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

Earnings season is right around the corner, so we hope you're ready for Wall Street propaganda to ramp up. We're building an Earnings Predictor feature into the AI Agent we're developing with Google Cloud so clients can know where the Wall Street propaganda might cost them the most money.

Without our Core Earnings and Earnings Distortion Scores, Earnings Season can be costly. Especially these days, when stock valuations remain stretched and the ongoing government shutdown hurts the economy.

Wondering where you can find safe harbor in this storm?

We believe companies that reward shareholders through consistent and growing dividends remain a beacon of stability, and a reminder that disciplined capital allocation never goes out of style.

Our Dividend Growth Stocks Model Portfolio includes stocks that get an Attractive-or-better rating and companies that not only produce ample free cash flow to support their dividend payments, but also consistently increase their dividend payments over time.

Below is an overview of one of the stocks from the latest 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.

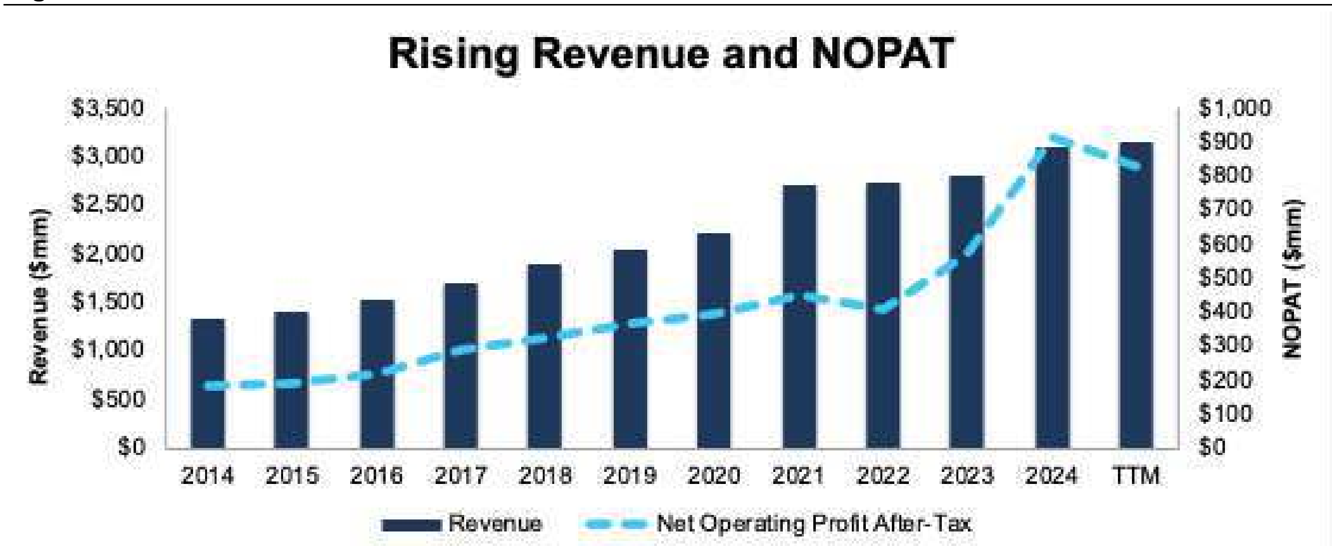
We hope you enjoy this free stock pick. Feel free to share this report with friends and colleagues.

We update this Model Portfolio monthly. September's Dividend Growth Model Portfolio was updated and published for clients on September 30, 2025.

Free Stock Pick: Primerica Inc. (PRI: $270/share)

Primerica has grown revenue and net operating profit after-tax (NOPAT) by 8% and 16% compounded annually, respectively, since 2014. The company's NOPAT margin improved from 14% in 2014 to 26% in the trailing-twelve-months (TTM), while invested capital turns improved from 0.9 to 1.0 over the same time. Rising NOPAT margin and invested capital turns drive return on invested capital (ROIC) from 12% in 2014 to 26% over the TTM.

Figure 1: Primerica's Revenue & NOPAT Since 2014



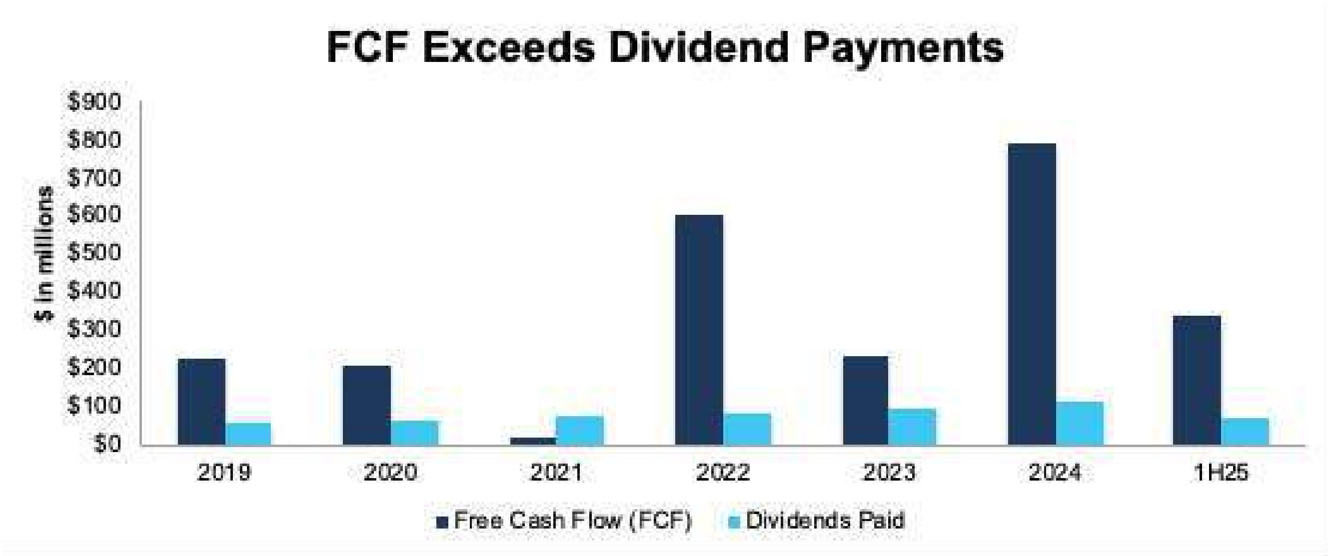
Sources: New Constructs, LLC and company filings

Free Cash Flow Exceeds Dividend Payments

Primerica has increased its regular, quarterly dividend from $0.34/share in 3Q19 to $1.04/share in 3Q25. The quarterly dividend, when annualized, equals $4.16/share and provides a 1.5% dividend yield.

More importantly, Primerica's cumulative free cash flow (FCF) easily exceeds its dividend payments. From 2019 through the first half of 2025, Primerica generated $2.4 billion (28% of current enterprise value) in FCF while paying over $556 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 $270/share, PRI has a price-to-economic book value (PEBV) ratio of 0.9. This ratio means the market expects Primerica's NOPAT to permanently fall 10% from TTM levels. This expectation seems overly pessimistic given that Primerica has grown NOPAT by 16% compounded annually over the last five and ten years.

Even if Primerica's:

- NOPAT margin falls to 20% (equal to five-year average and below TTM NOPAT margin of 26%) through 2034 and
- revenue grows at 6% compounded annually (equal to 2025 and 2026 consensus estimates, and below five- and ten-year CAGR of 8%) through 2034, then

the stock would be worth $325/share today – a 20% 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 1.5% dividend yield and a history of dividend growth, and it's clear why this stock is in September'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-Ks and 10-Qs:

Income Statement: we made nearly $600 million in adjustments with a net effect of removing over $400 million in non-operating expense. Clients can see all adjustments made to the income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made nearly $1 billion in adjustments to calculate invested capital with a net increase of over $150 million. The most notable adjustment was for other comprehensive income. See all adjustments made to the balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made over $50 million in adjustments all of which decreased shareholder value. The most notable adjustment to shareholder value was 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 *October 10, 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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