

FIRST CUT: STOCKS

The First Cut is designed as a starting point, showing the top investments that pass relatively simple screens of interest to individual investors.

Stocks With the Highest Shareholder Yield

One theory of valuation is that a stock is worth the cash it distributes to shareholders.

Most often these distributions are thought of as being dividends. A dividend is a payment of cash to every shareholder proportionate to the number of shares they own.

Dividend yield—calculated by dividing the indicated dividend by the current stock price—can be used as a valuation indicator. Higher yields are associated with cheaper valuations and lower yields are associated with more expensive valuations.

A company can also return cash by repurchasing its stock. Though cash is only directly received by shareholders who sell their shares directly back to the company, buybacks reduce the number of shares outstanding, thereby increasing the ownership interest each remaining share represents. The impact of share

repurchases is measured through the buyback yield: The change in the average number of outstanding shares for the most recently reported quarter relative to the average number of outstanding shares for the same quarter a year ago.

Shareholder yield combines the two into a single measure. It is calculated by adding the dividend yield to the buyback yield. The larger the shareholder yield, the more cash a company is returning to shareholders through dividends and/or buybacks on a relative basis.

This First Cut identifies the 20 U.S. exchange-listed stocks with the highest shareholder yield. All 20 are profitable and are expected to be profitable for their current fiscal year. We set an upper limit on the payout ratio of 90% to ensure earnings are in excess of the dividend payment, if one was paid. Since shareholder yield does not require a dividend be paid, we purposely did not exclude non-dividend payers from consideration.

Be sure to examine the company's financial condition before buying to ensure it is able to continue returning capital to shareholders and otherwise has traits that would suggest a higher future price is warranted.

—Charles Rotblut, CFA, AAIL Journal editor

TABLE 1

Stocks With the Highest Shareholder Yield

Company Name (Ticker)	Shareholder Yield (%)	Buy-back Yield (%)	Div Yield (%)	Payout Ratio TTM (%)	EPS TTM (\$)	EPS Est Y0 (\$)	Market Cap Q1 (\$ Mil)	9/10 Share Price (\$)	Industry
Dell Technologies (DELL)	48.0	48.0	0.0	0.0	3.829	7.225	39,239.8	53.51	Computer Hardware
Hennessy Advisors (HNNA)	47.9	42.7	5.2	32.3	1.325	2.01	78.1	10.55	Investment Mgmt & Fund Oper
Cactus Inc. (WHD)	37.4	37.4	0.0	0.0	1.103	1.871	2,184.3	29.47	Oil & Gas-Related Servs & Equip
XPO Logistics Inc. (XPO)	23.8	23.8	0.0	0.0	2.927	3.872	6,906.2	74.74	Freight & Logistics - Ground
Benchmark Electronics (BHE)	21.1	19.0	2.1	43.0	1.374	1.401	1,082.5	28.60	Semiconductors
QUALCOMM, Inc. (QCOM)	20.8	17.7	3.2	87.2	2.821	3.469	96,134.2	78.41	Semiconductors
Kirby Corporation (KEX)	20.6	20.6	0.0	0.0	2.025	2.989	4,921.5	82.89	Freight & Logistics - Marine
Arch Coal Inc. (ARCH)	20.2	17.9	2.2	8.9	17.98	16.23	1,307.8	80.57	Coal
Sleep Number Corp. (SNBR)	17.3	17.3	0.0	0.0	2.269	2.59	1,297.3	44.28	Home Furnishings
Peabody Energy Corp. (BTU)	17.2	14.1	3.2	12.2	4.151	1.459	1,903.1	18.26	Coal
Oracle Corporation (ORCL)	16.8	15.0	1.8	25.7	3.067	3.881	179,767.3	53.75	Software
Advanced Emissions Sol (ADES)	16.3	9.4	6.9	53.4	1.856	2.98	269.6	14.50	Environmental Servs & Equip
Navient Corp (NAVI)	16.1	11.3	4.8	33.7	1.875	2.443	3,058.7	13.29	Consumer Lending
Alliance Resource Partnr (ARLP)	15.8	2.2	13.6	59.2	3.563	3.57	2,036.3	15.92	Coal
RH (RH)	15.8	15.8	0.0	0.0	6.507	10.68	3,158.5	173.63	Retailers - Home Furnishings
BankFinancial Corp. (BFIN)	15.5	12.3	3.3	43.1	0.928	0.715	188.2	12.20	Banks
Xerox Holdings Corp. (XRX)	15.5	12.3	3.2	44.1	2.192	3.894	6,742.5	30.82	Office Equipment
Comerica Incorporated (CMA)	15.2	11.1	4.1	32.2	7.773	7.861	9,672.6	65.60	Banks
NRG Energy Inc. (NRG)	14.8	14.5	0.3	5.4	2.192	3.413	9,686.9	38.50	Utilities - Electric
eBay Inc. (EBAY)	14.7	13.3	1.4	10.8	2.568	2.75	33,793.8	40.37	Online Services

Source: AAIL's Stock Investor Pro, Refinitiv. Data as of 9/13/2019.