



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

Tesla shareholders approved Elon Musk's \$1 trillion pay package. The compensation plan has the potential to make the world's richest person also the world's first trillionaire. While that's great for Musk, is it really the best use of Tesla's capital, to mint a trillionaire, when the company is facing significant headwinds?

That's about as rhetorical as a question can get...

Prudent use of capital doesn't just apply to executive compensation. Mismanagement of capital can lead to reduced shareholder returns, in the form of reduced or suspended dividends. The most important element of a quality dividend stocks lies in ability to pay that dividend.

If a company's cash flows aren't enough to support its dividend payments, it can't sustain or grow its dividends. On the other hand, companies that generate ample cash flows provide a safe income and have opportunities to further increase their dividends.

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.

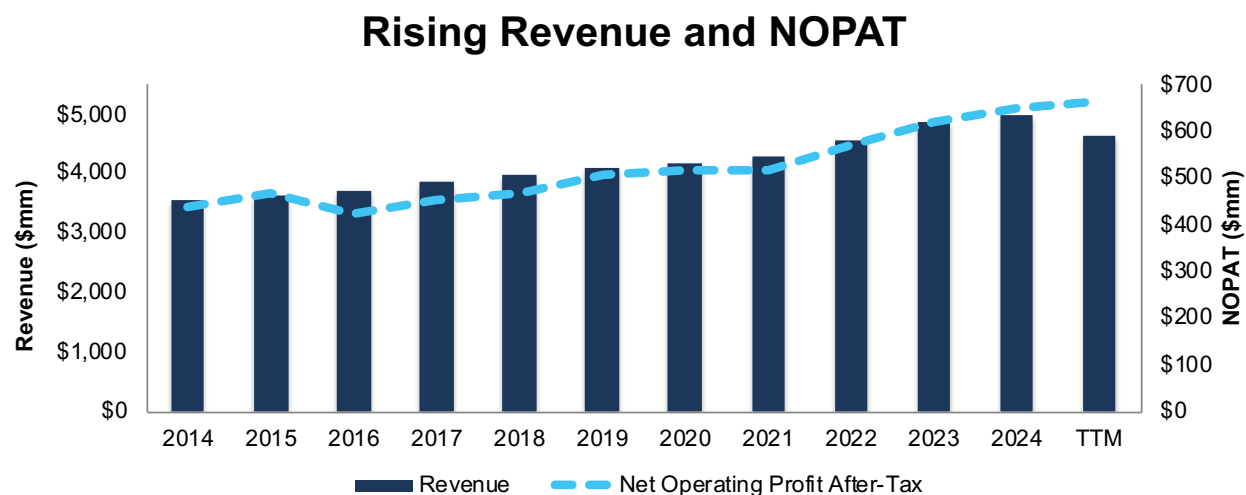
We hope you enjoy this free stock pick. Feel free to share this report with friends and colleagues.

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

Free Stock Pick: Amdocs, Ltd. (DOX: \$84/share)

Amdocs has grown revenue and net operating profit after-tax (NOPAT) by 2% and 4% compounded annually, respectively, since 2014. The company's NOPAT margin improved from 12% in 2019 to 14% in the trailing-twelve-months (TTM), while [invested capital turns](#) fell from 1.0 to 0.9 over the same time. The improvement in NOPAT margin is enough to offset falling invested capital turns and drive return on invested capital (ROIC) from 11% in 2019 to 12% over the TTM.

Figure 1: Amdocs' Revenue & NOPAT Since 2014

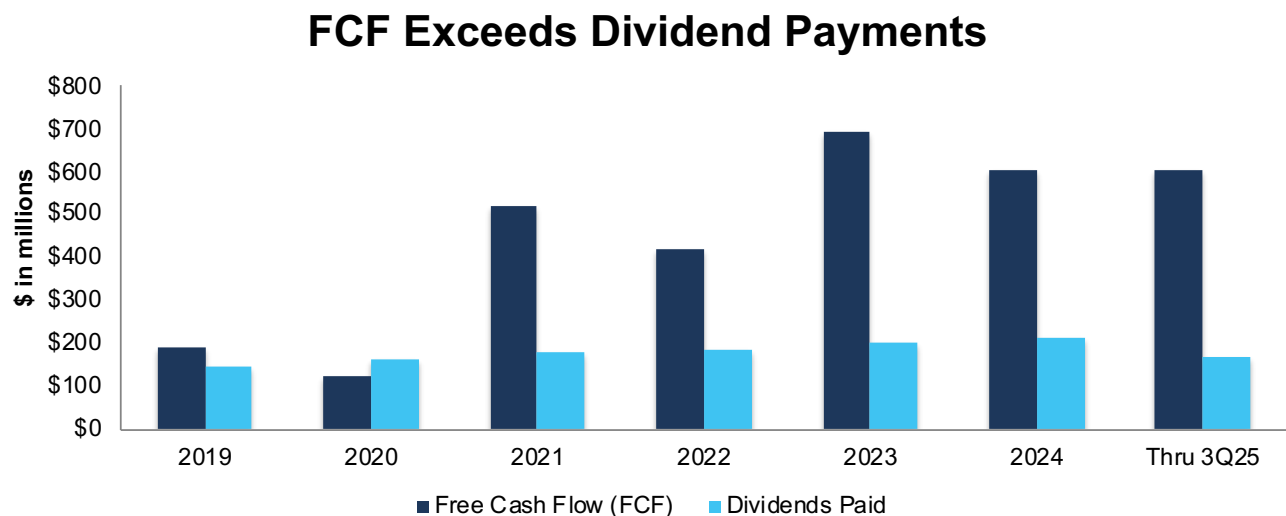


Sources: New Constructs, LLC and company filings

**Free Cash Flow Exceeds Dividend Payments**

Amdocs has increased its regular, quarterly dividend from \$0.29/share in 3Q19 to \$0.53/share in 3Q25. The quarterly dividend, when annualized, equals \$2.12/share and provides a 2.5% dividend yield.

More importantly, Amdocs' cumulative free cash flow ([FCF](#)) easily exceeds its dividend payments. From 2019 through the first nine months of 2025, Amdocs generated \$2.9 billion (29% of current [enterprise value](#)) in FCF while paying over \$1.3 billion in dividends. See Figure 2.

Figure 2: Amdocs' 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.

DOX Is Undervalued

At its current price of \$84/share, DOX has a price-to-economic book value ([PEBV](#)) ratio of 1.0. This ratio means the market expects Amdocs' NOPAT to never grow from TTM levels. This expectation seems overly pessimistic given that Amdocs has grown NOPAT by 5% and 4% compounded annually over the last five and ten years, respectively.

Even if Amdocs's:

- NOPAT margin remains at 14% (equal to TTM NOPAT margin) through 2034,
- revenue grows at consensus rates in 2025 (-10%), 2026 (4%), and 2027 (5%), and
- revenue grows 2% each year thereafter (equal five-year CAGR) through 2034, then

the stock would be worth \$98/share today – a 17% upside. In this scenario, Amdocs' NOPAT would grow just 3% compounded annually through 2034. [Contact us for the math behind this reverse DCF scenario.](#)

Add in Amdocs' 2.5% dividend yield and a history of dividend growth, and it's clear why this stock is in October'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 Amdocs' 6-Ks and 20-Fs:

Income Statement: we made over \$200 million in adjustments with a net effect of removing over \$150 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 over \$1 billion in adjustments to calculate invested capital with a net increase of over \$300 million. The most notable adjustment was for [accumulated goodwill amortization](#). See all adjustments made to the balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made over \$1 billion in adjustments with a net decrease of just under \$800 million to shareholder value. The most notable adjustment to shareholder value was [total debt](#). See all adjustments to valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [November 7, 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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