



## Free Stock Pick from our Dividend Growth Model Portfolio for May 2025

The Stanley Cup Finals reward the most disciplined, resilient, and strategically sound team over a grueling season. One could make a similar argument about investing. In particular, dividend investing pays off for those who play the long game with patience and diligence.

While hockey fans watch teams battle shift by shift, seasoned investors know that building wealth through dividends is a long-term game of smart positioning, steady performance, and surviving market volatility.

If only dividend investing was always that easy. These days, more than ever, we see that not all dividend stocks are equal. There are fake dividend stocks, reviewed last week (replay [here](#)), that get our Very Unattractive rating due to significant downside risk, despite their appealing yield. These stocks often use dividends as a smokescreen to distract from weak financials and overvalued stock prices.

This week, we did a deep dive on False Dividend stocks. In this training, we warned investors about stocks that can't afford to keep paying their dividends because their free cash flow is negative. Many stocks are borrowing and selling stock like crazy to keep up false appearances of being a dividend payor. Learn more about the stocks most likely to cut their dividends [here](#).

Next Friday, June 13, we'll turn our attention to a third type of bad dividend stocks – dividend-trap stocks. You can register for the training [here](#). We'll show you how exactly to identify and avoid these potential losers.

Finding great dividend stocks requires rigorous analysis and diligence. Same is true to uncovering the risky ones. Our Dividend Growth Model Portfolio features companies that not only produce ample free cash flow to support their dividend payments, but also have a strong track record of consistently increasing their dividend payments over time.

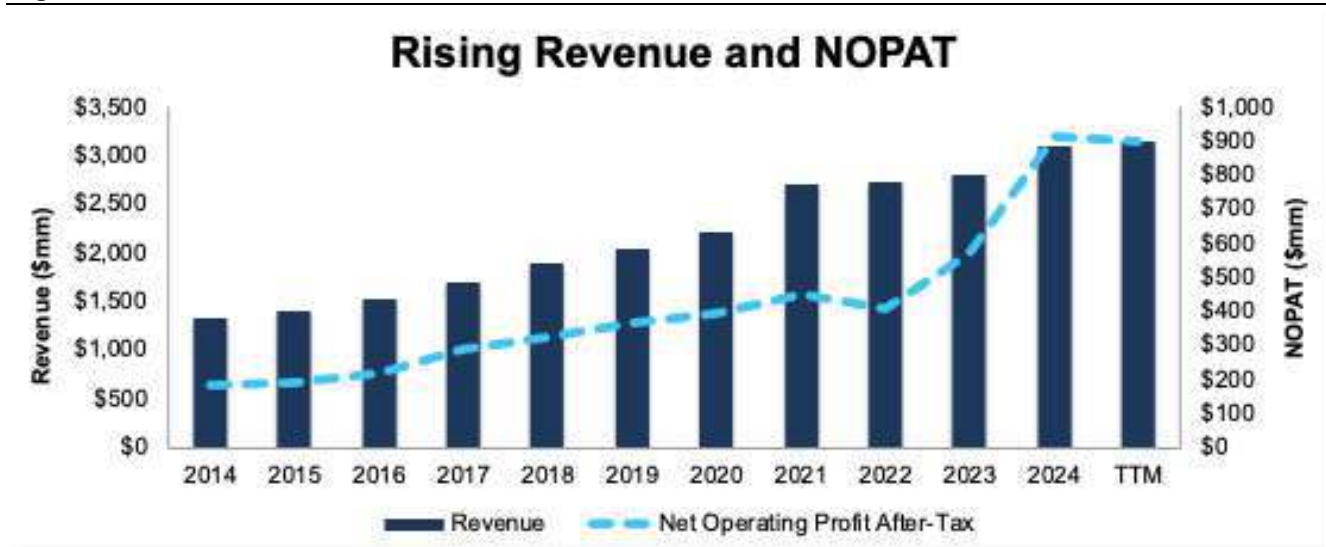
Below is an overview of one of the stocks from our Dividend Growth Model Portfolio. It is not an in-depth [Long Idea](#) report, but it will give you a good understanding of how our research combines fundamental research with expectations investing. It's also a great example of a good dividend stock.

We hope you enjoy this free stock pick. Feel free to share this report with friends and colleagues.

We update this Model Portfolio monthly. May's [Dividend Growth Model Portfolio](#) was updated and published for clients on May 29, 2025.

### **Free Stock Pick: Primerica Inc. (PRI: \$268/share)**

Primerica has grown revenue and net operating profit after-tax ([NOPAT](#)) by 9% and 17% compounded annually, respectively, since 2014. The company's NOPAT margin increased from 14% in 2014 to 28% in the TTM, while [invested capital turns](#) rose from 0.9 to 1.0 over the same time. Rising NOPAT margins and invested capital turns drive return on invested capital ([ROIC](#)) from 12% in 2014 to 29% in the TTM.

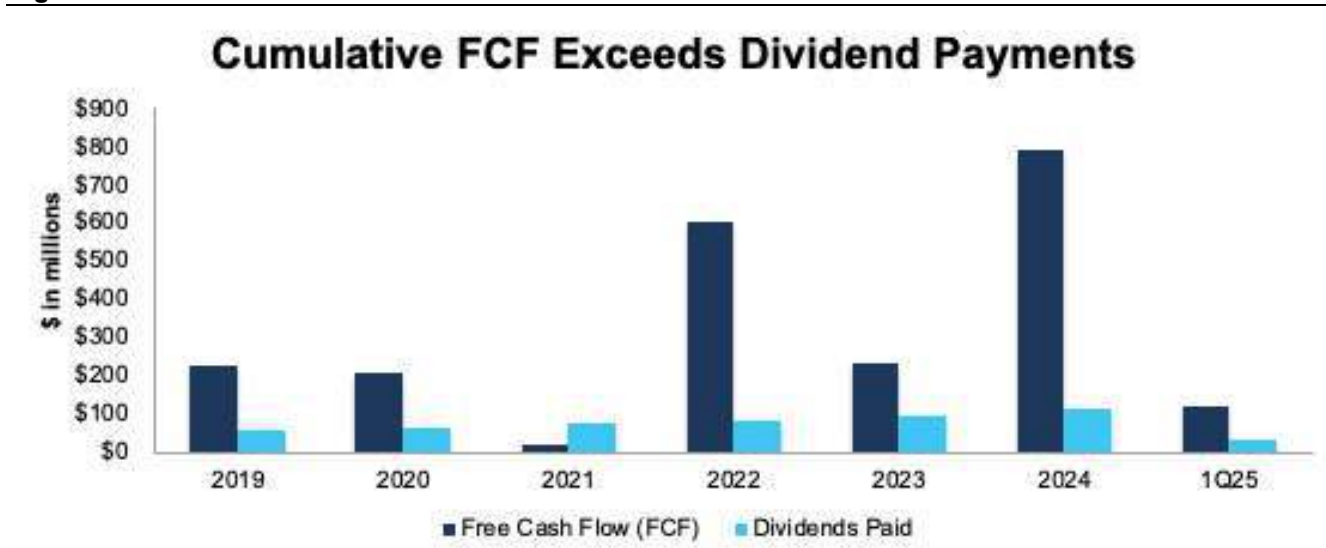
**Figure 1: Primerica's Revenue & NOPAT Since 2014**

Sources: New Constructs, LLC and company filings

### Free Cash Flow Exceeds Dividend Payments

Primerica has increased its regular, quarterly dividend from \$0.34/share in 1Q19 to \$1.04/share in 1Q25. The quarterly dividend, when annualized, equals \$4.16/share and provides a 1.6% dividend yield.

More importantly, Primerica's cumulative free cash flow (FCF) easily exceeds its dividend payments. From 2019 through 1Q25, Primerica generated \$2.7 billion (31% of current [enterprise value](#)) in FCF while paying \$522 million in dividends. See Figure 2.

**Figure 2: Primerica's FCF vs. Dividends Since 2019**

Sources: New Constructs, LLC and company filings

Companies with FCF well above dividend payments provide higher-quality dividend growth opportunities. On the other hand, dividends that exceed FCF cannot be trusted to grow or even be maintained.

### PRI Is Undervalued

At its current price of \$268/share, Primerica has a price-to-economic book value (PEBV) ratio of 0.8. This ratio means the market expects Primerica's NOPAT to permanently fall 20% from current levels. This expectation



seems overly pessimistic given that Primerica has grown NOPAT by 18% and 17% compounded annually over the past five and ten years, respectively.

Even if Primerica's:

- NOPAT margin falls to 20% (equal to five-year average and below TTM margin of 28%) and
- revenue grows 6% compounded annually (below the 9% CAGR over the last five and ten years) for the next decade,

the stock would be worth \$327/share today – a 22% upside. In this scenario, Primerica's NOPAT would grow just 2% compounded annually through 2034. [Contact us for the math behind this reverse DCF scenario.](#)

Add in Primerica's 1.6% dividend yield and a history of dividend growth, and it's clear why this stock is in May's Dividend Growth Stocks Model Portfolio.

### **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 Primerica's 10-K and 10-Q:

Income Statement: we made just under \$600 million in adjustments with a net effect of removing over \$400 million in [non-operating expense](#). Clients can see all adjustments made to Primerica's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made just under \$1 billion in adjustments to calculate invested capital with a net increase of under \$200 million. The most notable adjustment was for [other comprehensive income](#). See all adjustments made to Primerica's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made under \$100 million in adjustments, all of which decreased shareholder value. The most notable adjustment to shareholder value was for [total debt](#). See all adjustments to Primerica's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

*This article was originally published on [June 6, 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, 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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