25 Blue Chips With Brawny Balance Sheets

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Investing in Stocks? Balance Sheets Are Everything

Most successful investors agree with the notion that in crises, cash is king. That's especially true in a crisis that leads to entire industries shutting down for an uncertain period of time, depriving corporations of *all* of their revenue in some cases. Having a strong balance sheet can be the difference between weathering the storm and going out of business.

That's true even considering the massive interventions by global governments and central banks. It's no surprise that high-yield corporate bonds are struggling. The companies they finance had exhibited risk to their interest-paying ability long before this existential crisis hit. Should the COVID-19 crisis last longer than the optimistic assumptions, a lot of companies simply won't make it.

In this environment, it's natural to look for blue chips with the strongest balance sheets. While stable financials alone don't guarantee outstanding returns, in times of uncertainty, being able to determine which companies are soundly built is essential for anyone investing in stocks.

But which balance sheet factors should you consider? There are many traditional indicators when it comes to gauging financial stability, but while some of those will likely prove useful even under today's extraordinary circumstances, others could lead to grave mistakes.

First, Don't Ignore Broader Trends

Starting with balance sheet analysis is usually how some "bottom-up" analysis methods begin, which means these measures don't take industry- or sector-wide trends into account.

But the current crisis also makes sector- and industry-level analysis important, if not downright necessary.

The time frame of your investment style will be crucial in deciding which sectors you choose, because even the most-affected sectors *will* recover. We need operational airlines. The oil industry might look different because of the current supply/demand shock, but it's not going away. Tourists will return to hotels. Targeted government interventions will help the hardest-hit industries, though a prolonged crisis still could wipe out the equity of some companies.

While timing might be very tricky here, one thing seems likely: The most financially stable companies are the most likely to hold up and flourish following the crisis. They might even increase their market share during the crisis and subsequent recovery. That's because they might eat up share of folded competitors, and in some cases, they'll be able to aggressively gobble up underpriced assets, including other companies.

That's why balance sheets matter – especially in the case of currently struggling sectors and industries.

What Makes a Strong Balance Sheet?

Now, we'll look at some of the most traditional measures used to evaluate the balance sheets

of non-financial firms. (Gauging the exposure of most financial firms, especially mid- and large-cap banks, is close to impossible here, even in the wake of the Fed's unlimited quantitative easing program and the largest stimulus package in U.S. history.)short-term investments in highly liquid securities. The ratio measures a company's ability to pay its liabilities due during the next 12 months. Ideally, you want a ratio of less than 1 (which means cash is greater than liabilities), but industry conditions might justify a ratio of 5 or higher.

- **Cash ratio (cash/current liabilities):** "Cash" here includes both actual cash and
- **Current ratio (current assets/current liabilities):** The current ratio is like the cash ratio, but more forgiving since it includes other short term assets that could be liquidated such as inventory or receivables. Current ratio has more components in the denominator, so it should be lower than the cash ratio, but it could still be above 1 and considered safe.
- **Quick ratio (cash + marketable securities + accounts receivables/current liabilities):** The quick ratio does not contain inventory, while the current ratio does because it includes all “current assets.” Since the current ratio contains more assets to liquidate, it provides a more optimistic view of liquidity than the quick ratio. Quick ratio should be lower than the current ratio, and is fine in low single digits, but 5 or more might cause apprehension.
- **Long-term debt-to-equity ratio (long-term debt/shareholder equity).** This ratio shows the likelihood of a company's ability to pay its long-term bonds, but not other liabilities such as accounts payable and as shows bond investors the likelihood of a default on their loan. You want shareholders to have more money in the company than lenders (a ratio of less than 1); a multiple of 2 or 3, while not unconventional, might cause jitters in the current environment.

Other Financial Metrics to Consider

Profitability ratios might seem out of place in a balance sheet analysis, but the two are inextricably linked. For instance, the return on equity requires input from the balance sheet and income statement. Further, a company's net profits get added to the shareholder equity account annually. So, money-making companies are building equity, and money-losing companies are drawing down equity, which influences a whole host of other ratios.

Rather than committing yourself to a full-throated earnings analysis every time, here are three fundamental blended ratios to consider:

- **Return on equity (net income/shareholder equity):** Demonstrates the amount of profit earned on the capital committed by shareholders. This requires a close look because a lower ROE can indicate lots of equity, hence stability, but also substandard profits. A "good" ROE varies by industry and capital structure. But given pre-crisis dividend and bond yields, it would be difficult to marshal enthusiasm for an ROE of less than 8%.

- **Long-term earnings growth:** Often measured as the average rate of growth over a period of time and can show longer-term earnings trend masked by short term variation. Likewise, looking at a shorter period of growth can uncover variance in growth masked by the long-term trend. Growth rates are highly idiosyncratic (e.g., tech is high and automaking is low), so earnings growth should be valued against industry competitors. But in general, higher is better.
- **Earnings volatility:** Measures the amount by which earnings vary from an averagerate. The greater the variance, the more risk. If earnings can swing more than 15% or more, some investors might recoil.

A smart way to get a bead on the health of a company's balance sheet is to see what other investors think about it. Bond investors are some to the smartest investors on Wall Street, and their opinion about what a loan (i.e., bond) is worth – which is manifest in the yields on bonds – says a lot about the company's balance sheet and future prospects.

- **Corporate bond yields:** Bond yields reflect investor sentiment regarding the probability of default. A higher yield reflects the collective opinion that the company may have difficulty maintaining the cashflow to support interest payments. For instance, a $1,000 bond trading at $850, which will produce a higher yield, is a warning sign. It shows investors need to be tempted with a higher yield to match the greater risk. Interest-rate moves cause bond values to vary, so investors should watch out for yields that go above the rates that interest movements dictate.
- **Credit default swap prices:** These instruments act as insurance to bond investors in the event of a default. The higher the price for a credit default swap, the higher probability of default. Credit default swaps are an opaque market, but a good rule is, the higher the price to insure an event, the greater the likelihood that event will materialize.

What Do You Do From Here?

Balance sheets and other metrics of risk clearly are not the only things that matter in this environment. You should apply everything above to the real-life scenarios playing out in front of you. For instance, right now, you should be considering company-specific risk to the coronavirus for every prospective stock you evaluate.

But in the coming weeks and months, it's perhaps more important than ever to evaluate balance sheets – of everything you currently own, as well as any prospective stocks that suddenly look attractive to you.

Remember, companies with strong balance sheets can:

- Weather storms for longer than those without
- Continue to pay their dividend
- Capitalize on the new opportunities that disruption inevitably creates

Understanding what the balance sheet says about their strengths and weaknesses can be enormously rewarding in terms of building – and preserving – your capital.

25 Blue Chips With Brawny Balance Sheets

In the midst of an economic scare as severe as this one, investors should look to blue-chip stocks to weather the storm. Many of these companies have massive financial resources that will allow them to not only keep the lights on while the economy grinds to a standstill, but get aggressive on the upswing, through advertising spend, research and even acquisitions.

I recently wrote about the importance of balance sheets to investors. You should always consider factors such as a company's cash and debt before buying. But doing so is all the more vital when Wall Street's focus shifts from growth to survivability.

You see an affinity for blue chips in the analyst community. For instance, Jefferies, in a March 16 report outlining high-quality stocks to buy on the dip, was focused on "strong business models, healthy cash flow and very robust balance sheets." That's a common refrain among the pros finally emerging to suggest buying this dip.

Here are 25 blue-chip stocks with some of the strongest balance sheets on Wall Street. Each of these stocks' balance sheets are graded on a 1-20 scale (the higher, the better). We also included two other measures: a "market-based rating" and a "COVID sensitivity score." The market-based rating takes bond-market signals into account. For instance, an unusually high yield on a bond indicates that fixed-income investors see a higher risk of default. (I've always said bond investors are some of the smartest minds in the market.) Meanwhile, the COVID sensitivity score measures the impact of the coronavirus outbreak to a variety of income and balance-sheet items.

Both scores are in a range from 1-5; again, the higher the better. So a market-based rating of 5 is a strong signal of confidence from the bond market. And a COVID sensitivity score of 5 implies the stock is much less sensitive to the outbreak than your average company.

One last note before we dig in: A balance sheet is a snapshot of a moment in time. Therefore, if you're going to use balance sheets to educate your investments, you'll need to keep looking at the most recently available reports.

Now, let's look at these well-fortified blue chips.

Abiomed

Market value: $7.2 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 4

COVID sensitivity score: 5

Abiomed (ABMD, $160.08) isn't first to mind when you think of blue chips, but this S&P 500 stock makes heart pumps for advanced heart failure or cardiogenic shock. That includes Impella, the world's smallest heart pump. In other words, ABMD's products treat severe medical conditions – an advantage at a time when many less-urgent elective surgeries are being delayed as hospitals try to free up resources for coronavirus treatment.

That said, even if COVID-19 slow receivables, result in an inventory build or stem the flow of capital, Abiomed has the kind of balance sheet that can help it weather these issues.

For starters, ABMD has no debt. Moreover, current assets – generally defined as assets that can be easily turned into cash in a year – is more than four times the liabilities due in the coming year.

Abiomed is solidly profitable too, generating roughly $245 million in profits over the trailing 12 months on $841.3 million in revenues. Analysts have tamped back their estimates for the current fiscal year started April 1, by about 13% to $4.53 per share. But on the plus side, the company is expected to operate well in the black despite any disruptions.

Things could get very bad before Abiomed would need to consider shoring up its finances. But given the necessity of ABMD's products, the situation shouldn't get that dire.

Alphabet

Market value: $829.3 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 2

Of Google parent **Alphabet's** (GOOGL, $1,206.57) $162 billion in 2019 revenues, $135 billion came from advertising (the balance came from cloud services and its "Other Bets" division). That's a real risk amid the coronavirus outbreak, because one of the first items to get slashed in a downturn is advertising.

But there could be a silver lining for Alphabet. That is, the current situation might accelerate what has already been a long migration of ad dollars from traditional mediums, such as broadcast and print, to digital. Indeed, digital advertising's robust analytics will prove attractive to ad executives who want to more accurately track the effectiveness of what dollars they can afford to spend.

If Alphabet's advertising revenue does take a short-term hit, the company has a bulletproof balance sheet to fall back on. Long-term debt of roughly $4.0 billion is dwarfed by nearly $120 billion of cash and short-term investments – one of the largest cash hoards in existence.

Free cash flow per share – the cash profits left over after capital expenditures – is $64.45, while interest expense per share is about 19 cents. This is a back-of-the-envelope calculation assuming an average interest rate of 3% on all Alphabet's debt, which is likely an overestimate. But it demonstrates that no matter how bad things get over the next few months, Alphabet is unlikely to find bankers knocking on its door.

Amazon.com

Market value: $1.0 trillion

Dividend yield: N/A

Balance sheet score: 19

Market-based rating: 5

COVID sensitivity score: 5

First, let's start out by acknowledging that **Amazon.com** (AMZN, $2,042.76) is the go-to resource for all of us huddling at home. While many brick-and-mortar retailers are shuttered – Macy's has furloughed most of its roughly 130,000 and closed its hundreds of stores, for instance – Amazon is among major U.S. companies actually hiring workers to prepare for brisker business.

No one is stressing the durability of Amazon's business right now. In fact, its stock is actually nearing all-time highs.

But rest assured, Amazon is built to withstand a massive shock, should it come. It has a massive cash pile of $55 billion. Consider that even a tech company piling up astronomical losses – Uber Technologies (UBER), which lost $8.5 billion last year, comes to mind – would need years to eat away at those kinds of resources. AMZN is solidly profitable, however, making $11.6 billion last year with analysts expecting around $18 billion this year.

Amazon, like a few other technology blue chips, still invests its profits rather than paying dividends. As a result, its net income goes toward building more equity and providing a larger bulwark against the company's $23.4 billion in debt. That's a big number, but it's less than half of cash, and it also translates into a low long-term debt-to-equity ratio of 29%.

Apple

Market value: $1.2 trillion

Dividend yield: 1.2%

Balance sheet score: 20

Market-based rating: 5

COVID sensitivity score: 3

Apple (AAPL, $267.99) had $107 billion in cash on its balance sheet as of its fiscal first quarter (effectively through the end of 2019). This alone makes its balance sheet appear to be one of the most impenetrable of all. Apple's cash is seven times the company's debt due in the coming year. It's more than seven times the dividends it paid out last fiscal year. It could finance all of Apple's capital spending for more than a decade at last year's rate.

With that much cash, it feels like Apple could never go broke. But that doesn't mean AAPL shareholders won't get rocked from time to time. Ask anyone that held in late 2018 and saw a quarter of their value briefly evaporate as investors fretted about demand for its newest line of iPhones.

This scenario has played out once again, with COVID-19 uncertainty sending AAPL shares plunging, this time by almost a third between the stock's February peak and March trough. Apple now has to deal with a fractured supply chain, shuttered stores in the U.S. and heavy unemployment forcing a lot of Americans to rethink their ability to afford four-digit phones.

Only time will tell. But Apple has 12 digits' worth of cash it can use to make aggressive acquisitions, funnel more money to shareholders or sit on for an even rainier day.

Cognex

Market value: $8.0 billion

Dividend yield: 0.5%

Balance sheet score: 17

Market-based rating: 4

COVID sensitivity score: 4

Cognex (CGNX, $46.19) is hardly a typical "blue chip" in that it's a lesser-known mid-cap company. But it's a massive player in its field of machine vision systems/sensors and barcode readers used in factories and distribution centers.

There are several crosscurrents in how the COVID-19 virus may affect Cognex. Tech spending is expected to contract, which is bad … but only by 3%, according to Standard & Poor's, and that's good, certainly relative to say, cruise ships, airlines and retailers. At the same time, deterioration in the credit markets could hamper the financing of factories and distribution centers, which are fodder for Cognex's growth.

It's difficult to assess how these challenges might impact Cognex. However, navigating an uncertain future with no debt (as is the case at CGNX) is a significant advantage. Moreover, Cognex has more than three times cash on hand ($412 million) than current liabilities ($120.5 million). By comparison, weaker companies would need to use all their cash, and perhaps also liquidate their receivables and maybe inventory, to cover liabilities if they were all due at once.

Cognex has a lean dividend payout ratio of 18%, which means just 18% of its earnings are needed to fund the dividend. And even if profits somehow dried up completely, CGNX has $412 million in cash to draw from. That would cover the $35.1 million in annual dividend payments for quite some time.

Costco

Market value: $132.5 billion

Dividend yield: 0.9%

Balance sheet score: 17

Market-based rating: 5

COVID sensitivity score: 5

Retail is highly exposed to COVID-related risks, true, but that doesn't apply evenly across the board. Just ask **Costco** (COST, $300.01) shareholders.

Casual dining. Mall-based retailers. These are the types of companies taking the brunt of this outbreak's economic impact. But Costco derives about half of its $149 billion in annual revenues on food, and consumers shopping for fruits and vegetables are likely to support Costco's hardline (such as office supplies) and softline (such as apparel) offerings. However, all sales will be pressured by high levels of unemployment.

Whatever vicissitudes these challenges deliver to Costco, the company's balance sheet will help it weather the storm. The company has $8.7 billion in cash versus $5.1 billion in long-term debt. It does have more accounts payable ($11.1 billion) on hand than cash, which is a slight weakness. However, the Costco's payables represent merchandise purchases, which owing to its business happens in very short cycles, and hopefully tracks closely to sales.

But the current ratio, which takes into account the inventory and accounts receivables (both reasonably liquid assets in Costco's case) indicates relative parity. Finally, a conservative payout ratio of 30% indicates plenty of safety for COST's rapidly growing dividend.

Facebook

Market value: $499.4 billion

Dividend yield: N/A

Balance sheet score: 19

Market-based rating: 5

COVID sensitivity score: 3

Facebook (FB, $175.19) rubs people the wrong way in a lot of ways: "fake news," privacy incursions and lax oversight of user data (remember Cambridge Analytica?) are just a few. But say what you will, those Silicon Valley acolytes know how to build a balance sheet.

It's worth noting that Facebook is the ultimate stay-at-home stock. That augurs well for continued ad revenues, but does not guarantee them, and it certainly doesn't guarantee growth. In fact, management has already guided to revenue deceleration based on privacy-related headwinds and internal product changes.

Further, Canaccord Genuity analysts Maria Ripps and Michael Graham write, "In those countries taking the most aggressive actions to reduce the spread of COVID-19, the company is seeing a weakening of its advertising business, and given Facebook's exposure to small and medium-sized businesses, this dynamic is likely to persist until the pandemic is under control."

Whatever declines these dynamics might offer, Facebook has the balance sheet strength to meet them head-on. Like many of the blue-chip stocks on this list, Facebook has no long-term debt, which removes a whole set of problems faced by companies that have loads of IOUs. Remember: When companies take out a loan, they don't just agree to pay back the money – sometimes they agree to a host of restrictions on how they run their business.

And with $55 billion in the bank, Facebook is one of a handful of blue chips with heretofore

unimaginable amounts of cash on their balance sheet. And unlike tech unicorns that use cash to finance operations, Facebook is *adding* to its cash (and shareholder equity) positions with healthy profits. In 2019, Facebook earned an astounding $18.5 billion.

Fortinet

Market value: $17.6 billion

Dividend yield: N/A

Balance sheet score: 19

Market-based rating: 5

COVID sensitivity score: 4

Fortinet (FTNT, $101.93) is a cybersecurity blue chip that provides solutions to business and governments. This service might not be fully immune from the coronavirus outbreak, but cybersecurity is nonetheless mission-critical for any enterprise, no matter what's happening in the world.

Fortinet shares, which have only declined 4% across 2020, reflect this.

As a technology company, Fortinet has no need to finance inventory (versus say, Costco, which has to keep the shelves stocked).As a result, its cash of $2.1 billion dwarfs accounts payable of just $96.4 million. Looking at the more conventional current ratio, Fortinet has $2 in current assets on hand for each dollar of liabilities due over the next 12 months.

As far as real debt in the form of loans or bonds, Fortinet doesn't have any. Founder, CEO and serial entrepreneur Ken Xie, who earned a master's degree in electrical engineering from Stanford, doesn't appear to believe in debt, since there hasn't been any on the Fortinet balance sheet since at least 2009.

Hormel Foods

Photo by René Sinn. https://commons.wikimedia.org/wiki/File:Hormel_Austin.jpg

Market value: $25.6 billion

Dividend yield: 2.0%

Balance sheet score: 17

Market-based rating: 4

COVID sensitivity score: 5

Hormel Foods (HRL, $47.57) is a manufacturer and marketer of consumer-branded meat and food products worldwide, and among several blue chips in the consumer staples space that are holding up nicely. As a food company, Hormel's operations are deemed critical and shoppers, especially American shoppers are unlikely to shop shopping for meat.

For dividend investors, Hormel's fundamentals would seem to suggest it's safe for the foreseeable future. And that's important, given Hormel's status as a Dividend Aristocrat – 64 blue-chip dividend stocks that have raised their payouts for at least 25 consecutive years.

The safety of the dividend is important beyond the cash it delivers shareholders. Stocks that cut or suspend their dividends are often disproportionately punished.

Here are the numbers on Hormel's dividend: The company's new dividend of 23.5 cents quarterly comes out to 94 cents for the year. Analysts, meanwhile, see the company earning $1.75 per share this year. When looking at last year's cash flow per share of $2.14 per share, Hormel's payout has an even larger buffer.

Hormel is otherwise well financed, at $740 million in cash versus just $250 million in long-term debt.

Incyte

Market value: $18.8 billion

Dividend yield: N/A

Balance sheet score: 17

Market-based rating: 4

COVID sensitivity score: 4

Incyte (INCY, $86.81) is a drug discovery company focused on severe medical conditions such as HIV disorders, cancer and diabetes. Like almost all drugmakers, Incyte faces supply chain disruptions, but it is once removed from this risk by virtue of its business model. That is, Incyte earns royalties on its drugs which come from, among others, Novartis (NVS) and Eli Lilly (LLY), both rated A++ for financial strength by Value Line.

Another risk to drug development companies is whether they have the capital on hand to continue discovery of new pharmaceuticals. In the case of Incyte, the company has no long-term debt – a double plus because it avoids immutable interest and principal payments at a time when there are greater demands on its cash. Further, the absence of long-term debt offers an important form of optionality. That is, if equity capital markets remain frozen, Incyte still should be able to access capital in the form of loans.

Of course, with $2.1 billion in cash and just $84 million in payables, Incyte has no obvious need to borrow. Even taking into account its other current liabilities, as well as other liquid assets such as receivables, Incyte's current ratio (current assets/current liabilities) is nearly 5.0.

Royalties are growing faster than operating costs, which is reflected in Incyte's net income. Profits grew from $110 million in 2018 to $447 million last year and are forecast to reach $540 million in 2020.

Intuitive Surgical

Market value: $58.8 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 3

A focus on surgery, at the most basic level, is an important differentiator in a coronavirus-battered economy. While trips to restaurants and movie theaters have been put on hold, most essential surgery has not. So while many companies face an existential threat, the threat to **Intuitive Surgical** (ISRG, $503.79) and its da Vinci robotic-assisted surgical systems is confined largely to its expansion.

But even if ISRG faced a major contraction in its primary end markets, the company's balance sheet would help it ride out the storm.

Like many of the blue-chip stocks on this list, ISRG has no long-term debt, and indeed it has a history of operating debt-free. In terms of financing operations, Intuitive Surgical has an impressive current ratio of more than 4.5, meaning that for every $1 of expense or obligation expected in the coming 12 months, the company has more than $4.50 in current assets to meet it. That includes a massive $3.2 billion in cash and short-term investments.

Intuitive pays no dividend, which means much of its profits (roughly $1.4 billion in 2019) go toward bulking up ISRG's approximately $8.3 billion in equity.

Jack Henry & Associates

Market value: $13.0 billion

Dividend yield: 1.0%

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 4

Jack Henry & Associates (JKHY, $170.16) is among the smaller blue chips on this list. While it might not be a familiar name to you, you likely benefit from it nonetheless.

Jack Henry provides technology services to financial institutions; the bulk of its 9,000 or so clients are banks and credit unions. The fallout among its these institutions is of unknown depth or duration. That said, JKHY's platforms are the backbone of many banks and credit unions. It's highly unlikely that any of them would insource their tech during a time when loans on their books might be in a precarious position.

But in a liquidity crunch, banks and credit unions might slow-walk their payables to Jack Henry. And other institutions might put new technology initiatives on hold.

Still, Jack Henry's balance sheet was made for precisely these times.

JKHY's current ratio (current assets/current liabilities) is 1.2, which is lower than many of the companies on our list. However, Jack Henry has no long-term debt versus about $72 million in cash. Moreover, the fact that the growing dividend represents less than 45% of net income means that payout is likely plenty safe for now. On a strictly numerical basis, profits could be more than cut in half before the dividend would be seriously threatened.

Microsoft

Market value: $1.3 trillion

Dividend yield: 1.2%

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 3

Microsoft (MSFT, $165.14) is among several blue-chip stocks on this list that have a simply gaudy amount of cash on the balance sheet. MSFT had a cache of nearly $134 billion at the end of 2019.

Microsoft does have significant long-term debt on its balance sheet of about $63 billion. But the cash is more than enough to cover that twice over. And with equity of about $110 billion, debt-to-equity is just 0.57 – a tenable if not healthy figure. It's plenty manageable, that's for certain, since debt due for 2020 of $6.2 billion is less than 5% cash on hand. And taking a wider view of liquidity, MSFT's current ratio (current assets/current liabilities) indicates that for every dollar of obligations coming due in 2020, Microsoft has more than $2 in assets.

While Microsoft's asset profile paints a stable picture, it also provides a measure of safety for the dividend. Last fiscal year, the company paid out about $13.6 billion worth of dividends, which was just 36% of free cash flow, and roughly 10% of cash on hand. In other words, the dividend is in no immediate danger from a cash flow standpoint. Even if it was, Microsoft could easily keep its payout afloat with its war chest in the short term.

Microsoft also loves to buy back stock, at a clip of roughly $19.5 billion in each of the past two years. That also seems to be in no immediate danger.

Monster Beverage

https://commons.wikimedia.org/wiki/File:Monster_(3042018738).jpg

Market value: $32.5 billion

Dividend yield: N/A

Balance sheet score: 19

Market-based rating: 5

COVID sensitivity score: 3

It's difficult to assess the impact of COVID-19 on **Monster Beverage** (MNST, $60.51). The company distributes a wide line of energy drinks under the Monster, NOS, Full Throttle, Burn, Samurai and other brands. These are hardly vital purchases right now, but they are distributed in supermarkets and convenience stores, which remain open during the pandemic.

Monster – which is 17% owned by Coca-Cola (KO) – doesn't seem worried. Unlike many companies on our list which have issued press releases about their response or removed guidance on their forecasts, Monster in mid-March announced its board authorized a new $500 million share buyback program, on top of about $537 million under prior authorizations.

The diversion of capital away from the balance sheet at this time reflects the view that the company's balance sheet is … well, a monster. No long-term debt, a good wad of cash ($1.3 billion), and few current or long-term liabilities. The company's accounts payable, generally due in 30 days, were $304 million at the end of 2019. That means MNST has more than four times more cash on hand than it owes for operating expenses.

But there's more to liabilities than just accounts payable. For instance under the "other" category there's things such as lease commitments or shorter-term loans, or the portion of long-term loans due in the coming year. Even adding in these additional liabilities – in total, the so-called current liabilities on the balance sheet – Monster Beverage has nearly $2 on hand for every dollar coming due.

Newmont

Market value: $46.3 billion

Dividend yield: 1.0%

Balance sheet score: 16

Market-based rating: 3

COVID sensitivity score: 5

Newmont (NEM, $57.31), the bluest of blue chips in the gold mining space, plans to increase its payout by 79% this year, from 14 cents per share to 25 cents. The company's balance sheet offers some insights into whether this dividend is safe amid any disruption of operations.

With about 800 million shares outstanding, the resulting $800 million dividend expense is backed up by $2.5 billion in cash, should it come to that. Further, Newmont has another $1 billion in inventory, which offers additional support but is a bit of a wild card in terms of the company's liquidity. As gold prices rise in response to the pandemic, the value of the inventory rises, and so too would the cash Newmont could raise if it had to liquidate.

For now, the company seems fine. Newmont paid out 56 cents per share in dividends, which was less than half of what it earned. And looking at free cash flow per share – particularly relevant for mining companies because they post large depletion and depreciation expenses that don't eat cash – which stood at $3.63, it's easy to feel good about the safety of the new, larger dividend.

Would management cut it anyway out of an abundance of caution given the general pandemonium? Possible, but unlikely. Cutting a dividend tends to have a disproportionally negative impact on share price, where lately Newmont has done well on the back of soaring

gold prices. At more than $57 per share, NEM is trading at highs last seen in 2012.

One note of caution: The probability of a default on its debt was measurably higher than other companies on our list under admittedly strict criteria. In a *worst-case* scenario, we believe Newmont would prioritize interest payments over dividend payments to shareholders. But we're nowhere near a worst-case scenario.

Nvidia

Market value: $160.9 billion

Dividend yield: 0.2%

Balance sheet score: 18

Market-based rating: 4

COVID sensitivity score: 3

Global accounting and consulting firm Deloitte expects deep and persistent impacts on the semiconductor business across the supply chain and in end markets not just during the coronavirus crisis, but in its wake.

If true, a look at **Nvidia's** (NVDA, $262.95) balance sheet offers insights into whether it can weather the storm.

Current assets (those which can be liquidated quickly or fairly quickly) of about $14 billion dwarf Nvidia's current liabilities (those due within the year) of just $1.8 billion. And the composition of Nvidia's current assets offers insights into their potential strengths and weaknesses.

For instance, at the end of 2019, Nvidia was carrying about $1.8 billion in receivables (i.e., funds owed to the company from recent sales). It matters who these customers are because if

they are in general weak, they will be even weaker during a crisis, putting the payment of these receivables at risk. But Nvidia's top three customers are Apple, Microsoft and Alphabet. Those receivables are probably getting paid.

But Nvidia's other current asset, inventory, shows the risk. Nvidia's semiconductors in inventory are in some respects a commoditized product, which means their value can fluctuate wildly. In a sharp downturn of semiconductor prices that can occur amid a global crisis, the value of inventory can drop sharply, even more so if the company had to sell its inventory off quickly to pay bills. Therefore, the stated carrying value of roughly $1 billion in inventory that Nvidia posted in December 2019 *might* now be worth less than that.

This is the kind of analysis bond investors look at to inform their view of the probability of default, which is then expressed in the yields they demand on the company's debt. Happily, in the case of Nvidia, a bond investor would see that inventory is less than 10% of its current assets, check the box and move on.

Old Dominion Freight Lines

Market value: $16.2 billion

Dividend yield: 0.5%

Balance sheet score: 18

Market-based rating: 4

COVID sensitivity score: 4

Old Dominion Freight Lines (ODFL, $135.15) is among the largest LTL freight companies in the United States. The acronym LTL stands for "less-than-(truck)load," which implies smaller

deliveries. This is important because making 100 or more deliveries to smaller companies with 50 containers is more difficult and costly than sending 50 trucks of roofing shingles to Home Depot (HD).

Amid a crisis, Old Dominion's customer base presents new risks, since they are likely to be materially weaker than larger customers. But happily, Old Dominion has a rock-solid balance sheet. For instance, the company has just $45 million in long-term debt, which is only about 11% of cash on hand. Current assets of $4 billion are roughly 11 times current liabilities.

This strength translates into safety for the dividend. Remember, the safety of the dividend speaks not only to the likelihood that it will continue to be paid. It also provides insight into whether or the value of the shares will get rocked by an announcement the dividend will be cut or eliminated.

This appears unlikely in ODFL's case. Old Dominion began this payout in 2017, and last year, it handsomely increased the dividend from 8.67 cents per share quarterly to 11.33 cents. At last year's rate, the dividend represented just 9% of earnings and 6% of free cash flow. That's extremely modest and bodes well for the payout's safety now, in the midst of this crisis, as well as room for growth going forward.

PayPal Holdings

Market value: $124.1 billion

Dividend yield: N/A

Balance sheet score: 17

Market-based rating: 4

COVID sensitivity score: 3

In February, **PayPal** (PYPL, $105.84) guided expectations lower because of COVID-19's impact on its operations. But at the time, the company estimated a mere 1-percentage-point reduction to its projected year-over-year revenue growth.

It's possible that PayPal could feel even more of a burn than it projected in February now that it's clear the U.S. will see a significant impact. With less money in the pockets of businesses and consumers, overall payment volume is likely to decline, which is the bread and butter of PYPL's revenues. Happily, margin pressure is less of an issue as volume declines.

Still, if payment volumes dry up to a trickle, could PayPal withstand the drought? The answer is yes. For starters, PayPal is sitting on more than $10 billion in cash, versus accounts payable totaling a mere $193 million.

PYPL does have "other" current liabilities (i.e., obligations due within 12 months) of $27 billion, which dwarfs the cash on hand. But while this looks scary, a closer look at the balance shows this imbalance is but a trifle. Specifically, of the $27 billion owed, about $25 billion represents money PayPal has received from payers but has not yet been sent to payees. That means PayPal's liabilities due in the next 12 months really consists of just accounts payable, which is not significant, and principal and interest on long-term debt.

At about $5 billion, debt is approximately 50% of cash, and about 30% of total assets (net of the cash PayPal has on hand but has yet to pay out to customers).

Regeneron Pharmaceuticals

Market value: $56.4 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 4

COVID sensitivity score: 5

Regeneron Pharmaceuticals (REGN, $512.96) is among a few biotech blue chips. And what makes it of particular interest amid the COVID-19 pandemic is that while assembly retailers, restaurants and the like are part of the problem (hence their closure during social distancing), this company is literally part of the solution.

On March 17, Regeneron updated investors, customers and the public about its advances with a multi-antibody cocktail intended to be administered before exposure to the coronavirus or as treatment for those already infected. The company is looking at a mid-April timeline for large-scale manufacturing, with potential human clinical trials by early summer.

Thankfully, not only does Regeneron have the balance sheet to continue operations under duress, but also the depth of financial resources to bring its COVID-19 antibody cocktail to fruition.

Of note, regarding Regeneron's approximately $2.1 billion in current liabilities, almost $600 million, close to a third, are for deferred revenues. This entry might not be considered a liability in the strictest sense of the word, but perhaps more accurately as a noncash accounting adjustment. Removing this $600 million from current liabilities brings us to an "adjusted" figure showing that REGN has three times more cash on hand than obligations coming due within the year.

A simpler figure to lean on: Regeneron sports $3.2 billion in cash and short-term investments versus about $600 million in long-term debt.

ServiceNow

Market value: $52.8 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 4

COVID sensitivity score: 3

ServiceNow (NOW, $278.06) develops cloud-based workflow and productivity tools for larger enterprises. Since one of the key components of workflow automation is the cohesion of remote team members, ServiceNow fosters productive quarantining of workers in their homes.

While COVID-19 might not spur demand for ServiceNow's offerings the way it has for, say, toilet paper or N95 facemasks, it's not going to hurt either as executives build contingency plans for the next pandemic.

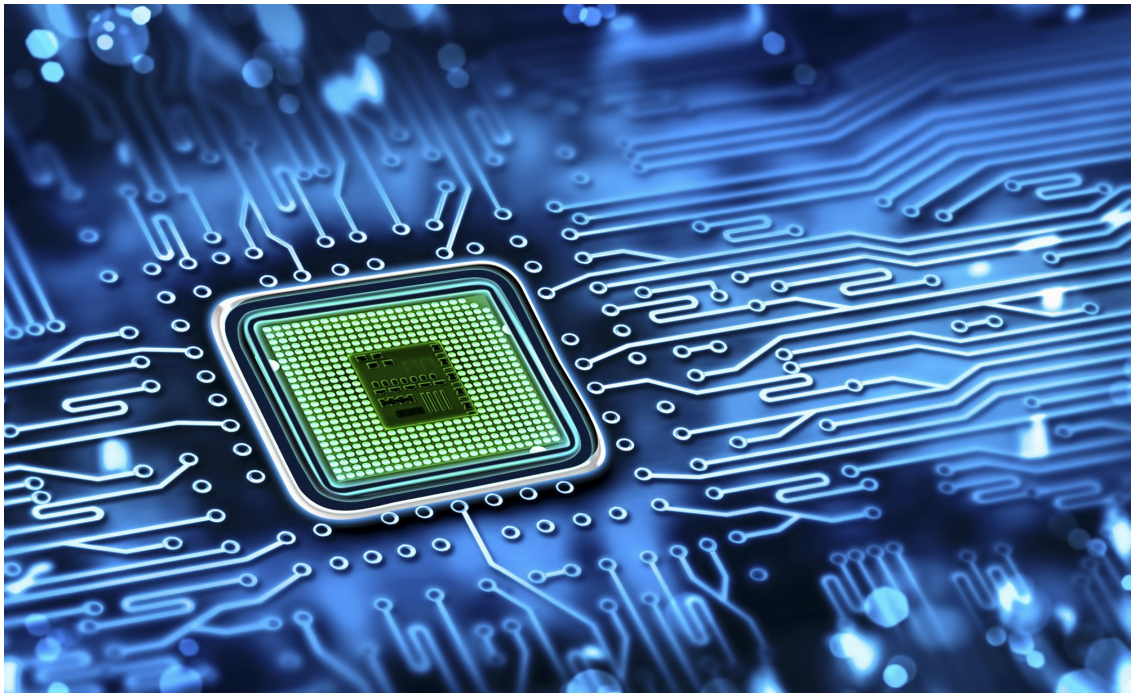
Hopefully, that will be far in the future, and if so, ServiceNow should still be with us. One reason for this is because the largest liability ServiceNow has is $2.7 billion in deferred revenue, which, though a lability, is a noncash item. Deferred revenue is the cash the company takes in for, say, an annual software subscription, that has not been yet earned. Generally speaking, as each month passes, component subscriptions are whittled down by a 12th, and this liability goes down. But this is a bookkeeping entry that does not require cash.

Removing the deferred revenue liability shows ServiceNow has about $1.7 billion in cash on

hand to take care of just $53 million in accounts payable, for a coverage ratio of 32. A slightly less sanguine feature is that ServiceNow was cash flow positive for the first time in 2018, and profitable on a net income basis for the first time last year. Further, the company's debt to equity ratio is 0.38, higher generally compared to this grouping of companies, but not unconventional.

ServiceNow doesn't pay a dividend, which from a balance sheet perspective is a net positive, since it leaves more cash available for secured and unsecured liabilities.

Synopsys



Market value: $20.5 billion

Dividend yield: N/A

Balance sheet score: 17

Market-based rating: 4

COVID sensitivity score: 3

Synopsys (SNPS, $136.58) develops software used to design integrated circuits and other electronic gear. As part of the semiconductor value chain, Synopsis is likely to be buffeted in the coming months as the end market for electronics suffers from lower consumer demand and lower capital spending by corporations.

The company's balance sheet appears to be sufficiently strong for the volatility coming its way. Synopsis doesn't have much long-term debt; there's just $122 million on its balance sheet. With $4.1 billion in shareholder equity, the debt-to-equity ratio is a nearly immaterial 0.03.

Of the debt on its balance sheet, just $18 million is due in 2020. With about $700 million of cash on hand, SNPS is likely to avoid any uncomfortable calls with its lenders.

Synopsis has grown sales and profits at a respective 10% and 12% annually since 2014 – healthy enough rates to justify not paying a dividend.

Take-Two Interactive Software

https://commons.wikimedia.org/wiki/Category:Grand_Theft_Auto

Market value: $14 billion

Dividend yield: N/A

Balance sheet score: 16

Market-based rating: 4

COVID sensitivity score: 4

Take-Two Interactive Software (TTWO, $119.40) is the software publisher behind blockbuster franchises such as Grand Theft Auto, Red Dead Redemption, NBA 2K and Borderlands. It's also another company in the emerging category of "stay-at-home" stocks.

Take-Two publishes its games primarily for the Microsoft Xbox and Sony's (SNE) PlayStation consoles. In the case of Microsoft, that's good news. Take-Two and its customers can be sure that, owing to its strong balance sheet, Microsoft will continue to deliver consoles for its games. Sony is another iconic company, but balance sheet-wise it doesn't hold a candle to Microsoft (see above). Still, we don't expect the PlayStation to suddenly disappear.

Meanwhile, Take-Two's strong balance sheet – which includes $1.5 billion in cash, almost no long-term debt and current assets that are more liquid rather than less (i.e., very little in the way of inventory) means the company is well positioned to manage any troubles that come its way.

Veeva Systems

Market value: $24.2 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 5

Veeva Systems (VEEV, $162.11) is relatively young, founded in 2007. But it's still a blue chip in its space: It provides life sciences companies, from global pharmaceutical firms to emerging biotechnology companies, with solutions for clinical operations, quality assurance and safety, among other aspects of their operations.

Veeva has delivered growth on the migration of enterprise software from legacy systems developed by the Oracles (ORCL) and SAPs (SAP) of the world to the cloud. Sales have grown from $130 million in 2012 to $1.1 billion last year, while earnings have climbed from just $19 million to $301 million last year.

Investors who stuck with VEEV since its 2013 IPO have been well rewarded. Shares priced at $20 are now trading above $160.

For Veeva, coronavirus offers perhaps a threat to its growth, but not to its existence. Restrictions on travel will cause delays or disruption in the research, clinical trials, product launches and manufacturing operations that Veeva software manages. Further, virus-related fears might reduce financing activity, which might in turn thin the pool of potential clients.

But Veeva's balance sheet should see it through these times. First, the company has no long-term debt. Further, beyond a liability of deferred revenue (a noncash item), Veeva has just $56 million in current short-term obligations against $1.1 billion in cash. It's also solidly profitable, with forecasted earnings of $400 million for 2020.

Vertex Pharmaceuticals

Market value: $63.9 billion

Dividend yield: N/A

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 4

Vertex Pharmaceuticals (VRTX, $246.61) is performing something of a miracle: It is trading near its all-time highs above $255 per share.

The latest leg higher came from a blowout fourth quarter it reported at the end of January. For the year, revenues grew 37% while operating income spiked by 89%. (Net income declined year-over-year, but that's because of favorable income tax treatment from the 2018 corporate tax cut.)

Vertex might be mostly immune from the ravages of coronavirus simply because the company is focused solely on the development of pharmaceuticals to treat serious diseases, such as cystic fibrosis. It also has pipeline products for kidney disease, sickle cell anemia and other ailments. $1.3 billion in current liabilities.

One worry you might have, at this point, is whether you're getting in at the top. Value Line's J. Susan Ferrara doesn't have that worry, believing VRTX shares could hit a high of $367 over the next 18 months.

Visa

Market value: $384.9 billion

Dividend yield: 0.7%

Balance sheet score: 18

Market-based rating: 5

COVID sensitivity score: 3

Visa (V, $173.69), the last of our blue chips, has been on a tear since the company went public in 2008. Revenues have grown from about $7 billion in 2009 to more than $23 billion last year. Earnings have enjoyed a four-fold increase to about $12.4 billion. Visa's shares have advanced from a split-adjusted $11 in its March 2008 IPO to an all-time closing high above $213 in early February. The COVID swoon has, of course, taken a toll since then.

Still, Visa is a little insulated from COVID-19. Visa doesn't take on credit risk by advancing funds on credit card purchases, nor does it earn interest on these purchases – its licensees (read: banks) do that. Rather, Visa earns a variety of fees for items like services, data processing and management of international transactions.

This is good news because revenues tied to the dollar value of payment volumes might suffer more under economic contraction, while revenues tied to total transactions volumes suffer less. Indeed, Visa might get a small lift as some merchants temporarily suspend cash transactions because of their viral risk.

Visa currently has a little more long-term debt ($13.7 billion) than cash ($12.7 billion), but long-term debt-to-equity is about 0.4. In other words, equity is more than twice debt.

As we pointed out in October, Visa is a relentless dividend grower. From 12 cents per share

quarterly in 2015 to 30 cents currently, Visa has produced 20% average annual dividend growth over the past half-decade. Moreover, 2020's projected payout comes to just 22% of analysts' expectations for this year's earnings.

One perhaps caviling note on Visa: As we noted in our buyback article, Visa had bought back 20% of its stock over the past five years through the third quarter of last year. This has juiced earnings per share and return on equity, but has diminished the growth in shareholder equity and increased its reliance on debt capital.

Ken Berman

Ken Berman, a University of Michigan graduate, is the founder and CEO of GorillaTrades Inc. Since the company was founded in 1999, Ken Berman has been known only as "the Gorilla." However, in recent years, Ken has been more outspoken about his acclaimed service and its abilities to help investors of all experience levels make better-informed decisions in the market.

Ken took an interest in the stock market at a very young age, taking over his father's investment accounts in his early teens, and eventually began focusing more on momentum and swing trading. Ken was met with early success, trading then-fledgling biotech stocks like Amgen (AMGN), Biogen (BIIB), and Immunex (later acquired by Amgen- AMGN), among others. Prior to founding GorillaTrades, Ken was Vice President of Investments at both Smith Barney and PaineWebber, with more than $100 million under management. It wasn't until the late 1990's that Ken began considering formalizing his trading method and offering it as a service to the general public.

In the 18 months prior to founding the GorillaTrades service, Ken utilized the GorillaTrades system to turn $250,000 of his personal savings into a very impressive $5,500,000! After successfully implementing his trading system and realizing the stellar returns, he knew he was on to something. Thus, the GorillaTrades service was born.

Ken took a small internet-based company that was initially housed on a laptop computer in his nephew's dorm room at Boston University, and has grown the company to be one of the most highly-respected stock-picking services in the world!

PUBLICATIONS

Since 1999, Ken has been providing top-notch investment advice through the GorillaTrades service to thousands of investors in over 55 countries. Ken also shares his financial wisdom through his columns in prestigious publications such as Forbes and Kiplinger.

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