

## Oh What Friends...In Rising Dividends

	Last 10 years of dividends											CAGR	Current Yield	Yield on Cost*
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
<b>APD</b>	2.23	2.50	2.77	3.02	3.20	3.39	3.71	4.25	4.58	5.18	5.84	10.1%	2.8%	6.9%
<b>CAT</b>	1.82	2.02	2.32	2.70	3.01	3.08	3.11	3.36	3.95	4.12	4.36	9.1%	2.5%	4.7%
<b>LEG</b>	1.10	1.14	1.18	1.22	1.26	1.34	1.42	1.50	1.58	1.60	1.66	4.2%	4.7%	7.3%
<b>MDT</b>	0.90	0.97	1.04	1.12	1.22	1.52	1.72	1.84	2.00	2.16	2.32	9.9%	2.5%	6.3%
<b>OZK</b>	0.19	0.25	0.36	0.47	0.55	0.63	0.71	0.80	0.94	1.08	1.13	19.9%	2.7%	10.4%

SOURCE: Kovitz using data from Bloomberg Finance L.P.

\*Assuming cost is closing price on December 31, 2010

### APD

In its 80th year of operation, Air Products is one of a handful of global industrial gas companies involved in the recovery and distribution of major gases including oxygen, nitrogen, helium and hydrogen across an array of end markets like energy, manufacturing, healthcare, food & beverage, metals and chemicals. Industrial gases are often an indispensable input, yet they account for a small fraction of overall costs for those who use them. This leads customers to pay up for reliability and to pursue long-term contracts to assure uninterrupted and timely supply. This combination of factors also contributes to onsite investments with customers and provides the company with stable cash flows. Analysts expect double-digit percentage EPS growth for each of the next three years, with the longer term also looking rosy, thanks to the global energy transition and exposure to increasing demand for alternative fuels. APD's streak of dividend increases extended to 40 this month, and the yield is 2.7%.

### CAT

Construction and mining equipment giant Caterpillar has maintained its edge through the incorporation of technology and software into its products to improve both performance and total cost of customer ownership. CAT announced strong Q4 EPS of \$2.69 (18% better than the consensus estimate) as revenue grew 24% year-over-year to over \$13 billion, even as cost headwinds (freight, material, labor) outpaced price increases and volume improvements to reduce margins. We think the flat share-price performance over the past year presents an attractive setup for the next few years as infrastructure legislation fuels investment. CFO Andrew Bonfield elaborated, "For the full year, we expect the environment to support strong end-user demand and higher pricing. As [supply chain imbalances] alleviate, we would expect to see an acceleration in sales to end users. As we have noted, our order books and backlog are robust, but we do expect the supply chain to constrain our volumes." CAT has raised its dividend in each of the past 28 years, and the yield is currently 2.3%.

## LEG

Leggett & Platt is a diversified manufacturer serving an array of industries including bedding (coils used in mattresses, specialty foam used in bedding and furniture, and mattresses), automotive, aerospace, and steel wire and rod. About two-thirds of L&P's steel wire output is used in making its own products, and LEG has undoubtedly been affected by the elevated cost of raw materials, but scheduled price increases ought to alleviate margin pressure. Demand in its end markets (automobiles and home furnishings) remains strong, and we like that the company is a leader in most of its markets with few large competitors. A beneficiary of stay-at-home trends early in the pandemic, the stock has cooled to trade at just 13.5 times the midpoint of management's earnings guidance for 2022. LEG has a history of disciplined cash use as evidenced by its 50-year stretch of consecutive dividend increases. The yield is currently a robust 4.6%.

## MDT

One of the largest medical device companies, Medtronic develops and manufactures a portfolio of therapeutic medical devices for chronic diseases that include pacemakers, defibrillators, heart valves, stents, insulin pumps, spinal fixation devices, neurovascular products, and surgical tools. Deferred elective procedures had stalled the company throughout the latest wave of the pandemic, but sentiment for shares soured on the news that MDT had received a warning letter from the Food & Drug Administration leading to the recall of a certain series of insulin infusion pump and a related remote controller device. We gather that Medtronic's recalled pump is no longer being marketed as it is not listed on the current product site, and the latest versions are newer series products. Of course, the warning could affect the timely approval of future products, but we note that this is not the first warning Medtronic has received in recent years (most recently in 2018 regarding defibrillators). Despite the latest rough patch, we still think very highly of the firm's terrific products for acute procedures and pipeline for a variety of chronic diseases. After all, Medtronic has weathered many obstacles on its path to raising its dividend for 44 straight years. The yield is 2.4%.

## OZK

Tracing its roots back to 1903, Bank OZK (formerly Bank of the Ozarks) is headquartered in Arkansas, but it operates in some of the nation's largest cities. George Gleason bought the bank in 1979 and remains the CEO today, opting to grow through the slow building and acquisition of individual branches rather than the consolidation of entire banks. Mr. Gleason has stated this strategy makes culture assimilation easier, which contributes to an impressive efficiency ratio that has averaged roughly 41% over the past decade. With its commercial and industrial focused loan book, OZK is exposed to more cyclical areas of the economy, but it has been able to produce above average net interest margins while experiencing mild loan losses (relative to peers) throughout its history. Management has demonstrated that it can achieve these results in part via unique loan underwriting structures whereby its capital is often among the last called to fund projects (frequently after development partners have taken equity stakes) and is among the first to be repaid. The stock has taken a breather since early January and the bank sports healthy capital ratios. Holding a 25-year streak of increases, the dividend offers a 2.6% yield.