OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

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"Lockheed Martin reported lower than expected fourth quarter results with revenue and GAAP earnings per share missing the consensus forecasts."
– Brian Nelson, CFA

Dividend Growth Ideas: AAPL, CSCO, DIV, DKS, XLE, HD, IDV, JEPI, LMT, MSFT, ORCL, RSG, SDY, UNH, XLV, META, BKNG

Lockheed Martin's Earnings Impacted by Classified Program Losses

By Brian Nelson, CFA

On January 28, Lockheed Martin (LMT) reported lower than expected fourth quarter results with revenue and GAAP earnings per share missing the consensus forecasts. Quarterly revenue dropped 1.3%, while net earnings for the fourth quarter came in at $527 million, or $2.22 per share, a level that includes $1.7 billion of charges for classified programs in its Aeronautics and Missiles and Fire Control (MFC) business segments. Net earnings were $1.9 billion, or $7.58 per share in the fourth quarter of 2023.

Cash flow from operations was $1.0 billion in the fourth quarter of 2024, after a pension contribution of $990 million, compared to $2.4 billion in the fourth quarter of 2023. Free cash flow in the quarter was $441 million, after pension contributions, versus $1.7 billion in the same period a year ago. At the end of 2024, Lockheed Martin had a record backlog of $176 billion.

Management had the following to say about the year:

> 2024 was another successful and productive year for Lockheed Martin. Our 5% sales growth and record year-end backlog of $176 billion demonstrate the enduring global demand for our advanced defense technology and systems. In the year, we invested over $3 billion in advancing our nation's security through research and development and capital investment to support our customers' missions, drive innovation and transform our operations

Please see *Lockheed Martin's Earnings Impacted by Classified Program Losses*...on next page

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***NOTE**: The goal of the Dividend Growth Newsletter is to highlight ideas with strong dividend growth potential and update readers about new developments in the market. A simulated portfolio of dividend growth ideas is presented on page 5 of each edition.

The simulated Dividend Growth Newsletter portfolio can be found on page 5 of each monthly Dividend Growth Newsletter.

Lockheed Martin's Earnings Impacted by Classified Program Losses...**from previous page**

2025 Outlook

($M), Except for EPS	2024 As Reported	2024 Adjusted**	2025 Guidance Range
Sales	$71,043	$71,208	$73,750 - $74,750
YoY Growth	+5%	+5%	+4% - +5%
Segment Operating Profit*	$6,083	$7,893	$8,100 - $8,200
Total FAS/CAS Pension Adjustment	$1,686	$1,686	~$1,125
Diluted EPS	$22.31	$27.99	$27.00 - $27.30
Cash from Operations	$6,972	$7,807	$8,500 - $8,700
Capital Expenditures	$1,685	$1,685	~$1,900
Free Cash Flow*	$5,287	$6,122	$6,600 - $6,800
Share Repurchases	$3,700	$3,700	~$3,000

*See Charts 16-17 for Definitions of Non-GAAP Measures; Chart 22 for Acronyms
**See Chart 4 for reconciliation of GAAP to Adjusted
See the company's fourth quarter earnings release for a description of the assumptions on which the 2025 Outlook is based

LOCKHEED MARTIN

***Image Source**: Lockheed Martin*

> with the latest digital and manufacturing technologies. Our strong and consistent performance also enabled us to again return greater than 100% of free cash flow to our shareholders in 2024.

Lockheed paid $3.1 billion in cash dividends in 2024, while it spent $3.7 billion in share buybacks during the year. Looking to 2025, Lockheed Martin expects revenue in the range of $73.75-$74.75 billion, in line with the consensus forecast of $74.1 billion, business segment operating profit of $8.1-$8.2 billion, while diluted earnings per share is targeted in the range of $27-$27.30, below the consensus forecast of $27.94. Cash flow from operations is expected in the range of $8.5-$8.7 billion in 2025, while free cash flow is expected in the range of $6.6-$6.8 billion, after roughly $1.9 billion in capital spending. Shares yield 2.9% at the time of this writing.

Apple Reports Best Quarter Ever Despite Declining iPhone, China Sales

Image Source: *TradingView*

By Brian Nelson, CFA

On January 30, Apple (AAPL) reported better than expected fiscal first quarter results, with both revenue and GAAP earnings per share exceeding the consensus forecasts. Quarterly revenue was up 4% year-over-year, while quarterly diluted earnings per share advanced 10% year-over-year. Fiscal first quarter services revenue reached a record high, increasing 13.9% from the same period a year ago. Gross margin came in at 46.9%, up from 45.9% in last year's quarter, while its operating margin came in at 34.5%, up from 33.8% in the year-ago period.

Please see *Apple Reports Best Quarter Ever Despite Declining iPhone, China Sales*...on next page

***Apple Reports Best Quarter Ever Despite Declining iPhone, China Sales*...from previous page**

Management was upbeat in the press release:

> …Apple is reporting our best quarter ever, with revenue of $124.3 billion, up 4 percent from a year ago. We were thrilled to bring customers our best-ever lineup of products and services during the holiday season. Through the power of Apple silicon, we're unlocking new possibilities for our users with Apple Intelligence, which makes apps and experiences even better and more personal. And we're excited that Apple Intelligence will be available in even more languages this April.
>
> Our record revenue and strong operating margins drove EPS to a new all-time record with double-digit growth and allowed us to return over $30 billion to shareholders. We are also pleased that our installed base of active devices has reached a new all-time high across all products and geographic segments.

In the quarter, Apple's net sales advanced nicely in the Americas, Europe, Japan and the Rest of Asia Pacific regions, but revenue fell 11.1% in Greater China. Mac and iPad sales increased from the same period a year ago, but sales in its iPhone (-0.8%) and Wearables, Home and Accessories (-1.7%) segments faced quarterly declines. Apple ended the quarter with $141.4 billion in cash and marketable securities and $96.8 billion in term debt and commercial paper, good for a solid net cash position. Cash flow from operations dropped to $29.9 billion in the December quarter, while capital spending totaled $2.9 billion, resulting in free cash flow of $27 billion.

During the quarter, Apple returned to shareholders $3.9 billion in dividends and equivalents and $23.3 billion in share repurchases. Looking to the March quarter, management expects total company revenue to grow low to mid-single-digits year-over-year, with Services revenue to grow low double-digits year-over-year. It expects its gross margin to be between 46.5%-47.5%, about in line with the December quarter. We continue to be fans of Apple's large installed base (2.35 billion active devices) and growing, high-margin Services business, and the company remains a key holding in the newsletter portfolios.

The Dividend Growth Newsletter Portfolio

By Valuentum Analysts

The Dividend Growth Newsletter portfolio is not a real money portfolio. Results are hypothetical and do not represent actual trading. Actual results may differ from the simulated performance presented.

DIVIDEND GROWTH IDEAS -- as of March 1, 2025

Company Name	Yrly Div's Paid ($) / Shr	Dividend Yield %	Fair Value Estimate	Dividend Cushion Ratio	VBI Rating	Price/FV	Last Close	% of Portfolio
S&P Dividend ETF SPDR (SDY)	3.38	2.45%	-	-	-	-	138.29	8.0%-12.0%
JPMorgan Equity Premium Income ETF (JEPI)	4.24	7.14%	-	-	-	-	59.41	8.0%-12.0%
Global X SuperDividend U.S. ETF (DIV)	1.03	5.40%	-	-	-	-	19.03	8.0%-12.0%
Cisco (CSCO)	1.64	2.56%	$61.00	2.80	7	1.05	64.11	5.0%-7.0%
Energy Select Sector SPDR ETF (XLE)	2.88	3.16%	-	-	-	-	91.00	5.0%-7.0%
Health Care Sector SPDR ETF (XLV)	2.29	1.54%	-	-	-	-	148.93	5.0%-7.0%
iShares Int'l Select Dividend (IDV)	1.77	5.98%	-	-	-	-	29.56	5.0%-7.0%
Lockheed Martin (LMT)	13.20	2.93%	$467.00	1.23	4	0.96	450.37	5.0%-7.0%
Microsoft (MSFT)	3.32	0.84%	$445.00	3.91	6	0.89	396.99	5.0%-7.0%
Oracle (ORCL)	1.60	0.96%	$167.00	0.91	4	0.99	166.06	5.0%-7.0%
Apple (AAPL)	1.00	0.41%	$241.00	10.68	6	1.00	241.84	3.0%-4.0%
Dick's Sporting Goods (DKS)	4.40	1.95%	$229.00	2.22	3	0.98	225.10	3.0%-4.0%
Home Depot (HD)	9.20	2.32%	$417.00	1.36	6	0.95	396.60	3.0%-4.0%
Meta Platforms (META)	2.10	0.31%	$594.00	-	7	1.12	668.20	3.0%-4.0%
Booking Holdings (BKNG)	38.40	0.77%	$5851.00	-	7	0.86	5016.01	3.0%-4.0%
Republic Services (RSG)	2.32	0.98%	$224.00	2.78	6	1.06	237.02	3.0%-4.0%
UnitedHealth Group (UNH)	8.40	1.77%	$632.00	3.60	3	0.75	474.96	3.0%-4.0%
Cash								~0%-5%

UR = Under Review

Intraday, last close and dividend per share information for equities retrieved from Seeking Alpha, Yahoo Finance. Dividend yield information for ETFs retrieved from Seeking Alpha, Yahoo Finance.

This portfolio is not a real money portfolio. Data as of March 1, 2025.

Goal:

The goal of the Dividend Growth Newsletter portfolio is to highlight ideas with strong dividend growth potential and update readers about new developments in the market. The Dividend Growth Newsletter portfolio seeks to find underpriced dividend growth gems that generate strong levels of free cash flow and have solid balance sheets, translating into excellent Valuentum Dividend Cushion ratios. *Given market conditions and the importance of diversification, not all stocks in the newsletter portfolio can be undervalued, however*. Stocks in the Dividend Growth Newsletter portfolio may have lengthy dividend growth track records spanning decades, but we focus most of our efforts on assessing the future safety and dividend growth potential of ideas.

Every subscriber has different goals and different risk tolerances, so where before in the newsletter portfolios, we would outline the specific percentage weighting, we think providing weighting ranges makes much more sense. For example, depending on someone's risk tolerances, a larger cash position in an overheated market may be prudent. On the other hand, the longer one's time horizon, perhaps a smaller cash position may make more sense. The Dividend Cushion ratios are so important, so please stay up to date with them. By our estimates, the efficacy of the Dividend Cushion ratio in warning about dividend cuts is roughly 90%. We're available for any questions.

The midpoints of our respective weighting ranges approximately sum to 100% to reflect the range of possible combinations that may result in various allocations.

Standard Disclaimer: The simulated Dividend Growth Newsletter portfolio is for information purposes only and should not be considered a solicitation to buy or sell any security. Valuentum is not responsible for any errors or omissions or for results obtained from the use of the simulated Dividend Growth Newsletter portfolio and accepts no liability for how readers may choose to utilize the content.

Microsoft Issues Fiscal Second Quarter Results

FY25 Q2 Financial Summary

($ in billions, except per share amounts)	FY25 Q2	Growth	CC Growth*
Productivity and Business Processes	$29.4	14%	13%
Intelligent Cloud	$25.5	19%	19%
More Personal Computing	$14.7	0%	0%
Revenue	**$69.6**	**12%**	**12%**
Gross margin	**$47.8**	**13%**	**12%**
Gross margin percentage	69%	0 pts	
Operating income	**$31.7**	**17%**	**16%**
Operating income percentage	45%	2 pts	
Net income	**$24.1**	**10%**	**10%**
Diluted earnings per share	**$3.23**	**10%**	**10%**

Image Source: *Microsoft*

By Brian Nelson, CFA

On January 29, Microsoft (MSFT) reported better than expected fiscal second quarter results with revenue and GAAP earnings per share coming in ahead of the consensus forecast. Revenue increased 12% on a year-over-year basis, and Microsoft leveraged that top-line growth into a 17% increase in operating income (up 16% in constant currency). Net income increased 10%, while diluted earnings per share of $3.23 also advanced 10%. Management was upbeat in the press release:

> We are innovating across our tech stack and helping customers unlock the full ROI of AI to capture the massive opportunity ahead. Already, our AI business has surpassed an annual revenue run rate of $13 billion, up 175% year-over-year.
>
> This quarter Microsoft Cloud revenue was $40.9 billion, up 21% year-over-year. We remain committed to balancing operational discipline with continued investments in our cloud and AI infrastructure.

On a year-over-year basis, revenue in its Productivity and Business Processes division increased 14% (up 13% in constant currency), revenue in its Intelligent Cloud segment advanced 19%, while revenue in its More Personal Computing division was relatively unchanged. In the quarter, Azure and other cloud services experienced revenue growth of 31%, slightly lower than what the Street was looking for. Total cash and short-term investments were $71.6 billion at the end of the quarter, while total debt was $45 billion.

Please see *Microsoft Issues Fiscal Second Quarter Results...*on next page

Microsoft Issues Fiscal Second Quarter Results...**from previous page**

Microsoft's cash flow from operations was $22.3 billion in the quarter, up from $18.9 billion in the same period a year ago. Capital spending leapt to $15.8 billion from $9.7 billion in last year's quarter, and management expects similar spending in the fiscal third and fourth quarters. Free cash flow for the fiscal second quarter came in at $6.5 billion, slightly higher than what it paid in cash dividends during the period.

Looking to the fiscal third quarter, Microsoft expects Azure revenue growth to be between 31%-32% in constant currency. Revenue growth for the fiscal third quarter is expected in the range of $67.7-$68.7 billion, below the consensus forecast of $69.8 billion. For all of fiscal 2025, management expects total revenue to grow double digits, operating expenses to grow in the single-digits, and operating income to grow in the double digits. Operating margins are expected to be up slightly year-over-year. Though Azure revenue growth and fiscal third quarter guidance may have come in a little light of what the Street was looking for, we still like Microsoft as a core idea in the newsletter portfolios.

Meta Platforms' Earnings Surge in Fourth Quarter

By Brian Nelson, CFA

On January 29, Meta Platforms (META) reported better than expected fourth quarter results with revenue and GAAP earnings per share outpacing the consensus forecasts. Revenue increased 21% in the quarter on a year-over-year basis, and the company was able to leverage the higher sales into a 43% increase in income from operations. Its fourth-quarter operating margin expanded 7 percentage points, to 48%. Net income increased 49%, to $20.8 billion, while diluted earnings per share advanced 50%, to $8.02.

Its family daily active people (DAP) was 3.35 billion on average for December 2024, an increase of 5% on a year-over-year basis. Ad impressions across its Family of Apps increased 6% in the fourth quarter, while average price per ad increased 14%. At the end of the year, cash and marketable securities were $77.8 billion versus long-term debt of $28.8 billion. Free cash flow was $13.15 billion for the fourth quarter of 2024, up from $11.5 billion in last year's quarter, while capital expenditures, including principal payments on finance leases, were $14.84 billion in the quarter, up from $7.6 billion in last year's quarter.

Looking to the first quarter of 2025, Meta Platforms expects total revenue in the range of $39.5-$41.8 billion (versus consensus of $41.6 billion), reflecting 8%-15% year-over-year growth, or 11%-18% growth on a constant currency basis. Meta fell short of providing a full year 2025 revenue outlook but noted that the investments it's making this year will drive strong revenue growth throughout 2025. Meta now anticipates its full year 2025 capital expenditures to be in the range of $60-$65 billion to support both its generative artificial intelligence efforts and core business, up from an expected $52 billion.

Meta Platforms' earnings growth was phenomenal in the fourth quarter, and we like its ability to drive strong free cash flow, despite higher capital spending. Total dividend and dividend equivalent payments were $1.27 billion and $5.07 billion for the fourth quarter and full year 2024, respectively. Though Meta is not a big dividend payer, we like its dividend growth prospects and include shares in the Dividend Growth Newsletter portfolio.

Cisco Ups Fiscal 2025 Guidance Again

Q2 FY 2025 Summary

- **Growing demand for Cisco's technologies; demonstrating the power of our portfolio and the value we deliver to customers**
  - Product orders up 29% y/y; up 11% y/y excluding Splunk, with growth across all geographies and customer markets
  - AI infrastructure orders >$350M, bringing the total for 1H FY25 to ~$700M, on track to exceed $1B of AI orders in FY25 from webscale customers
- **Revenue and Non-GAAP EPS results above the high end of our guidance**
  - $14.0B in revenue; Non-GAAP EPS of $0.94
- **Strong profitability driven by Splunk and productivity improvements**
  - On a non-GAAP basis, gross margin up 200 bps y/y to 68.7%, product gross margin up 250 bps to 67.7%, and operating margin up 170 bps to 34.7%
- **Splunk integration progressing well: revenue in line with expectations and non-GAAP EPS accretive in Q2, earlier than planned**
- **Significant growth in software and recurring metrics with 56% of total revenue from subscriptions**
  - Total software revenue up 33% y/y to $5.5B, Total ARR up 22% y/y to $30.1B, Total RPO up 16% y/y to $41.3B
- **Accelerating innovation across networking and security to connect and protect customers for the AI era**
  - Unveiled AI Defense, purpose built for enterprises to develop, deploy and secure AI applications with confidence
  - Momentum in Hypershield, booked two 8-figure deals in Q2, signaling commitment from large customers to this transformative approach to security
  - Introduced AI-native Wi-Fi 7 portfolio combining self-configuring wireless, smart Spaces platform and unified licensing
  - Continued Splunk innovation, including Splunk on Azure, Federated Analytics, and AI Assistant for Splunk Observability
- **Returned $2.8B to shareholders, and today announced an increase in the dividend and share repurchase authorization**

Image Source: *Cisco*

By Brian Nelson, CFA

On February 12, Cisco Systems (CSCO) reported strong fiscal second quarter results with a beat on both the top and bottom lines. Revenue of $14.0 billion advanced 9% on a year-over-year basis, above the high end of the company's guidance range. Non-GAAP earnings per share increased 8% year-over-year, to $0.94 per share, also coming in above the company's guidance range. Product orders were up 29% from the same period last year, while they advanced 11%, excluding Splunk. AI Infrastructure orders were more than $350 million, bringing the total for the first half of its fiscal year to roughly $700 million.

Management was upbeat in the press release:

> Cisco's strong quarterly results were driven by accelerating customer demand for our technology. As AI becomes more pervasive, we are well positioned to help our customers scale their network infrastructure, increase their data capacity requirements, and adopt best-in-class AI security.
>
> Q2 was another quarter of solid execution which drove revenue and EPS above our guidance ranges. Splunk continues to perform in line with our expectations on the top line, and was accretive to Q2 non-GAAP EPS, earlier than we had planned. Our strong cash flows have led us to increase our annual dividend again this year, as well as our overall share repurchase authorization.

Cisco raised its quarterly dividend to $0.41 per share, up 2.5%, and authorized an additional $15 billion in stock repurchases, bringing current authorization to approximately $17 billion. Cash

Please see *Cisco Ups Fiscal 2025 Guidance Again...*on next page

Cisco Ups Fiscal 2025 Guidance Again...from previous page

flow from operating activities was $2.2 billion in the second quarter of 2025, up materially from $0.8 billion in the same period last year. The company ended the second quarter with $16.9 billion of cash and investments and $31 billion in short- and long-term debt.

Looking to fiscal third quarter guidance, Cisco's revenue is expected to be between $13.9-$14.1 billion, and non-GAAP earnings per share to be between $0.90-$0.92. For all of fiscal 2025, management expects revenue in the range of $56-$56.5 billion (was $55.3-$56.3 billion) and non-GAAP earnings per share in the range of $3.68-$3.74 (was $3.60-$3.66 per share). We continue to like Cisco as a holding in both the Best Ideas Newsletter portfolio and Dividend Growth Newsletter portfolio. The high end of our fair value estimate range stands at $73 per share.

Republic Services Remains a Cash Cow

***Image Source**: Republic Services*

By Brian Nelson, CFA

Trash taker Republic Services (RSG) reported mixed fourth quarter results on February 13 that showed revenue slightly missing the consensus estimate, but non-GAAP earnings per share handily beating the Street consensus. Total revenue grew 5.6% in the fourth quarter, broken down into 4.3% organic growth and 1.3% growth from acquisitions. Core price on total revenue advanced 6.1% in the quarter, while volume decreased revenue by 1.2%. Adjusted earnings per share came in at $1.58 in the quarter, up 12.1% over the prior year period.

Management had the following to say about the performance:

> We delivered another strong year of results in 2024, made possible by effectively executing our strategy designed to meet the needs of our customers and profitably grow the business. We exceeded expectations and generated double-digit growth in EBITDA, earnings and free cash flow, and expanded adjusted EBITDA margin by 140 basis points during the year. We continued to make investments across our business that support our differentiated capabilities and returned nearly $1.2 billion to shareholders through dividends and share repurchases.

For the full year, Republic's cash provided by operating activities was $3.94 billion, up 8.8% from last year. Adjusted free cash flow was $2.18 billion, an increase of 10% versus the prior year. The company returned $1.18 billion in cash to shareholders during 2024, consisting of

Please see *Republic Services Remains a Cash Cow…*on next page

***Republic Services Remains a Cash Cow*...from previous page**

$490 million of share repurchases and $687 million of dividends paid. Looking to 2025, Republic expects revenue in the range of $16.85-$16.95 billion and adjusted EBITDA in the range of $5.275-$5.325 billion. Adjusted diluted earnings per share is targeted in the range of $6.82-$6.90 for the year, while adjusted free cash flow is expected in the range of $2.32-$2.36 billion. We continue to like Republic Services as an idea in the newsletter portfolios.

Walmart's Earnings Outlook Falls Short of Expectations

Fiscal year 2026

The Company's fiscal year guidance is based on the following FY25 figures: Net sales: $674.5 billion, adjusted operating income[2]: $29.5 billion, and adjusted EPS[2]: $2.51.

Consolidated metric	FY26
Net sales (cc)	Increase 3.0% to 4.0% • Including approximately 20 bps headwind from lapping leap year • Including approximately 20 bps tailwind from acquisition of VIZIO
Adj. operating income (cc)	Increase 3.5% to 5.5% • Including approximately 70 bps headwind from lapping leap year • Including approximately 80 bps headwind from acquisition of VIZIO
Interest, net	Increase approximately $100M to $200M
Effective tax rate	Approximately 23.5% to 24.5%
Non-controlling interest	Relatively flat
Adjusted EPS	$2.50 to $2.60, including approximately $0.05 headwind from currency
Capital expenditures	Approximately 3.0% to 3.5% of net sales

Image Source: *Walmart*

By Brian Nelson, CFA

On February 20, Walmart (WMT) reported better than expected fiscal fourth quarter results, but issued guidance lower than what the Street was looking for. Revenue increased 4.1%, or 5.3% in constant currency in the quarter, while its gross margin rate advanced 53 basis points. Operating income increased $0.6 billion, or 8.3% (adjusted up 9.4% constant currency) thanks to higher gross margins, growth in membership income and improved economics in eCommerce, which grew revenue 16% led by store-fulfilled pickup and delivery. Global advertising revenue advanced 29%, including 24% for Walmart Connect in the U.S. Adjusted earnings per share came in at $0.66 in the quarter, up from $0.60 in the same period a year ago.

Management had the following to say about the quarter:

> Our team finished the year with another quarter of strong results. We have momentum driven by our low prices, a growing assortment, and an eCommerce business driven by faster delivery times. We're gaining market share, our top line is healthy, and we're in great shape with inventory. We'll stay focused on growth, improving operating margins, and strengthening ROI as we invest to serve our customers and members even better.

Walmart ended its fiscal year with cash and cash equivalents of $9.0 billion and total debt of $45.8 billion. Operating cash flow for fiscal 2025 was $36.4 billion, an increase of $0.7 billion from last year, while free cash flow remained robust at $12.7 billion. Looking to the first quarter of fiscal 2026, net sales are expected to increase 3%-4%, while adjusted operating income is expected to advance 0.5%-2%, with adjusted earnings per share targeted in the range of $0.57-$0.58, below the $0.65 consensus estimate. For all of fiscal 2026, net sales are anticipated to increase 3%-4%, with adjusted operating income expected to increase 3.5%-5.5%. Adjusted earnings per share is targeted in the range of $2.50-$2.60 for the full year (consensus was at $2.76), inclusive of a $0.05 headwind from currency. Shares yield 0.9%.

Booking Holdings' Revenue Accelerates in Fourth Quarter

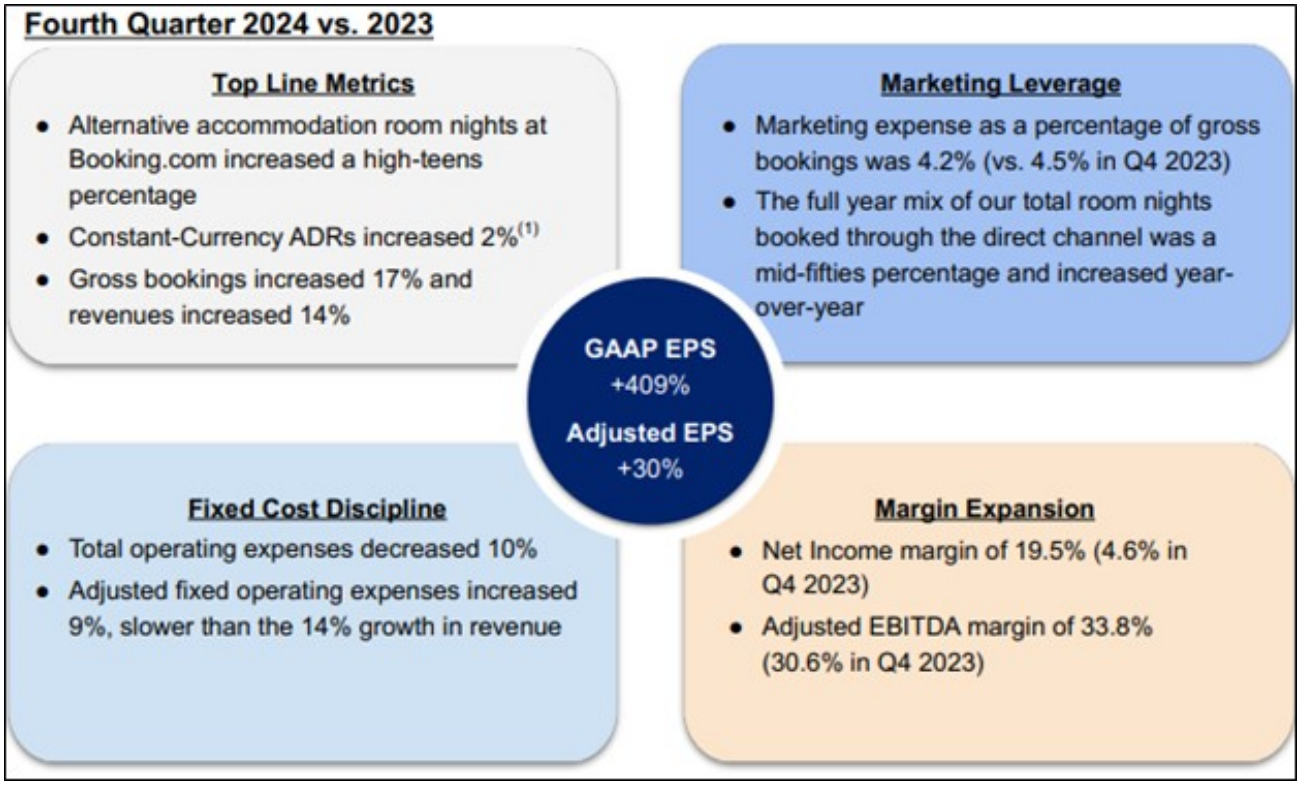

Image Source: *Booking Holdings*

By Brian Nelson, CFA

On February 20, Booking Holdings (BKNG) reported better than expected fourth quarter results with revenue and non-GAAP earnings per share exceeding the consensus forecast. Room nights grew 13% compared to the fourth quarter of 2023, while gross bookings advanced 17% year-over-year (up 18% on a constant-currency basis) in the quarter. Revenue increased 14% (up 15% on a constant-currency basis) from the same period a year ago, better than the 11% (up 12% on a constant currency basis) it recorded for all of full year 2024. Adjusted earnings per share was up 30% on a year-over-year basis, while adjusted EBITDA advanced 26%.

Management had the following to say about the results:

> We are pleased to be reporting a strong finish to 2024, with full year revenue increasing by 11% year-over-year while delivering faster profitability growth, as we continue to take a disciplined approach to managing our expenses. We remain highly focused on appropriately investing in our business for the long term, including by leveraging and deploying Generative AI technology to drive further value to our travelers and partners.

Booking Holdings is doing a great job returning cash to shareholders. The company declared a quarterly cash dividend of $9.60 per share, a 10% increase from its quarterly cash dividend of $8.75 per share in 2024. The company repurchased $1.1 billion of stock during the fourth quarter of 2024, and the firm has remaining buyback authorization of $7.7 billion. For the full year 2024,

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Booking Holdings' Revenue Accelerates in Fourth Quarter...from previous page

free cash flow was $7.9 billion, roughly 33.3% of sales. Cash and long-term investments were $16.7 billion at the end of the year, about in line with short- and long-term debt of $16.6 billion. We liked Booking Holdings' accelerated performance in the fourth quarter of 2024 and remain huge fans of its free cash flow generating prowess.

About the Valuentum Dividend Cushion™ Ratio

By Valuentum Analysts

History has revealed that the best performing stocks during the previous decades have been those that shelled out ever-increasing cash to shareholders in the form of dividends. In a recent study by Ned Davis Research, S&P 500 stocks that initiated dividends or grew them over time registered roughly a 9.6% annualized return since 1972 (through 2010), while stocks that did not pay out dividends or cut them performed poorly over the same time period.

Such analysis is difficult to ignore, and we believe investors may be well-rewarded in future periods by finding the best dividend-growth stocks out there. As such, we've developed a rigorous dividend investment methodology that uncovers firms that not only have the strongest dividends but also ones that are poised to grow them long into the future.

How did we do this? Well, first of all, we scoured our stock universe for firms that have cut their dividends in the past to uncover the major drivers behind the dividend cut. This is what we found out: The major reasons why firms cut their dividend had to do with preserving cash in the midst of a secular or cyclical downturn in demand for their products/services or when faced with excessive leverage (how much debt they held on their respective balance sheets) during tightening credit markets.

The Importance of Forward-Looking Dividend Analysis

Informed with this knowledge, we developed the forward-looking Valuentum Dividend Cushion™, which is a ratio that gauges the safety of a dividend over time.

Most dividend analysis that we've seen out there is backward-looking – meaning it rests on what the firm has done in the past. Although analyzing historical trends is important, we think assessing what may happen in the future is even more important. The S&P 500 Dividend Aristocrat list, or a grouping of firms that have raised their dividends for the past 25 years, is a great example of why backward-looking analysis can be painful. One only has to look over the past few years to see the removal of well-known names from the Dividend Aristocrat List (including General Electric and Pfizer) to understand that backward-looking analysis is only part of the story. After all, you're investing for the future, so the future is what you should care about more.

We want to find stocks that will increase their dividends for 25 years into the future, not use a rear-view mirror to build a portfolio of names that may already be past their prime dividend growth years. The Valuentum Dividend Cushion™ ratio measures just how safe the dividend is in the future. It considers the firm's net cash on its balance sheet (cash and cash equivalents less debt) and adds that to its forecasted future free cash flows (cash from operations less capital expenditures) and divides that sum by the firm's future expected dividend payments. At its core, it tells investors whether the firm has enough cash to pay out its dividends in the future, while considering its debt load. If a firm has a Valuentum Dividend Cushion™ above 1, it can cover its dividend on the basis of our estimates, but if it falls below 1, trouble may be on the horizon.

In the study, the Valuentum Dividend Cushion™ process caught every dividend cut made by a non-financial, operating firm that we have in our database, except for one (Marriott). But interestingly, the Valuentum Dividend Cushion™ indicated that Marriott should have never cut its dividend, and sure enough, two years after the firm did so, it raised it to levels that were higher than before the cut.

Here are the results of the study (a Valuentum Dividend Cushion™ below 1 indicates the dividend may be in trouble). The Valuentum Dividend Cushion™ ratio shown in the table below is the measure in the year before the firm cut its dividend, so it represents a predictive indicator. The measure continues to do well by members in walk-forward analysis (beyond the limitations of a back-tested academic study).

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The following link, for example, provides more information of the Dividend Cushion ratio tested in a robust out-of-sample walk-forward study across our coverage universe from its inception in 2012 through 2017:

Our Dividend Growth Methodology Is Rocking! ***http://www.valuentum.com/articles/20130528***

The Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1 Indicates a Firm's Dividend is At Risk in the Years Ahead

Dividend Cutter	Cut Date	Dividend Cushion (Before Cut)	Reason for Dividend Cut
Avery Dennison (AVY)	31-Jul-09	0.66	Reduced dividend to support debt-reduction efforts.
ConAgra Foods (CAG)	16-Mar-06	-0.59 (1)	Restructuring, divestitures.
Constellation (CEG)	18-Feb-09	-4.36	Refocus on core business of generating and selling power.
DR Horton (DHI)	6-May-08	-0.03	Housing turmoil.
Gannett Co. (GCI)	25-Feb-09	-0.06	Excessive debt; preserve cash amid downturn of newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash amid downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of weak business travel, but dividend achieved record highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund operations and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in newspaper industry. Loss of investment-grade credit rating.
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue base. Raised $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business unit divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

(1) Forecast period for ConAgra, 2007 through 2011.

(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high

(3) Forecast adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.

Backtesting Methodology: Net balance sheet (year prior to dividend cut). Free cash flow for years beginning in year of dividend cut through reported years. If reported years do not total five, last reported year is extrapolated for remainder of forecast period. Dividends paid reflects what the dividends would be ex dividend cut.

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At the very least, using the Valuentum Dividend Cushion can help one avoid firms that are at risk of cutting their dividends in the future, and we are the only firm out there that does this type of in-depth analysis. We provide the Valuentum Dividend Cushion ratio in the dividend reports and monthly Dividend Growth Newsletter, and we also scale the safety of a firm's dividend based on this measure in simple terms: Excellent, Good, Poor, Very Poor.

Here's a glimpse of the Valuentum Dividend Cushion ratio **(as of November 2017)** for a sample set of firms in our coverage universe. Please note that the current score on these and hundreds more are available with a membership to our website:

Company Name	Symbol	Sector	Div Cushion
Coca-Cola	KO	Consumer Staples	1.4
PepsiCo	PEP	Consumer Staples	1.2
Air Products & Chemicals	APD	Materials	1.3
Ecolab	ECL	Materials	1.2
PPG Industries	PPG	Materials	2.5
Cintas Corp	CTAS	Industrials	2.7
3M	MMM	Industrials	1.6
W.W. Grainger	GWW	Industrials	1.4
Emerson Electric	EMR	Industrials	2.1
Hormel Foods	HRL	Consumer Staples	2.2
McCormick	MKC	Consumer Staples	1.7
Archer-Daniels-Midland	ADM	Consumer Staples	2.1
Sysco	SYY	Consumer Staples	1.4
Target	TGT	Consumer Staples	1.4
Walgreens Boots Alliance	WBA	Consumer Staples	2.0
Wal-Mart	WMT	Consumer Staples	1.6
Leggett & Platt	LEG	Consumer Discretionary	1.3
Clorox	CLX	Consumer Staples	1.2
Colgate-Palmolive	CL	Consumer Staples	1.8
Johnson & Johnson	JNJ	Consumer Staples	2.2
Kimberly-Clark	KMB	Consumer Staples	1.2
Procter & Gamble	PG	Consumer Staples	1.8
VF Corp	VFC	Consumer Discretionary	1.6
Dover	DOV	Industrials	1.2
Illinois Tool Works	ITW	Industrials	1.6

Understanding Dividend Growth

It takes time to accumulate wealth through dividends, so dividend growth investing requires a long-term perspective. We assess the long-term future growth potential of a firm's dividend, and we don't take management's word for it. Instead, we dive into the financial statements and make our own forecasts of the future to see if what management is saying is actually achievable. We use the Valuentum Dividend Cushion™ as a way to judge the capacity for management to raise its dividend – how much cushion it has – and we couple that assessment with the firm's dividend track record, or management's willingness to raise the dividend.

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In many cases, we may have a different view of a firm's dividend growth potential than what may be widely held in the investment community. That's fine by us, as our dividend-growth investment horizon is often longer than others'. We want to make sure that the firm has the capacity and willingness to increase the dividend years into the future and will not be weighed down by an excessive net debt load or cyclical or secular problems in fundamental demand for their products/services. We scale our dividend-growth assessment in an easily interpreted fashion: Excellent, Good, Poor, Very Poor.

What Are the Dividend Ideas We Seek to Deliver to You in Our Newsletter?

First of all, we're looking for stocks with dividend yields that are greater than the average of the S&P 500, or about 1.5% (but preferably north of 3%). This excludes many names, but we think such a cutoff eliminates firms whose dividend streams aren't yet large enough to generate sufficient income. Second, we're looking for firms that register an 'EXCELLENT' or 'GOOD' rating on our scale for both safety and future potential growth. And third, we're looking for firms that have a relatively lower risk of capital loss, as measured by our estimate of the company's fair value.

The Dividend Cushion Ratio Helps Income Investors

$$\frac{\sum_{t=1}^{5}[A(t) - B(t)] + C(0) - D(0)}{\sum_{t=1}^{5} E(t)}$$

A = cash flow from operations (from the operating section of the cash flow statement),
B = capital expenditures or additions to property plant and equipment (from the investing section of the cash flow statement),
C = cash and cash equivalents (from the balance sheet),
D = long-term debt (from the balance sheet), and
E = cash dividends paid (from the financing section of the cash flow statement).

"All else equal, a firm with billions of net cash on the balance sheet is better positioned to keep paying a dividend than a firm with billions of net debt on the balance sheet. More cash on the books relative to debt reveals significantly more financial flexibility. The dividend payout ratio ignores this important concept, while the Dividend Cushion ratio embraces it." – Valuentum's Brian Nelson, CFA

The Valuentum Dividend Cushion™ ratio has an excellent track record of predicting dividend cuts. For more information, please select the following link (login required):

http://www.valuentum.com/articles/20130528

Valuentum Dividend Growth Newsletter: Volume 14, Issue 3

Valuentum's Dividend Growth Newsletter is published monthly. To receive this newsletter on a monthly basis, please subscribe to Valuentum by visiting our website at http://www.valuentum.com. Or contact us at info@valuentum.com.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

Brian Nelson owns shares in SPY, SCHG, QQQ, DIA, VOT, RSP, QQQM, and IWM. Valuentum owns SPY, SCHG, QQQ, VOO, QQQM, and DIA. Brian Nelson's household owns shares in HON, DIS, HAS, NKE, DIA, SCHG, QQQ, QQQM, VOO, and RSP. Some of the other securities written about in this article may be included in Valuentum's simulated newsletter portfolios. Contact Valuentum for more information about its editorial policies.

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