



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

Today's market is increasingly defined by trade uncertainty, irrational buying (meme stocks anyone?), and record valuations. With this backdrop, income investors seek refuge in dividend stocks. However, not all dividend stocks are safe dividend stocks. For instance, Dow (DOW), even with its multi-billion-dollar market cap, recently halved its dividend from \$0.70/share to \$0.35/share.

Many high-yield stocks may, in fact, be masking underlying financial weaknesses. Without ample free cash flow generation, companies cannot maintain their dividend commitments. Dividend cuts tend to have devastating impacts on stock prices. From the example above, DOW is down over 20% since it cut its dividend.

The key to identifying good dividend stocks lies in robust fundamental research. A company must demonstrate the capacity to generate sufficient and consistent cash flows to support its dividend policy over time. Without this financial foundation, even the most attractive yields can prove illusory.

Our Safest Dividend Yields Model Portfolio provides you with the best of the dividend stocks. How?

It includes only Attractive or Very Attractive rated stocks whose underlying businesses generate sufficient cash flows to support dividend payments. In other words, we give you the best of both worlds: safety and upside potential.

Below you will find a free stock pick from the latest 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.

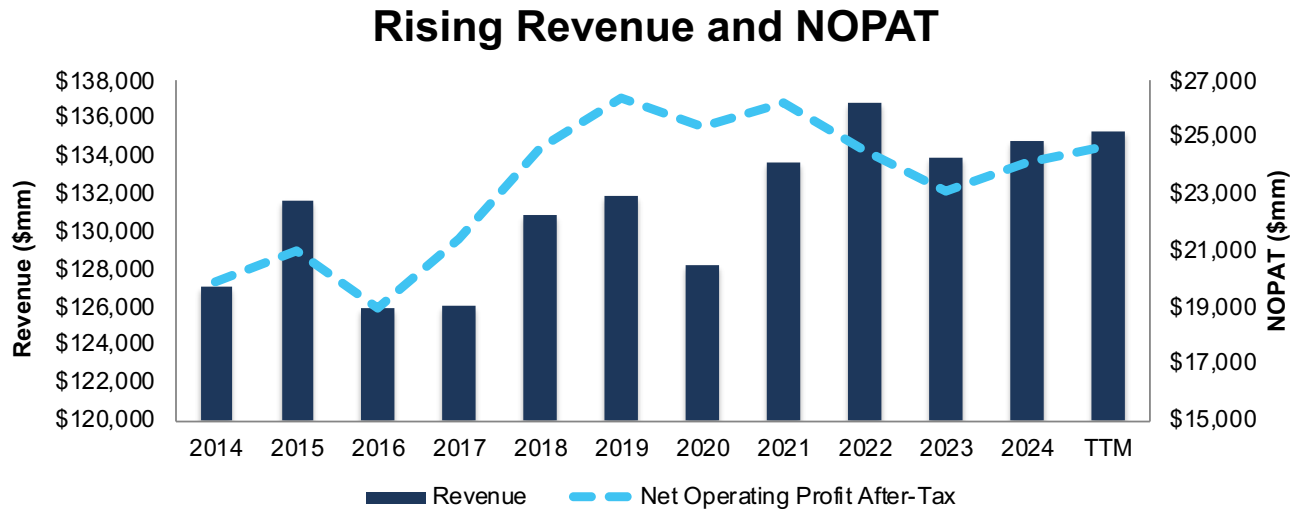
Feel free to share this report with friends and colleagues.

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

Free Stock Pick: Verizon Communications (VZ: \$43/share)

Verizon Communications (VZ) is the featured stock in July's Safest Dividend Yields Model Portfolio.

Verizon Communications has grown revenue and net operating profit after tax ([NOPAT](#)) by 1% and 2% compounded annually, respectively, since 2014 while [invested capital turns](#) fell from 0.5 to 0.3 over the same time. As a result, the company's return on invested capital ([ROIC](#)) has fallen from 7.5% in 2014 to 6% in the TTM, but what it lacks in ROIC improvement, it more than makes up for in FCF generation.

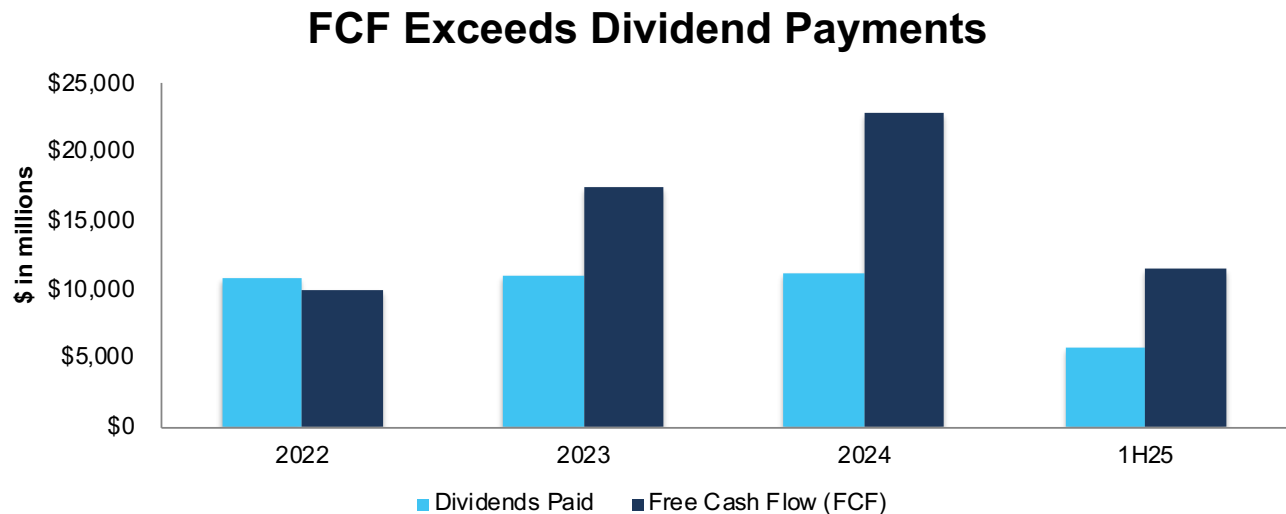
**Figure 1: Verizon Communications' Revenue & NOPAT Since 2014**

Sources: New Constructs, LLC and company filings

Free Cash Flow Exceeds Regular Dividend Payments

Verizon Communications has increased its regular dividend from \$0.62/share in 3Q20 to \$0.68/share in 3Q25. The current quarterly dividend, when annualized provides a 6.4% dividend yield.

The company's free cash flow ([FCF](#)) easily exceeds its regular dividend payments. From 2022 through the first half of 2025 (1H25), the company generated \$61.9 billion (15% of current [enterprise value](#)) in FCF while paying \$38.8 billion in regular dividends. See Figure 2.

Figure 2: Verizon Communications' FCF Vs. Regular Dividends Since 2022

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.

**VZ Is Undervalued**

At its current price of \$43/share, VZ 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 by 1% compounded annually over the last ten years and 3% compounded annually over the last 20 years.

Even if the company's:

- NOPAT margin immediately falls to 17.5% (compared to 10-year average of 17.9%) through 2034, and
- revenue grows just 1% (equal to CAGR over past decade) compounded annually through 2034, then

the stock would be worth \$64/share today – a 49% upside. In this scenario, the company's NOPAT would grow just 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 10-K and 10-Qs:

Income Statement: we made over \$14 billion in adjustments with a net effect of removing just under \$7 billion 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 \$190 billion in adjustments to calculate invested capital with a net increase of just over \$95 billion. One of the most notable adjustments was for [accumulated 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 \$228 billion in adjustments to shareholder value, with a net decrease of over \$227 billion. Apart from [total debt](#), the most notable adjustment to shareholder value was for [deferred tax liabilities](#). 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 [August 4, 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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