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BUILDING WEALTH
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LOOKING TO BIG TECH FOR GROWTH

By Glenn Rogers, Contributing Editor

I admit that choosing a topic for this month's column had me stumped. The market seems very toppy to me, and it's been a long time since we have had a meaningful correction. True, the recent corporate earnings have been generally supportive of higher stock prices. But most charts look like they are planning to go up forever, which seldom ends well. I have been buying some protection in the form of volatility and S&P shorts, but that has not been working out for me so far.

Needless to say, the Trump Administration would make any sentient human being nervous, despite having a very pro-business cabinet. The market has a lot riding on big tax cuts and infrastructure spending, which may or may not see the light of day. If something substantive does get done on the legislative and regulatory fronts, that would obviously be supportive of stocks, although one could argue that much of these hoped-for changes have been priced in to the market at this point.

So, with all that said, what is worth buying now? Banks continue to hang in there, but the inflation trade has not. One sector that has been trading well is big tech. One only has to look at the chart of the big-tech weighted PowerShares QQQ Trust ETF, which tracks the Nasdaq 100 Index, to witness a moon shot, but the anticipation of a tax reparation combined with strong earnings have kept things moving up. Some of the stocks within this index have pulled back a little, and I am focusing this month on an issue that has had a huge run but lately has pulled back and is taking a breather while investors wait for the quarterly earnings report, which is coming up on May 9. That stock is Santa Clara, California-based Nvidia Corp. (NDQ: NVDA).

Nvidia is well known for its powerful microchips used in PC gaming. But the company is much more than that, with deep penetration into the graphic design market. What has got me very excited about Nvidia is that the company is a leader in Artificial Intelligence (AI) and cloud-based visual computing areas.

It also produces central processing units (CPUs) that provide the brains for mobile entertainment devices, as well as autonomous robots, self-driving cars, and drones. In other words, the company is at the cutting edge of future technology applications. Currently, Nvidia works with such heavyweights as Amazon.com, Alphabet (Google), International Business Machines, Microsoft, and many others.

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Big tech – continued from page 1…

Now, I am not a technologist, but I can recognize excellent financial results. As I mentioned, the next quarterly report comes out May 9, which will be a significant tell on how management feels about the rest of this year. Last quarter looked very strong, with revenue up 54% year over year and 40% sequentially to $2 billion (all figures in U.S. dollars).

Growth came across all major areas of the business with data center revenue being a standout, up 193%. Income from operations in the quarter was $639 million, up 161% from the prior year. Additionally, margins have been expanding steadily over the past several years.

In addition, the company repurchased shares in the amount of $509 million and paid $185 million in cash dividends.

Action now: Currently the stock is trading about 13% below its recent high close of $119.13. Investors could take a small position now in anticipation of strong results or wait and see what the earnings show this week. That's what I have done, and given my comments at the top of the column, it would be prudent to wait and see. But either way, Nvidia is a great company in the nexus of the right markets for future growth. The shares trade on the Nasdaq Exchange under the symbol NVDA and closed on Friday at US$103.86.

GLENN ROGERS' UPDATES

National Beverage Co. (NDQ: FIZZ)

Originally recommended Feb. 27/17 (#21709) at $58.60. Closed Friday at $83.07. (All figures in U.S. dollars.)

Background: The company's products have wide distribution through the U.S. with Lacroix, Faygo, and Shasta being three of the best known. Faygo Moon Mist and Shasta Tiki Punch have been made and marketed in the U.S. for over 100 years. The company also has a large number of smaller brands, including juices and lemonade.

Stock performance: Well, sometimes things really go your way. We recommended FIZZ in February when it was trading at $58.60 and it closed on Friday at $83.07 for a gain of 42% on our original recommended price. There is nothing wrong with this story, but I have taken half profits, and if it pulls back, I will buy back some of what I have sold.

Recent developments: The company announced that a special dividend of $1.50 per share, to be paid on Aug. 4 to shareholders of record as of June 5. National Beverage's fiscal year ended on April 29, so we can expect more stellar earnings coming up.

Action now: My advice is to take half profits but remember if you do so now you will not receive the special dividend.

Tesla Inc. (NDQ: TSLA)

Originally recommended Jan. 30/17 (#21705) at $252.95. Closed Friday at $308.35. (All figures in U.S. dollars.)

Background: Tesla designs, develops, manufactures, and sells fully electric vehicles and energy storage systems, and installs, operates, and maintains solar and energy storage products. It operates through Automotive and Energy generation and storage segments. By now everyone is aware, at least to some extent, of the Tesla story. The founder, Elon Musk, is not shy about generating publicity for himself and his enterprises. He is not unlike the late Steve Jobs in that way, as both men built large companies running against the tide of popular opinion.

Stock performance: I own a Tesla and am very familiar with the company, but at this point I still don't understand the current valuation. But like Netflix and Amazon, valuations don't mean much – it's about growth and hope. If Tesla is a stock you want to own, at the current price you have to be prepared for lots of major dips and attendant drama. But the chart doesn't lie. The trend has been mostly upwards and to the right.

Outlook: You are betting on Elon Musk's vison, growth in China, solar energy, and the Tesla Model 3 car. It's not crazy, but you can't buy this stock on fundamentals. You buy it because you believe in Tesla's version of the future. Earning were just being released as I filed this update, and the company reported a first-quarter loss of $2.04 per share on revenues of $2.7 billion compared with $1.15 billion in the same period a year ago. Tesla said it also plans to add 100 retail, delivery, and service locations globally this year, a 30% increase.

Action now: Hold

FireEye Inc. (NDQ: FEYE)

Originally recommended January 26, 2015 (#21504) at $34.93. Closed Friday at $14.82. (All figures in U.S. dollars.)

Background: FireEye is a cyber security company whose core platform is a virtual execution engine, complemented by dynamic threat intelligence, to identify and block cyber attacks in real time. FireEye has over 4,000 customers across 67 countries, including more than 650 of the Forbes Global 2000.

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Glenn Rogers' updates – continued from page 2…

Stock performance: Since our update last February when it was trading at $13.89, the stock dropped as low as $10.35 before bouncing back some. It closed Friday at $14.82, however that is still down 58% from our original recommended price.

Recent developments: At the time of writing, the company just announced its most current quarterly earnings, and while there was some improvement in the operating margins and a reduction in operating losses, revenue increased only 3% year over year. Without revenue growth, there is nothing to get excited about. This company appears to be going nowhere fast. The stock did spike up 15% because investors were happy with the reduced losses, so on the basis of this price action we should give it another quarter.

Action now: Hold.

Axon Enterprise Inc. (NDQ: AAXN)

Originally recommended on Nov. 7/16 (#21640) at $21.98. Closed Friday at $24.95. (All figures in U.S. dollars.)

Background: Formerly known as Taser International Inc., the company was founded in 1993 and is located in Scottsdale, Arizona. It has gradually become the leading provider of not only Tasers but also body armour and body cameras as well.

Stock performance: Since our recommendation to buy last November, the stock has been on a wild ride, gyrating up and down like mad. It closed this Friday at $24.95, for a gain of 14% from our original recommendation.

Recent developments: In addition to changing its name to Axon, the company is changing its basic business model from hardware-based to a SAS-based model, where it provides services that support and augment its hardware. The plan is to give away their body cameras, their digital evidence system (Evidence.com), and the rest of their mobile applications for a one-year trial to every police force in America.

The hope is that once the police departments try the systems, they will find the money to pay for them, which will create an ongoing revenue stream. It's a bold move, and it just might work, but based on the volatility of the stock, it may continue to be a wild ride. It's certainly where law enforcement is going, but this won't be a stock for widows and orphans.

The company releases earnings on May 9, so keep a close watch on how things are going and make your call from there.

Action now: Hold.

Wyndham Worldwide Corp (NYSE: WYN)

Originally recommended Feb. 23/14 (#21408) at $69.96. Closed Friday at $96.07. (All figures in U.S. dollars.)

Background: Wyndham has over 7,000 hotel properties globally, with over 667,000 hotel rooms. It also has the largest vacation rental business worldwide with over 109,000 vacation properties in 100 countries. Some of the brands include Ramada, Days Inn, Howard Johnson, and Travelodge.

Stock performance: Since our original recommendation, the stock traded down to sideways through most of 2016. But in the last few months, it has really taken off, closing Friday at $96.07 for a nice gain of 37% on our original recommendation.

Recent developments: The company reported first-quarter earnings on April 26, and they were in line with expectations, with modest growth in revenue of 1% year over year, to $1.319 billion from $1.303 billion in the same period last year. However, net income for the quarter was up nicely, to $141 million ($1.33 per share, fully diluted) compared with $96 million ($0.84 per share) the previous year. The company has been repurchasing shares, bringing in 1.9 million shares at an average price of $80.93 per share. Wyndham affirmed 2017 revenue guidance of between $5.80 billion and $5.95 billion. During the earnings conference call, CEO Steve Holmes said the company was planning to spin off its vacation ownership business.

Action now: The stock has had a great run, but valuation looks stretched now. I would ring the register on Wyndham. Sell.

GORDON PAPE'S UPDATES

Amazon.com (NDQ: AMZN)

Originally recommended on Jan. 16/17 (#21703) at $817.14. Closed Friday at $934.15. (All figures in U.S. dollars.)

Background: Amazon is one of the world's largest retailers, but it is also involved in a range of other businesses, such as cloud storage, movies, and video streaming.

Stock performance: I recommended this stock last January for aggressive investors. At the time, I noted that by using any normal measure of value, such as p/e ratios, the shares were greatly overpriced. However, I pointed out that the stock was enjoying great momentum and set an initial target price of $900 on the shares.

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Gordon Pape's updates – continued from page 3…

We hit that target in just three months. The shares reached a high of $949.59 on April 28 before pulling back a little. The trailing p/e ratio at the time of writing is a mind-boggling 170.

Recent developments: Amazon blew away the estimates with first-quarter sales and profits that sent analysts back to the drawing board. Net sales increased 23%, to $35.7 billion in the quarter, compared with $29.1 billion in the same period of 2016. And that was despite a $492 million unfavorable impact from year-over-year changes in foreign exchange rates. Growth in retail and cloud computing were the main contributors. There was also one less sales day this year (2016 was a leap year).

Net income was $724 million in the first quarter ($1.48 per share, fully diluted) compared with $513 million ($1.07 per share) last year. Analysts were looking for $1.12 per share.

Operating cash flow increased 53%, to $17.6 billion, for the trailing 12 months, compared with $11.6 billion for the trailing 12 months to March 31, 2016. Free cash flow increased to $10.2 billion for the trailing 12 months, compared with $6.7 billion last year.

About the only negative was second-quarter guidance that fell short of expectations. The company expects sales to be between $35.25 billion and $37.75 billion, an increase of between 16% and 24% compared with second-quarter of 2016. This includes an expected unfavorable impact of approximately $720 million from foreign exchange rates. Second-quarter operating income is expected to be between $425 million and $1.075 billion, compared with $1.3 billion in the same period of 2016. Analysts were expecting $1.46 billion.

That put a slight damper on otherwise good news, but the stock still moved higher and has broken through my original target.

Most people think of Amazon as the world's largest on-line store, but the range of its other activities is mind-boggling. Here are just a few highlights from the latest quarterly report.

● Amazon Studios' Original Movies won three Academy Awards, including Best Actor (Casey Affleck, *Manchester by the Sea*), Best Original Screenplay (Kenneth Lonergan, *Manchester by the Sea*), and Best Foreign Language Film (*The Salesman*).

● The National Football League (NFL) selected Prime Video as its exclusive partner to deliver a live over-the-top digital stream of Thursday Night Football to tens of millions of Prime members worldwide during the 2017 NFL Season. The Thursday Night Football games will also be available to Prime Video members internationally in over 200 countries and territories.

● Amazon Video Direct, Amazon's digital self-publishing service, launched the Film Festival Stars program, designed to establish a distribution model for films screened at major film festivals and provide rights holders with flexibility and control in monetizing their films.

● Amazon introduced Echo Look, an entirely new category of device that combines Alexa with a hands-free camera and built-in style assistant. Users can ask Echo Look to take a photo or short video so you can see your outfit from any angle, share your look with friends, or get a second opinion on what to wear using Style Check, which combines machine learning algorithms with advice from fashion specialists.

● The company announced a new clean-energy initiative to install large-scale solar systems on fulfillment centre rooftops around the world. The company plans to complete installations on 15 facilities in the U.S. by the end of 2017, and complete the deployment of solar systems on 50 global fulfillment and sortation centers by 2020.

● Amazon.com introduced Amazon Cash, a new service that lets customers add cash to their Amazon Balance at thousands of locations around the country.

So what now? More of the same, I suspect. The shares are now up 14% from my original recommendation, and the $1,000 level is in sight. If you're up for the risk of a pullback and haven't taken a position yet, you might want to consider doing so.

Action now: Amazon remains a Buy with a new target of $1,000 a share.

Alphabet Inc. (NDQ: GOOGL)

Originally recommended on June 16/14 (#21421) at $607.40. Closed Friday at $950.28. (All figures in U.S. dollars.)

Background: Alphabet is the corporate name for Google. The firm implemented a major restructuring in 2015 that created Alphabet as a holding company with several autonomous business segments under it. They include Google, which includes Android and YouTube, Nest (home automation), Calico (anti-aging research), Fiber (high-speed Internet), Google Ventures (new company investments), Sidewalk Labs (city infrastructure), and X Lab (driverless cars and other "moonshots").

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Stock performance: The company was originally recommended in March 2014, trading under the symbol GOOG. Shortly after that, it implemented a two-for-one share split. Investors received one share of a new Class C non-voting stock for every original Class A voting share they held. The A shares now trade under the symbol GOOGL. The C shares are listed as GOOG and trade at a discount to the A series. If you owned the stock at the time of the split, you have both classes in your portfolio. We are tracking only GOOGL, as it was our original recommendation.

The shares were trading at $835.14 at the time of my last update in late March. At the time, there was a lot of negative media coverage relating to an advertising boycott that had knocked down the share price. I suggested monitoring the stock, and if it dropped lower, to buy under $825. The shares never dipped that low, however.

Recent developments: The ad boycott appeared to have very little effect, based on first-quarter results. Revenue came in at $24.75 billion, up 22% from the $20.26 billion in the same period of 2016. Most of the gain was in advertising revenue, which increased 18% to $21.4 billion. YouTube is the largest producer here.

Net income took a big jump to a little over $5.4 billion ($7.73 per share) from $4.2 billion ($6.02 per share) in the first quarter of 2016.

The rapid growth of revenue and profit in a company of this size is very rare and demonstrates again why Alphabet is a stock that belongs in all but the most conservative portfolios.

Action now: Buy, with a target of $1,000.

Equitable Group (TSX: EQB, OTC: EQGPF)

Originally recommended by Irwin Michael on Aug. 10/08 (#2828) at C$21.04. Closed Friday at C$46.10, US$33.59.

Background: This company provides mortgage lending services to individuals and businesses in Canadian urban markets, with a focus on entrepreneurs and new Canadians. It carries on operations through wholly owned subsidiary Equitable Bank, Canada's ninth-largest Schedule 1 bank, with total assets under management of over $21 billion. Recently, Equitable Bank launched a digital banking operation, EQ Bank, with its flagship product being EQ Bank Savings Plus Account. Equitable Bank employs about 600 people.

Stock performance: The share price has fallen dramatically from the time of my last review in late March, when it was trading on the TSX at $68.50.

Recent developments: The plight of Home Capital has dragged down the share price of other companies that specialize in loans to higher-risk individuals and companies. Equitable Group falls into that category. The company won't release first-quarter results until May 11, but investors have been selling in the expectation of some bad news.

There was nothing in the fourth-quarter and year-end results that indicated trouble ahead. Fourth-quarter results set a new profit record, and for the full year, the company reported net income of $138.3 million ($8.49 per share), up 10% from $125.9 million ($7.73 per share) in 2015. The company also increased its dividend by 4.5%.

But in the world of investing the herd instinct sometimes takes over, and that is what has happened here in the wake of the Home Capital debacle. Other lenders to higher-risk clients, such as Canadian Western Bank and Laurentian Bank, have also seen a price retreat.

Equitable's stock is still trading well above its original recommended price, so my advice at this point is to hang on. Let's wait for the first-quarter numbers and revisit the situation after they come out.

Action now: Hold.

AT&T (NYSE: T)

Originally recommended on May 13/12 (#21218) at $33.59. Closed Friday at $38.56. (All figures in U.S. dollars.)

Background: AT&T is the largest telecom company in the U.S., with more than 120 million wireless customers. It provides services in some 225 countries and territories and employs 243,000 people. It bills itself as the world's largest provider of pay TV.

Stock performance: When I last reviewed the stock in early October it was trading at $40.61. I felt at the time that the price run-up over the summer had been overdone and advised retaining positions but not buying more. The shares have trended slightly down since that time.

Recent developments: The company released first-quarter results in late April, and both revenue and profits were down on a year-over-year basis. Consolidated revenue came in at $39.4 billion, down from $40.5 billion in the same period of 2016. Management blamed the drop on "record-low equipment sales in wireless."

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First-quarter net income totaled $3.5 billion ($0.56 per share, fully diluted), compared with $3.8 billion ($0.61 per share) in the year-ago quarter. Adjusted earnings, which strip out a number of one-time costs, were $0.74 a share versus $0.72 last year.

Cash from operating activities was $9.2 billion in the first quarter, and capital expenditures were $6 billion. Free cash flow was $3.2 billion for the quarter.

For the full year, the company expects free cash flow in the $18 billion range and mid-single-digit growth in earnings per share.

Dividend: The company increased its quarterly dividend by a penny a share, to $0.49 ($1.96 per year) effective with the January payment. The yield at the current price is 5.08%.

Action now: The pullback in the share price and the attractive yield make this stock a Buy once again for conservative investors who want U.S. dollar cash flow.

MICHAEL CORCORAN'S UPDATES

LyondellBasell Industries (NYSE: LYB)

Originally recommended March 21/16 (#21612) at $87.62. Closed Friday at $84.16. (All figures in U.S. dollars.)

Background: LyondellBasell is one of the world's largest plastics, chemicals and refining companies and a member of the S&P 500. Its products and technologies are used in packaging, electronics, automotive parts, home furnishings, construction materials, and biofuels.

Stock performance: The stock made a strong upward move earlier this year, hitting a high of $96.83 on Jan. 25 before pulling back to the current level.

Recent developments: LYB reported first-quarter earnings on April 28. Adjusted earnings per share of $2.28 were below consensus expectations of $2.36. The underperformance was due to weaker-than-expected Refining and Intermediate results due to a one-time operating charge for catalyst changes.

Olefin and Polyolefin demand was strong across all regions, and the company increased volumes from its Corpus Christi ethylene expansion.

The first quarter saw the completion of significant maintenance activity that had taken place over several previous quarters. The rest of the industry has planned maintenance in the second quarter, which should benefit LYB.

In the Olefins and Polyolefins – Americas division, olefins results increased by $50 million due to increased ethylene margins. Polyolefin results dropped $165 million from last year's very strong performance. Polyethylene and polypropylene spreads dropped $0.03 per pound and $0.14 per pound, respectively.

In the Olefins and Polyolefins – Europe, Asia, International division, olefins results increased by $20 million due to higher volumes and prices. Polyolefin results dropped $20 million due to tighter spreads.

Capital expenditure (capex) was $421 million in the quarter. The company paid $343 million in dividends and repurchased 1.5 million shares. The company is seeking authorization to buy back up to 10% of its shares outstanding. It also issued $1 billion of 10-year bonds with a 3.5% coupon, and redeemed $1 billion of bonds due in 2019 that had a coupon of 5%. Cash at the end of the quarter was $2.2 billion.

Global demand for olefins and polyolefins continues to be strong. LYB is the largest polypropylene producer in the world, so it stands to gain from improving margins in the sector.

There is an increase in ethylene capacity coming up in 2017 and 2018, but LYB will continue to benefit from its advantaged position in the U.S., where it sources cheap natural gas as a feedstock, whereas most of its competitors are forced to source higher cost naphtha elsewhere in the world – around two thirds of the global supply of ethylene is made from naphtha.

Action now: Buy. LyondellBasell is positioned to operate profitably in this environment relative to its peers, and investors can enjoy a solid dividend and ongoing share repurchases.

Tourmaline Oil Corp. (TSX: TOU; OTC: TRMLF)

Originally recommended on Aug. 10/15 (#21529) at C$31.32, US$23.60. Closed Friday at C$27.69, US$20.23.

Stock performance: The stock made a strong upward move in mid-summer 2016, continuing into the fall, with share price hitting a high of $39.77 on Oct. 21, before pulling back to the current level.

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Michael Corcoran's updates – continued from page 6…

Recent developments: TOU reported fourth-quarter earnings on March 7 of $0.24 per share. Cash flow was $1.02 per share, up 36% from the previous quarter but down 7% from the previous year. For the year, cash flow was $732 million, down 14% from the year before.

Average production in the quarter was 192,000 barrels of oil equivalent (boe) per day, up13% from the third quarter and up 7% from the fourth quarter last year. Average production of 186,000 boe per day for the year was up 20% over last year.

Current daily production has increased to approximately 235,000 boe per day. Company guidance calls for average first-quarter production between 230,000 and 235,000 boe/d, with an additional 40 wells coming on stream in March.

All-in cash costs were $6.80 per boe in 2016, a decline of 10% from last year, as the company turned in one of the best performances in the industry. For the year, operating costs were $3.31/boe, a decline of 24% from the year before.

At year-end, Tourmaline had net debt of $1.59 billion, with a low effective interest rate of 2.5%. Net debt at the end of 2017 is expected to be $1.5 billion.

Reserves were 1.75 billion boe, up 58% over last year.

The company has barely begun to develop its reserves, booking 1,595 net locations out of an inventory of 14,713 potential locations. This means the company can look forward to the steadily increasing production for years to come.

Capital expenditure (capex) for the year was $731 million and resulted in more than 75,000 boe per day of new production. This translates into new production development costs of approximately $9,500 boe per day, an improvement of 39% over 2015 development costs of approximately $15,500 boe/d.

TOU expects capex for 2017 to be $1.3 billion, and projects an increase in production by 30%.

The company has a solid inventory of high-quality assets and some of the lowest cash costs in the region. Insiders own about 25% of the shares outstanding, which strongly aligns the interests of management with shareholders.

Action now: Tourmaline has an experienced management team that owns 25% of the company. It is one of best operators in the industry and has excellent growth prospects. It offers strong production growth at a reasonable cost and maintains a strong balance sheet. For an investor looking for exposure to natural gas, TOU is a good option. Buy.

Whitecap Resources Inc. (TSX: WCP, OTC: SPGYF)

Originally recommended on Aug. 10/15 (#21529) at C$11.59, US$8.86. Closed Friday at C$9.89, US$7.24.

Stock performance: The stock made a strong upward move in late fall, going on to touch a high of $12.76 on Jan. 5 before pulling back to the current level.

Recent developments: On March 7, WCP announced earnings for the fourth quarter, reporting operating funds flow of $25.30 per share, down 12% from a year earlier due to lower oil prices. Production was 51,000 boe/d, up 20% from the previous year, a strong improvement due to acquisitions and improved operating performance.

WCP's operating costs in the fourth quarter were $10.18 per boe, 10% below guidance. This is evidence of good cost control. Cash netbacks were $25.30 per boe, down 12% from a year earlier.

For the year, Whitecap reduced net debt by $121 million, to $819 million, leaving it with $281 million of undrawn capacity on its credit facility. After year-end, it issued C$200 million in debt with a low coupon of 3.46%, increasing its total debt capacity by nearly 20%, to $1.3 billion. This leaves the company with good flexibility to fund operations and undertake potential acquisitions going forward.

WCP made over $630 million in acquisitions in the year, and these, combined with its drilling program, resulted in the company's adding nearly 560% to its annual total proved and probable reserves at a cost of $11.51/boe – a solid performance.

Total capital expenditure for the year was $174 million, which was in line with the company's forecast. In total, 104 wells were drilled with a 100% success rate. Finding and development costs were a record low $2.34/boe.

Overall, WCP had good performance in the quarter and the year as a whole in what has been a difficult operating environment. With the recovery in oil prices and good production growth prospects, Whitecap is well positioned to outperform.

Action now: Whitecap Resources is a very well run company and is among the most efficient operators out there. It has solid margins, good growth prospects, and a good track record of growing reserves. Buy.

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Michael Corcoran's updates – continued from page 7…

ExxonMobil (NYSE: XOM)

Originally recommended on Jan. 5/15 (#21501) at $92.83. Closed Friday at $82.02. (All price in U.S. dollars.)

Stock performance: The stock made a strong upward move last mid-summer, hitting a high of $95.12 on July 15 before experiencing some volatility, eventually pulling back to the current level.

Recent developments: XOM reported first-quarter results on April 28. Earnings per share of $0.95 were above consensus expectations of $0.85. The outperformance was due to higher upstream revenues and lower-than-expected costs. In addition, asset sales contributed approximately $0.05 per share.

In the quarter, upstream earnings were $2.1 billion, up from a loss of $76 million the year before. Downstream earnings were $1 billion, up from $906 million the year before. Chemicals earnings were $1.2 billion, down from $1.4 billion the year before. The company added 100,000 boe/d of new production volume and total production volume was 4.2 million boe/d, down 4% from last year.

ExxonMobil reported total cash flow from operations (including asset sales) of $8.9 billion. Capital expenditure for the quarter came in at $4.2 billion, down 18% from the year before. In the quarter, the company paid $3.1 billion in dividends.

Two days before earnings were released, XOM increased its quarterly dividend by $0.02, to $0.77 per share. The company has now increased its dividend an impressive 35 years in a row.

The company bought back $496 million in shares in the first quarter. It has noted that the buyback is designed to offset share dilution from its benefit plans and programs rather than to reduce the overall share count.

Reserves at 2016 year-end were 20 billion boe, a drop of 3.3 billion boe from the year before. Due to low prices in 2016, some reserves no longer qualify, but this shouldn't have any impact on company operations. The drop in reserves was partially offset by reserve additions of 1 billion boe from other operations.

ExxonMobil's integrated business provided investors a safe place to maintain exposure to the energy sector while prices swooned in 2016. As prices have recovered, the stock has experienced some weakness, likely due to investors selling it in favor of stocks that are more levered to oil prices. The offset to this that the company will also benefit from rising oil prices – which we've seen in its first-quarter results – and it currently offers an attractive dividend yield of nearly 4.0%.

Action now: ExxonMobil is the best-capitalized company among its peers, with a solid dividend and high-quality development projects. Buy.

RYAN IRVINE SEMINAR

A reminder that contributing editor Ryan Irvine and his KeyStone Financial associate Aaron Dunn will be giving a series of workshops this month on how to build a simple portfolio designed to beat the market.

The workshops will provide simple, proven, and powerful methods to identify which stocks to buy, which to avoid, and how to build an effective portfolio from the ground up. They will focus on two key areas of your portfolio – growth and income (dividends).

Here is the schedule:

Vancouver, B.C.
May 23, 7:00 pm – Library Square Conference Centre

Kamloops, B.C.
May 24, 7:00 pm – Coast Hotel & Conference Centre

Victoria, B.C.
May 25, 7:00 pm – The Magnolia Hotel

Edmonton, AB
May 30, at 7:00 pm – Varscona Hotel on Whyte

Calgary, AB
May 31, at 7:00 pm – Coast Hotel & Conference Centre

Toronto, ON
June 1, at 7:00 pm – Doubletree Hotel

The cost is only $19.95 per person, but you need to act quickly as tickets are going fast.

To register, go to www.keystocks.com/events/diy-workshop-purchase.aspx

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