

2 for 1 Index[®]

www.2-for-1.com - following the 2 for 1 Index since 1996

June 18, 2021

There have been five split announcements worthy of our attention since the last 2 for 1 index update. CSX Corp. (CSX) announced a 3 for 1 split a few weeks ago and gets the nod for many of the same reasons we chose Canadian Pacific (CP) last month. Having two railroads qualify for the Index back-to-back seems a little unusual, but on second thought, maybe it's not. The railroads are doing well across the board. Profits and balance sheets are very strong. It's not surprising that two railroad boards of directors came to the same conclusion when considering a stock split. And remember, the split announcement, for 2 for 1, is the number-one indicator that the board believes the company has a better than even chance of outperforming its peers and the overall market over the next few years. This signal has provided the 2 for 1 Index a 12.5% annualized return over the 24+ years we've relied on it.

A few details would be appropriate. CSX has been growing earnings at more than 12% a year for the last five years. Analysts expect that number to grow to over 15%/yr over the next five years. The PE ratio is a little high (28) right now but, if the analysts are correct, that should drop to below 20 within the next year. The quarterly dividend has been growing steadily over the last decade and is more than adequately covered by earnings. In addition to the good numbers, I'm of the belief that the railroads are on the right side of the battle to make our economy more environmentally friendly. Other than river barges, railroads have always been the most efficient way to move goods from point A to point B, and this is becoming more and more important every day.

The other four split announcements considered were Costar Group (CSGP), Neogen Corp. (NEOG), Trade Desk Inc. (TTD), and Nvidia Corp. (NVDA). Costar, announcing a 10-to-1 split, is in the commercial real estate services business. Its unreasonably high PE (148) and lack of a dividend are the most obvious negatives here. Neogen, in the healthcare sector, was the second highest ranking stock of the five considered but, again, was hurt by a relatively high PE (79) and lack of a dividend. Trade Desk is a software company operating in the digital advertising space - very volatile, no dividend, overvalued - the lowest scoring of our five split candidates. Nvidia, a semiconductor company, makes graphics chips for gaming consoles and, more recently, chips used for cryptocurrency mining. The stock is overvalued and, frankly, is basically dependent on two markets, neither of which make any sense to me whatsoever. I'll stick with railroads - I understand them and we actually do need them.

Horizon Bancorp (HBNC) will be deleted from the Index at the time of the rebalance on Monday. HBNC has been a loser for the Index. It was added to the Index on the precise day of its all-time intra-day high and has never traded at that level since. For any number of unknown reasons, the Stock Split Advantage never worked its magic with this stock. Dealing with a loser from time to time reminds us of the importance of diversification.

In summary, **CSX will be added and HBNC will be deleted this month.** There will be a rebalance, maintaining the 30 equally balanced positions in the 2 for 1 Index, as of the market close on Monday, 6/21.

Neil Macneale

HBNC	HORIZON BANCORP INC	JUN-18	TU	TELUS COMUNICATIONS INC	MAR-20	2 for 1 Index inception 7/31/1996
NEW	NORTHWESTERN CORP	JUL-18	BEN	FRANKLIN RESOURCES	APR-20	
PFC	PREMIER FINANCIAL CORP	AUG-18	AWR	AMERICAN STATES WATER	MAY-20	Value at inception = 100
NHC	NATIONAL HEALTHCARE	SEP-18	EW	EDWARDS LIFESCIENCES	JUN-20	
TJX	TJX COMPANIES	OCT-18	MRTN	MARTEN TRANSPORT LTD	AUG-17	Value as of 6/17/21 = 1851.41
CASS	CASS INFORMATION SYS.	NOV-18	COST	COSTCO WHOLESALE CORP	JUL-20	
T	AT&T	JAN-19	TREX	TREX COMPANY INC	AUG-20	All time high - 5/07/21 = 1898.56
WRB	W. R. BERKLEY	MAR-19	AAPL	APPLE INC.	SEP-20	
WHF	WHITEHORSE FINANCIAL	APR-19	NEE	NEXTERA ENERGY INC.	OCT-20	52week low - 7/09/20 = 1278.41
FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	Overall annualized return = 12.5%
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERMAN-WILLIAMS, INC.	FEB-21	
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	Comparable S&P total return = 9.9%
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	