and is expanding internationally. The company was founded in Houston, Texas, in 1969 and now serves about 600,000 locations with food delivery, including restaurants, hospitals, schools, hotels, and other facilities. According to estimates, the company has a 16% market share of total food delivery within the United States. The company has about 67,000 employees and a $38 billion market capitalization.

On July 30th, 2024, Sysco announced its fourth-quarter results and full-year results, with numbers coming in strong. Revenues for the quarter rose by 4.2%, supported by a 3.5% growth in U.S. Foodservice volume.

The company's gross profit increased 4.2% to $3.8 billion, while operating income saw a modest increase of 1.2%, reaching $977 million. Additionally, adjusted EBITDA grew by 5.4% to $1.3 billion, and adjusted earnings-per-share (EPS) climbed by 3.7% to $1.39.

For the full fiscal year, Sysco's adjusted EPS increased by 7.5% to $4.31. The company also reported a 4.2% rise in cash flow from operations, reaching $3.0 billion, with free cash flow improving by 5.6% to $2.2 billion. For FY2024, we expect further growth in (adjusted) EPS, which we expect to reach $4.60.

Safety & Dividend Risk Analysis

We believe that Sysco can be viewed as a relatively safe investment due to its position as a leading global foodservice distributor, which provides it with a stable and recurring revenue stream from a broad and diversified customer base. Its strong market presence and ability to pass on costs to customers help protect against economic fluctuations, contributing to its financial stability.

On the dividend front, Sysco has a solid history of consistently increasing dividends, supported by steady cash flow generation. The company has historically maintained a prudent payout ratio, which is currently at 45%.

Growth, Value & Expected Total Return Analysis

Sysco has increased earnings by 18% annually over the past five years and 9.9% over the past nine years, respectively. We expect earnings growth of 7.0% annually over the next five years, to be powered by a mix of organic growth, bolt-on acquisitions, and buybacks.

Based on our growth estimate, a 3.5% tailwind from valuation multiple expansion (we see SYY as undervalued based on its 16.8 price-to-earnings ratio versus our 20.0 fair value price-to-earnings ratio estimate), and a 2.7% dividend yield, we forecast total returns of 12.8% for SYY going forward.

Target Corp. (TGT)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.8%

Overview & Current Events

Target was founded in 1902 and operates in the U.S. 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. The company currently has a $68 billion market cap.

Target reported its second-quarter earnings on August 21st, 2024, with numbers coming in strong. Adjusted earnings-per-share (EPS) reached $2.57, beating estimates by 39 cents. Revenue increased by 2.7% year-over-year to $25.45 billion, surpassing expectations by $240 million.

Specifically, comparable sales rose 2%, beating the 1.1% consensus, with traffic up 3% and all six core merchandising categories growing. Digital sales jumped 8.7%, fueling further growth. The operating margin also improved to 6.4% from 4.8% a year ago, while the gross margin rose 190 basis points to 28.9%, thanks to cost improvements. For the full year, we project $9.50 in adjusted EPS, supported by an ongoing margin expansion.

Safety & Dividend Risk Analysis

Target's competitive advantage stems from its ability to offer everyday low prices on appealing merchandise within guest-friendly stores, which forms a unique shopping experience. The company is strategically investing in its business to stay ahead in the evolving retail landscape, demonstrating adaptability and foresight.

Target has also shown remarkable resilience during economic downturns, largely due to the essential nature of its products and the tendency of consumers to spend more time at home during challenging periods. This resilience is underscored by its impressive 56-year streak of dividend growth, earning it the status of a Dividend King. Finally, with a payout ratio of 47%, Target's dividend remains well-covered.

Growth, Value & Expected Total Return Analysis

Target has achieved an average annual growth rate of 8.0% in earnings-per-share over the past decade. Despite challenges such as intense competition and a failed expansion into Canada, which kept earnings-per-share relatively flat between 2012 and 2017, Target has since made a strong recovery. Recent turnaround efforts have led to notable performance improvements.

Looking ahead, we anticipate that Target will continue to expand its margins, driving an average annual EPS growth of approximately 9.0% through 2029.

Shares currently trade at 15.8 times estimated 2024 earnings, with a fair value multiple of 17.0, suggesting a potential 1.5% annual gain from valuation expansion. Combined with a 3.0% dividend yield and 9.0% earnings growth, this implies a potential annual return of 12.8%.

Genuine Parts Co. (GPC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.4%

Overview & Current Events

Genuine Parts Company, established in 1928, has evolved from a modest operation into a vast global conglomerate with a diversified portfolio that includes automotive and other industrial parts, electrical materials, and general business products. GPC serves a wide range of customers, including repair shops, service stations, and industrial businesses, globally. Its focus on customer service, product availability, and a large distribution network, have made it a leader in the space. The company has a market cap of $19 billion and employs roughly 60,000 people.

Genuine Parts reported its Q2 earnings on July 23rd, 2024, with the results disappointing investors, falling short of expectations in both revenue and profit. Revenue saw a slight increase to $6 billion, but still came in $40 million below forecasts. The sales growth included a 2.2% boost from acquisitions, which was partly offset by a 0.9% decline in comparable sales and a 0.5% negative impact from foreign exchange and other factors.

Adjusted net income stood at $342 million, remaining essentially unchanged from the same period last year. Also, Adjusted EPS came in at $2.44, missing estimates by $0.15.

Following the Q2 results, we now project adjusted earnings-per-share of $9.40.

Safety & Dividend Risk Analysis

Genuine Parts has historically maintained a payout ratio between 50% and 60% of EPS. With its current levels below this range, at 43%, we find the dividend to be quite safe. Dividend growth is expected to match EPS growth, keeping the ratio at healthy levels.

Moreover, we view the company's overall investment case as a robust one. Genuine Parts has several strengths, including its diverse customer base and focus on essential industrial products, which provide stability even during economic downturns. The company could experience earnings declines in recessions. Its defensive nature as a retailer/wholesaler of industrial staples, however, makes it a relatively safe dividend investment.

Growth, Value & Expected Total Return Analysis

Genuine Parts has shown consistent long-term EPS growth, driven by steady demand in its staple businesses and strategic acquisitions. We anticipate 7% annualized EPS growth over the next five years, supported by positive organic sales in its automotive segment and improved margins.

The company's shares currently trade at 14.8 times expected 2024 EPS, with a target multiple of 17.0 by 2029. Achieving this target could boost annual returns by 2.9%. We project a total annual return of 12.4% through 2029, driven by our expected 7.0% earnings growth, a 2.9% starting dividend yield, and a potential multiple expansion.

Westamerica Bancorp. (WABC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 12.2%

Overview & Current Events

Westamerica Bancorp. is the holding company for Westamerica Bank, a regional community bank with 79 branches in Northern and Central California. The company can trace its origins back to 1884. Westamerica offers various accounts such as savings, checking, and money market accounts. Its loan portfolio consists of commercial and residential real estate loans, as well as construction loans. Westamerica is the seventh largest bank headquartered in California. It has a market cap of about $1.26 billion and generates annual revenues of about $325 million.

On July 18th, 2024, Westamerica posted Q2 results for the period ending June 30th, 2024. Revenue dropped 7.9% to $74.6 million but exceeded expectations by $560,000. GAAP earnings per share were $1.33, down from $1.51 last year but $0.03 ahead of estimates as well.

Total loans declined 9.5% to $831.8 million, with commercial and consumer loans down 15.4% and 21.6%, respectively. Commercial real estate loans, which comprise over half the portfolio, declined 1%. Nonperforming loans rose 406% year-over-year to $971,000, or 0.12% of total loans. The quarter saw no provisions for credit losses, compared to the $300,000 posted last year. Net interest income was $64.1 million, a decline from $66.1 million in the previous quarter and $70.3 million the previous year. Net interest margin was 4.15%, compared to 4.30% in Q1 and 4.34% last year. Average total deposits fell 10.3% to $5.2 billion.

Safety & Dividend Risk Analysis

Westamerica has a strong track record of dividend stability, having raised its dividend for the past 30 consecutive years. Despite its modest 1.4% annualized dividend growth rate over the last decade, the company’s dividend remains very safe, backed by a low payout ratio, which currently stands at a healthy 34%. This low payout ratio provides a notable cushion, even if earnings were to fluctuate.

While the company saw earnings growth during the last recession, it shouldn’t be viewed as recession-proof or a consistent driver of earnings growth. Still, given the slow pace of dividend growth and prudent capital management, the stock may appeal to conservative income-focused investors rather than those seeking significant dividend growth.

Growth, Value & Expected Total Return Analysis

Westamerica Bancorp. has seen steady earnings growth, boosted by a favorable interest rate environment in recent years. Looking ahead, we expect a slow 2% annual EPS growth through 2029 as the company adjusts to a potential normalization in rates.

We see total annual return potential at 12.2%, which can be attributed to the 2.0% growth rate, the current 3.7% starting dividend yield, and a valuation tailwind of 7.5%. The stock trades for just 9.1 times this year’s earnings estimate, which is well below our estimate of fair value at 13.0 times earnings

Tennant Co. (TNC)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 11.5%

Overview & Current Events

Tennant is a global leader in cleaning equipment, offering products like floor scrubbers and sweepers for industries such as retail, manufacturing, and healthcare. Known for its innovation, including autonomous cleaning machines and eco-friendly solutions, Tennant holds a leading market position in the U.S. and operates in over 100 countries worldwide. The company is recognized for its durability, sustainability, and commitment to customer service.

On August 8th, 2024, Tennant reported its Q2 results for the period ending June 30th, 2024. The company posted revenue of $331 million, a 3% increase over the same quarter last year, beating analyst expectations. This growth was better than the prior quarter's year-over-year growth of 1.7%, with Tennant starting to form an earnings growth rebound.

Adjusted earnings per share were $1.83, surpassing forecasts but down 2% compared to the previous year. Management projects adjusted earnings per share for 2024 to range between $6.15 and $6.55, suggesting no growth for the year. At the midpoint of $6.35, EPS would be lower than the $6.57 earned in 2023. That said, Tennant has a history of beating its guidance.

Safety & Dividend Risk Analysis

Tennant's dividend safety has improved since the financial crisis when its payout ratio was relatively high due to below-average profitability. Over the past decade, the payout ratio has steadily declined to more sustainable levels, currently sitting at about 18% for 2024, based on the midpoint of management's guidance for the year.

While the company remained profitable during economic downturns like the financial crisis and the COVID-19 pandemic, its earnings did suffer, as a result of its exposure to macroeconomic conditions. Still, with its leading position in the U.S. cleaning machines market, Tennant benefits from economies of scale, and the current payout ratio suggests a secure dividend. Note that Tennant's 53-year track record of dividend growth highlights the company's ability to thrive through various economic conditions over the decades.

Growth, Value & Expected Total Return Analysis

Tennant's EPS growth was rather weak and volatile until 2020, due to acquisition costs and economic challenges. Post-2020, EPS started to increase due to demand recovery, improved operational efficiencies, cost controls, and the successful integrations post-M&A. These factors, along with a more favorable market environment, drove notable earnings growth, with EPS hitting a record $6.57 last year. We project EPS growth of 6% from Tennant's FY2024 EPS base estimate of $6.35.

With 6.0% projected growth, a 4.3% tailwind from valuation multiple expansion (we see TNC as undervalued based on its 14.6 price-to-earnings ratio versus our 18.0 fair value price-to-earnings ratio estimate), and a 1.2% dividend yield, we forecast total returns of 11.5% for TNC going forward.

Automatic Data Processing Inc. (ADP)

Dividend Risk Score: A
5-Year Expected Annual Total Returns: 11.2%

Overview & Current Events

ADP is a cloud-based human resource (HR) capital management solutions platform that operates globally. The company has two operating segments: Employer Services and its Professional Employer Organization (PEO). The Employer Services segment offers HR outsourcing solutions, including payroll, benefits administration, talent management, workforce management, compliance services, and HCM solutions. PEO offers similar services to small and mid-sized businesses. ADP was founded in 1949, generates $19 billion in annual revenue, and trades with a market cap of $116 billion. In addition, the company has a 49-year dividend increase streak.

ADP reported fourth-quarter and full-year earnings on July 31st, 2024 with results beating estimates on both the top and bottom lines. The company posted adjusted earnings-per-share (EPS) of $2.09, which was $0.03 better than expected. Revenue increased 6.5% year-over-year to $4.77 billion, which was $30 million ahead of estimates.

For the full fiscal year 2024, ADP posted adjusted EPS of $9.18, up 12% compared to 2023. During the year, ADP bought back $1.23 billion worth of its own common shares. Management shared their initial fiscal 2025 guidance, which expects revenues to grow 5% to 6%, and adjusted EPS growth of 8% to 10%. Hence, we expect ADP to earn $10.00 per share in 2025.

Safety & Dividend Risk Analysis

We believe that ADP features a rather secure investment case due to its unique model of managing client fund obligations like an insurance float, allowing for low-risk returns and minimal debt. Although sensitive to economic downturns, ADP's resilience during past downturns highlights its qualities.

Given its consistent dividend growth backed by strong cash flows, and a reasonable payout ratio of 56%, we view ADP as a reliable choice for income-oriented investors.

Growth, Value & Expected Total Return Analysis

Looking forward, we believe ADP can achieve 9% annualized EPS growth, driven by market strength, client expansion, and operational efficiencies.

Shares are presently trading hands at 28.4 times our estimate of earnings in 2024. Our fair value multiple is 29.0 times earnings, indicating the potential for a 0.5% annual tailwind from valuation expansion over the next five years. Coupled with a 2.0% initial dividend yield and an expected 9.0% growth in EPS, this suggests the potential for annual total returns of 11.2%.

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. Farmers & Merchants Bancorp (FMCB): 1.8%
2. Bank OZK (OZK): 3.9%
3. Matthews International Corp. (MATW): 4.3%
4. SJW Group (SJW): 2.8%
5. Sonoco Products Co. (SON): 3.9%
6. PPG Industries, Inc. (PPG): 2.1%
7. Target Corp (TGT): 3%
8. Sysco Corp. (SYY): 2.7%
9. Genuine Parts Co. (GPC): 2.9%
10. Westamerica Bancorporation (WABC): 3.7%
11. PepsiCo Inc (PEP): 3.2%
12. Archer Daniels Midland Co. (ADM): 3.4%
13. Automatic Data Processing Inc. (ADP): 2%
14. Tennant Co. (TNC): 1.2%
15. Brady Corp. (BRC): 1.3%
16. Tootsie Roll Industries, Inc. (TR): 1.2%
17. Medtronic Plc (MDT): 3.1%
18. Gorman-Rupp Co. (GRC): 1.8%
19. Donaldson Co. Inc. (DCI): 1.5%
20. Hormel Foods Corp. (HRL): 3.6%
21. Becton Dickinson & Co. (BDX): 1.6%
22. Johnson & Johnson (JNJ): 3.1%
23. SEI Investments Co. (SEIC): 1.3%
24. Black Hills Corporation (BKH): 4.3%
25. Chesapeake Financial Shares Inc (CPKF): 3.2%
26. Andersons Inc. (ANDE): 1.5%
27. Emerson Electric Co. (EMR): 1.9%
28. Enterprise Bancorp, Inc. (EBTC): 3.1%
29. FactSet Research Systems Inc. (FDS): 0.9%
30. California Water Service Group (CWT): 2.1%
31. Universal Corp. (UVV): 6.2%
32. First Farmers Financial Corp (FFMR): 2.9%
33. Fresenius Medical Care AG (FMS): 3%
34. Roche Holding AG (RHHBY): 3.5%
35. Stryker Corp. (SYK): 0.9%
36. Community Trust Bancorp, Inc. (CTBI): 4%
37. S&P Global Inc (SPGI): 0.7%
38. Nordson Corp. (NDSN): 1.2%
39. Lancaster Colony Corp. (LANC): 2%
40. Cullen Frost Bankers Inc. (CFR): 3.5%
41. Coca-Cola Co (KO): 2.7%
42. MSA Safety Inc (MSA): 1.2%
43. National Fuel Gas Co. (NFG): 3.4%
44. Atmos Energy Corp. (ATO): 2.3%
45. Stepan Co. (SCL): 1.9%
46. Cincinnati Financial Corp. (CINF): 2.4%
47. Roper Technologies Inc (ROP): 0.5%
48. RPM International, Inc. (RPM): 1.4%
49. Brown-Forman Corp. (BF.B): 1.8%
50. ABM Industries Inc. (ABM): 1.7%
51. Canadian National Railway Co. (CNI): 2.1%
52. Abbott Laboratories (ABT): 1.9%
53. Jack Henry & Associates, Inc. (JKHY): 1.2%
54. John Wiley & Sons Inc. (WLY): 2.8%
55. Graco Inc. (GGG): 1.2%
56. Walmart Inc (WMT): 1%
57. Church & Dwight Co., Inc. (CHD): 1.1%
58. Colgate-Palmolive Co. (CL): 2%
59. Eagle Financial Services, Inc. (EFSI): 3.7%
60. Brown & Brown, Inc. (BRO): 0.5%
61. Lowe`s Cos., Inc. (LOW): 1.7%
62. Lincoln Electric Holdings, Inc. (LECO): 1.5%
63. Casey`s General Stores, Inc. (CASY): 0.5%
64. Illinois Tool Works, Inc. (ITW): 2.3%
65. A.O. Smith Corp. (AOS): 1.5%
66. Dover Corp. (DOV): 1.1%
67. RenaissanceRe Holdings Ltd (RNR): 0.6%
68. McDonald`s Corp (MCD): 2.3%

69. Middlesex Water Co. (MSEX): 2%
70. Bancfirst Corp. (BANF): 1.8%
71. W.W. Grainger Inc. (GWW): 0.8%
72. Commerce Bancshares, Inc. (CBSH): 1.9%
73. Procter & Gamble Co. (PG): 2.3%
74. Consolidated Edison, Inc. (ED): 3.2%
75. United Bankshares, Inc. (UBSI): 4.1%
76. Franklin Electric Co., Inc. (FELE): 1%
77. Parker-Hannifin Corp. (PH): 1%
78. Chubb Limited (CB): 1.2%
79. ITT Inc (ITT): 0.9%
80. General Dynamics Corp. (GD): 1.9%
81. H.B. Fuller Company (FUL): 1.1%
82. Federal Realty Investment Trust. (FRT): 4%
83. Nucor Corp. (NUE): 1.4%
84. McGrath RentCorp (MGRC): 1.8%
85. Cintas Corporation (CTAS): 0.8%
86. American States Water Co. (AWR): 2.2%
87. PSB Holdings Inc (WI) (PSBQ): 2.5%
88. Pentair plc (PNR): 1%
89. Caterpillar Inc. (CAT): 1.4%
90. Badger Meter Inc. (BMI): 0.5%
91. Carlisle Companies Inc. (CSL): 0.9%
92. 1st Source Corp. (SRCE): 2.5%
93. Kenvue Inc (KVUE): 3.6%
94. Sherwin-Williams Co. (SHW): 0.8%
95. AptarGroup Inc. (ATR): 1.1%
96. Linde Plc. (LIN): 1.2%
97. MGE Energy, Inc. (MGEE): 2%
98. Ecolab, Inc. (ECL): 0.9%
99. AbbVie Inc (ABBV): 3.2%
100. RLI Corp. (RLI): 0.7%
101. Exxon Mobil Corp. (XOM): 3.1%
102. Cardinal Health, Inc. (CAH): 1.8%
103. Aflac Inc. (AFL): 1.8%
104. Expeditors International (EXPD): 1.1%
105. West Pharmaceutical Services, Inc. (WST): 0.3%
106. Erie Indemnity Co. (ERIE): 0.9%

B-Rated Dividend Risk Securities

1. Eversource Energy (ES): 4.3%
2. Enterprise Products Partners L P (EPD): 7.1%
3. New Jersey Resources Corporation (NJR): 3.9%
4. T. Rowe Price Group Inc. (TROW): 4.6%
5. J.M. Smucker Co. (SJM): 3.6%
6. Artesian Resources Corp. (ARTNA): 3.2%
7. UGI Corp. (UGI): 6.2%
8. Enbridge Inc (ENB): 6.5%
9. Norwood Financial Corp. (NWFL): 4.5%
10. Essential Utilities Inc (WTRG): 3.4%
11. Northwest Natural Holding Co (NWN): 4.9%
12. Fortis Inc. (FTS): 3.7%
13. Universal Health Realty Income Trust (UHT): 6.6%
14. Altria Group Inc. (MO): 8.1%
15. Clorox Co. (CLX): 3%
16. Novartis AG (NVS): 3.3%
17. Southside Bancshares Inc (SBSI): 4.5%
18. Kimberly-Clark Corp. (KMB): 3.4%
19. Polaris Inc (PII): 3.2%
20. McCormick & Co., Inc. (MKC): 2%
21. NextEra Energy Inc (NEE): 2.4%
22. Stanley Black & Decker Inc (SWK): 3%
23. Tompkins Financial Corp (TMP): 4%
24. NNN REIT Inc (NNN): 4.8%
25. Canadian Utilities Ltd. (CDUAF): 5%
26. Air Products & Chemicals Inc. (APD): 2.4%
27. Essex Property Trust, Inc. (ESS): 3.3%
28. Entergy Corp. (ETR): 3.4%
29. UMB Financial Corp. (UMBF): 1.5%
30. Old Republic International Corp. (ORI): 3%
31. Nacco Industries Inc. (NC): 3.3%
32. RTX Corp (RTX): 2%
33. Fastenal Co. (FAST): 2.2%
34. Northeast Indiana Bancorp Inc. (NIDB): 3.9%
35. Community Financial System Inc. (CBU): 3.2%
36. Thomson-Reuters Corp (TRI): 1.3%
37. Albemarle Corp. (ALB): 1.7%
38. Chevron Corp. (CVX): 4.3%
39. York Water Co. (YORW): 2.3%
40. International Business Machines Corp. (IBM): 3%
41. C.H. Robinson Worldwide, Inc. (CHRW): 2.3%

C-Rated Dividend Risk Securities

1. Franklin Resources, Inc. (BEN): 6.2%
2. Sanofi (SNY): 3.6%
3. Muncy Columbia Financial Corporation (CCFN): 5.3%
4. Calvin b. Taylor Bankshares, Inc. (TYCB): 2.9%
5. Realty Income Corp. (O): 5.1%
6. First Of Long Island Corp. (FLIC): 6.6%

D-Rated Dividend Risk Securities

1. Arrow Financial Corp. (AROW): 3.9%
2. Farmers & Merchants Bancorp Inc. (FMAO): 3.4%

F-Rated Dividend Risk Securities

N/A