SPECIAL REPORT

The 9 Best Stocks to Own Right Now

Plus 2 Bonus Stocks!

These recommendations come from a handful of the nation's leading investment analysts.

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November 2016 Edition

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Acknowledgements

Over the past several years we've closely monitored the investment ideas of dozens of the nation's most respected analysts and investment newsletter advisors.

With special permission from their publishers, we've regularly featured many of their recommendations in our Daily Trade Alert newsletter.

This arrangement offers enormous benefits for our readers. For example, instead of having to spend time and money tracking down high-quality investment ideas on your own, you'll find a summary of some of today's best ideas in one simple, easy-to-read email each day.

Thanks to the quality of these analysts' research, not only have our readers become smarter investors, but they've also had plenty of opportunities to generate safe and steady returns on their investments.

As a result, we believe Daily Trade Alert has become one of the most popular (and trusted) investment newsletters of its kind in the world.

With this in mind, there are a number of analysts we'd like to thank…

From Simply Safe Dividends: Brian Bollinger

From Daily Wealth and Growth Stock Wire: Dr. Steve Sjuggerud, Dan Ferris, Dr. David Eifrig, Matt Badiali and Jeff Clark

From StreetAuthority and Profitable Trading: Nathan Slaughter and Amber Hestla

From Wall Street Daily: Karim Rahemtulla, Alan Gula and Louis Basenese

From Investment U and Wealthy Retirement: Alexander Green, Steve McDonald and Marc Lichtenfeld

From Money Morning: Keith Fitz-Gerald, Michael Robinson and Shah Gilani

From Wyatt Research: Ian Wyatt, Andy Crowder and Steve Mauzy

From Bottarelli Research: Bryan Bottarelli

From Contrarian Outlook: Brett Owens

We'd also like to give a special thanks to the following individuals for helping to educate our readers about the wonderful benefits of dividend growth investing (DGI) –- the investment strategy that has most influenced the stock picks in today's special report.

Jasob Fieber, DGI blogger who went from $0 to $100K in 3 years
Dave Van Knapp, editor of our Dividend Growth Stock of the Month
Chuck Carnevale, founder of the F.A.S.T. Graphs valuation software
David Fish, creator of the Dividend Champions, Contenders and Challengers (CCC) list

Preface

The stocks featured in today's special report are among an elite group of high-quality companies with histories of paying shareholders increasing amounts of income through both good times and bad.

They're called **dividend growth stocks**… and for many of the analysts we follow, they're the consensus "investment of choice" for anyone looking to secure a lifetime of steadily-rising dividend payments.

Put simply, a dividend growth stock is a company with a proven track record of raising its dividend year after year.

These companies typically dominate their industry, realize steady profits, and generate massive amounts of free cash flow.

Perhaps best of all, they pay their shareholders a generous amount of that cash in the form of a dividend that tends to increase every year (often rising faster than the rate of inflation).

The beauty of owning a stock like this is that no matter what happens to its share price, as long as the company continues to grow its dividend, we — as shareholders — stand to collect larger and larger payouts each and every year.

With this in mind, we've sifted through the analysis of a handful of our favorite investment analysts and singled out what we consider to be the "best of the best" dividend growth stocks to own right now.

For this report, we've teamed up with one of our favorite analysts, Brian Bollinger — a Certified Public Account (CPA) and the founder of Simply Safe Dividends.

In short, we've asked Brian to analyze each and every stock that made our final cut on the merits of its 1) dividend safety 2) dividend growth potential and 3) key risks.

Brian's analysis takes into account more than a dozen fundamental factors that influence a company's ability to continue paying dividends, such as:

- Earnings and free cash flow payout ratios
- Debt levels and coverage ratios
- Recession performance
- Dividend longevity
- Industry cyclicality
- Free cash flow generation
- Business volatility
- Near-term sales and earnings growth
- Return on invested capital

As you're about to see, the following nine stocks (and two "bonus" stocks) appear to be among the absolute safest dividend-payers AND growers on the planet.

Together, they could be the foundation of a solid dividend-generating portfolio that produces safe, growing income for years to come.

Here at Daily Trade Alert, it's our firm belief you will do well if you:

1) buy these stocks at reasonable prices (fair value[1] or better)…
2) hold them for the long-haul (to allow the magic of compounding[2]), and...
3) reinvest[3] their dividends along the way (either selectively[4] or automatically[5])

Without further adieu, we're pleased to introduce you to the **November 2016** edition of what we think are **The 9 Best Stocks to Own Right Now**…

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Stock #1: Apple (AAPL)

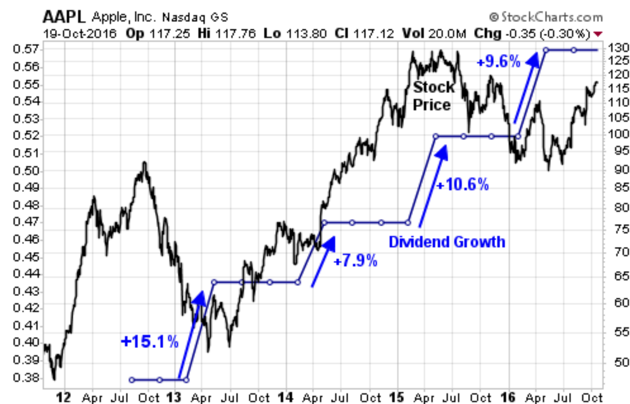
"Apple stock appears undervalued right now
and could be a great addition to your portfolio..."[6]

— David Van Knapp, author of Lessons on Dividend Growth Investing (Sept 2016)

Apple is a "World Dominator"[7]... it's growing its dividend by double-digits and spending billions of dollars buying back its own shares[8]... it's a great stock to hold for the long-term[9]... and it has a trifecta of share-price catalysts[10] that could propel the stock higher over time.

The company is about as high-quality as it gets: It's "AA+"-rated from S&P, it has spectacular profitability, a massive cash pile, an incredible balance sheet, and tremendous dividend growth potential[11].

No wonder Warren Buffett's holding company, Berkshire Hathaway, recently added another 5.4 million shares[12] to its portfolio.



One analyst even pegs Apple as possibly the "best investment on Earth"[13] -- the kind of stock you can count on to build your net worth over the long-haul[14].

For long-term income investors, the potential could be enormous: While shares yield just 2% today, Apple's dividend has been growing double-digits and the company is generating more than enough cash to continue growing its payout.

Apple (AAPL) – Dividend Analysis and Key Risks
Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis
Apple's Dividend Safety Score is **95**, which indicates that the dividend is not only much safer than the average dividend-paying stock in the market, but actually one of the safest overall.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Apple's excellent Dividend Safety Score is driven by the company's relatively low payout ratios, healthy balance sheet, strong business economics, and low industry cyclicality. Apple's payout ratio over the last year is about 25%, which gives the company a large cushion to continue paying dividends. Investors can learn more about how to use payout ratios here.

Apple's balance sheet provides even more assurance with over $18 billion in cash and more than $200 billion of marketable securities compared to total book debt of about $85 billion. Apple can cover its current annual dividend payments for close to 12 years with just the net cash and marketable securities on hand!

As long as Apple maintains its excellent iPhone margins and protects its brand, the company's dividend should be very safe for many years to come.

Dividend Growth Analysis

Apple's Dividend Growth Score is **90**, which indicates excellent future dividend growth potential.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Apple initiated a quarterly dividend of 38 cents per share in 2012 and has since increased its dividend by 50%, raising it to 57 cents in 2016. The last increase was a 10% boost in 2016.

Within reason, Apple could probably grow its dividend as fast as it wants to. The combination of a relatively low payout ratio, an extraordinarily strong balance sheet, and end markets that should continue to grow can fuel dividend growth for many years to come.

In reality, Apple is likely to keep up the roughly 10% per year dividend growth rate for some time. The company still views itself as a growth company and is willing to invest billions of dollars into high risk, but high reward business ventures in huge addressable markets (self-driving cars, payments, etc).

Key Risks

The iPhone drives over 60% of Apple's overall revenue and has fueled the company's high growth over the past decade. Apple's strong brand, superior user experience, and bargaining power with suppliers have allowed it to capture high margins on its phones.

However, with the smartphone market becoming increasingly saturated and phone differentiation harder to come by, Apple could struggle to find its next major growth driver. There is also a chance that iPhone margins come under pressure as consumer preferences and buying habits evolve. Many conservative dividend investors choose to avoid the technology sector because of its fast pace of change.

Action to Take

Given its enormous potential, you would think Apple would be trading at a premium. Instead, it appears to be trading at a double-digit discount. As we go to press, shares look roughly 12% undervalued, with a fair value[15] price of $130[16].

Our suggestion? If you don't already own Apple stock, consider buying it now. If you already own it, consider buying more[17].

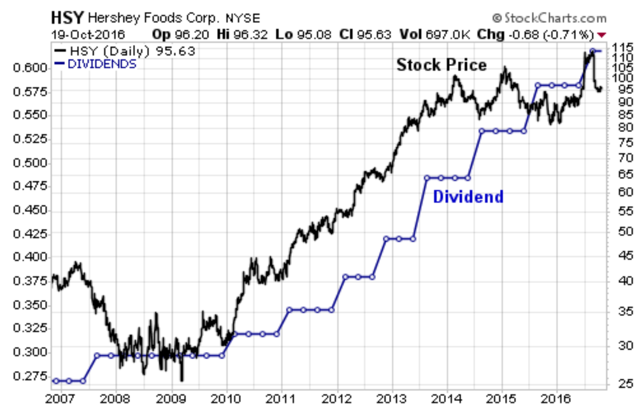
Stock #2: Hershey (HSY)

"The longer you hold this stock, the more rapidly your wealth will compound, and you'll never have to sell – ever..."[18]

— Porter Stansberry, Stansberry & Associates (December 2007)

Thanks to Hershey's high level of "capital-efficiency"[19], it's well-positioned to continue rewarding shareholders for decades to come.

In fact, Hershey just paid its 347th consecutive quarterly dividend on September 15, 2016.



And that's on top of posting solid double-digit dividend growth: Hershey has hiked its payout an average of 11.8% per year for the past five years[20].

But can we rely on its dividend going forward? And will it continue to grow at such a robust rate?

Hershey (HSY) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Hershey's Dividend Safety Score clocks in at **84**, indicating that the company's dividend payment is very secure.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Hershey's dividend is supported in part by the company's durability. Hershey was founded in 1894, and its sales actually grew each year during the financial crisis, underscoring the recession-resistant nature of its sweets and candies. Such stable performance, along with the company's strong brands, has helped Hershey consistently generate positive free cash flow, which is needed to pay sustainable dividends.

The company's focus on product quality, savvy marketing, and mass distribution should result in great cash flow generation for years to come. However, if Hershey were to fall on unexpectedly challenging times, its reasonable payout ratio near 60% and investment grade rated balance sheet would be more than enough to continue protecting the dividend.

Dividend Growth Analysis

Hershey's Dividend Growth Score is **67**, suggesting that the company has excellent dividend growth prospects going forward.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Hershey has paid uninterrupted dividends for more than 80 consecutive years and rewarded shareholders with 10% annual dividend growth over the last 20 years. Recent dividend growth has remained strong as well, including a 6% dividend increase earlier in 2016.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
5+ Years	9.8%	12.8%	11.8%	9.2%	9.9%

With mid- to high-single digit annual earnings growth forecasted and a payout ratio expected to remain between 50-60% in the coming years, Hershey will likely continue increasing its dividend between 5% and 10% per year going forward.

Key Risks

A company such as Hershey usually doesn't have many fundamental risks thanks to its recession-resistant, consumable products and strong brands. Valuation is usually the biggest concern because high quality, stable businesses usually trade at a premium.

With that said, the major issue that could impact Hershey's long-term growth rate is evolving consumer preferences that increasingly favor healthy, natural foods. However, it is admittedly difficult to imagine a world that doesn't still have cravings for chocolate and other sweets.

Action to Take

Once you buy it, Hershey is a stock you could potentially own "forever". Given its demonstrated history of expansion and rewarding of shareholders, you should truly feel comfortable owning it for the long-run[21].

We valued Hershey using a combination of Morningstar and FAST Graphs and estimate fair value[22] at $101 per share. Long-term investors could do well purchasing here, just below fair value.

If you'd like the opportunity to buy shares for even cheaper — and to get paid while you wait for that opportunity — then consider selling a cash secured put on Hershey shares. Investors can learn more about this conservative income-generating strategy here.

Stock #3: International Business Machines (IBM)

“This World Dominator is still one of the best investments you can make...”[23]
— Dan Ferris, Extreme Value (May 2015)

IBM is among a group of “World Dominator” stocks that analyst Dan Ferris considers to be the strongest, safest stocks in the market[24].

Warren Buffett must think so too, as he's been buying up millions of shares through his holding company, Berkshire Hathaway…
What's the attraction? Put simply, IBM is one of the largest companies in the world and it generates a ton of cash.

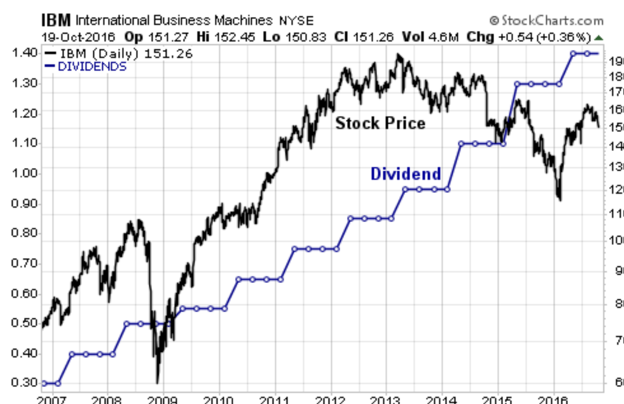
Buffett Keeps Accumulating Shares of IBM

Date Reported	Date of Transaction	Action	Shares Bought
5/15/16	Q1 2016	Bought	198,853
11/16/15	Q3 2015	Bought	1,468,335
5/15/15	Q1 2015	Bought	2,593,298
2/17/15	Q4 2014	Bought	6,493,805
11/14/14	Q3 2014	Bought	304,034
8/14/14	Q2 2014	Bought	1,818,894
5/15/14	Q1 2014	Bought	233,100
5/15/13	Q1 2013	Bought	6,500
2/14/13	Q4 2012	Bought	597,588
11/14/12	Q3 2012	Bought	872,500
8/14/12	Q2 2012	Bought	2,249,696
5/15/12	Q1 2012	Bought	489,769
2/14/12	Q4 2011	Bought	6,556,947
11/14/11	Q3 2011	Bought	57,348,984

It also has an outstanding history of sharing a portion of that cash with its investors.

In fact, IBM recently raised its dividend for the 21st consecutive year, increasing it by 7.7% year-over-year.

Its latest payout, made on September 10, was the company's 406th dividend payment[25].



But what about the dividend going forward?

International Business Machines (IBM) – Dividend Analysis and Key Risks
[Simply Safe Dividends](https://www.simplysafedividends.com) rates a company’s dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis
IBM’s Dividend Safety Score is **95**, which indicates that the company’s current dividend payment is one of the safest in the entire market. IBM is one of Warren Buffett’s favorite dividend stocks, so the company’s solid dividend safety rating isn’t a big surprise.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

IBM’s excellent dividend safety begins with the company’s low payout ratio. The company’s dividend payments have only consumed 34% of the free cash flow IBM has generated over the trailing 12 months, providing a nice cushion. IBM has also been a consistent free cash flow generator thanks to the mission critical infrastructure and services it provides, along with its long-standing customer relationships.

IBM's dividend is also protected by the company's balance sheet and business stability. IBM enjoys an investment grade credit rating and maintains reasonable debt ratios.

Dividend Growth Analysis
IBM's Dividend Growth Score is **86**, which indicates that the business has some of the best dividend growth potential in the market.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

IBM has paid dividends every year since 1913, amassing one of the longest track records of any company. Equally impressive, IBM has raised its dividend every year since the mid-1990s, recording a compound annual growth rate of 16.2% over the last two decades.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	17.6%	14.9%	14.9%	20.4%	16.2%

Despite some of the company's sales growth struggles in recent years, the dividend has continued rising at a healthy pace. Management last raised the dividend by 8% in early 2016. Looking ahead, IBM's dividend will likely continue growing at a mid-single digit pace until the company has returned to more sustainable revenue growth.

Key Risks
IBM has become somewhat of a technology dinosaur over the last decade, a period which saw the company's total revenue slip by roughly 10%. IBM has been shedding many of its legacy hardware businesses in favor of faster-growing areas such as the cloud, analytics, and security.

Unfortunately, IBM is late to the game in many of these areas. The cloud has also quickly disrupted the IT infrastructure market, challenging many of IBM's legacy services. It remains to be seen if IBM can achieve profitable growth in these relatively new, fast-evolving markets.

Action to Take
IBM shares have climbed steeply this year, so they're not nearly the bargain they were in the beginning of 2016.

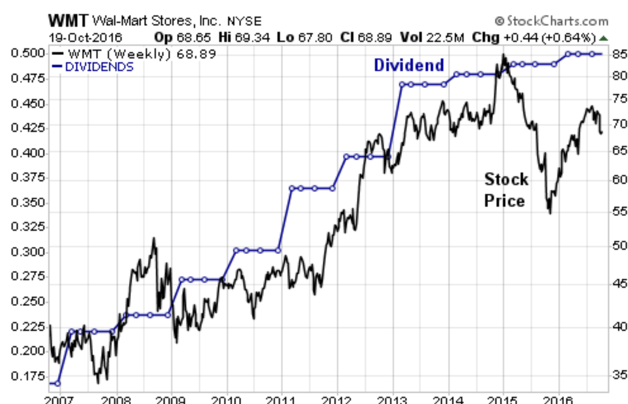
We valued IBM using a combination of Morningstar and FAST Graphs and estimate fair value[26] to be $157.

For at least a 10% margin of safety, we'd suggest buying shares at $141 or less.

Stock #4: Wal-Mart (WMT)

"One of my 'Top 10' attractively valued
Dividend Champions, based on earnings, for 2016..."[27]

— Chuck Carnevale, F.A.S.T. Graphs (January 2016)



Wal-Mart is one of Bill Gates' largest holdings[28].

And for good reason: It's paid dividends through wars, recessions and bear markets… it's one of the strongest, safest companies in the world[29]… and it has a history of paying one of the safest, largest dividend streams on the planet[30].

Wal-Mart (WMT) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Wal-Mart's Dividend Safety Score is **99**, which indicates that it pays one of the safest dividends in the entire market.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Wal-Mart's earnings payout ratio has more than doubled over the last decade to reach 43% over the trailing 12 months, but this is still a very safe level, especially considering Wal-Mart's stability. The company's sales grew each year during the last recession, and Wal-Mart's stock actually returned 20% in 2008 while the S&P 500 returned -37%. These defensive qualities make the company's dividend payment more secure.

Wal-Mart's massive scale and focus on recession-resistant products such as groceries has helped it reliably generate gobs of free cash flow. When combined with the company's investment grade rated debt, Wal-Mart's dividend should remain very safe for many years.

Dividend Growth Analysis

Wal-Mart's Dividend Growth Score is **60**, suggesting that the company's dividend growth potential is about average.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Wal-Mart paid its first dividend in 1974 and has raised its dividend every year since. The company is a member of the exclusive S&P Dividend Aristocrats group.

However, the company's rate of dividend growth has decelerated over the time. As seen below, Wal-Mart's dividend grew by 16% per year over the last two decades but slowed to 7.2% annual growth over the last three years. Management last raised the dividend by just 2% in early 2016.

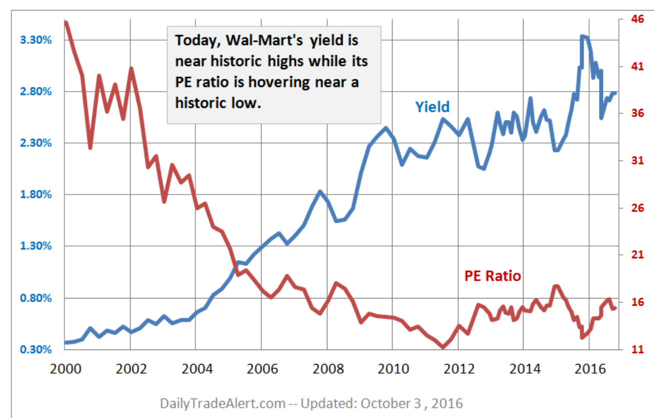
Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	2.1%	7.2%	10.1%	12.6%	16%

Going forward, Wal-Mart has reasonable potential to increase its dividend at a mid-single digit rate thanks to its low payout ratio, healthy balance sheet, and excellent free cash flow generation. However, if the recent modest dividend increases are any indication, it looks like management would prefer to continue 1-3% increases until profit growth picks up.

Key Risks
Wal-Mart's biggest struggle is growth. The company's massive sales base makes it that much harder to achieve meaningful earnings growth, and the rise of e-commerce giants such as Amazon has pressured traditional brick-and-mortar retailers. Wal-Mart is investing heavily in its own e-commerce offering, but it remains well behind Amazon. Rising minimum wage levels and health care costs are additional burdens impacting the company's earnings growth.

Action to Take
By at least two measures of valuation, Wal-Mart appears undervalued at current levels: In short, its almost 3% yield is near historic highs while its PE ratio is hovering near historic lows.



That said, the stock has rallied strong this year and now looks due for a breather. We valued Wal-Mart using a combination of Morningstar and FAST Graphs and peg fair value[31] at $68.

With shares trading around $72 as we go to press, there's not much room for error for anyone buying today.

We'd wait for a pullback to try to buy at $61. Not only would we be buying at a 10% discount, but we'd be locking in a higher entry yield to boot.

Stock #5: Procter & Gamble (PG)

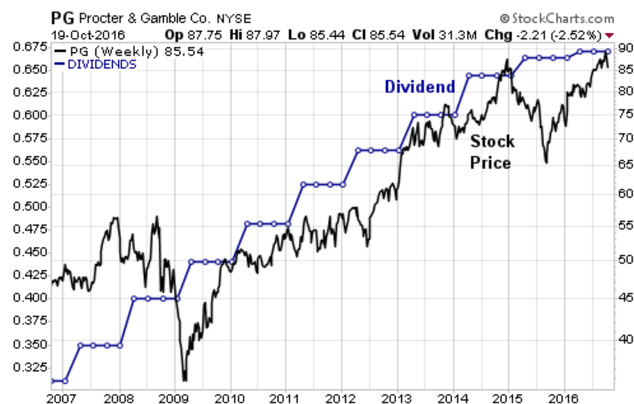
"This is one of the greatest dividend stocks of all time..."[32]

— Marc Lichtenfeld, Wealthy Retirement (March 2014)

Companies like Procter & Gamble are able to do well no matter what's going on with Washington, interest rates, or tension in the Middle East[33].

P&G in particular is both legendarily profitable and legendarily stable[34], which helps make it the ideal core holding for any portfolio[35].

Considering the fact that it's raised its dividend each year for the past 60 consecutive years, it's also one of the safest, most reliable income streams on the planet[36]. In fact, it may be one of the best places to find steady, reliable income today[37].



But don't just take our word for it - take a look for yourself.

As you can see in the chart above, no matter what the stock price has done, the dividend simply keeps going up (putting more and more cash in shareholders' pockets).

Procter & Gamble (PG) –
Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

P&G's Dividend Safety Score is **99**, indicating that the company's dividend is extremely safe and reliable.

Dividend Safety Score	**81 - 100**	**61 - 80**	**41 - 60**	**21 - 40**	**0 - 20**
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Procter & Gamble is one of the most dependable businesses of all time with roots dating back to 1837. Most of the company's products are essential items needed by consumers, which helped the company power through the financial crisis with just a 3% dip in sales. In addition to P&G's recession-resistant products, the company's payout ratio sits below 70%, which provides a good level of safety to continue paying and growing dividends even if earnings unexpectedly decline.

Many of P&G's top brands are in slow-moving industries and benefit from recurring consumer demand and the company's heavy marketing spending. This results in excellent free cash flow generation, which is a sign of a healthy business and is needed to sustainably pay dividends. P&G's balance sheet is healthy and also supports its strong Dividend Safety Score.

Dividend Growth Analysis
P&G's Dividend Growth Score is **36**, which indicates that the company's dividend growth potential is somewhat below average.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

P&G is a dividend king that has rewarded shareholders with 60 consecutive years of dividend increases. However, the pace of dividend growth has slowed from 10.2% per year over the last 20 years to just 6% annually over the last three years.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	4%	6%	6.8%	9.2%	10.2%

Management last raised the dividend by 1% in early 2016, and low-single digit dividend growth is likely to continue until P&G's transformation hopefully delivers stronger profit growth. Either way, it would be surprising if P&G ever returned to its days of 5%+ annual dividend growth.

Key Risks
Like many other large and mature blue chip companies, P&G has been searching for profitable growth. Moving the needle for a sales base as large as P&G's is no small task, and the rise of private label brands has only intensified the pressure.

P&G's management is in the middle of a major transformation plan that will shed 100 non-core brands (60% of current brands), or roughly 15% of P&G's total sales. This will free up resources to focus more on growing P&G's strongest, most profitable businesses. It remains to be seen if P&G can jumpstart revenue growth, but the company needs to successfully execute.

Action to Take
Considering Procter & Gamble's steady climb higher over the past year or so, from around $65 to $90, our suggestion is to wait for a pullback before accumulating shares.

We valued PG using a combination of Morningstar and FAST Graphs and estimate fair value[38] to be $82.

To ensure a margin of safety, we prefer buying at a 10% discount to fair value, which means we'd load up on the stock in the $74 ballpark.

Patience, while you wait for such a significant pullback, should reward you handsomely over the long-term.

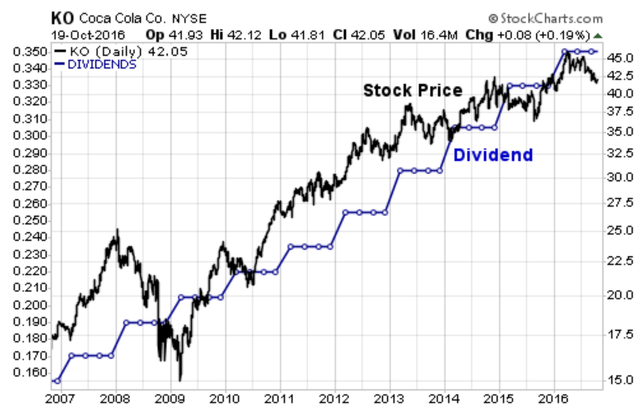
Stock #6: Coca-Cola (KO)

"I've followed the company for some time but I think recent market turmoil has handed you an amazing opportunity..."[39]

— Keith Fitz-Gerald, Money Morning (January 2016)

Not only is Coca-Cola a favorite holding of billionaire investor Warren Buffett[40], but it's one of the world's greatest companies[41]… it could be a perfect inflation hedge for your portfolio[42]… it takes its shareholders seriously… and it can produce high returns on its assets without requiring large and ongoing capital investments[43].

As a "Double Dividend Champion"[44] with 54 consecutive years of dividend growth under its belt, Coca-Cola has survived the Vietnam war, hyperinflation in the 1970s, the '87 stock market crash, the bursting of the 'dot-com' bubble, the 'Great Recession' and more.



Take a good look at the chart above. The black line is Coca-Cola's stock price. The blue line is its dividend.

No matter what has happened to the stock price, investors have been rewarded with steadily-rising dividend checks. This is a terrific example of how a high-quality dividend growth stock can generate safe, steadily-rising income over the long-term.

But what does the future hold for Coca-Cola investors, particularly in regard to its income potential?

Coca-Cola (KO) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Coca-Cola's Dividend Safety Score is **99**, which means that the company's current dividend payment is practically as safe as they come. There is virtually zero chance of a dividend cut.

Dividend Safety Score	**81 - 100**	**61 - 80**	**41 - 60**	**21 - 40**	**0 - 20**
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Coca-Cola's dividend is one of the safest in the market for several reasons. While the company's earnings payout ratio sits in the 70% range, which is higher than many other businesses, Coca-Cola's stability alleviates any concerns. The company's sales dipped by just 3% during the financial crisis, and Coca-Cola's free cash flow per share actually grew each year. Coca-Cola is a cash flow machine that sells recession-resistant products, a great combination for dividend safety. The company's massive distribution network and billions of dollars of marketing and product innovation spending ensure it will remain a leader.

Coca-Cola's balance sheet is another strength that protects the company's dividend. Coca-Cola holds approximately $24 billion of cash compared to total debt of roughly $34.1 billion and dividend payments last year of $5.7 billion. In other words, Coca-Cola could retire all of its debt and still pay dividends using just cash on hand for nearly two years. The dividend is rock solid.

Dividend Growth Analysis

Coca-Cola's Dividend Growth Score is **47**, which indicates that the company's dividend growth potential is about average.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

This blue chip dividend stock has paid uninterrupted dividends since 1920 and raised its dividend in each of the last 54 years. Coca-Cola's dividend growth rate has also been consistent over the last two decades, sitting between 8% and 10%. Management last raised the dividend by 6% in early 2016.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	8.2%	9%	8.4%	9%	9.4%

Looking ahead, Coca-Cola should be counted on to continue delivering mid-single digit dividend growth. The company's payout ratios are somewhat high, but growth in emerging markets and the continued launch of innovative products should help drive earnings and dividends higher.

Key Risks

It's no new news that Americans are consuming less soda per capita. With sparkling beverages accounting for over 70% of Coca-Cola's global case volume, the company needs to continue achieving strong growth in developing countries and with still beverages such as juice, water, and ready-to-drink coffee. If soda demand deteriorates faster than expected in developed nations (even despite Coca-Cola's marketing efforts), earnings growth could be pressured.

Action to Take

We valued Coca-Cola using a combination of Morningstar and FAST Graphs and came up with a fair value[45] estimate of $40.50. So at current prices, KO appears to be trading for what it's worth.

To reduce risk and lock in a higher yield, we'd suggest waiting to buy KO until it's trading at a 10% discount to fair value, which would mean paying $36.45 or less per share.

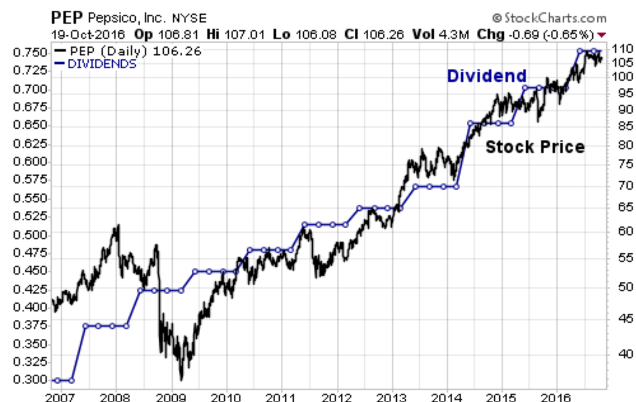
Stock #7: PepsiCo (PEP)

"This is a stock you can expect to own for a long time..."[46]

— Dave Van Knapp, author of Lessons on Dividend Growth Investing (February 2016)

PepsiCo is the kind of company that is a dominant player in its industry and that can sell its products no matter what's going on in the overall economy.

It's one of the safest stocks on the planet… it has a strong history of paying dividends like clockwork… and it's been growing its payout by margins that have well exceeded inflation year-after-year[47].



Specifically, the company has increased dividends for 44 consecutive years, boosting its payout by an average of 8.2% a year for the past five years in a row[48].

Going forward, the dividend appears rock-solid too, boding well for beginner investors looking to build a solid portfolio…

PepsiCo (PEP) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Pepsi pays one of the absolute safest dividends in the market as evidenced by the company's outstanding Dividend Safety Score of **99**.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Pepsi's excellent dividend safety rating begins with the company's 56% free cash flow payout ratio over the last 12 months. For a business as stable as Pepsi's (sales were roughly flat during the last recession), a payout ratio in the 50% range provides plenty of safety. Consumers continue to enjoy the company's beverages and snacks regardless of how the company is doing, which allows Pepsi to maintain a generous, growing dividend.

Equally encouraging, Pepsi's free cash flow per share, which is needed for a company to sustainably pay dividends over the long run, has steadily increased each year since 2006. This is a sign of a quality, cash-rich business. The company's balance sheet is also pristine. Pepsi holds nearly $15 billion in cash, which could cover the current dividend for over 3.5 years. The company should have no trouble paying its dividend for many years to come.

Dividend Growth Analysis

Pepsi's Dividend Growth Score is **75**, which indicates that the company's dividend growth potential is strong.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Pepsi has increased its dividend for more than 40 consecutive years while rewarding shareholders with outstanding dividend growth. As seen below, Pepsi's dividend has increased by 10.3% per year over the last 20 years. Dividend growth in recent years has remained solid as well with 9% annual income growth recorded over the last three years. Pepsi's management team last raised the dividend by 7% in May 2016.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	9.1%	9%	7.9%	10.6%	10.3%

How fast can Pepsi's dividend grow going forward? Thanks to its balanced portfolio of beverages and snacks, the company has good potential to continue growing earnings by 5-10% per year. Dividend growth will likely follow earnings growth and remain in the upper-single digits.

Key Risks

While Pepsi also faces some challenges from declining soda consumption in developed countries, its business is much more diversified than Coca-Cola's. Carbonated beverages account for less than 30% of Pepsi's total beverage volume compared to over 70% for Coca-Cola. However, Pepsi still faces challenges from consumers shifting to healthier, more natural products, which impacts both its snack and beverage categories.

Action to Take

We valued PepsiCo using a combination of Morningstar and FAST Graphs and estimate fair value[49] to be $97.

While PEP is one of our favorite stocks to own right now, because it has rallied so much for so long, we'd suggest to wait for a pullback to $87 before accumulating shares.

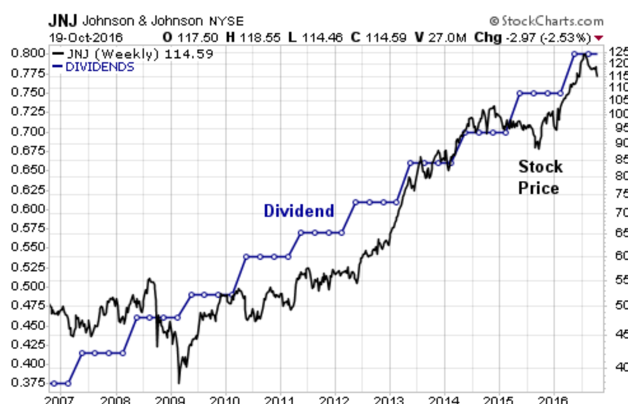
That way you can achieve a better margin of safety (by purchasing at a 10% discount to fair value) AND lock in a higher entry yield.

Stock #8: Johnson & Johnson (JNJ)

"If you're looking for a safe dividend, this stock is for you..."[50]
— Brett Owens, Contrarian Outlook (January 2016)

As a "Double Dividend Champion"[51] that's posted 54 consecutive years of dividend growth, Johnson & Johnson, or J&J, is one of the world's best businesses[52] and the kind of stock that has outlasted wars, recessions and financial panics[53].

In fact, there have been 10 bear markets since 1961… and J&J has increased its dividend through all of them[54].



In addition, if you're worried about inflation, you most certainly want to park your money in stocks like J&J.

That's because history has shown that businesses like J&J, that are committed to treating shareholders well, are a better option than owning a hard asset such as gold[55].

With all of this in mind, if you're looking for a true "sleep-at-night" investment that you can feel comfortable holding through any kind of market, then J&J should be near the top of your list. No wonder Simply Safe Dividends has made it a core position in their Conservative Retirees dividend portfolio.

Johnson & Johnson (JNJ) – Dividend Analysis and Key Risks
Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis
Johnson & Johnson has a Dividend Safety Score of **99**, which indicates that the company's dividend is arguably one of the safest in the market.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

The strong safety of J&J's dividend starts with the company's fortress balance sheet. The company holds over $42 billion in cash compared to total book debt of about $24.5 billion and dividend payments last year of $8.2 billion. The company has plenty of money to cover its debt, invest for growth, and continue raising its dividend. J&J's payout ratios are also healthy. The company's dividend has consumed just 51% of its free cash flow over the last 12 months, providing a nice margin of safety in case J&J's business results dip.

In business for more than 130 years, J&J has built up number one or two market share positions in most of its business lines. The company generates very consistent free cash flow that even grew throughout the financial crisis as consumers continued to need healthcare products and services. Even more

impressive, J&J's adjusted earnings have increased for 32 consecutive years. Investors will struggle to find a company that pays safer dividends than J&J.

Dividend Growth Analysis

J&J's Dividend Growth Score is **79**, which indicates that the company has very good dividend growth potential.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

J&J is another dividend king that has increased its dividend for 54 consecutive years. The company's dividend has compounded by 11.7% per year over the last 20 years. More recently, dividend growth has hovered in the upper-single digits, providing a nice rate of growth in excess of the rate of inflation. J&J last increased its dividend by 7% in April 2016.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	6.9%	7.1%	6.9%	8.7%	11.7%

J&J appears well positioned to continue showering shareholders with at least mid-single digit dividend increases. The company's payout ratio is very reasonable for a company of J&J's size and could be increased, and there is a hoard of cash on the balance sheet waiting to be used.

Key Risks

J&J's diversified mix of drugs (no single drug accounts for more than 10% of J&J's total sales) and business segments helps shelter it from many risks. The biggest long-term risks facing the company are arguably drug pipeline disappointments and patent expirations (J&J's pharma segment contributes the most to overall profits) and price pressure across several of the company's segments, such as medical devices.

Action to Take

We valued Johnson & Johnson using a combination of Morningstar and FAST Graphs and estimate fair value[56] to be $107.

Considering the stock's recent run-up, our suggestion is to wait for the stock to pullback to $96 before loading up.

By purchasing at a 10% discount to fair value, you'll achieve a better margin of safety AND lock in a higher entry yield.

Stock #9: Starbucks (SBUX)

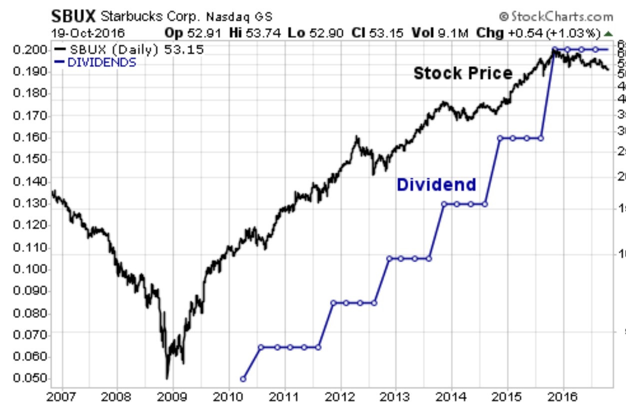
"Undervalued Dividend Growth Stock of the Month for October"[57]

— Dave Van Knapp, author of Lessons on Dividend Growth Investing (October 2016)

Starbucks could be the perfect stock to offer investors a hearty combination of safety, growth AND income[58].

On the growth front, the stock is absolutely crushing it... and could continue to do so.

In fact, thanks to number of catalysts, shares could double from recent prices in only about four years[59].



At the same time, the company has recently joined the list of "Dividend Challengers"[60] – stocks that have increased their dividend each year for at least the past five years.

While shares only currently yield about 1.4%, income investors with a bit of a time horizon could enjoy spectacular dividend growth. Case-in-point: Starbuck's latest increase clocked in at a whopping 25%.

Starbucks (SBUX) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Starbucks' Dividend Safety Score is **98**, which indicates that the company's dividend is arguably one of the safest in the market.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Starbucks has only paid dividends for seven years, but the company's strong fundamentals more than make up for its lack of dividend longevity when it comes to safety. The company's dividend has consumed just 42% of free cash flow generated over the trailing 12 months, providing plenty of room to continue paying dividends even if cash flow temporarily dipped without warning. The business is relatively stable, too (sales dropped just 6% in 2009).

Starbucks' growth has also been tremendous, providing plenty of money to fund and grow the dividend. Revenue and free cash flow per share have compounded by 12.3% and 14.3% per year, respectively, over the last five years. The company also holds $2.3 billion in cash on its balance sheet, which more than doubles the amount of dividends paid last year.

Dividend Growth Analysis
Starbucks' Dividend Growth Score is **99**, which indicates that the company's dividend growth potential is excellent.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Starbucks began paying dividends in 2010 and has increased its payout every year since. The company's dividend growth has been tremendous. For example, over the last three years, Starbucks' dividend has grown by 23.6% per year. Most recently, Starbucks lifted its dividend by 25% in late 2015.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
5+ Years	23.6%	23.6%	30.5%	N/A	N/A

Starbucks can continue growing its dividend at a rapid pace going forward, but a dividend growth rate closer to 13-17% seems more likely. The company is still in investment mode, and management likely wants to keep the payout ratio not much higher than 40%, which is about where it sits today. Therefore, future dividend growth will be driven by underlying earnings growth, which is expected to average about 15% annually over the next few years.

Key Risks
Starbucks' business can be impacted from time to time by volatile coffee prices and shifts in consumer spending. However, neither of these issues is likely to impact the company's long-term earnings. Instead, as a high growth stock, Starbucks needs to execute on its growth plans to justify its valuation. If the company is unable to open as many new stores as it expects around the world for any number of reasons, investors will be left disappointed.

Action to Take
We valued Starbucks using a combination of Morningstar and FAST Graphs and estimate fair value[61] to be $58.50.

With all of this in mind, we'll be buyers of SBUX at $52, which would get us a position at a roughly 10% discount to fair value.

Considering the stock is trading around $54 today, keep your eyes open for a buying opportunity. Overall, the company looks like an appealing candidate for long-term dividend growth portfolios.

Bonus Stock #1: Disney (DIS)

"One of the best stocks to buy for the rest of 2016…"[62]
— James Brumley (October 2016)

With the exception of Starbucks (Stock #9), Disney (DIS) is like no other stock we're featuring in today's report for this simple reason: Its yield is relatively low and its dividend growth track record is relatively short.

Yet the stock offers investors a nice mix of both income AND growth[63].

While shares yield just 1.5% today, the company is growing its dividend like crazy: Disney has raised its payout an average of 31% per year for the past five years.

Looking forward, the dividend appears extremely safe with excellent growth potential…

Disney (DIS) – Dividend Analysis and Key Risks
Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis
Disney's Dividend Safety Score is **95**, which indicates that the company's current dividend payment is extremely safe.

Dividend Safety Score	**81 - 100**	**61 - 80**	**41 - 60**	**21 - 40**	**0 - 20**
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Disney's strong dividend safety is driven by several factors. First, the company's payout ratio sits at 25%, which means that for every $1 Disney generated in earnings over the last year, it only paid out $0.25 in dividends. This is a conservative figure that provides Disney with plenty of wiggle room to continue making dividend payments even if earnings declined.

The company's strong brands, timeless content, pricing power, and massive distribution have also enabled it to generate positive free cash flow each year over the last decade. Free cash flow is a sign of a healthy business and is needed to fund sustainable dividends. Disney's balance sheet is in good shape as well, and the company maintains investment-grade credit ratings on its debt. Debt gets paid before dividends, so healthy credit metrics are a must.

Dividend Growth Analysis

Disney's Dividend Growth Score is **98**, suggesting that the company has excellent dividend growth prospects going forward.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Disney has paid uninterrupted dividends since the 1980s and has rewarded shareholders with annual dividend growth of 17.6% over the last decade.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
5+ Years	19.10%	22.20%	27.90%	17.60%	11.70%

The company has the ability to continue rewarding shareholders with double-digit dividend increases for years to come because of its low payout ratios, healthy balance sheet, solid earnings growth potential, great cash flow generation, and proven commitment to the dividend.

Key Risks

Despite being one of the most iconic companies in the world, Disney's business has several risks that investors should remain aware of. Consumer preferences are constantly changing, and Disney must continuously produce relevant content. However, given the company's track record for producing timeless brands, this doesn't seem like a major concern.

The bigger long-term issue is ESPN, which generates close to 25% of Disney's total operating profits. ESPN's total subscribers are down about 10% since 2011, driven by the rise of cord-cutting and adoption of streaming services. If Disney is unable to stop the bleeding and adapt to the changing media world, ESPN could slow down the company's overall earnings growth.

Action to Take

Disney is an incredible business, it's operationally excellent, it's growing at a rapid pace, and it should be able to deliver shareholders plenty of dividend raises for years to come — making it quite possibly one of the best dividend growth opportunities available right now[64].

We valued Disney using a combination of Morningstar and FAST Graphs and estimate fair value[65] to be $117.50. So at current prices, DIS appears 22% undervalued.

It's not often we have the opportunity to buy such a high quality company — the kind of stock that could be a great foundation for your portfolio[66] — for so much less than what it's potentially worth.

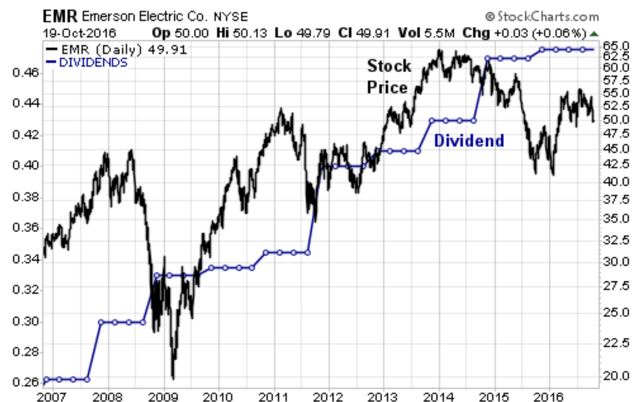
That said, our advice for long-term dividend growth investors is to take advantage of this opportunity and buy DIS while shares are so cheap.

Bonus Stock #2: Emerson Electric (EMR)

"This Dividend Aristocrat is on sale, it's a good time to buy..."[67]

— Stephen Mauzy, Wyatt Investment Research (February 2016)

You may have never heard of Emerson, but if you're interested in tapping into an income stream that raises year in and year out... offers an attractive dividend yield upon entry... and has a strong history of raising its payout well above the rate of inflation, then you really need to consider this Dividend Aristocrat.



In short, EMR has increased its dividend every year since 1957[68], it offers a 3.8% yield supported by strong cash flows, and has posted 8.4% average annual dividend growth over the past 10 years[69].

Emerson's dividend looks relatively solid going forward too…

Emerson Electric (EMR) – Dividend Analysis and Key Risks

Simply Safe Dividends rates a company's dividend safety and growth potential by reviewing its key financial statements and ratios. Dividend scores range from 0 to 100, with scores below 20 considered weak, 50 considered average, and 80 or higher considered excellent.

Dividend Safety Analysis

Emerson Electric's Dividend Safety Score is **80**, which indicates that the company's current dividend payment is very safe.

Dividend Safety Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Is the current dividend safe?	**Very Safe:** Cut is extremely unlikely	**Safe:** Unlikely to be cut	**Average:** Moderate risk of being cut	**Unsafe:** Heightened risk of being cut	**Extremely Unsafe:** High risk of being cut

Emerson's safe dividend status is first supported by the company's healthy free cash flow payout ratio, which sits at 50% over the trailing 12 months. Only 50 cents of every dollar of free cash flow generated by Emerson has been used to pay dividends, providing the company with flexibility to continue paying and growing its dividend even if cyclical markets weaken further.

The company's dividend safety is further enhanced by Emerson's sizable aftermarket business, which provides stable cash flow when customers pullback on new spending (sales were down 15% in 2009, better than many other industrial manufacturers). Emerson has also generated positive free cash flow for more than a decade, and its healthy balance sheet, with more than $3.5 billion in cash and conservative debt ratios, gives it plenty of flexibility.

Dividend Growth Analysis
Emerson's Dividend Growth Score is **51**, indicating that the company's dividend growth prospects are about average.

Dividend Growth Score	81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
How fast could the dividend grow per year?	**Very Fast:** Over 8%	**Fast:** 6% to 8%	**Average:** 4% to 6%	**Slow:** 2% to 4%	**Very Slow:** 0% to 2%

Emerson has increased its dividend for nearly 60 consecutive years while recording 11% annual dividend growth since 1956. However, recent dividend growth has been slower. Management last raised the payout by just 1% in late 2015.

Historical Dividend Growth

Dividend Growth Streak	1-Year Growth	3-Year CAGR	5-Year CAGR	10-Year CAGR	20-Year CAGR
20+ Years	7.4%	5.5%	7%	8.3%	7.3%

Until global growth picks up and Emerson completes the restructuring and realignment activities it has engaged in, dividend growth will likely remain in the low single-digits. Dividend increases will still be possible thanks to the company's healthy payout ratios and strong cash generation.

Key Risks
As a leading industrial manufacturer with operations around the world, Emerson is sensitive to the global economy. In recent years, the company has been hurt by lower oil prices, sluggish industrial spending, weak sales in China, and a stronger U.S. dollar. While these macro factors hurt near-term earnings, they shouldn't impact Emerson'' long-term outlook for earnings growth.

More importantly, Emerson has undertaken several major divestitures, spinoffs, and acquisitions to refocus its business mix on higher margin areas with better growth prospects. These moves impact the company's long-term earnings power and need to create value. Time will tell.

Action to Take
Emerson's financial metrics are strong and its business model is both well-conceived and has been well-executed[70].

Now, you'd think such a high-quality dividend grower would be trading at a premium. But that's exactly where today's opportunity comes in: You see, thanks to a perfect storm of bad news in 2015[71], shares pulled back significantly last year. While they have since rebounded strongly, they're still trading below their 2014 levels.

Since yields rise when stock prices fall, we get two big benefits from this situation: First, we're able to pick up shares at a discount to fair value (which allows us to enter the stock with an above average margin of safety). Second, we're able to lock in a higher entry yield (which means more income).

We valued Emerson Electric using a combination of Morningstar and FAST Graphs and estimate fair value[72] to be $57. So at current prices, EMR appears 5% undervalued. For a better margin of safety, consider pulling the trigger on pullbacks to $51.30. That'd get you a piece of one of the best dividend growers of the past half century at a 10% discount.

Conclusion

Here at Daily Trade Alert, we've put a lot of effort into educating our readers on the wonderful world of dividend growth investing... and it's our hope that you'll benefit from today's special report.

We put this report together because we truly believe that the best way to generate wealth in the stock market over the long-haul is to buy a select group of high-quality dividend growth stocks while they're trading at reasonable prices... hold them for the long-term… and reinvest their dividends along the way.

I personally own shares of each and every stock featured in today's report, and I'm banking on them to continue delivering steadily-rising income for decades to come.

At the end of the day, my long-term investment strategy boils down to accumulating shares of high-quality dividend growers while they're trading at attractive prices… and then reinvesting their dividends to buy even more shares.

I think any long-term investor will do well with that strategy.

That said, thanks to the market's multi-year bull run, it's getting harder and harder to find high-quality dividend growth stocks trading at reasonable prices right now.

With this in mind, each and every Sunday — as a part of your free subscription to Daily Trade Alert — you'll receive the name, ticker and full analysis of what we call our Undervalued Dividend Growth Stock of the Week.

As its name implies, the featured company will likely offer sound fundamentals, a reasonable level of debt, a strong balance sheet, a rock-solid history of increasing its dividend, and of course, an attractive share price.

Don't miss this Sunday's issue. To help make sure you receive it, be sure to add DTA@DailyTradeAlert.com to your address book or contact list today.

As always, if you ever have any questions or suggestions, please feel free to send us a note at the email address above.

Good investing!

Greg Patrick
Co-Founder, Daily Trade Alert

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