



Free Stock Pick from our Dividend Growth Model Portfolio for July 2025

After months of negotiations, announcements, delays, extensions, and uncertainty, the majority of President Trump's reciprocal tariffs went into effect on Thursday. Initially at least, markets met the news with a resounding "shrug". Of course, the full impact remains to be seen.

You don't have to wait, though. You can position your portfolios to succeed in any environment, by leveraging superior fundamental data to identify opportunities.

We've created an [AI agent for investing](#) that has consistently generated [real alpha](#) in the stock market, across many years.

And, we use that AI agent to build our Dividend Growth Stocks Model Portfolio, which 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. In uncertain times, dividends provide a safe haven, but these companies look poised to pay and grow their dividends going forward.

Below is an overview of one of the stocks from the July edition of 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 rare we find a dividend stock this good. Out of the 3,300+ stocks we cover, only about 25 stocks qualify for this Model Portfolio.

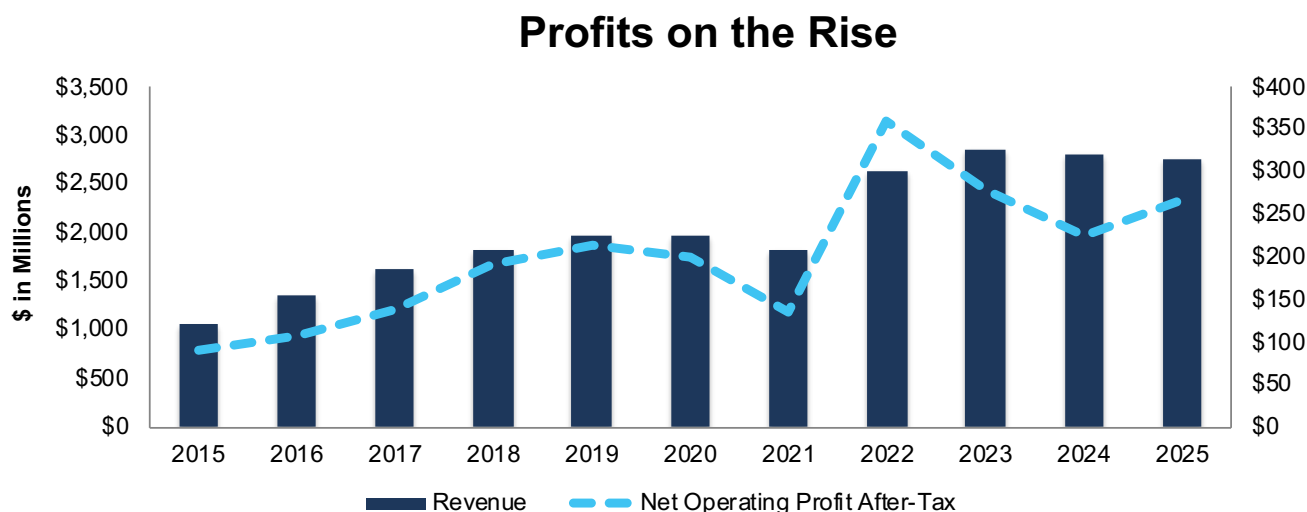
We hope you enjoy this free stock pick. Feel free to share this report with friends and colleagues.

We update this Model Portfolio monthly. July's [Dividend Growth Model Portfolio](#) was updated and published for clients on July 30, 2025.

Free Stock Pick: Korn Ferry (KFY: \$70/share)

Korn Ferry has grown revenue and net operating profit after-tax ([NOPAT](#)) by 10% and 11% compounded annually, respectively, since fiscal 2015. The company's NOPAT margin improved from 8.6% in fiscal 2015 to 9.7% in fiscal 2025, while [invested capital turns](#) remained at 1.4 over the same time. Rising NOPAT margin drives return on invested capital ([ROIC](#)) from 12% in fiscal 2015 to 14% in fiscal 2025.

Figure 1: Korn Ferry's Revenue & NOPAT Since Fiscal 2015



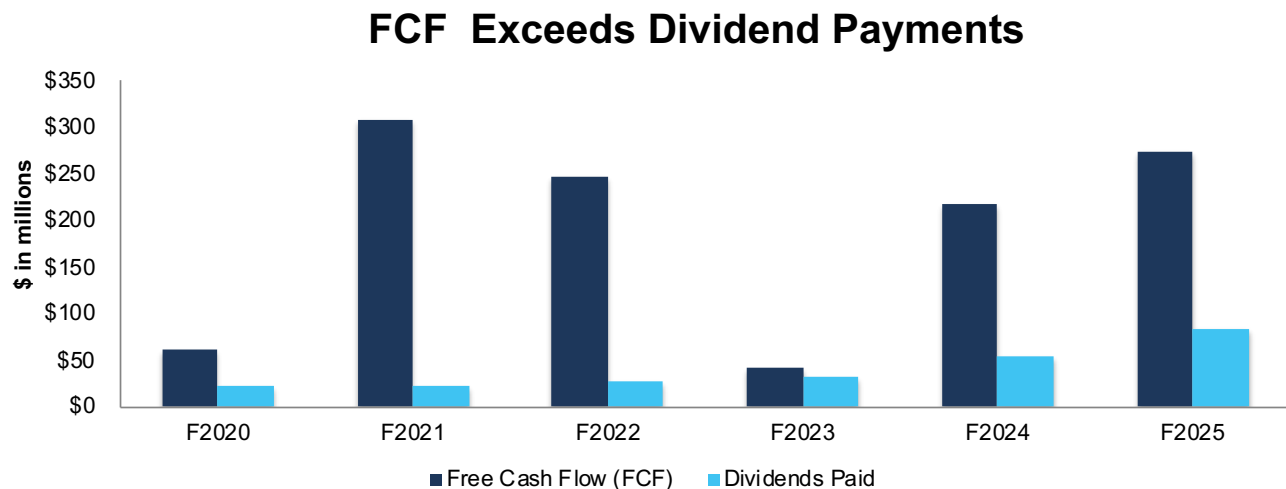
Sources: New Constructs, LLC and company filings

**Free Cash Flow Exceeds Dividend Payments**

Korn Ferry has increased its regular, quarterly dividend from \$0.10/share in fiscal 1Q20 to \$0.48/share in fiscal 4Q25. The quarterly dividend, when annualized, equals \$1.92/share and provides a 2.7% dividend yield.

More importantly, Korn Ferry's cumulative free cash flow ([FCF](#)) easily exceeds its dividend payments. From fiscal 2020 through fiscal 2025, Korn Ferry generated \$1.1 billion (34% of current [enterprise value](#)) in FCF while paying over \$243 million in dividends. See Figure 2.

Figure 2: Korn Ferry's FCF vs. Dividends Since Fiscal 2020



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.

KFY Is Undervalued

At its current price of \$70/share, Korn Ferry has a price-to-economic book value ([PEBV](#)) ratio of 1.0. This ratio means the market expects Korn Ferry's NOPAT to never grow from TTM levels. This expectation seems overly pessimistic given that Korn Ferry has grown NOPAT by 13% compounded annually since fiscal 1999 and 11% compounded annually since fiscal 2015.

Even if Korn Ferry's:

- NOPAT margin falls to 9% (below both five-year average and TTM NOPAT margin of 10%) through fiscal 2034,
- revenue grows at consensus rates in fiscal 2026 (2%), fiscal 2027 (5%), and fiscal 2028 (6%) and
- revenue grows at 6% (below 5-year CAGR of 7% and 10-year CAGR of 10%) each year thereafter through fiscal 2035, then

the stock would be worth \$89/share today – a 27% upside. In this scenario, Korn Ferry's NOPAT would grow 5% compounded annually through fiscal 2035. [Contact us for the math behind this reverse DCF scenario.](#)

Add in Korn Ferry's 2.7% dividend yield and a history of dividend growth, and it's clear why this stock is in July'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 Korn Ferry's 10-K:

Income Statement: we made over \$75 million in adjustments with a net effect of removing over \$30 million in [non-operating expense](#). Clients can see all adjustments made to the Korn Ferry's income statement on the GAAP Reconciliation tab on the Ratings page on our website.



Balance Sheet: we made over \$1.8 billion in adjustments to calculate invested capital with a net decrease of under \$1.2 billion. The most notable adjustment was for [deferred compensation](#). See all adjustments made to Korn Ferry's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made over \$2.0 billion in adjustments with a net increase to shareholder value of over \$200 million. The most notable adjustment to shareholder value was [total debt](#). See all adjustments to Korn Ferry's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [August 8, 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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