



Free Stock Pick from our Safest Dividend Yields Model Portfolio for March 2025

With so many cross currents in the stock market, what can you trust? Who can you trust?

The short answer is that you can trust high-quality fundamentals to guide your investment process through good markets and bad. Look no farther than Warren Buffett – the greatest investor of all time. He's not a MOMO, FOMO or crypto bro. Not at all, he's always been about deep fundamental analysis, reading annual reports and doing real diligence.

We take the Warren Buffett approach one step further by adding technology. Specifically, our Robo-Analyst AI is proven to deliver superior fundamental research and stock ratings. Our technology gives us an edge and is a big part of why our stock picks and [Bloomberg Indices](#) beat the market.

We use the same technology to build all of our model portfolios, including our Safest Dividend Yields Model Portfolio. This portfolio only includes stocks that earn an [Attractive or Very Attractive](#) rating, have positive free cash flow ([FCF](#)) and [economic earnings](#), and offer a dividend yield greater than 3%.

Dividend paying stocks can provide a safe-haven, but only if the underlying companies generate enough cash to cover the dividends. This portfolio only holds stocks for companies that generate enough FCF to support the dividend. We think the stocks in this portfolio can outperform in the current market and beyond.

Below you will find a free stock pick from our Safest Dividend Yields Model Portfolio. This summary is not a full Long Idea report, but it will give you insight into the rigor of our research and approach to picking stocks.

Feel free to share this report with friends and colleagues.

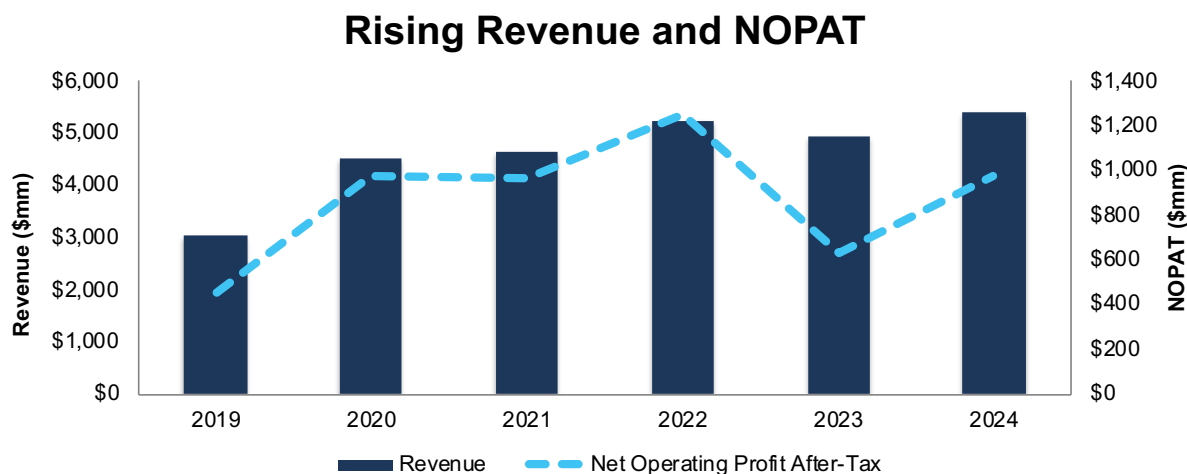
We update this Model Portfolio monthly. [March's](#) Safest Dividend Yields Model Portfolio was updated and published for clients on March 21, 2025.

Free Stock Pick: Nexstar Media Group Inc (NXST: \$183/share)

Nexstar Media Group Inc (NXST) is the featured stock in March's Safest Dividend Yields Model Portfolio.

Nexstar Media Group has grown revenue and net operating profit after tax ([NOPAT](#)) by 12% and 17% compounded annually, respectively, since 2019. The company's NOPAT margin improved from 15% in 2019 to 18% in 2024, while [invested capital turns](#) rose from 0.4 to 0.5 over the same time. Rising NOPAT margins and invested capital turns drive the company's return on invested capital ([ROIC](#)) from 6% in 2019 to 9% in 2024.

Figure 1: Nexstar Media Group's Revenue & NOPAT Since 2019



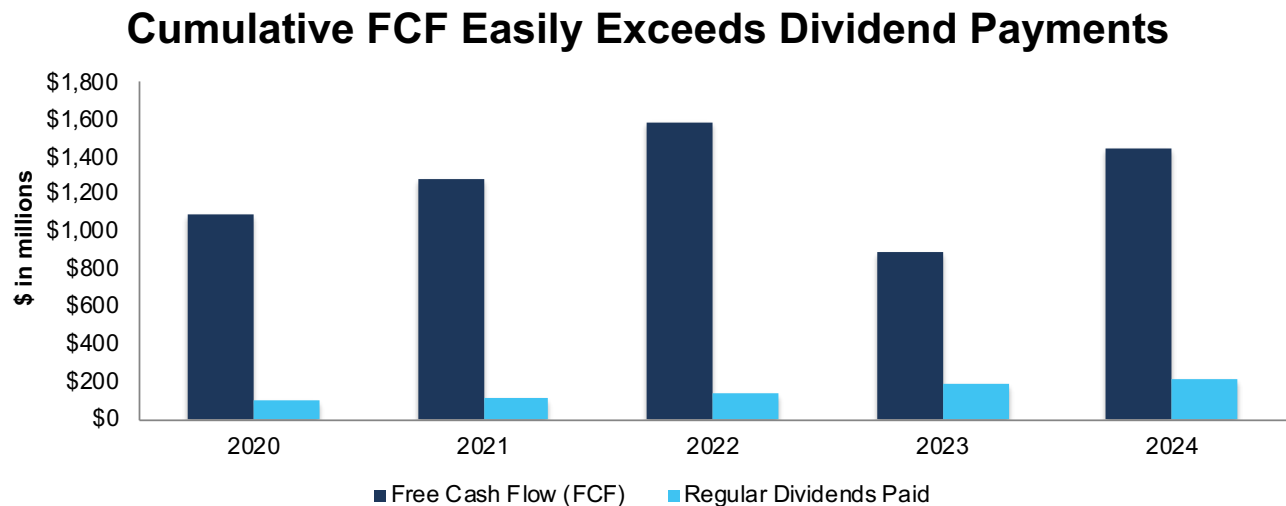
Sources: New Constructs, LLC and company filings

**Free Cash Flow Exceeds Regular Dividend Payments**

Nexstar Media Group has increased its regular dividend from \$0.56/share in 1Q20 to \$1.86/share in 1Q25. The current quarterly dividend, when annualized provides a 4.1% dividend yield.

The company's free cash flow ([FCF](#)) easily exceeds its regular dividend payments. From 2020 through 2024, the company generated \$6.3 billion (46% of current [enterprise value](#)) in FCF while paying \$771 million in regular dividends. See Figure 2.

Figure 2: Nexstar Media Group's FCF Vs. Regular Dividends Since 2020



Sources: New Constructs, LLC and company filings

As Figure 2 shows, this company's dividends are backed by a history of reliable cash flows. Dividends from companies with low or negative FCF are less dependable since the company might not be able to sustain paying dividends.

NXST Is Undervalued

At its current price of \$183/share, NXST has a price-to-economic book value ([PEBV](#)) ratio of 0.8. This ratio means the market expects the company's NOPAT to permanently fall 20% from 2024 levels. This expectation seems overly pessimistic given that the company has grown NOPAT 17% compounded annually over the last five years and 25% compounded annually over the past decade.

Even if the company's:

- NOPAT margin falls to 13% (equal to the company's lowest NOPAT margin in the last decade) and
- revenue grows 5% (compared to 12% CAGR over the last five years) compounded annually through 2034,

the stock would be worth \$228/share today – a 25% upside. In this scenario, the company's NOPAT would grow just 2% compounded annually through 2034. [Contact us for the math behind this reverse DCF scenario.](#)

Should the company's NOPAT grow more in line with historical growth rates, the stock has even more upside.

Critical Details Found in Financial Filings by Our [Robo-Analyst Technology](#)

Below are specifics on the adjustments we make based on Robo-Analyst findings in this featured stock's 10-K:

Income Statement: we made over \$700 million in adjustments with a net effect of removing just over \$250 million in [non-operating expenses](#). Professional members can see all adjustments made to the company's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made over \$1 billion in adjustments to calculate invested capital with a net increase of just under \$1 billion. The most notable adjustment was for [asset write downs](#). Professional members can see all



adjustments made to the company's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made over \$8 billion in adjustments to shareholder value, with a net decrease of around \$8 billion. Other than [total debt](#), the most notable adjustment to shareholder value was for [deferred tax liability](#).

Professional members can see all adjustments to the company's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [April 1, 2025](#).

Disclosure: David Trainer, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, style, or theme.

Questions on this report or others? Join our [online community](#) and connect with us directly.



It's Official: We Deliver the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

In [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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