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BIG BOX STORES STRUGGLE

By Gordon Pape, Editor and Publisher

It was a rough first quarter for two of America's most prominent big box stores. Both Walmart and Target saw their share prices tumble this month after releasing financial results that saw sales rise modestly while profits fell precipitously. Investors fled and analysts went back to their calculators as inflation, supply chain issues, and wage increases took their toll on what until now had been solid bottom line results. The problems won't go away quickly. Both retailers are walking a tightrope, trying to bolster bottom lines while not alienating customers by raising prices to match soaring inflation. Statements from the CEOs of both companies read like they'd been written from the same crib sheet.

"Bottomline results were unexpected and reflect the unusual environment," said Walmart CEO Doug McMillon. "US inflation levels, particularly in food and fuel, created more pressure on margin mix and operating costs than we expected. We're adjusting and will balance the needs of our customers for value with the need to deliver profit growth for our future."

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Market bust—continued from page 1...

Target CEO Brian Cornell said: "Throughout the quarter, we faced unexpectedly high costs, driven by a number of factors, resulting in profitability that came in well below our expectations, and well below where we expect to operate over time." Here are detailed updates on both stocks.

Walmart NYSE: WMT

Originally recommended on June 24/12 (#21222) at $67.30. Closed Friday at $128.48. (All figures in US dollars.)

HOLD

Background: Walmart is the world's largest bricks and mortar retailer with 10,500 stores in 24 countries, plus an expanding e-commerce operation. It employs some 2.3 million people worldwide and had revenue in the 2022 fiscal year of $573 billion.

Performance: The stock hit a 52-week high of $160.77 in April and then proceeded to fall off a cliff, dragged down by a combination of cost inflation and supply chain issues.

Recent developments: The company reported first quarter 2023 results on May 17. What they showed was revealing. Customers are spending more in their stores, attracted by low prices in an inflationary environment. But the increase in spending and grocery market share is not translating into higher profits.

Walmart reported revenue of $146.1 billion for the three months to the end of April, up 2.4% from the same period a year ago. US comparable sales were ahead 3% while e-commerce was up a modest 1% as more people returned to in-person shopping. However, operating income fell 23% year-over-year to $5.3 billion from $6.9 billion in the same quarter of 2021. Free cash flow was minus $7.3 billion. Net income attributable to shareholders was $2.1 billion ($0.74 a share, fully diluted), well down from $2.7 billion ($0.97 a share) the year before.

Dividend and buybacks: The stock pays a quarterly dividend of $0.56 a share ($2.24 per year), to yield 1.7% at the current price. The company spent $2.4 billion on share repurchases in the quarter.

Outlook: The company issued new guidance for the full 2023 fiscal year. Net sales are expected to grow 4% in constant currency terms, up from the February guidance of 3%. But earnings per share are forecast to drop about 1%. In February, the company was projecting an increase in the mid-single digits.

Comments: Walmart and the other big box stores are caught in a bind. Customers are increasingly taking advantage of low prices. But profits are tumbling, which means something has to give. The next few quarters will provide insights into how management will handle this conundrum.

Action now: Hold.

Target Inc. NYSE: TGT

Originally recommended on Nov. 25/19 (#21941) at $127.02. Closed Friday at $167.14. (All currency figures in US dollars.)

HOLD

Background: Target is a Minneapolis-based operator of big box stores, with almost 1,900 outlets in all 50 states and the District of Columbia. The company opened its first store in 1962 and now employs 350,000 people.

Performance: After sailing along nicely for most of the past year, Target received a gut punch this month, plunging almost 25% on May 18. The stock is down 38% from its 52-week high of $268.98 but is still ahead almost 32% from our original recommended price.

Recent developments: It's the Walmart story all over again, except the numbers are more dramatic. First quarter 2022 results (to the end of March) showed total revenue of $25.2 billion, up 4% from last year. Comparable sales grew 3.3%, on top of 22.9% growth last year. Traffic growth was 3.9% while store comparable sales increased 3.4%, on top of 18% growth last year. Digital comparable sales were up 3.2%, following growth of 50.2% last year.

So, revenue was up, and beat forecasts. Not at anywhere near the same pace as a year ago, but up.

That's the good news. The rest is ugly. Operating margin was only 5.3%, well below expectations. This was due to actions to reduce excess inventory (fire sale pricing) plus higher costs, including freight and transportation.

GAAP earnings per share (EPS) were $2.16, down 48.2% from $4.17 in 2021. Adjusted EPS was $2.19, down 40.7% compared with $3.69 in 2021. Analysts were looking for $3.07 per share.

It's going to take time to recover. Target expects its second quarter operating margin will be "in a wide range centered around first quarter's operating margin rate of 5.3%". For the full year, it will be centred around 6%.

Dividend and buybacks: The stock pays a quarterly dividend of $0.90 a share ($3.60 a year). With the price pullback, the yield is up to 2.2%.

The company repurchased $10 million worth of its shares in the quarter, retiring 100,000 shares of common stock at an average price of $208.60 – not exactly a bargain given the fall in the share price. As of the end of the quarter, Target had approximately $12.3 billion of remaining capacity under the repurchase program approved by the board in August 2021.

Outlook: It looks like a long climb back to healthier margins as inflation and supply chain issues continue to disrupt the industry.

Action now: Hold.

INVESTMENT VALUATIONS AND INTEREST RATES

By Shawn Allen, Contributing Editor

Higher interest rates and rising inflation are now top of mind for investors. And for good reason.

It's worth reviewing just how powerful is the force of higher interest rates on investment valuations. The impact of higher interest rates is most direct and easiest to see on bonds and any fixed income investments.

Consider the following: The market yield on a US 30-year bond hit the incredible low of 1% on March 9, 2020, as markets panicked about the pandemic. I guess the buyers that day did not stop to consider that this was literally a 100 year pay-back period! Today, the market yield on that same bond is 3% and the value of a $1,000 US Treasury bond purchased on March 9, 2020, and with 28 years left to maturity is down to $625. That's a massive 37.5% loss on a so-called risk-free bond! And if the market yield on that bond hits 5% in a year's time, that bond with 27 years left will be worth just $414. The impact of higher interest rates on long-term bonds is absolutely dramatic. And it's an iron-clad rule. It's like gravity.

Even more dramatically, consider what happens to the value of a perpetual fixed income stream as interest rates rise. The formula for the value of a perpetual is simply the annual amount to be received divided by the interest rate. Therefore, a risk-free $1 annual interest income to be received in perpetuity is worth precisely $50 if the market yield on such perpetuals is 2%. The value then falls by precisely half every time the market required interest rates double. So, it's worth $25 at 4%, $12.50 at 8%, and $6.25 if the market perpetual interest rate went to 16%. This is so brutal and ugly that it's almost comical. But it's true.

The same powerful gravitational force works on equity investments as interest rates rise. But it's not as easy to see or usually as dramatic for several reasons: The market required yield on equities is never precisely known but it is higher than for bonds and does not increase as fast as interest rates. And the dividends and earnings on equities can be expected to increase to offset some of the impacts of the higher market required return.

As an example, consider a company that currently earns $1 per share and pays out 50% of earnings as a cash dividend. Let's assume a 20-year holding period and that the earnings will grow at 5% per year. In 20 years, the earnings will be $2.65, and the dividend will be $1.33. Let's also assume the stock can be sold at 20 times earnings after 20 years and that the market required return on this equity investment is 7%. The math indicates that this stock is worth $21.96 today under those assumptions. But if

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Investment—continued from page 4...

the market required return on equities jumps to 10% then the value of this share should immediately plunge to $14.25 for a capital loss of 35%.

The above math explains why stock prices have fallen as interest rates have risen and as the market turned its attention to the probability that interest rates will continue to rise.

Let's now look at the valuation of the S&P 500. In the Jan. 3 edition of IWB I noted my concern about the valuation of the S&P 500 saying:

"For starters, valuation is arguably a concern. The S&P 500 finished 2021 at 4,766. It's estimated that earnings for the year will come in at $191 for a trailing year price to earnings ratio of 25. The p/e based on the forecast 2022 earnings of $210 is 23. This is a high valuation based on the long-term p/e average of about 17.

"I'm even more concerned that the S&P 500 earnings level is well above its trend line. In 2019 the reported earnings were $137 which was consistent with its long-term trend line. In 2020 this dropped to $94 due to the pandemic. The 2021 earnings at $191 are therefore expected to be more than double the 2020 level and 39% higher than the 2019 level. I'm concerned that part of the 2021 earnings gain represents simply a reversal of contingent losses that were booked in 2020, including, for example, loss reserves for banks. If so, it may be unrealistic to expect 2022 earnings to exceed the 2021 figure by an additional 10%.

"Overall, due to the earnings being above the trend line and the expectation of higher interest rates, my prediction is that the S&P 500 is more likely to fall in 2022 than to increase much, if any."

On Friday, the S&P 500 closed at 4,158. Its trailing year earnings were $198 for a p/e ratio of 21.0. The earnings projection for 2022 is $208 for a forward p/e ratio of 20.0.

Compared to my analysis at the start of this year, the projected S&P 500 earnings level remains well above the trend line, which presents a risk. The p/e ratio, however, has declined somewhat. Overall, the S&P 500 is now closer to a fair value but certainly could go lower as interest rates continue to rise.

The p/e ratio on most sectors has also fallen. The p/e ratio on most of Canada's five largest banks seems very attractive at around 10. And they just reported another strong quarter.

The p/e ratio on most individual stocks has also decreased towards more reasonable levels.

Overall, the valuation of stocks has come down and is quite attractive in many cases. Investing in high quality companies now could continue to be a rough ride but will almost certainly be rewarded over the longer term. A reasonable approach would be to deploy cash gradually.

Contributing editor Shawn Allen provides stock picks and investment articles at www.investorsfriend.com. With over two decades of investment analysis experience, his focus is on fundamental valuation analysis.

SHAWN ALLEN RECOMMENDS STARBUCKS

We don't know how long this market correction will last, but it's time to do some selective shopping for quality companies. One of them is Starbucks, which I am adding to our recommended list.

Here are the details.

Starbucks Corporation. NDQ: SBUX

BUY

Closed Friday at $76.71. (Figures in US dollars.)

Background: We are all familiar with Starbucks, which now has 34,630 locations. Half the stores are company-operated, and half are run by licensed operators. About half of the stores are in the USA and Canada. Starbucks also has a very large presence in China and Japan, all company operated. The company rarely does one-off franchise style licenses, instead licensees operate many stores.

Recent performance: The shares were up 9.3% in 2021 to $116.97. But they have fallen 34% in 2022 to date. The stock is down due to concerns about unionization drives and in keeping with the general stock market.

Recent developments: Starbucks has announced that it will close its operations in Russia. But it only operated 130 stores there.

In April 2022 founder Howard Schultz returned as temporary CEO after the retirement of Kevin Johnson, who had been CEO for five years. Schultz pledges to address the problems with dissatisfaction among employees, including unionization movements.

The store count has been increasing fairly rapidly in China and other international markets. In the latest quarterly report, Starbucks said rewards members in the US increased 17% versus the prior year. In early May, the company announced it will develop a much-enhanced digital Starbucks community that will include collectible Non-Fungible Tokens.

Recent earnings: The recent trend is not representative due to the decline with the pandemic and then a strong recovery. Revenues per share were up 18% in the latest quarter despite a decline in China. Earnings per share were down 5%, mainly due to inflation factors.

Dividend: The quarterly dividend is $0.49 ($1.96 per year) for a yield of 2.6%.

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SBUX—continued from page 6...

Value ratios: Analyzed at Friday's closing price of $76.71. The price to book value ratio is not meaningful because the company has paid out all of its equity in dividends and share buy backs. This demonstrates the financial strength of the company. The p/e ratio is somewhat unattractively high at 23 but this is at the lower end of its range. The dividend yield is moderately attractive at 2.6%. Overall, the valuation could be described as neutral in attractiveness.

Risks: In addition to the unionization drives, there is the potential for consumers to cut back on Starbucks purchases as they deal with inflation. But historically people have not given up this "affordable luxury" to any great extent during downturns.

Outlook: Starbucks is almost certain to remain a global brand powerhouse and to grow over the years. But earnings growth may be modest or negative in the next year as Howard Schultz plans to reinvest in employee wages and benefits. In the current quarter (Q3 2022), the lockdowns in China will be a significant negative factor. And there will be a write-off to reflect the closing of the 130 stores in Russia, while paying the employees for an additional six months.

Action now: Buy. Starbucks is a very high-quality company that has encountered some recent headwinds. It's likely to be doing better a year from now. A reasonable approach would be to take a half position and revisit the stock in the fall.

? YOUR QUESTIONS

Tax filings

Q – For the past five years I have had an online broker account (non-registered) with about $50,000, all invested in 7-8 different stocks. I sell off approximately two positions each year. I have never reported these on my income tax filings and understand this might be required? I'm not even sure what forms are required. Can you please clarify how important this is given how minimal my gains or losses have been over the past five years? – Phil B.

A – There's no way to put this gently. You are in violation of the tax laws. If the Canada Revenue Agency twigs to the fact you haven't declared your capital gains for the past five years, you would be reassessed and charged penalties and interest on the money due.

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SHAWN ALLEN'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Canadian Tire Corporation Ltd.

BUY

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$170.37, US$132.10.

Background: Canadian Tire was founded 100 years ago in Hamilton, Ontario by brothers Alfred and William Billes. Alfred's daughter Martha Billes remains on the board and controls the company through multiple voting shares. But the company has been professionally and expertly managed for decades.

In addition to its over 500 Canadian Tire stores, it also owns Mark's with 380 stores and 375 sports stores (SportChek, Sports Expert, Atmosphere, Athlete's World, and others). As well, it owns 292 gasoline bar locations, as well as PartSource, Party City, and Pro Hockey Life, which total 160 stores. It also owns Helly Hansen, which is primarily a wholesaler and is a global brand based in Oslo, Norway.

Canadian Tire also has significant financial operations as a MasterCard credit card issuer with over two million active card holders.

Performance: The stock reached an all-time high of $213.85 in May of last year. Despite continued strong earnings growth it has since slipped fairly dramatically to $170.37 and is down 6% year to date.

Recent results: In the latest quarter reported, ended Apr. 2, revenues per share were up 18% and adjusted earnings per share were also up 18%. Canadian Tire store same-store sales were up 4.5% while its sports store results were up 10% and Mark's was up an impressive 17%. Sales have been boosted by the Triangle Rewards loyalty and marketing program.

Dividend: The dividend was increased by a rather dramatic 25% this month to $1.625 per quarter ($6.50 annually). And this was on top of a 10.6% increase last fall. The dividend has been increased annually for many years. The yield at the current price is 3.8%. Given the large dividend increases and the lower share price, Canadian Tire is suddenly a relatively high dividend stock.

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Canadian Tire—continued from page 8...

Valuation: Analyzed at Friday's closing price of $170.37. The dividend yield is attractive at 3.8% and the pay-out ratio is a modest 33% of earnings. The return on equity is very strong at a recent 24%. Given the high ROE, the price to book value ratio is attractive at 2.0 and is also at the low end of its historic range. The trailing 12 months adjusted earnings p/e is very attractive at 8.8. Overall, the valuation is very attractive.

Analyzed at its recent price of $164.65. The dividend yield is attractive at 3.8% and the pay-out ratio is a modest 33% of earnings. The return on equity is very strong at a recent 24%. Given the high ROE, the price to book value ratio is attractive at 1.9 and is also at the low end of its historic range. The trailing 12 months adjusted earnings p/e is very attractive at 8.5. Overall, the valuation is very attractive.

Risks: Sales could slow as consumers face elevated costs for gasoline, food, and energy. The company also faces higher supply chain costs. Increased bad debt on its credit card operations are also a possibility.

Outlook: Canadian Tire faces "tough comparables" in the next few quarters but the overall growth trend remains intact. In the longer term, management is targeting continued strong growth.

Action now: Buy. Despite some risks, the valuation here suggests a compelling buying opportunity.

? YOUR QUESTIONS

Successor annuitant

Q – I am in my mid-70s. I have cancer and a short life expectancy. I have been taking the minimum payout from my RRIF since turning 71. My wife is the successor annuitant for my RRIF and, being still in her 60s, has several years before she needs to convert her own RRSP to a RRIF. When she takes over my RRIF I believe she will start to receive the payout that would otherwise be made to me. I wonder if there are other options, such as merging my RRIF with her RRSP, so that she could defer payouts from the merged account until she turns 71? - Richard S.

A - I'm sorry about the cancer diagnosis. Hopefully, you'll receive treatment that will result in remission. The successor annuitant route is the best one for your wife, but not perfect for her situation. Your RRIF will simply carry on after you pass, paying her at the same rate you are receiving. The payment schedule does not revert to her age level. There is no provision in the law for merging your RRIF with your wife's RRSP. However, if your wife were the beneficiary (not the successor annuitant) of your RRIF, then the money in the plan can be transferred to her RRSP. The catch is the RRIF must be collapsed, and the assets sold. The cash is then transferred. You should consult a professional financial planner for the best way to proceed. - G.P.

Alimentation Couche-Tard

SELL HALF

TSX: ATD, OTC: ANCTF *Originally recommended by Tom Slee on March 4/13 (#21309) at C$8.81, US$8.565 (split adjusted). Closed Friday at C$57.03, US$44.89.*

Background: Starting with just a single store in 1980, Quebec-based Couche-Tard has grown by acquisition into a global behemoth with 12,328 convenience stores/gas stations. Although it's a Canadian headquartered company, it now derives 72% of its revenues from the US, 17% from nine northern European countries plus Hong Kong, and just 11% from Canada. It employs 131,000 people across its network.

Performance: The stock gained 22% in 2021 ending the year at $53. And it's now up 7.6% in 2022 to date.

Recent developments: On May 20, Couche-Tard announced that its first electric vehicle fast charging station in the US was operational in South Carolina and that it will have 200 installed by 2024. This is a very slow roll -out considering the company has 9,000 locations in the US.

Couche-Tard suspended its small (38 store) operation in Russian on March 7.

It fared extremely well during the pandemic due to high gasoline margins and surprisingly strong merchandise sales despite significantly lower fuel volumes.

Dividend: The dividend is $0.0875 per quarter ($0.35 annually) for a yield of 0.6%. This represents an earnings payout ratio of just 13% as the company prefers to retain earnings to pay down debt and to make acquisitions and/or repurchase shares. It has been repurchasing shares very aggressively in recent months.

Valuation: At Friday's closing price of $57.03, the p/e, based on trailing adjusted earnings, is 17.3, which is attractive given the growth history. The dividend yield is modest at 0.8%. The return on (book value) equity is highly attractive at 22%, which justifies the relatively high price to book value ratio of 3.7. Overall, the valuation appears attractive.

Recent results: In the latest quarter, revenues per share surged 48% with higher gasoline prices. Earnings per share were up 25%. Earnings have been boosted by gasoline margins that have been unusually high for several years.

Risks: In the medium to long term, Couche-Tard faces a significant risk from the switch to electric vehicles. Suburban EV owners will charge their cars mainly at home and commercial charging stations will be located at grocery stores and places of work along

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ATD—continued from page 10...

with "gas stations". The number of gas stations needed could decline quite dramatically in the next several decades. That would lower Couche-Tard's fuel volumes as well as make it more difficult to attract people to buy lottery tickets, cigarettes, and convenience items. These risks are not imminent but should be considered.

Outlook: Revenues are set to continue to rise dramatically year-over-year with higher fuel prices. But fuel margins could decline compared to the recent abnormally high levels.

Action now: Sell half. Couche-Tard has been a long-term winner and the current valuation remains relatively attractive.

Tax filings—continued from page 7...

The CRA makes it easy to change returns going as far back as 10 years. For details, go to https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/change-your-return.html

In future, complete Schedule 3 when you're doing your taxes. That will enable you to calculate your gains or losses. Gains are reported on line 12700 of your return. Do not report losses there, however. Keep track of them and use them to reduce capital gains of other years. – G.P.

? YOUR QUESTIONS

Claiming tax loss

Q – I bought a stock in a non-registered account for $1. It is now trading at $0.10. I haven't given up completely on this stock as I am still thinking it has hopes of a comeback. I was thinking of buying this stock at $0.10 in my TFSA, and then selling the stock in my non-registered account, so that I can claim the capital loss. Can I claim the loss if I do this? – Vince

A – Be careful of a twist called the superficial loss rule. CIBC Wood Gundy explains it this way: "If you sell a security to trigger a loss, and you or an affiliated person (for example, your spouse, a corporation you control, or a trust where you have a major beneficial interest, including an RRSP) purchases an 'identical security' within 30 calendar days before or after the sale date, and that person still owns that security 30 calendar days after the sale date, then the capital loss is denied to you and added to the cost base of the person who bought it." So, to be on the safe side, you should wait 30 days after selling the shares in your non-registered account before repurchasing them in your TFSA. – G.P.

Canadian Western Bank

BUY

TSX: CWB, OTC: CBWBF *Originally recommended on Sept. 15/14 (#21433) at C$40.54, US$36.31. Closed Friday at C$30.02, US$23.69.*

Background: This smaller bank, unlike the large Canadian banks, is virtually a pure deposit and lending operation. Fully 88% of its revenues are from the net interest margin on lending and a further 4% is credit-related fees, for a total of 92% from lending. CWB primarily lends to business customers as opposed to individuals. The remaining revenue is from wealth management and trust operations.

CWB is becoming more of a national bank. Alberta and BC each account for about 32% of its loans while Ontario now accounts for 24%. Saskatchewan and Manitoba together account for 7%, and the other provinces account for the remaining 5%. The Ontario loans are largely obtained outside of the branch network, but it now has two branches in the province.

Performance: The stock was up 27% in 2021 ending at $36.30 as it recovered from the pandemic but this year to date it's down 17%.

Recent results: Earnings grew very strongly in 2021 as the bank recovered from the worst of the pandemic. However, earnings per share in the latest quarter were down 1%.

Dividend: The stock pays a quarterly dividend of $0.30 ($1.20 per year) to yield 4%. CWB has a relatively low payout ratio of 32% of earnings because it needs to retain capital as its loans and therefore balance sheet assets grow at a relatively rapid rate.

Valuation: At Friday's closing price of $30.02, the price to book value ratio is quite attractive at 0.9. The trailing adjusted p/e is also quite attractive at 7.8. These ratios are at the low end of their normal ranges. The dividend yield is attractive at 4.1%. The trailing year adjusted return on equity (ROE) is good although not great at 11.4%.

Outlook: CWB projects double digit loan and deposit growth in 2022. However, it is forecasting a modest decline in earnings per share due to higher expenses due to initiatives taken to drive future growth. Management expects earnings growth to resume in 2023.

Risks: Bad loans are always a potential risk for CWB, but it has a strong track record in that regard. A weaker economy is also a risk, but its increasing geographic diversification is lowering that risk.

Action now: Buy. While the near-term outlook is relatively weak, CWB provides the opportunity to purchase a well-managed and growing small bank at less than book value.

GORDON PAPE'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Home Depot NYSE: HD

BUY

Originally recommended on April 25/22 (#22217) at $300.23. Closed Friday at $308.46. (All figures in US dollars.)

Background: Home Depot is the largest home improvement retailer in the world. The company has a total of 2,316 retail stores in all 10 provinces, all 50 US states, the District of Columbia, Puerto Rico, the US Virgin Islands, Guam, and Mexico. It employs approximately 500,000 workers.

Performance: The stock was recommended at $300.23 in late April. It is up 2.7% since then, which is a reasonable showing in the current volatile market.

Recent developments: The company reported strong first quarter results, which beat analysts' expectations for both revenue and earnings.

Net sales were $38.91 billion, an improvement of 3.8% from $37.5 billion in the same period last year. Analysts were looking for $36.72 billion. Operating income was $5.9 billion, up 2.6% from $5.8 billion a year ago.

Net earnings were $4.231 billion ($4.09 per share, fully diluted), compared to $4.145 billion ($3.86 per share) in 2021. On an EPS basis, the improvement was 6%.

"Fiscal 2022 is off to a strong start as we delivered the highest first quarter sales in company history," said CEO Ted Decker. "The solid performance in the quarter is even more impressive as we were comparing against last year's historic growth and faced a slower start to spring this year."

Dividend: The stock pays a quarterly dividend of $1.90 ($7.60 a year) to yield 2.5% at the current price.

Outlook: The company raised its full-year guidance. It now expects total sales growth and comparable sales growth of approximately 3%. Operating margin is expected to be approximately 15.4%, while diluted earnings per share growth will be in the mid-single digits.

Action now: Buy.