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PIPELINE MONEY GOES SOUTH

By Gordon Pape, Editor and Publisher

Can't build any more pipelines in Canada? Ok, then we'll take our money south of the border.

That's the response of Canada's two pipeline giants to the roadblocks that have stymied their plans to invest billions of dollars to transport Western oil to tidewater.

The first casualty was President Obama's rejection of TransCanada Inc.'s Keystone XL plan to transport output from the Oil Sands to Gulf Coast refineries. Then came the demise of Enbridge's Northern Gateway pipeline. The Trudeau government hammered the final nail in that coffin by declaring that it would ban tanker traffic off the Northern B.C. coast if by some fluke the pipeline received approval. Now TransCanada's Energy East plan, which would transport Western oil to Quebec refineries and the port of St. John, is coming under strong attack from a coalition of environmentalists, First Nations, and Quebec mayors. It's not dead yet but a proposal that once appeared to be a slam dunk – made in Canada by Canadians for Canadians – is rapidly losing traction.

Faced with such implacable opposition at home, the pipeline companies have decided that the U.S. offers more promising terrain for their investment dollars and future growth potential. In recent months, both companies have announced multi-billion dollar acquisitions to boost their footprint in the United States. No one at the companies will say this publically but those deals will lead inevitably lead to greater investments in the states. That's money that might have been used to create more jobs at home and bolster our sagging economy had the climate here been more welcoming.

TransCanada was the first out of the gate. On July 1 the company announced the closing of its US$13 billion acquisition of the Columbia Pipeline Group (CPG). The deal, which was made public in March, gives Calgary-based TransCanada control over approximately 15,000 miles of strategically located U.S. interstate pipeline, plus gathering and processing assets extending from New York to the Gulf of Mexico, including an extensive footprint in the Marcellus and Utica shale production areas.

At the time of the announcement, TransCanada CEO Russ Girling described it as "truly transformational" for his company. "The assets complement our existing North American footprint which together will create a 91,000-kilometre (57,000-mile) natural gas pipeline system connecting the most prolific supply basins to premium markets across

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Pipeline – continued from page 1…

the continent. At the same time, we will be well positioned to transport North America's abundant natural gas supply to liquefied natural gas terminals for export to international markets."

The combined company has $23 billion worth of revenue-secured, near-term projects that will be developed to enhance corporate growth. Most of these are in the U.S.

TransCanada said the deal will be accretive to its earnings per share in the first full year of ownership and may allow the company to increase its target annual dividend growth rate of 8%-10% per year.

Last week, Enbridge Inc., which is also based in Calgary, one-upped its rival by announcing a $37 billion merger with Spectra Energy of Houston, Texas in an all-stock transaction that is expected to close in early 2017. The deal will create North America's largest energy infrastructure company with an enterprise value of $165 billion. The new company will continue under the Enbridge name.

Here again the transaction was described as "transformational", this time by Enbridge CEO Al Monaco, who will occupy the same position in the merged company.

"Over the last two years, we've been focused on identifying opportunities that would extend and diversify our asset base and sources of growth beyond 2019," he said. "We are accomplishing that goal by combining with the premier natural gas infrastructure company to create a true North American and global energy infrastructure leader. This transaction…results in unmatched scale, diversity, and financial flexibility with multiple platforms for organic growth."

Spectra is a Fortune 500 company. Its operations in the United States and Canada include approximately 21,000 miles of natural gas and crude oil pipelines. As well, it owns approximately 300 billion cubic feet of natural gas storage, 4.8 million barrels of crude oil storage, and natural gas gathering, processing, and local distribution operations. The company also has a 50% ownership in DCP Midstream, the largest producer of natural gas liquids and the largest natural gas processor in the United States. You can see a map of the assets of the combined company at www.enbridge.com.

Enbridge stock moved higher on the news, with good reason. The deal appears to be highly beneficial to the company's shareholders. The combined company is expected to achieve annual synergies of about $540 million, the majority of that to occur in the latter part of 2018. In addition, the company will achieve about $260 million in tax savings by utilizing tax losses starting in 2019. The dividend is expected to increase 15% when the deal closes in 2017 and by 10%-12% annually thereafter, through 2024.

As for future investments, most of the money will be spent in the U.S. Together, Enbridge and Spectra Energy bring have $26 billion in secured projects under way and a $48 billion inventory of projects under development.

Both of these deals appear to be highly beneficial to both TransCanada Enbridge. Whether they are good for the Canadian economy as a whole is another matter, as more of their investment dollars will go south if we don't find a solution to our pipeline impasse.

DANGER ZONE

By Gordon Pape

Well, the markets certainly dispelled the "sell in May and go away" theory this summer.

At the end of that month, the S&P/TSX Composite Index was hovering around the 14,000 mark. As of the morning of Sept. 7, it was at 14,775, an increase of 5.5%. That's a very healthy gain in just over three months.

The story on Wall Street is similar. The S&P 500 was sitting at about 2,100 in late May; now it is up to 2,184 for a 4% advance. The Dow Jones Industrial Average is ahead about 5% over that period while the Nasdaq Composite has added more than 7%.

Not bad results for what was shaping up to be a difficult summer, especially after the markets sold off in June.

But the good news won't continue indefinitely, as Friday's big sell-off shows. We're now officially in the stock markets' danger zone. It's the time of year when fear overtakes greed in investors' psychology and any negative event could trigger a sharp correction.

A new study published on Sept. 4 by Yardeni Research of Glen Head, New York tells the story as it relates to the

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Danger – continued from page 2…

S&P 500. It analyzes the performance of the Index from 1928 to year-to-date 2016 and the results suggest investors should be cautious for a while.

September turns out to be the only month over that period when the S&P 500 was down more often than it was up. It lost ground in 48 of those years while turning a profit just 39 times. The average September loss over that time was 1.1%. February and May are the only two other months with losing records and their losses are minimal – 0.1% and 0.2% respectively. The best month for gains is, surprisingly, right in the middle of summer. Stocks have risen an average of 1.5% in July over the years.

In contrast, October, which is widely regarded as the riskiest month because some of the most infamous market collapses occurred then (including the crash of 1929) has actually been quite benign over the long run. Over 88 years, 52 have been positive (59%) while only 36 were negative.

However, the bad Octobers can be pretty frightening, with an average annual loss of 4.7% in down years, the same as September.

There are several theories as to why stocks are prone to September declines, none of which are very credible. One suggestion is that investors spend the summer swinging in their hammocks, ignoring what goes on in the world. When they return home after Labour Day they discover a lot of stocks in their portfolios they want to dump. The sell orders hit the market within a short time period, driving down prices. Given the ubiquity of the Internet today that hardly seems plausible. You can check stock prices even from your hammock.

Well-known analyst Sam Stoveall suggests the reason relates to the upcoming third-quarter reporting season. He thinks investors want to get out of marginal positions before the results come out.

Another theory puts the blame on the change in seasons. The onset of summer tends to buoy people's moods, putting them in a more optimistic frame of mind. The shortening days of autumn dampen people's outlook as they contemplate the coming of winter. That more pessimistic view translates into the markets, encouraging investors to sell.

Whatever the reason, the reality is that September downturns are an historic fact. That suggests that this is a good time to review your portfolio and consider selling any positions you don't want to hold for the long term.

In some small way, that advice may contribute to another manifestation of the September effect this year. My answer is that you can't fight history.

RETAIL STOCKS: LOW MARGINS YIELD BIG PROFITS

Contributing editor Shawn Allen is with us this week with a look at some successful retail stocks and why they are so rewarding for investors and the company owners. Shawn has been providing stock picks on his website at www.investorsfriend.com since the beginning of the year 2000 and has a great success record. He is based in Edmonton. Here is his report.

Shawn Allen writes:

Retailing usually provides relatively low profits as a percentage of sales. But that does not mean that the return on equity is necessarily low. For example, if sales are seven times higher than the equity investment then a low 2% net profit on sales translates to very satisfactory 14% return on equity.

Here are the figures for the retailers that I follow. For these companies, the returns on the book value of equity range from good to exceptional. But certainly not all retailers are profitable.

	Profit/ Sales	ROE
Canadian Tire	5.2%	13.4%
Alimentation Couche-Tard	3.6%	25.9%
Walmart	3.0%	19.0%
Costco	2.0%	21.2%
Dollarama	14.5%	63.8%
Amazon.com Inc.	1.6%	13.6%
AutoCanada Inc.	1.5%	10.4%

The role of the retail sector in the economy is to bring goods to locations that are convenient to consumers. The most successful retailers benefit society and consumers by being highly efficient at this. A highly efficient retailer can earn good profits while still offering attractive prices.

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Retail stocks – continued from page 3…

In its purest form, a retail operation sells the same products as its competitors. Grocery stores, liquor stores, and gasoline stations to a good extent face this situation. In this environment it may be that only the most efficient and lowest cost operations can make attractive profits.

In order to avoid competing strictly on price, retailers often attempt to differentiate their products. This can be accomplished through branding and advertising and through contracting with manufacturers to provide products under the store's own brand name. Examples include President's Choice at Loblaw's, Kirkland at Costco, and Noma at Canadian Tire. Some retailers only sell products that they or a parent organization manufacture.

Retailers with multiple locations have an advantage over retailers with only one or a few outlets. Scale provides advantages in terms of the efficiency of advertising and in purchasing power and administration. Larger retailers can source directly from manufacturers rather than purchasing from wholesalers. For that reason, the retail industry is dominated by large chains with hundreds or thousands of stores. Due to efficiency gains, the demise of the "Mom & Pop" retailer was inevitable.

The retail road to riches

Retailing can be very lucrative, which is proven by the fact that retailers are well represented in the top ranks of the world's billionaires. This includes Amancio Ortega, the founder of Zara's who is number two on the list, Jeff Bezos (Amazon), who is number five, and three of Sam Walton's heirs (Walmart), who are numbers 15, 16, and 17. Together, Walton's heirs top the Forbes list of America's wealthiest families.

In Canada, the list of retail billionaires includes the Sobey's family, three of the founders/executives of Couche-Tard, the Weston family, and Daryl Katz of Rexall. In cases where these retailers took their enterprises public years ago, early shareholders who held on to their stock have also become very wealthy simply by being astute enough to ride the coattails of these highly successful retailers.

For retailers, success is often judged by the ability to increase same-store sales. This is certainly important when the price of the stock is already reflecting and "pricing in" a certain level of growth. However, there are limits to how much traffic and product can be pushed through each location. For some retailers, increasing the number of locations is of equal or greater importance in driving growth. If there is no inflation in prices, then it may be unrealistic to expect a retailer to achieve increases in same-store sales.

E-commerce strategies

Most large retailers have been impacted by online competition and have had to adopt e-commerce strategies. Amazon is the clear leader here and is a particularly tough competitor in that it has given sales growth a much higher priority than profitability.

Canadian Tire has adopted the rather audacious vision of becoming "the most innovative retailer in the world in the eyes of [its] customers". The company is investing aggressively in this area as it transitions "to the new world of omni-retail". To date, Canadian Tire's sales do not appear to have been affected by online competition to any material extent.

Alimentation Couche-Tard's convenience goods and gasoline are not likely to be affected by online competition and I am not aware of any e-commerce strategy at this company.

Walmart is pursuing e-commerce aggressively. It has focused on fulfillment centres where customers can pick up goods ordered online. It is also acquiring JET.com for $3 billion to augment its e-commerce efforts.

Costco has had an online division for some years. It has been criticized for not being more aggressive in this area. However, Costco's strength is in its low-cost warehouse operations and it may be wise not to attempt to compete too directly with Amazon.

Dollarama's products for the most part are not particularly susceptible to or conducive to online ordering and delivery. Nevertheless, it recently announced that it may implement an online division to serve bulk orders of its products.

AutoCanada displays its vehicles online. This company is somewhat protected from e-commerce in that the car manufacturers are obligated and incented to protect their dealer network. In the U.S., many states actually have laws prohibiting manufacturers from selling cars directly to consumers. Canada does not have such laws but there is no indication that the manufacturers are about to abandon their dealers in favor of e-commerce.

Investor considerations

Retail companies have the advantage of being simple and easy to understand. Investors can choose to shop at retailers where they own shares. This gives them added insight into the nature of the companies. Logically, the purchases that an individual investor makes are not going to add anything beyond an infinitely small amount to a company's per share returns but shopping at a retailer where you own shares can provide a good degree of satisfaction. I follow several retail companies for the IWB and all are performing well. Last month, I advised selling one of my retail picks, Costco Wholesale, at US$167.70 for a profit of 44%. That turned out to be a timely call as the shares have since pulled back.

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SHAWN ALLEN'S UPDATES

Alimentation Couche-Tard (TSX: ATD.B, OTC: ANCUF)

Originally recommended by Tom Slee on March 4/13 (#21309) at C$17.62, US$17.13. Closed Friday at C$65.18, US$49.90.

Background: Couche-Tard's business is the ownership and operation of convenience/vehicle fuel stores. Throughout its 36-year history, it has grown by acquisition. It now derives 68% of its revenues from the U.S., 21% from Europe, and 11% from Canada. With an equity market cap of $39 billion and revenues of $44 billion, Couche-Tard is a giant among Canadian companies. Its network includes 10,571 locations with 75% of those company-operated and 25% ran by franchisees, dealers, or associates. The network employs about 105,000 people.

History: Couche-Tard represents a truly remarkable story of business success and wealth creation for its founders and for its public shareholders. In 1980, Alain Bouchard and Jacques D'Amours started with one convenience store in Laval Quebec and had a plan to grow rapidly by acquisition. In 1986 the little convenience store chain went public with 34 stores. The stock price was $2.25 ($0.09375 adjusted for subsequent stock splits). Since then the shares have risen an astounding 70,673%. Alain Bouchard still owns 11.8% of the company, worth $4.5 billion dollars. Jacques D'Amours owns 5.7%, worth $2.2 billion. A key factor in Couche-Tard's astounding price increase is the fact that it has rarely issued new shares. Most of its acquisitions have been paid for in cash.

Stock performance: Couche-Tard is up 9% year to date.

Recent results: The company reported first-quarter results for the 2017 fiscal year (to July 17). Net earnings, adjusted for unusual items, came in at $328 million ($0.58 per share, fully diluted, figures in U.S. currency). That was up 12% from $293 million ($0.51 per share) in the same period of fiscal 2016. Same-store merchandise revenues were up 2.4% in the U.S., 4.9% in Europe, and 0.9% in Canada. Revenues per share have grown at a compounded annual average of 12% in the past five fiscal years. Adjusted EPS growth over the last five years has averaged 25%.

Recent developments: Couche-Tard continues to make acquisitions at a rapid pace. On Aug. 29, it announced it will acquire 53 stores under the Cracker Barrel brand in Louisiana. A week before, on Aug. 22, it announced its largest acquisition, paying US$4.4 billion to acquire CST brands, which has over 2,000 locations and 14,000 employees.

Earlier, on June 20, the company revealed that it will acquire 23 sites in Estonia. It is also in the process of acquiring 225 full service gasoline stations and 75 unmanned automated stations in Denmark from Shell. It doesn't stop there. Couche-Tard recently acquired 444 service stations in Ireland and is buying 279 Esso branded service stations in Canada at a cost of Canadian $1.7 billion.

There was recently some controversy within the company as the founders attempted to retain the multiple voting status of their shares beyond a scheduled expiry date. (The attempt failed but given their track record, I supported their wishes). The CFO, who was a 13-year veteran, resigned in October 2015.

Valuation: At Wednesday's closing price of $66.35, the price to book value ratio of 5.5 is ostensibly unattractive but mathematically this simply reflects the high return on equity (ROE) combined with the relatively high p/e ratio. The p/e is 23.7, which is high but is justified by the very attractive ROE of 26%. The dividend yield is very modest at 0.5% and reflects a payout ratio of just 11% of earnings, as profits are largely retained to fund their growth-by-acquisition strategy without the need to issue new shares.

Dividend: The dividend was increased by 15% effective with the July payment to $0.0775 per quarter ($0.31 annually). Couche-Tard should not be considered a dividend stock. Its strategy has been to retain and reinvest the great majority of its earnings. And that strategy has been highly beneficial for shareowners.

Economics of the business: The sale of fuel is a relatively low margin business with a gross profit of 10.4% in 2016. In its most recent quarter the margin on U.S. fuel sales was $0.209 per gallon but $0.041 of that was "lost" to credit and debit card fees. That results in a profit of only $1.68 on a 10-gallon fuel sale.

In Canada the gross margin was $0.068 per litre. That is very similar to the U.S. margin after accounting for the currency difference and results in a gross profit of about Canadian $2.20, before deducting credit and debit card fees, on a 40-litre sale. Gas margins are substantially higher in Europe and were 60% higher than the North American level in the first quarter. The margins on merchandise sales are substantially higher and average about 33% in North America and 42% in Europe. Overall, Couche-Tard has a net profit of just 3.6% on sales but this is leveraged up to 9.8% as a percentage of assets due to sales being larger than assets. The return on equity is a very healthy 26%.

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Shawn Allen's updates – continued from page 5…

Outlook: The recent and pending large acquisitions should boost earnings. Couche-Tard has a long and very successful record of integrating acquisitions and of achieving synergies. Individual quarters can suffer setbacks due to volatility in gasoline margins and currency fluctuations but the long-term growth trend remains.

Conclusion: The company goes from strength to strength. It is one of Canada's best-managed firms. Its stock price should keep rising over the years as it continues to grow.

Action now: Buy.

Canadian Tire Corporation Ltd (TSX: CTC.A, OTC: CDNAF)

Originally recommended by Tom Slee on June 13/11 (#21121) at C$61.58, US$62.90. Closed Friday at C$131.25, US$100.81.

Background: Canadian Tire was founded in Hamilton in 1922 by brothers John and Alfred Billes. Alfred's daughter, Martha Billes, along with her son, Owen, now control the company, owning 40.9% and 20.5% respectively of the voting shares. However, including non-voting shares, they each own only about 2% of the company, worth about $190 million each.

Stock performance: The stock is up 14% in 2016. But it's down 5% since we rated it a Hold on May 28 at an analysis price of $142.

Recent developments: Adjusted profits per share rose an impressive 16% in the second quarter. Same-store sales increases were up about 2.9% at Canadian Tire, 4.6% at Mark's, and 5.8% at its sports stores. In July, Michael Medline who was CEO for about 18 months and a key executive before that, was abruptly ousted and replaced by the former CEO Stephen Wetmore (who was still on the Board). This change was apparently made in order to bring more focus and attention on innovation and e-commerce and all aspects of digital retail. The company has also been aggressive in buying back shares.

Valuation: Analyzed at Wednesday's closing price of $134.71. The price to book value ratio seems reasonable at 2.1 but is materially higher than it has been in recent years. The dividend yield is modest at 1.7%, reflecting the relatively low payout ratio of 26% of adjusted earnings. The ROE is attractive at 13.4%. Earnings growth per share over the past five calendar years has been quite strong at a compounded average of 10% per year. Sales per share growth was quite good at a compounded average of 7.3% in the past five years. Trailing 12 months adjusted p/e is moderately attractive at 15.5.

Risks and outlook: Canadian Tire appears set for continued growth over the years. However, the lower Canadian dollar is a headwind despite management's best efforts to offset the impact. There is also, as always, some risk of more intense competition. The weakness in the economy of Alberta is also a headwind.

Dividend: The dividend was increased by 9.5% effective with the January payment to $0.575 per quarter ($2.30 annually).

Conclusion: Canadian Tire is a sound business that is very well managed. Given the strong earnings growth in the second quarter despite the headwinds it faces and given the recent modest pullback in price, I rate this a Buy.

Action now: Buy.

AutoCanada Inc. (TSX: ACQ, OTC: AOCIF)

Originally recommended on July 27/15 (#21528) at C$32.55 US$24.87. Closed Friday at C$22.23, US$17.83.

Background: AutoCanada owns 53 automobile dealerships and has a total of 3,700 employees. In 2015 it sold 62,500 vehicles. Some 45% of the dealerships are in Alberta with a further 21% in B.C. AutoCanada's strategy is to grow by acquisition and to benefit from economies of scale in this highly fragmented industry.

History: AutoCanada traces its roots to 1993 when Patrick Priestner, who had been in the auto industry since 1974, purchased a large dealership in Edmonton. By 2001, Priestner owned five dealerships and formulated a strategy of establishing a national multi-location dealership group. The company became publicly traded in 2006, initially as an income trust. It later converted to corporation status. Priestner's 8.8% ownership of the company is currently worth about $52 million dollars.

Share Performance: The shares have rebounded 42% from the $16.06 low in February but remain down 5.5% in 2016.

Recent developments: Earnings have declined recently due to the recession conditions in Alberta. Adjusted earnings per share were down 12% in the second quarter after having risen 46% in the first quarter (which was attributed to acquisitions). They were down 27% for the full year in 2015.

There was an $18 million write-off of intangibles and goodwill in the fourth quarter of 2015. The company continues to acquire additional dealerships. The founder has stepped down as CEO and is now the executive chairman but intends to retire from that role in May 2017. A new CEO from outside the company with extensive experience has been appointed.

Dividend policy: AutoCanada had traditionally followed a relatively high dividend policy. This likely reflected its roots

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as a former income trust and the resulting investor expectations. In my last update I indicated: *"At the present time, AutoCanda's relatively high dividend may not be a good match for its growth-by-acquisition strategy and its recent earnings volatility. In late 2015 and into 2016, the cash might have been better used to repurchase shares or avoiding the recent share issuance."* Therefore, I was neither surprised nor disappointed when AutoCanada subsequently cut its quarterly dividend from $0.25 to a more appropriate $0.10, which represents 26% of trailing adjusted earnings.

Valuation: Analyzed at Wednesday's closing price of $22.83, the price to book ratio is about 1.35. That seems very attractive, but it should be noted that goodwill and similar intangibles represent 28% of the assets. The dividend yield is modest at 1.8%. The trailing p/e ratio is moderately attractive at 13.9. The ROE is good but not exceptional at about 10.1%.

Outlook: After its 2009 to 2014 period of rapid growth in revenues and earnings per share, AutoCanada has now experienced a decline in EPS due to the Alberta recession and an increased share count. Due to acquisitions and weaker comparable quarters, modest earnings growth could resume by the end of this year. Management is strong and the company is set to continue to grow earnings in the longer term, mostly through acquisitions.

Risks: The main risk is lower car sales due to Alberta's recession conditions. There is also a risk that the auto manufacturers will refuse to allow multi-dealer and multi-brand owners to acquire more dealerships.

Conclusion: The value ratios would indicate perhaps a Speculative Buy or Hold rating. Management quality is strong. The outlook seems strong in the long term but the company will continue to suffer in the short term due to recession conditions in Alberta. But the company has demonstrated an ability to remain profitable despite the Alberta recession. Buying a company at a p/e of around 14 at a time when its earnings are at a cyclical low may be far more rewarding than buying such a company at a similar or higher p/e when its earnings are at a cyclical high.

Action now: Buy for long-term growth.

GORDON PAPE'S UPDATES

Andrew Peller Ltd. (TSX: ADW.A, OTC: ADWPF)

Originally recommended on July 22/13 (#21327) at $14.05. Closed Friday at C$31.71, US$23.05.

Background: Andrew Peller is a leading producer and marketer of Canadian quality wines with operations in British Columbia, Ontario, and Nova Scotia. Its premium brands include Peller Estates, Trius, Hillebrand, Thirty Bench, Crush, Wayne Gretzky, Sandhill, Calona Vineyards Artist Series, and Red Rooster. It also produces several mass-market brands such as Peller Estates French Cross.

Stock performance: This stock was first recommended in July 2013 as a good way to play the Canadian wine industry. At the time of the last review, in March, the stock was trading at $27.99 and I rated it as a Buy for current yield and growth potential. The price has increased by more than 10% since then and we now have a total return of 107% since the original recommendation in 2013, including $1.44 in dividends, counting the upcoming payment on Sept. 28.

Recent developments: The company recently reported good results for the first quarter of fiscal 2017 (to June 30). Peller reported a 5.8% increase in year-over-year sales to $87.9 million, thanks to strong organic growth and the successful launch of new products. Net earnings increased an impressive 28.2% to $8.6 million ($0.62 per share). That was up from $6.7 million ($0.48 per share) in the same period last year. These results came on top of a record 2016 fiscal year in which revenue rose by 5.9% and net earnings were ahead 26.1% to $19.2 million ($1.38 per class A share).

Share split: The directors have approved a three-for-one share split for both the A and B units of the stock. That means for every 100 shares you own now, you will have 300 in your portfolio when the split occurs. The dividend will be adjusted accordingly. There are no tax implications for investors in this split. The company last split its stock in 2006, also on a three-for-one basis.

"We believe the proposed share split and the resulting increase in the number of shares outstanding will enhance shareholder liquidity, increase investor interest in the company, and bring the trading price into a more accessible range for all investors," commented CEO John Peller.

Dividend: Shareholders benefitted directly from the company's strong results as the directors approved a 9% increase in the dividend to $0.1225 per quarter ($0.49 per year) effective with the July payment. The stock yields 1.5% at the current price. The company also announced the implementation of a Dividend Reinvestment Plan (DRIP) for class A shareholders. Under the program, dividends may be used to purchase new stock from the company Treasury without paying brokerage sales commissions.

Action now: The company continues to generate solid returns and the dividend hike and stock split show its continued commitment to shareholders. Buy.

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