

# Hendershot Investments

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## IF YOU BUILD IT, AI WILL COME

In 2025, the tech titans find themselves in a race unlike any other. Alphabet, Amazon, Apple, Meta, Microsoft, and Oracle are no longer just competing for market share—they are vying to build the very infrastructure that will define the future of artificial intelligence (AI). Their collective capital expenditures have reached unprecedented levels, expected to top \$325 billion this year, and will reshape not only their firms but also the global economy.

**Alphabet**, the parent company of Google, continues to invest heavily in AI infrastructure, such as data centers and servers, with \$75 billion in investments planned for 2025. Alphabet is committed to leading the AI revolution with its Gemini chatbot, Waymo autonomous car and various other AI tools designed to boost advertising sales. Despite competition from emerging players like China's DeepSeek, Alphabet CEO, Sundar Pichai, steadfastly said, "We are building for the long term."

**Amazon** is investing heavily in data centers, networking gear, and hardware to support its generative AI initiatives and to dominate the AI cloud market. The company's CEO, Andy Jassy, announced a staggering \$105 billion in capital expenditures for 2025 to take advantage of this "once-in-a-lifetime type of business opportunity." Amazon's cloud computing business, Amazon Web Services (AWS), is a crucial profit engine, driving the company's success despite the high costs associated with building infrastructure.

**Apple** announced plans to invest more than \$500 billion in the U.S. over the next four years, which will focus on artificial intelligence, silicon engineering and skills development. Apple recently intro-

duced "Apple Intelligence," a suite of AI-enhanced services focused on integrating AI into existing products, such as Siri and Apple Health.

**Meta**, formerly known as Facebook, is committing \$60 billion to \$65 billion to capital expenditures in 2025, aiming to enhance its core advertising business with AI tools. Meta's AI initiatives were already positively impacting its advertising revenue, making it a formidable player in the AI landscape. Mark Zuckerberg, Meta's CEO, believes Meta AI will serve more than one billion people by the end of 2025, positioning it as the leading AI assistant. The company also set its sights on making Llama 4 the industry's leading AI model.

Not to be outdone, **Microsoft** is also making significant investments in AI infrastructure with \$80 billion earmarked for AI-related capital expenditures this year. Microsoft is racing to expand and update its data centers to meet the growing demand for AI in its Azure cloud business. Satya Nadella, the company's CEO, emphasized the importance of AI in reshaping work across every role, function and business process, including Microsoft's own.

**Oracle**, often considered a dark horse in this race, has also committed billions to expand its cloud computing capabilities. Its focus on enterprise solutions positions it uniquely among competitors who are more consumer-focused.

"If you build it, AI will come" has become a new high-stakes business model. By laying down the infrastructure for AI today, these companies are convinced their historic innovations and investments will smartly pay off and change the world for the better.

# STOCK PERFORMANCE

Stock-Symbol	Business	Purchase		Price 2-21-25	Total (c) Return	Advice*	Comment
		Date(a)	Price(b)				
Accenture-ACN	Consulting/Outsourcing	03-06-12	59.95	364.26	574%	HOLD	In 1Q, paid \$926 million in dividends and repurchased \$898 million in stock
Alphabet, CI A-GOGL Alphabet, CI A-GOOG Alphabet, CI C-GOOG	Online advertising; technology	06-10-11 06-08-15 06-10-11	12.82 27.32 12.74	179.66 181.58	702% 1,330%	BUY	Generated 31% ROE in 2024; repurchased \$62.2 billion of stock and paid \$7.4 billion in dividends
Amazon-AMZN	Online retailer/Amazon Web Services	08-27-24	172.52	216.58	26%	BUY	Cash flow from operations increased 36% in 2024 to \$115.9 billion
Apple-AAPL	iPhones, computers, services	09-07-10	9.24	245.55	2,654%	HOLD	During 1Q, paid \$3.9 billion in dividends and repurchased \$23.6 billion of stock
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	310.76	186%	HOLD	Increased its dividend 10%, marking the 50th consecutive year of dividend hikes
Berkshire Hathaway- BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	478.74	1,697%	HOLD	2024 net worth increased 16%, or by \$88.1 billion, as operating earnings jumped 27% to \$47.4 billion on strong performance in Geico insurance
Booking Holdings-BKNG	Online travel	09-07-21 06-02-22	2,338.50 2,374.34	4,990.64	114%	BUY	Increased dividend 10%; announced a new \$20 billion share buyback program
Brown-Forman-BFB	Liquor	03-10-00	4.25	32.06	1,013%	BUY	In first half, free cash flow tripled; paid \$206 million in dividends
Canadian National Railway-CNI	Railroad	06-08-15 12-03-19	58.05 88.61	103.99	38%	BUY	Increased dividend 5% and announced new 20 million share buyback
Cognizant Tech.-CTSH	IT consulting	09-07-12 08-31-22	33.43 63.99	84.87	65%	BUY	Bookings increased 11% in 4Q, bringing backlog to \$27.1 billion
Corpay-CPAY	Global business payments	03-05-24	284.38	363.84	28%	BUY	Generated 31.9% ROE in 2024, repurchased \$1.3 billion of stock
FactSet Research-FDS	Financial information	03-14-14	104.42	461.78	371%	HOLD	Acquiring LiquidityBook for \$246.5 million in cash
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	74.78	385%	HOLD	Generated a 31.8% ROE in 2024
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	243.06	53%	BUY	Ended the year with \$90.6 billion in backlog
Gentex-GNTX	Auto mirrors	12-08-15 05-31-23	16.29 26.35	24.37	19%	BUY	Expects about 5% revenue growth in 2025 and 6% earnings growth
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15	20.81 84.09	121.63	145%	BUY	Increased dividend 3%, marking 69th consecutive year of dividend increases
Hormel Foods-HRL	Food	06-14-01	6.01	29.65	604%	HOLD	Increased dividend 3%, marking 59th consecutive year of dividend increases
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	162.30	96%	BUY	Paid \$11.8 billion in dividends in 2024, marking 62nd year of rising dividends
Kinsale-KNSL	Insurance	05-28-24	385.05	428.53	11%	BUY	In 2024, revenues +30%, EPS +35%
LVMH Moët Hennessy – Louis Vuitton-LVMUY	Luxury Goods	03-07-23	173.40	145.38	-13%	HOLD	In '24 operating cash flow+29% paid 7.3 billion euros in dividends
Mastercard-MA	Global payments	09-05-14	76.45	557.51	650%	BUY	In 2024, free cash flow +23% to \$14.8 billion; repurchased \$11 billion of stock
Meta Platforms-META	Social Media	06-04-18	193.35	683.55	255%	HOLD	Free cash flow +23% to \$54 billion in 2024; increased dividend 5%

**\*All recommendations made in this newsletter may not be suitable for every account, depending on an individual's investment objective, risk-tolerance and financial situation. It should not be assumed that recommendations will be profitable or will equal the performance of securities listed here or recommended in the past. Clients should contact Hendershot Investments, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.** (a) Date purchased for Hendershot IRA. See personal trading restrictions footnote on page 3. ! Received BRKB shares following acquisition of FlightSafety Int'l in Dec '96 and Int'l Dairy Queen in Jan '98 (b) Price includes commissions paid. (c) Total return includes dividends. NI-Net Income, Q-quarter, H-half, YTD-year-to-date, ROE-return on equity

**(continued)**

Stock-Symbol	Business	Purchase Date(a)	Price(b)	Price 2-21-25	Total (c) Return	Advice*	Comment
Microsoft-MSFT	Software	06-07-07 12-03-10 12-07-22	30.16 26.94 244.54	408.21	302%	BUY	In 2Q, paid \$6.2 billion in dividends and repurchased \$3.53 billion of stock
Molina Healthcare-MOH	Managed healthcare	09-06-23	311.03	283.81	-9%	BUY	Generated 26% ROE in 2024 and repurchased \$1 billion of stock
Nike-NKE	Shoes and apparel	03-07-17	56.55	76.50	50%	SELL	<b>Selling position</b> (see p. 4)
Oracle-ORCL	Software	09-05-13	32.31	167.81	454%	HOLD	In 1H, paid \$2.2 billion in dividends and repurchased \$898 million of stock
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	148.51	536%	HOLD	Acquiring Paycor for \$4.1 billion in cash
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18 03-10-21	81.89 109.42 132.97	153.50	64%	BUY	Increased dividend 5%, marking 53rd consecutive year of dividend hikes; plans to pay \$7.6 billion in dividends in 2025
PulteGroup Holdings-PHM	Homebuilder	06-02-22	45.26	103.11	132%	HOLD	During 2024, repurchased \$1.2 billion of stock and paid \$167.7 million in dividends
RTX-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	123.29	83%	HOLD	2025 free cash flow expected to range between \$7.0-\$7.5 billion with RTX paying \$3.0-\$4.0 billion in dividends and buybacks
ResMed-RMD	Medical Devices	11-24-23	153.54	231.69	52%	BUY	Expects revenues to be up 10% and EPS to be up 13% in 2025
Roche Holding ADR-RHHBY	Pharmaceuticals and diagnostics	06-09-21	47.39	41.42	-4%	BUY	Generated a 26.1% ROE in 2024 with free cash flow up 34% to CHF 16.6 billion
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	136.61	134%	BUY	On track to repurchase \$1.05 billion of stock in fiscal 2024
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	111.75	139%	SELL	<b>Selling position</b> (see p. 4)
Stryker-SYK	Medical technology	03-11-09	32.08	382.78	1,179%	HOLD	Acquiring Inari Medical for \$4.9 billion in cash; increased dividend 5%
Texas Roadhouse-TXRH	Restaurants	03-07-23	105.87	169.13	64%	BUY	Increased dividend 11% and announced new \$500 million share buyback
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15 05-31-23	2.54 36.18 76.75	121.11	194%	HOLD	Through 3Q, paid \$1.2 billion in dividends and repurchased \$1.7 billion of stock
Tractor Supply-TSCO	Rural retailer	12-11-17	13.50	56.37	349%	HOLD	Increased dividend 5%; new \$1 billion buyback program
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	361.54	26%	BUY	As part of CEO transition, increased outlook for fourth quarter sales and earnings
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	466.42	116%	BUY	In 2024, paid \$7.5 billion in dividends and repurchased \$9.0 billion of stock
United Parcel Service-UPS	Package delivery	03-11-20	88.03	116.33	102%	BUY	In 2025, plans to pay \$5.5 billion in dividends and repurchase \$1.0 billion of stock
Visa-V	Global payments	11-30-21	193.39	348.53	83%	BUY	Free cash flow +51% during 1Q to \$5 billion; repurchased \$4 billion of stock

**PERSONAL TRADING RESTRICTIONS FOR PRINCIPALS AND EMPLOYEES**

I take a long-term position in each stock recommended in this newsletter. Having earned the Chartered Financial Analyst (CFA) designation, I fully subscribe to the Code of Ethics and Standards of Professional Conduct of the CFA Institute. Accordingly, transactions for client accounts have priority over personal and employee transactions. To avoid any conflict of interest and to be fair to both my individual clients and subscribers, personal and employee trading is restricted to just four weeks a year. Personal and employee trading will occur only during the week following distribution of the newsletter to subscribers unless otherwise approved by the Chief Compliance Officer. The week following distribution of the newsletter will be measured as five business days after the mailing date of the newsletter. Positions may be purchased or sold for individually managed client accounts at any time and without regard to recommendations made in this newsletter.

# PORTFOLIO REVIEW

## JOGGING AWAY FROM NIKE

Nike reported fiscal second quarter sales fell 8% to \$12.4 billion with net income dropping 26% to \$1.16 billion and EPS slipping by 24% to \$0.78. NIKE direct revenues declined 13% to \$5.0 billion and wholesale revenues declined 3% to \$6.9 billion. Converse revenues declined 17% to \$429.0 million. Nike brand revenues declined 7% to \$11.95 billion with footwear dropping 11% to \$7.66 billion and apparel dipping 1% to \$3.74 billion.

During the quarter, North America and EMEA sales declined 8% and 7% to \$5.2 billion and \$3.3 billion, respectively. Greater China sales fell 8% to \$1.7 billion and Asia Pacific & Latin America sales dropped 3% to \$1.7 billion. Gross margin decreased 100 basis points to 43.6%, primarily due to higher discounts and changes in channel mix partially offset by lower product input costs as well as lower warehousing and logistics costs.

NIKE continues to have a strong track record of consistently increasing returns to shareholders, including 23 consecutive years of rising dividends. During the quarter, Nike returned about \$1.6 billion to shareholders through dividends of \$557 million and share repurchases of \$1.1 billion.

NIKE's new CEO, Elliott Hill, and his team are taking actions to reposition the company which includes liquidating aged inventory via higher discounts to wholesalers and in factory stores, investments in sports marketing and transitioning NIKE Direct to a full price model. However, it will take time for Nike to get back on track with sales down across product lines and geographies. We plan to jog away from Nike by **selling our position** given the deteriorating business fundamentals. **Nike provided a 50% total return over the last eight years.**

## STARBUCKS NEEDS A CAFFEINE FIX

Starbucks reported fiscal first quarter sales were relatively flat at \$9.4 billion with net income declining 24% to \$780.8 million and EPS off 23% to \$.69. Operating margin contracted 390 basis points during the quarter primarily driven by deleverage and investments in support of "Back to Starbucks," including store partner wages, benefits and hours and the removal of the extra charge for non-dairy milk customizations.

Starbucks is stepping away from discounting and focusing on the craft and quality of its coffee which led to continued improvement in comp trends although results still have room for improvement. During the quarter, global comparable sales declined 4%, driven by a 6% decline in comparable transactions partially offset by a 3% increase in average ticket.

Under new management, the company is only one quarter into its turnaround to restore confidence in the brand and return to sustainable long-term growth. To improve efficiency, Starbucks is optimizing its menu offerings, resulting in a roughly 30% reduction in beverages and food items by the end of fiscal 2025.

The second quarter is expected to be the lowest EPS quarter of the year due in part to seasonality with the second half of the year expected to see improvement. Free cash flow declined 23% during the quarter to \$1.4 billion with the company paying \$692 million in dividends, a 7% increase over the prior year period. Starbucks expects to prioritize shareholder value through dividends, providing a predictable return of capital while the business is stabilized and positioned for future growth given Starbucks' strong and resilient brand. The company opened 377 net new

stores in the first quarter, ending the period with 40,576 stores including 17,049 stores in the U.S. and 7,685 in China.

With Starbucks needing a caffeine fix, we decided to take our last sip for a bit and **sell our position as the valuation appears rich.** Similar to Nike, a Starbucks turnaround will take time especially in China. **Starbucks' stock brewed up a three-fold gain over the last 11 years.**

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**With the profits from Nike and Starbucks,** we plan to **buy Adobe Systems** (see p. 10). Personal and employee purchases will be made during the week following distribution of this newsletter. (See Personal Trading restrictions in the box on page 3.)

## DIVIDENDS

Since the last issue, the following dividends per share were received: **Accenture** (\$1.48), **Alphabet** (\$.20), **Apple** (\$.25), **ADP** (\$1.54), **Booking Holdings** (\$8.75), **Brown-Forman** (\$.23), **Canadian National Railway** (\$.59), **Cognizant** (\$.30), **FactSet** (\$1.04), **Fastenal** (\$.39), **General Dynamics** (\$1.42), **GenTex** (\$.12), **Genuine Parts** (\$1.00), **Hormel Foods** (\$.29), **Johnson & Johnson** (\$1.24), **Kinsale** (\$.15), **LVMH** (\$1.16), **Mastercard** (\$.76), **Meta** (\$.50), **Microsoft** (\$.83), **Nike** (\$.40), **Oracle** (\$.40), **Paychex** (\$.98), **Pepsi** (\$1.36), **Pulte** (\$.22), **RTX** (\$.63), **ResMed** (\$.53), **Ross Stores** (\$.37), **Starbucks** (\$.61), **Stryker** (\$.84), **Texas Roadhouse** (\$.61), **TJX** (\$.38), **Tractor Supply** (\$.22), **UPS** (\$1.63), **UnitedHealth** (\$.2.10) and **Visa** (\$.59).

## STOCK SPLIT

Tractor Supply distributed a five for one stock split in December 2024, and all data was adjusted accordingly.

**(continued)****REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS**

<b>COMPANY</b>	<b>DATE PURCHASED</b>	<b>DATE SOLD</b>	<b>GAIN/LOSS</b>	<b>COMMENT*</b>
<b>CISCO SYSTEMS</b>	03/12/97 03/10/21	08/27/24 08/27/24	+777% +5%	Sales, earnings and free cash flow declined, sold position
<b>RTX</b>	03/06/19 09/06/23	08/27/24 08/27/24	+52% +42%	Fairly valued, trimmed position
<b>TEXAS INSTRUMENTS</b>	03/08/22	03/05/24	+4%	Sales, earnings and free cash flow declined, sold position
<b>TEXAS ROADHOUSE</b>	03/07/23	05/28/24	+62%	Fully valued, trimmed position
<b>WESTERN ALLIANCE BANCORP</b>	08/31/22	03/05/24	-26%	Challenges in banking sector, sold position

\*A stock meets our price target by reaching its near-term full value based on its expected price range over the next 12-18 months (see pages 6 and 7). When a stock reaches our price target, we generally sell half the position and reinvest the proceeds into other promising opportunities. The remaining shares are held for further potential long-term gains as intrinsic value grows over time. Stocks are also sold if business fundamentals deteriorate or better investment opportunities are available.

**Hendershot Investments, Inc. Investment Advisory Services**

Founded in 1994, Hendershot Investments' personalized portfolio management service exists to help you improve your long-term financial success and to conserve and grow your wealth. To that end, we invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. We extend a big "thank you" for the many client and subscriber referrals, as a referral is the biggest compliment you can pay us!

**Our Investment Discipline****We find great businesses at reasonable prices through extensive research.**

As long-time students of the stock market, we have developed valuation models to assess the relative merits of **HI**-quality companies. We scour annual reports, SEC filings and news to independently determine company valuations, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

**We adhere steadfastly to rigorous buy and sell disciplines.**

Our number one rule on the buy side is "Don't overpay for a stock." We want to buy with a margin of safety. We would rather pay a "fair price for a great business than a great price for a fair business."

As Philip Fisher stated, "If the job has been done correctly when a stock is purchased, the time to sell is almost never."

**We believe in patient investing for the long term.**

Quintessential investor, Ben Graham, described the stock market in the short term as an imperfect voting machine where stock prices are based partly on emotion and partly on reason. In the long term, the stock market is a weighing machine where prices are driven by fundamentals.

For this reason, we are willing to wait patiently until Mr. Market recognizes the value of our **HI**-quality firms.

# PORTFOLIO FUNDAMENTALS

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 2-21-25	This year Actual EPS	Next year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
AAPL	184-258	245.55	\$6.08	\$7.32	39.0	55.3	9.4	0.4%	2%	7%	164%	212%	126%	0.9x	\$391,035,000
ACN	346-456	364.26	11.44	12.77	30.5	7.6	3.5	1.6	10%	10%	26%	28	17	1.5	64,896,464
ADBE	456-628	444.32	12.36	16.01	34.4	14.0	9.1	-	14%	3%	39%	56	30	1.1	21,505,000
ADP	261-346	310.76	9.10	9.95	32.4	24.9	6.6	2.0	7%	12%	97%	44	59	1.2	19,202,600
AMZN	202-280	216.58	5.53	6.34	26.5	8.0	3.6	-	13%	18%	21%	35	18	1.1	637,959,000
BF.B	33-52	32.06	2.14	1.79	15.1	4.1	3.6	2.8	6%	6%	29%	11	65	2.7	4,178,000
BKNG	4363-6325	4,990.64	172.69	208.05	21.9	-	6.9	0.7	37%	231%	n/a	n/a	n/a	1.2	23,739,000
BRK.B!	381-499	478.74	32,955	31,600	17.9	1.6	2.8	-	11%	23%	5%	n/a	n/a	n/a	371,443,000
CNI	117-144	103.99	7.01	7.95	18.9	3.1	3.8	2.4	5%	9%	21%	2	94	0.7	17,046,000
CPAY	309-453	363.84	13.97	16.79	24.7	8.2	6.4	-	14%	15%	32%	49	166	1.0	3,974,589
CTSH	75-99	84.87	4.32	5.00	17.6	2.9	2.1	1.5	4%	15%	16%	16	6	2.1	19,736,000
FAST	64-88	74.78	2.00	2.16	37.8	11.9	5.7	2.3	8%	8%	32%	7	4	4.7	7,546,000
FDS	473-579	461.78	13.91	15.47	33.2	8.0	8.0	0.9	10%	10%	28%	18	65	1.4	2,203,056
GD	261-335	243.06	13.63	14.85	15.9	3.0	1.4	2.3	6%	6%	17%	8	33	1.4	47,716,000
GNTX	27-33	24.37	1.76	1.94	14.5	2.2	2.4	2.0	8%	6%	16%	24	0	4.1	2,313,314
GOOGL!	183-258	179.66	8.04	8.99	17.5	6.8	6.3	0.5	18%	29%	31%	41	3	1.8	350,018,000
GPC	123-148	121.63	6.47	7.13	33.9	3.9	0.7	3.4	9%	55%	21%	11	81	1.2	23,486,659
HRL	32-41	29.65	1.47	1.57	19.9	2.0	1.4	3.9	6%	-5%	10%	9	34	2.3	11,920,797
JNJ	156-182	162.30	5.79	8.72	25.4	5.5	4.4	3.1	2%	1%	20%	34	43	1.1	88,821,000
KNSL	438-590	428.53	17.78	17.72	19.2	6.7	6.3	0.2	36%	46%	28%	8	12	n/a	1,587,525
LVMUY	148-195	145.38	5.02	6.07	36.6	5.4	4.3	1.9	12%	20%	19%	14	18	1.4	84,683,000
MA	534-682	557.51	13.89	15.92	35.0	78.0	18.0	0.6	16%	22%	100%	135	269	1.0	28,167,000
META	446-794	683.55	23.86	25.15	20.8	8.2	9.1	0.3	18%	24%	34%	46	16	3.0	164,501,000

\*\* Exp. price range—the expected price range for the stock in the next 12-18 months based on our valuation models and the historical trading range of the stock over the last five years. If the current price is below the low end of the expected range, the stock appears undervalued. If the current stock price is above the high end of the expected range, the stock appears overvalued. The expected price range will change based upon company developments. Highlighted stocks appear undervalued or are new additions. !Berkshire price is for the class B shares, the class A shares approximate 1500 times the B shares. !!GOOGL (the original class A share price is used for the table. GOOGL will typically trade slightly higher than the Class C non-voting shares (GOOG).

**(continued)**

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 2-21-25	This Year Actual EPS	Next Year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
MOH	292-354	283.81	\$20.42	\$22.55	12.9	3.5	0.4	-	20%	16%	26%	200%	65%	1.6x	\$40,650,000
MSFT	399-548	408.21	11.80	13.16	32.9	10.0	12.4	0.8%	14%	20%	33%	24	13	1.4	245,122,000
ORCL	113-178	167.81	3.71	4.70	41.0	32.6	8.8	1.0	8%	5%	113%	80	565	0.8	52,961,000
PAYX	125-160	148.51	4.67	4.99	31.3	13.6	10.1	2.6	7%	11%	45%	35	20	5.2	5,278,300
PEP	161-187	153.50	6.95	7.09	20.9	11.7	2.3	3.5	7%	8%	53%	51	206	0.8	91,854,000
PHM	80-128	103.11	14.69	12.29	5.8	1.7	1.2	0.9	13%	30%	25%	13	13	n/a	17,946,950
RHHBY	38-51	41.42	2.59	2.94	14.8	8.1	4.0	3.3	0%	3%	26%	48	85	1.5	66,676,000
RMD	193-293	231.69	6.22	9.07	29.8	6.5	7.3	0.9	12%	10%	21%	10	13	3.3	4,685,300
ROST	125-184	136.61	5.56	6.19	21.5	8.6	2.2	1.1	6%	5%	39%	83	29	1.6	20,376,941
RTX	105-138	123.29	3.55	4.72	25.3	2.7	2.0	2.0	9%	n/a	8%	9	64	1.0	80,738,000
SYK	346-436	382.78	7.76	11.86	52.7	7.1	6.5	0.9	12%	17%	15%	21	59	1.9	24,500,000
TJX	94-136	121.11	3.86	4.19	28.6	16.8	2.5	1.2	7%	10%	61%	58	35	1.2	54,217,000
TSCO	52-68	56.37	2.04	2.18	27.4	13.3	2.0	1.6	9%	12%	49%	11	81	1.4	15,730,000
TXRH	154-220	169.13	6.47	6.99	20.1	8.3	2.1	1.6	22%	95%	32%	18	0	0.6	5,373,332
ULTA	326-606	361.54	26.03	24.00	14.5	7.3	1.5	-	11%	21%	57%	8	0	1.6	11,207,303
UNH	562-696	466.42	15.57	28.42	12.3	2.0	1.1	1.8	12%	-1%	15%	83	74	0.8	400,278,000
UPS	119-146	116.33	6.75	7.90	20.4	5.9	1.1	5.6	2%	45%	35%	38	116	1.2	91,070,000
V	302-403	348.53	9.74	10.99	34.8	15.7	16.7	0.7	13%	19%	50%	37	44	1.1	32,653,000

\* CAGR-Compound Annual Growth Rate. n/a-not applicable due to financial stock or equity less than zero. Estimated EPS reflects consensus earnings estimate for current fiscal year. The valuation measures (P/E, price-to-book value, price-to-sales and dividend yield) are calculated using the closing price on the date listed in column 3. Balance sheet ratios (cash/equity, debt/equity and current ratio) reflect the latest quarterly financial statements. Return on equity and sales figures are as of the company's most recent fiscal year end.

# PORTFOLIO HI-LITES

## QUARTERLY MOVERS AND SHAKERS

During the past three months, the S&P 500 index rose 1% thanks to solid earnings growth and the anticipation of a boost in productivity from artificial intelligence (AI). The following *HI*-quality stocks all generated gains of 8% or better.

### META INCREASED DIVIDEND 5%

Meta Platforms reported revenues rose 22% in 2024 to \$164.5 billion with earnings jumping 59% to \$62.4 billion. Return on shareholders' equity for the year improved to an impressive 34.1%. Free cash flow increased 23% during the year to \$54 billion with the company paying \$5.1 billion in dividends and repurchasing \$30.1 billion of its stock during the year. Meta recently announced a 5% increase in the dividend for 2025. The company ended the year with a strong balance sheet with more than \$77 billion in cash and investments, \$29 billion in long-term debt and \$182.6 billion in shareholders' equity. **Meta's stock jumped a friendly 21% during the last quarter, contributing to its 255% gain over the last seven years. Hold.**

### LVMH CASH FLOW +29%

Despite a challenging economic climate in 2024, LVMH's largest unit, Fashion & Leather Goods, demonstrated resilience with nearly 40% operating margins. Return on equity for the year was a pretty 18.6%. While reported revenues declined 2% to €84.7 billion, organic revenue still grew by 1%, supported by growth in Europe, the United States, and Japan. LVMH increased operating free cash flow by 29% to €10.5 billion, enabling dividend payments of €7.3 billion, as the company remains vigilant about cost management entering 2025. **LVMH's stock rebounded 21% during the past quarter. Hold.**

### ROCHE FREE CASH FLOW +34%

Roche demonstrated strong growth in 2024, with revenues increasing by 3% to CHF 60.5 billion. Despite a decrease in net income and EPS due to one-time factors like goodwill impairment and restructuring, the company's underlying performance remains robust. Roche achieved an impressive 26.1% return on equity and a 34% increase in free cash flow to CHF 16.6 billion. The strong cash flow allowed Roche to increase its dividend for the 38th consecutive year, signaling confidence in the company's future and commitment to returning value to shareholders. With a promising pipeline and positive outlook, Roche anticipates continued growth in 2025. **During the past quarter, Roche's stock rose a healthy 17%. Buy.**

### VISA FREE CASH FLOW +51%

Visa's fiscal first quarter net revenue increased 10% to \$9.5 billion with net income up 5% to \$5.1 billion thanks to healthy spending during the holiday season. Payments volume increased by 9%, cross-border transactions (excluding intra-Europe) surged 16% and total processed transactions rose 11% to 63.8 billion. During the quarter, free cash flow charged 51% higher to \$5.1 billion and the company paid \$1.2 billion in dividends and repurchased \$4.0 billion of its common stock from these strong cash flows. In addition, Visa made an AI acquisition to enhance fraud detection. **Visa's stock has added an 83% total return to our credit card over the last four years. Buy.**

### AMAZON CASH FLOW +36%

In 2024, Amazon reported revenues increased 11% to \$638.0 billion with net income jumping 95% to \$59.2 billion and EPS up 91% to \$5.53. The holiday shopping season was the most successful yet for Amazon. Remarkable innovation was delivered across all the businesses but especially at Amazon Web Services. Return on shareholders' equity improved to 20.7% for the year. Cash flow from operations jumped 36% to \$115.9 billion with capital expenditures for the year spiking 57% to \$83 billion. In 2025, Amazon expects further significant increases in capital expenditures as they continue to build out the capacity needed to meet growing AI demand. Amazon expects first quarter 2025 sales to increase 5% to 9% to a range of \$151 billion to \$155.5 billion. Operating income is expected in the range of \$14.0 billion to \$18.0 billion. **Amazon's stock has delivered an amazing 26% gain over the last six months. Buy.**

### MASTERCARD FREE CASH FLOW +23%

Mastercard reported 2024 revenues increased 12% to \$28.2 billion with income jumping 15% to \$12.9 billion. Free cash flow increased 23% to \$14.3 billion for the year with the company repurchasing \$11 billion of its shares and paying \$2.4 billion in dividends. Mastercard also made an AI acquisition to enhance fraud prevention. Mastercard projects revenue growth in the low double-digit percentage range for 2025. **Over the last 11 years, Mastercard has posted a masterful 650% total return. Buy.**

**(continued)****QUARTERLY RATING CHANGE  
FROM HOLD TO BUY****BOOKING HOLDINGS  
INCREASED DIVIDEND 10%**

Booking Holdings reported fourth quarter revenues traveled 14% higher to \$5.5 billion with net income up more than fourfold to \$1.1 billion and EPS up more than fivefold to \$31.95. On an adjusted basis, EPS was up 30% to \$41.55. During the fourth quarter, room nights increased 13% to 261 million with gross bookings up 17% to \$37.2 billion. Alternative accommodation room nights increased at a high-teens percentage.

For the full year 2024, Booking Holdings reported revenues rose 11% to \$23.7 billion with net income up 37% to \$5.9 billion and EPS up 47% to \$172.69. Room nights for the year rose 9% to 1.1 billion with gross bookings up 10% to \$165.6 billion.

Free cash flow increased 13% during the year to \$7.9 billion with the company paying \$1.2 billion in dividends and repurchasing \$6.5 billion of its common stock. Since 2022, the company has repurchased about 21% of its shares outstanding for \$23 billion.

Thanks to its continued strong free cash flow generation, Booking announced a new \$20 billion share buyback program. In addition, the company announced a 10% increase in its dividend for 2025 to an annualized rate of \$38.40 per share.

Generative AI technology is expected to continue to drive further value for travelers from Booking's trip planners to the company providing AI agents to help with all facets of travel.

For fiscal 2025, Booking is seeing healthy demand for leisure travel globally. Booking expects to grow in line with its long-term targets with gross bookings and revenues both expected to grow greater than 8% in 2025 with adjusted EPS growth of at least 15% thanks to continued profit margin expansion. **Buy.**

**CORPAY  
31.9% RETURN ON EQUITY**

In 2024, Corpay reported revenues increased 6% to \$4.0 billion with EPS up 6% to \$13.97. On an adjusted basis, EPS increased 12%. Return on shareholders' equity improved to a strong 31.9% for the year. During the year, the company repurchased 4.2 million shares of its stock for \$1.3 billion at an average price of \$309.52. The company has nearly \$1.3 billion authorized for future share repurchases. In 2025, Corpay expects to deliver 9%-12% growth in both revenues and adjusted EPS with revenues in the range of \$4.35 billion to \$4.45 billion and adjusted EPS in the range of \$20.75 to \$21.25. The company also expects \$1.5 billion in free cash flow. **Buy.**

**KINSALE  
REVENUES +30%, EPS +35%**

In 2024, Kinsale Capital Group reported net revenues jumped 30% to \$1.59 billion with net income and EPS surging 35% to \$414.8 million and \$17.78, respectively. During 2024, Kinsale Capital returned a stellar 28% on shareholders' equity. Gross premiums written during 2024 increased 19% to \$1.87 billion while underwriting income increased 21% to \$325.9 million, resulting in a combined ratio of 76.4%. Net investment income surged 47% to \$150.3 million owing to a 35% jump in "float" to \$2.29 billion combined with a 40-basis point increase in gross investment return to 4.4% on higher interest rates in 2024. Net operating cash flows increased 13.5% to \$976.3 million in 2024. In October 2024, the company's Board authorized a \$100 million share repurchase program with \$10 million repurchased during the fourth quarter. Management remains confident that it will achieve its annual revenue growth target of 10% to 20% with EPS expected to increase at a faster pace. **Buy.**

**RESMED EXPECTS  
DOUBLE-DIGIT GROWTH IN 2025**

ResMed reported strong financial performance for the second quarter of fiscal year 2025, achieving 10% revenue growth to \$1.3 billion and a remarkable 65% increase in both net income and diluted earnings per share (EPS), reaching \$344.6 million and \$2.34, respectively. The company also reported free cash flow rose by 15% to \$288.0 million. This growth was driven by heightened demand for the company's sleep and breathing health products. The company's collaboration with major technology firms such as **Google, Apple,** and **Garmin** enhances its competitive position in the sleep health market. In fiscal 2025, ResMed expects to achieve revenue growth of approximately 10% with a 13% increase in EPS. **Buy.**

**TEXAS ROADHOUSE  
INCREASED DIVIDEND 11%**

In 2024, Texas Roadhouse reported revenues increased a beefy 16% to \$5.4 billion on 8.5% comparable sales growth at company restaurants and a 7.4% increase at domestic franchise restaurants. Net income increased a meaty 42% to \$433.6 million and EPS increased 43% to \$6.47. Return on equity for the year was a strong 32%.

During the year, average weekly sales increased 8% to \$155,285. Restaurant margin increased to 17.1% from 15.4% in the prior year, primarily driven by higher sales. Free cash flow increased 83% to \$399.3 million with the company returning \$242.9 million to shareholders through dividends of \$162.9 million and share repurchases of \$80 million. Texas Roadhouse's Board of Directors announced an 11% increase in the dividend for 2025 and a new \$500 million share repurchase program to fatten shareholder returns. **Buy.**

# NEW STOCK

## ADOBE INC. (ADBE-\$444.32)

345 Park Avenue, San Jose, California 95110-2704 [www.adobe.com](http://www.adobe.com)

Adobe, a leading software company, specializes in digital media and digital experience solutions. Its Digital Media segment includes Creative Cloud, featuring applications like Photoshop, InDesign and Illustrator, and Document Cloud, offering tools like Adobe Acrobat and Adobe Sign. Adobe's Digital Experience Cloud provides businesses with tools for marketing, analytics and customer engagement, delivering personalized experiences at scale. Adobe primarily operates on a subscription-based model, generating stable recurring revenue while also continually innovating with AI-driven features.

### INNOVATIVE LEADER

Adobe founders, John Warnock and Chuck Geschke, worked together during the late 1970s at Xerox PARC (Palo Alto Research Center) to develop Interpress, software that enabled Xerox laser printers to communicate with computers. Frustrated by the slow pace of Interpress adoption and failure of PARC leadership to grasp the commercial potential for the software, in late 1982, the pair launched Adobe Systems to develop a "digital printing press" that would connect any computer and printer. Two years later, the company realized its goal with the release of Postscript.

Recognizing the commercial potential for Postscript, **Apple** invested \$2.5 million in 1985 for a 20% stake in Adobe and became its first big customer with the two companies working closely together as pioneers in desktop publishing.

Postscript's success led to the release of Illustrator in 1987 and the introduction of the PDF (portable display format) which quickly became a standard due, in part, to the free distribution of Acrobat Reader to PC manufacturers.

With a strong focus on cloud-based services, AI integration and personalized customer experiences, today Adobe serves creative professionals, marketers and enterprises through two main segments: Digital Media and Digital Experience.

Digital Media, which represented 74% of 2024 revenues, centers around Adobe Creative Cloud and Adobe Document Cloud and includes widely-used industry-standard applications like Photoshop, InDesign, Illustrator, Premiere Pro, Acrobat, Acrobat Sign, Adobe Express and Adobe Firefly, a suite of creative generative AI models integrated across Adobe's ecosystem.

Fiscal Year Nov.	4-YR CAGR	2024	2023	2022	2021	2020
Sales (000,000)	13.7%	\$21,505	\$19,409	\$17,606	\$15,785	\$12,868
Net Income (000,000)	1.4%	\$5,560	\$5,428	\$4,756	\$4,822	\$5,260
EPS	3.4%	\$12.36	\$11.82	\$10.10	\$10.02	\$10.83
Profit Margin		25.9%	28.0%	27.0%	30.5%	40.9%

Digital Experience, representing 25% of 2024 revenues, provides businesses with tools for marketing, analytics and customer engagement. Adobe's Experience Cloud assembles marketing tech in a single platform, from managing content and delivering email campaigns to automating ad buying and measuring success. Adobe's recently released GenStudio for Performance Marketing is a generative AI-first application that lets marketing teams create their own ads and emails to drive impactful, personalized marketing campaigns.

By continually innovating its product offerings, Adobe maintains its position as a leader in the creative software industry. Adobe's strong brand recognition, comprehensive, global and integrated software ecosystem, loyal customer base and successful transition to a subscription-based business model collectively creates high switching costs and solid barriers for competitors.

### PROFITABLE GROWTH

During the past five years, revenues have grown at a 13.7% clip with profit margins consistently exceeding 25%. Return on shareholders' equity has averaged an impressive 35.7% since 2020. In 2024, revenues increased a solid 11% to \$21.5 billion with EPS increasing 5% to \$12.36.

These solid results were achieved while Adobe invested \$3.9 billion, or 18% of revenues, in research and development. This is to strengthen existing products, services and solutions, expand offerings and develop the next generation of AI, machine learning and deep learning-driven tools to solve problems in understanding and generating content and to provide personalized recommendations.

In 2025, management expects revenues to grow in the 8% to 10% range with EPS expected to jump 28% to 30%.

### ROBUST FREE CASH FLOWS

During 2024, Adobe generated \$7.87 billion in free cash flow, up 13% from 2023. While Adobe does not currently pay a cash dividend, it returned a record \$9.1 billion to shareholders during 2024 via share repurchases. In March, a new \$25.0 billion share repurchase program was approved through 2028, representing about 10% of Adobe's current market capitalization. Adobe ended 2024 with \$7.9 billion in cash and equivalents, \$4.13 billion in long-term debt and \$14.1 billion in shareholders' equity on its A+ rated balance sheet.

Investors seeking long-term growth should click on Adobe, an innovative market leader with profitable growth, robust free cash flows and an A+ balance sheet. **Buy.**

# UNDER THE SPOTLIGHT

## ALPHABET (GOOGL-\$179.66)

1600 Amphitheatre Parkway, Mountain View, CA 94043 www.abc.xyz

Alphabet is a collection of businesses, the largest of which is Google. Google has two business segments, Google Services and Google Cloud. All non-Google businesses are known as the Other Bets. Other Bets include earlier stage technologies that can positively impact people's lives. For example, Waymo, the autonomous driving unit, is working hard to improve transportation, while Verily is developing tools and platforms to improve health outcomes.

### GLOBAL BRAND

The very first web page was created in 1990 and by late 1992, there were a mere 26 websites globally. Just a few years later, web pages numbered in the tens of millions and searching for information became challenging. Stanford University graduate students, Larry Page and Sergey Brin, built a search engine from their dorm room that used links to determine the importance of individual web pages. By 1998, they formalized their work and named their search engine Google, a misspelling of the word, googol, which is the mathematical expression for the number one followed by 100 zeroes. The name reflects the immense volume of information that exists and Google's mission to organize the world's information and make it universally accessible and useful.

Google's strong global brand is now one of the most recognized in the world. Google Search helps people find information, with trillions of searches annually. YouTube provides people with entertainment, information and opportunities to learn something new. Google Assistant provides intelligent help throughout a person's day, no matter where they are. Google Cloud helps customers solve today's business challenges, improve productivity, reduce costs and unlock new growth engines.

Through its massive and growing investment in cutting-edge research and development, Alphabet's goal is to lead the AI revolution by integrating AI into all of its products and services including search, cloud and devices, thereby driving significant long-term growth and value. In December, Alphabet unveiled Gemini 2.0, its most capable AI model to date, with more than 4.4 million developers using the model today, double the amount from just six months ago. AI Overviews, Google's latest and most significant evolution of its search engine powered

Fiscal Year Dec.	4-YR CAGR	2024	2023	2022	2021	2020
Revenues (000,000)	17.7%	\$350,018	\$307,394	\$282,836	\$257,637	\$182,527
Net Income (000,000)	25.6%	\$100,118	\$73,795	\$59,972	\$76,033	\$40,269
EPS	28.7%	\$8.04	\$5.80	\$4.56	\$5.61	\$2.93
Dividends	-	\$0.60	-	-	-	-
Profit Margin		28.6%	24.0%	21.2%	29.5%	22.1%

primarily by Gemini, is now available in 100 countries and continues to drive higher usage and satisfaction. The firm's custom chips, namely TPUs-the cornerstone of Google's AI cloud platform strategy, provide custom-designed machine learning accelerators delivering differentiated cutting-edge AI products and services to solve some of the most difficult engineering, societal and scientific challenges of our time. Alphabet recently announced Willow, its new quantum computing chip, an important step in the journey to build useful quantum computers with practical applications.

### OUTSTANDING GROWTH

Alphabet reported fourth quarter revenues increased 12% to \$96.5 billion with net income surging 28% to \$26.5 billion and EPS jumping 31% to \$2.15.

These strong results were driven by ongoing strength in Search with Google Search revenues up 13% to \$54.0 billion. YouTube ads revenue rose 14% during the quarter, driven by strong spending on U.S. election advertising, to \$10.4 billion with revenues in Google subscriptions, platforms and devices increasing 7% to \$11.6 billion. Google Cloud revenues rose a lofty 30% to \$11.9 billion led by growth in Google Cloud Platform (GCP) across core GCP products, AI Infrastructure and Generative AI Solutions.

For 2024, Alphabet's revenues increased 14% to \$350.0 billion with net income jumping 36% to \$100.1 billion and EPS rising 39% to \$8.04. Return on shareholders' equity for the year improved to an impressive 31%.

### STRONG CASH FLOWS

Free cash flow rose 5% during the year to \$72.7 billion, despite capital expenditures increasing 63% to \$52.5 billion. During 2024, Alphabet returned \$69.6 billion to shareholders through share repurchases of \$62.2 billion and dividends of \$7.4 billion.

Alphabet ended the year with \$133.6 billion in cash and investments, \$10.8 billion in long-term debt and \$325 billion in shareholders' equity on its fortress balance sheet.

These results show the power of Alphabet's differentiated full-stack approach to AI innovation and the continued strength of the company's core businesses. Alphabet is confident about the opportunities ahead and expects to invest approximately \$75 billion in capital expenditures in 2025 as very strong AI demand continues to outstrip capacity.

Long-term investors should google Alphabet, a **HI**-quality company with a strong global brand, outstanding growth, a fortress balance sheet and strong cash flows! **Buy**.

# UNDER THE SPOTLIGHT

## GENERAL DYNAMICS (GD-\$243.06)

11011 Sunset Hills Road, Reston, VA 20190 [www.gd.com](http://www.gd.com)

General Dynamics is a global aerospace and defense company with leading market positions in business aviation and aircraft services; combat vehicles, weapons systems and munitions for the U.S. and its allies; IT services; command, control communications, computers, intelligence, surveillance and reconnaissance (C4ISR) solutions; and shipbuilding and ship repair. General Dynamics employs more than 117,000 people worldwide and generated \$47.7 billion in 2024 revenue.

### MARKET LEADER

Formed in 1952, General Dynamics has grown both internally and through acquisitions to become a market leader in the aerospace and defense industry. Under the capable leadership of Phebe Novakovic, appointed as the company's CEO and chairwoman in 2013, each business unit is responsible for its strategy and operational performance while the lean staff at corporate headquarters sets the company's overall strategy and is responsible for allocating and deploying capital. In 2024, 69% of General Dynamics' revenue was from the U.S. government, 10% was from non-U.S. government customers and 21% was from commercial customers. General Dynamics operates through four business segments: aerospace, combat systems, information technology and marine systems.

The Aerospace segment, which generated 24% of the company's 2024 revenue and 29% of its operating profits, offers a comprehensive fleet of Gulfstream business jets and worldwide aviation services.

Combat Systems, which generated 19% of 2024 revenue and 27% of operating profits, provides combat vehicles including the Abrams tank and the Stryker combat vehicle, weapon systems, munitions, logistics support and maintenance services for the U.S. and its allies. The Information Technology segment, 27% of sales and 25% of operating profits, was formed in 2018 concurrent with General Dynamics' acquisition of CSRA. This segment provides IT solutions for defense, intelligence

Fiscal Year Dec.	4-YR CAGR	2024	2023	2022	2021	2020
Revenues (000,000)	5.9%	\$47,716	\$42,272	\$39,407	\$38,469	\$37,925
Net Income (000,000)	4.5%	\$3,782	\$3,315	\$3,390	\$3,257	\$3,167
EPS	5.5%	\$13.63	\$12.02	\$12.19	\$11.55	\$11.00
Dividends	6.6%	\$5.68	\$5.28	\$5.04	\$4.76	\$4.40
Profit Margin		7.9%	7.8%	8.6%	8.5%	8.4%

and federal civilian customers. The Marine Systems segment, 30% of sales and 19% of operating profits, designs and builds submarines and surface ships for the U.S. Navy and Jones Act ships for commercial customers.

### PROFITABLE GROWTH

During 2024, revenues rose 13% to \$47.7 billion with net income up 14% to \$3.8 billion and EPS up 13% to \$13.63.

The company's sustained focus on continuous operational improvements has generated an exceptional 18.0% average return on shareholders' equity during the past five years. Net earnings have compounded at a 4.5% annual rate since 2020 with EPS growing at a faster 5.5% pace due to the company's share repurchase program.

Order activity continues to be strong with a 1-to-1 book to bill ratio for 2024. The company ended the year with \$90.6 billion in backlog, which marks the 7<sup>th</sup> consecutive year of backlogs greater than \$90 billion, pointing to the durability of the business. For fiscal 2025, General Dynamics

expects revenues to increase by about 5.5% to \$50.3 billion with margins expanding by 20 basis points leading to an 8% to 9% increase in EPS.

### ROBUST FREE CASH FLOW

General Dynamics' robust cash flow generation provides fuel for share buybacks, dividends and a disciplined acquisition strategy to spur future profitable growth. During the past five years, the company spent \$5.36 billion on share repurchases, reducing its share count by about 6.7%. Since 2020, dividends have compounded at a 6.6% annual clip with the firm raising its dividend by 7.6% in 2024, marking the 27th consecutive annual increase.

General Dynamics generated \$3.2 billion in free cash flow during 2024 while returning \$3.0 billion to shareholders through dividends of \$1.5 billion and share repurchases of \$1.5 billion.

With profitable growth, exceptional returns on shareholders' equity, robust free cash flow and disciplined capital deployment, General Dynamics is a **HI**-quality company. Investors seeking solid long-term returns should salute the General! **Buy.**

#### SUBSCRIPTION INFORMATION

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