



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

Stock market down, stock market up. Rinse and repeat.

So, what do we know in this uncertain time? We know that we are in the middle of the most important earnings season in the last few years. With each report, we're learning more about how tariffs affect certain businesses and what to expect for the rest of the year.

How do you cut through the Wall Street spin?

Join our [Earnings Watch Parties](#). In these meetings, we leverage our proven-superior fundamental research to analyze the true earnings of companies. It's easier to block out the noise when you have the truth at your fingertips.

Speaking of important truths, dividend-paying stocks can only provide a safe-haven if the company generates enough cash to cover its dividends. Our Safest Dividend Yields Model Portfolio only holds stocks that meet that criterion. When paired with an Attractive-or-better rating, we think the stocks in this portfolio can outperform in the current market and beyond.

Below you will find a free stock pick from the April edition of 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.

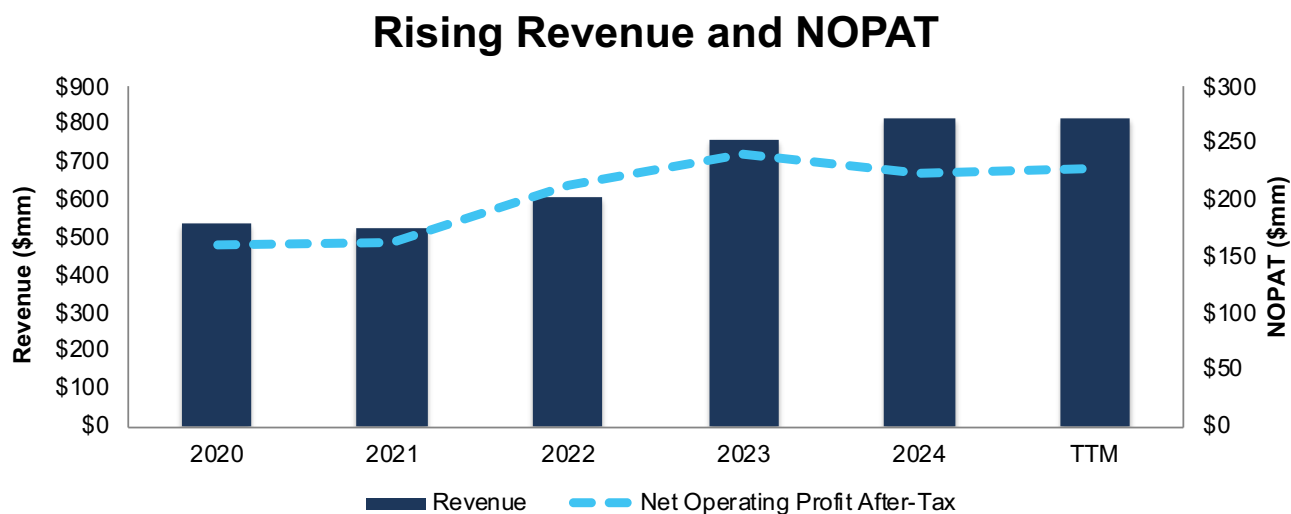
Feel free to share this report with friends and colleagues.

We update this Model Portfolio monthly. [April's](#) Safest Dividend Yields Model Portfolio was updated and published for clients on April 23, 2025.

### **Free Stock Pick: Bank of NT Butterfield & Son Limited (NTB: \$41/share)**

Bank of NT Butterfield & Son Limited (NTB) is the featured stock in April's Safest Dividend Yields Model Portfolio.

Bank of NT has grown revenue and net operating profit after tax ([NOPAT](#)) by 10% and 8% compounded annually, respectively, since 2020. The company's NOPAT margin fell from 30% in 2020 to 28% in the TTM, while [invested capital turns](#) rose from 0.4 to 0.5 over the same time. Rising invested capital turns are enough to offset falling NOPAT margin and drive the company's return on invested capital ([ROIC](#)) from 13% in 2020 to 15% in the TTM.

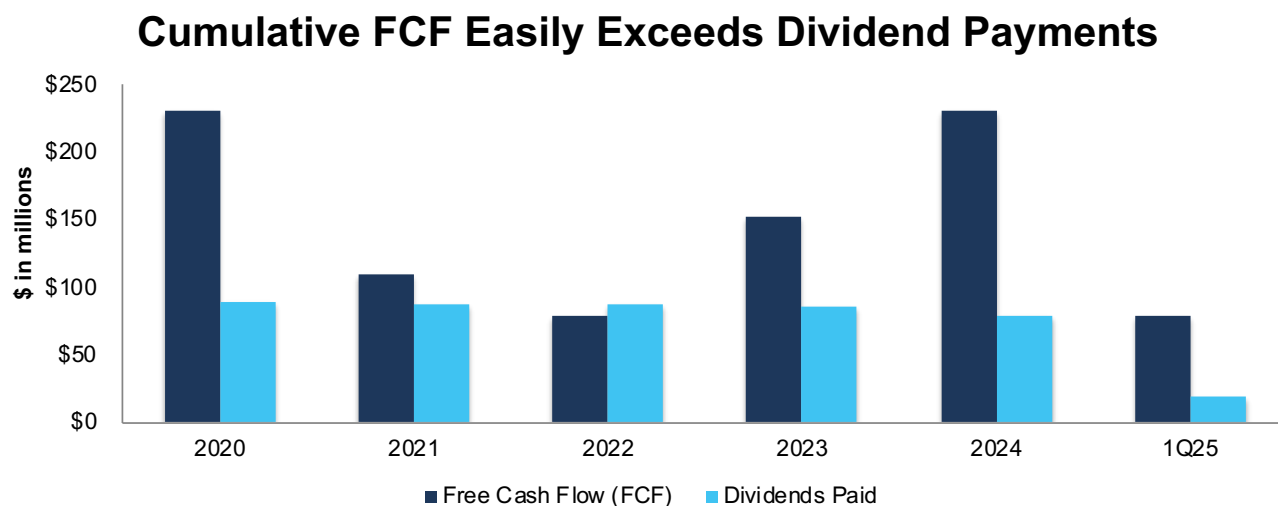
**Figure 1: Bank of NT's Revenue & NOPAT Since 2020**

Sources: New Constructs, LLC and company filings

**Free Cash Flow Exceeds Regular Dividend Payments**

Bank of NT has increased its regular dividend from \$0.38/share in 1Q18 to \$0.44/share in 1Q25. The current quarterly dividend, when annualized provides a 4.3% dividend yield.

The company's free cash flow ([FCF](#)) easily exceeds its regular dividend payments. From 2020 through 1Q25, the company generated \$880 million (49% of current [enterprise value](#)) in FCF while paying \$448 million in regular dividends. See Figure 2.

**Figure 2: Bank of NT'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.

**NTB Is Undervalued**

At its current price of \$41/share, NTB has a price-to-economic book value ([PEBV](#)) ratio of 0.7. This ratio means the market expects the company's NOPAT to permanently fall 30% from TTM levels. This expectation seems



overly pessimistic given that the company has grown NOPAT 2% compounded annually since 2019 (earliest data in our model) and 8% compounded annually since 2020.

Even if the company's:

- NOPAT margin falls to 20% (below the company's lowest NOPAT margin of 28%) and
- revenue grows 2% (compared to 6% CAGR over the last five years) compounded annually through 2034,

the stock would be worth \$50/share today – a 22% upside. In this scenario, the company's NOPAT would fall 1% 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 20-F and 6-K:

**Income Statement:** we made over \$25 million in adjustments with a net effect of removing just under \$10 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 \$300 million in adjustments to calculate invested capital with a net increase of over \$300 million. The most notable adjustment was for [other comprehensive income](#). 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 just under \$100 million in adjustments to shareholder value, with a net decrease of just under \$100 million. The most notable adjustment to shareholder value was for [underfunded pensions](#). 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 [May 2, 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***

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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, 1<sup>st</sup> 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, 2<sup>nd</sup> 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, 5<sup>th</sup> 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, 2<sup>nd</sup> 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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> 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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