

# Dividend Dashboard

Q4 2022

## AJ Bell's latest Dividend Dashboard report shows:

- Total dividends payments could be set to hit a new record in 2023, with a forecast payout of £85.8 billion to shareholders
- Dividend cover of 2.24 times earnings represents the best cover since 2012, when the ratio stood at 2.5 times
- After the index's autumn rally and cuts to analysts' dividend forecasts, the FTSE 100 is now expected to yield 3.8% in 2022
- Shell is now back in its customary spot as the FTSE 100's largest dividend payer in sterling terms, just ahead of Glencore and Rio Tinto. The top ten payers are forecast to generate 54% of 2022's total payment.
- Persimmon and M&G currently offer the highest dividend yields, although this may make investors a little wary

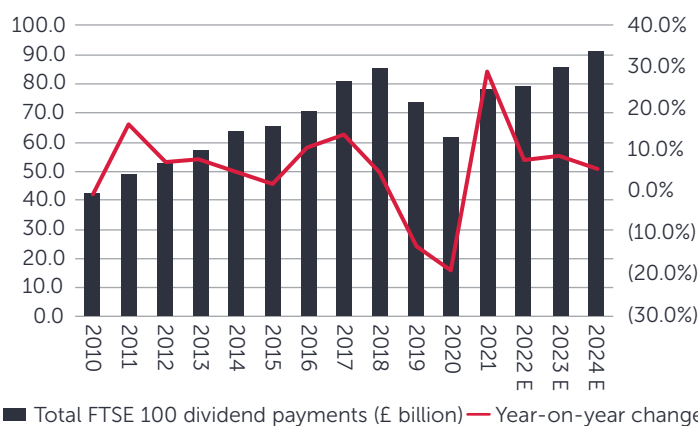
## Dividend dashboard explained

Each quarter, AJ Bell takes the forecasts for the FTSE 100 companies from all the leading city analysts and aggregates them to provide the dividend outlook for each company. The data relates to the outlook for 2022, 2023 and in some cases 2024. Data correct as of 7 December 2022.

## Dividends could set new record in 2023

After the index's autumn rally and cuts to analysts' dividend forecasts, the FTSE 100 is now expected to yield 3.8% in 2022. The index's total dividend payout is expected to reach £79.1 billion in 2022, compared to £78.5 billion in 2021, excluding special dividends.

Total payments peaked at £85.2 billion in 2018 and 2022 is struggling to reach that mark, as analysts' estimates for total payments stutter. Concerns over increases in input costs, interest rates (and therefore the cost of capital) and a possible recession are all factors weighing on 2022. A rally in the pound also decreases the sterling-terms value of the dollar-denominated payments from oils and miners.



Source: Company accounts, Marketscreener, analysts' consensus forecasts

The oil and gas sector is giving support to dividend growth estimates for 2023, although this may make some investors nervous as oil threatens to close out 2022 where it started the year, at below \$80 a barrel.

Analysts do expect 2023 to (just) set a new record-high for FTSE 100 ordinary dividend payments even if profit growth is expected to slow (and then grind to a complete halt in 2024).

The lofty dividend cover ratio may also be the result of more than 40% of FTSE 100 members running share buyback programmes as an alternative means of returning cash to their shareholders. FTSE 100 firms have to date announced £55.2 billion of share buybacks in 2022. That is way in excess of the peaks of 2006 and 2018, which came in between £33 billion and £34 billion.

Pre-tax income is expected to rise by 10% in 2023 while ordinary dividends are seen rising by 8% to £85.8 billion. This may reflect the additional room for manoeuvre offered by 2022's forecast dividend cover of 2.24 times, the best figure since 2012.

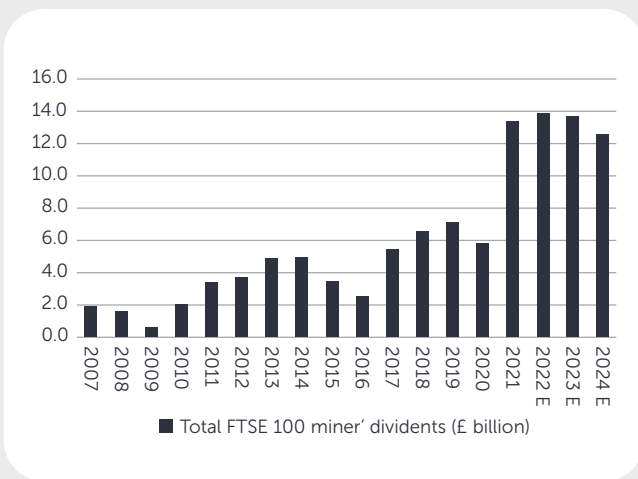
## Top 10 dividend growers and cutters of 2022

Dividend increases in the index are particularly heavily concentrated in a limited number of names, with miner Glencore leading the way.

2022 E			
Dividend growth (£ million)		Dividend decline (£ million)	
Glencore	3,269	abrdn	(23)
HSBC	1,198	Unilever	(30)
Shell	990	Admiral Group	(33)
AstraZeneca	528	Fresnillo	(127)
BP	323	Persimmon	(67)
Compass	311	Berkeley	(244)
British American Tobacco	301	Anglo American	(304)
Haleon*	277	Antofagasta	(730)
Aviva	259	GSK	(1,586)
Next	245	Rio Tinto	(1,641)

Source: Company accounts, Marketscreener, consensus analysts' forecasts. \*Haleon spun out of GSK in July 2022.

Although it is worth noting that miners' dividend payments are expected to fall in 2023 and 2024, by some £1.3 billion in total across the two years, presumably as a reflection of fears that a recession will dent demand for industrial metals.



Source: Company accounts, Marketscreener, consensus analysts' estimates. Excludes special dividends

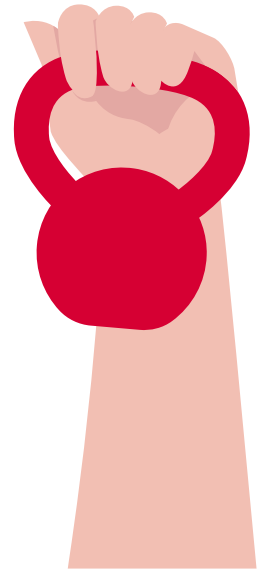
## Dividend cover strongest since 2012

The aggregate earnings cover ratio for the FTSE 100 is expected to come in at 2.24 times in 2022, according to analysts' consensus and dividend forecasts. This is way higher than the 2.02 times earnings cover that was on offer in 2021 and represents the best earnings cover since 2012, when the ratio stood at 2.50 times.

Companies are choosing to let earnings growth outpace dividend growth so they can reinvest in their businesses, bolster balance sheets and rebuild cover. As a result, their shareholder distributions may not quite be the same hostage to fortune that they proved to be in 2016 or 2020, should another unexpected shock emerge from left field.



Source: Company accounts, Marketscreener, consensus analysts' forecasts



## The ten stocks offering the highest yields in 2022

At the time of writing, Persimmon is the highest-yielding individual stock, even allowing for an expected dividend cut, while fund manager M&G is also expected to offer a double-digit yield in 2022.

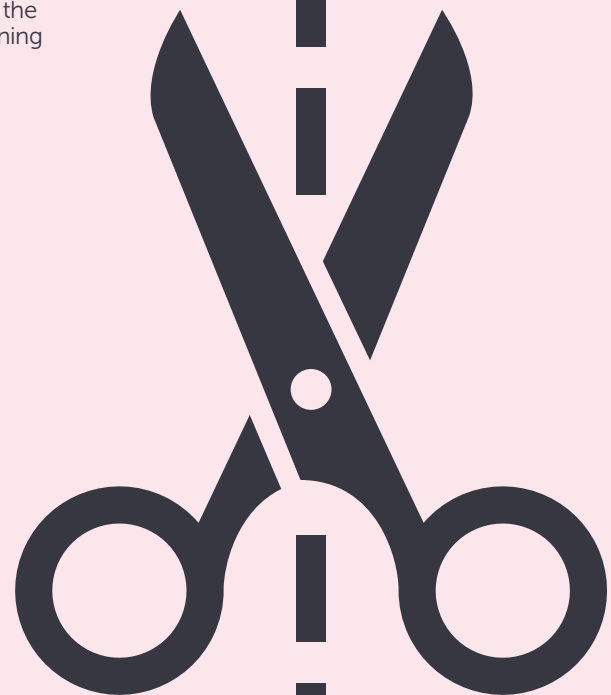
Forecast yields of more than 10% may make investors a little wary, given the shocking record of firms previously expected to generate such bumper returns, including the likes of Vodafone, Shell and, when they were in the FTSE 100, Royal Mail, Marks & Spencer and Centrica. All were forecast to generate a yield in excess of 10% at one stage or another and cut the dividend instead.

Nothing can be taken for granted, especially if a recession hits, and it can be argued that Persimmon's share price is already starting to factor in further reductions in dividend payments.

Often defending a high yield can be a burden for a firm, as it sucks cash away from vital investment in the underlying business, or can be a sign that the company is in trouble and investors are demanding such a high yield to compensate themselves for the (perceived) risks associated with owning the equity.

	Dividend yield (%)	Dividend cover (x)
Persimmon	15.3%	1.08 x
M & G	10.4%	0.90 x
Barratt Develop.	9.3%	1.37 x
Aviva	8.7%	0.52 x
Vodafone	8.7%	0.89 x
Taylor Wimpey	8.6%	2.00 x
Admiral Group	8.4%	0.80 x
Phoenix Group	8.3%	0.47 x
Glencore	8.0%	3.02 x
Rio Tinto	7.9%	1.60 x

Source: Company accounts, Marketscreener, analysts' consensus forecasts, Refinitiv data. Ordinary dividends only.





## What level of dividend cover to look for

Dividend cover of below 1.0 should ring alarm bells because it means the company is paying out more to shareholders than it makes in that year. This means it has to dip into cash reserves, sell assets or borrow money to maintain the payment. This is unlikely to be sustainable over the long term.

Dividend cover of around 1.5 is less than ideal because it means a company has less room for manoeuvre if profits fall in one year. It will then need to decide whether to reduce its dividend, stop reinvesting in the business or take on more debt.

Dividend cover of 2.0 or above is ideal because it means profit is double the amount the company is paying out to shareholders. This means it can continue to invest in the business and has scope to maintain its dividend payment in a bad year.

## Dividend cover explained

Dividend cover is the amount of profit a firm makes divided by the dividend it pays out to shareholders.

The table below shows the dividend cover for a company making a profit of £100 and paying three different levels of dividend:

Divided	Calculation	Dividend cover
£50	£100 divided by £50	2
£100	£100 divided by £100	1
£150	£100 divided by £150	0.67

## Top 20 set to pay over 70% of FTSE 100 dividends

Just ten stocks are forecast to pay dividends worth £42.8 billion, or 54% of the forecast total for 2022. The top 20 are expected to generate 72% of the total index's pay-out, at £57.3 billion.

Anyone who believes the UK stock market is attractive on a yield basis needs to have a good understanding of, and strong view on, those 20 names in particular.

Shell is expected to be the single biggest dividend paying stock within the FTSE 100 in 2022, with Glencore, Rio Tinto and British American Tobacco close behind it.

This may have ESG-oriented investors gnashing their teeth, especially as they may argue both firms are acting too slowly in their attempts to shift their business mix to more renewable sources of energy. Shell and fellow oil major BP, also a top-ten dividend contributor, have a tricky balancing act as they look to get the best out of their existing assets, reinvest for the future (without overpaying here, amid the mad scramble for 'green' assets) and keeping shareholders sweet with cash returns.

	2022 E			
	Dividend (£ million)	Dividend yield (%)	Dividend cover (x)	Cut in last decade?
Shell	5,958	3.6%	5.24x	2020
Glencore	5,744	8.0%	3.02x	2013, 2015, 2016, 2020
Rio Tinto	5,561	7.9%	1.60x	2016
BAT	5,267	6.8%	1.25x	No
HSBC	4,854	4.9%	2.27x	2019, 2020
AstraZeneca	3,760	2.2%	1.15x	No
Unilever	3,709	3.5%	1.26x	No
BP	3,403	4.0%	3.61x	2011, 2020
GSK	2,421	4.2%	1.87x	2022
Vodafone	2,114	8.7%	0.89x	2018
Anglo American	2,050	4.6%	2.31x	2015, 2016, 2020
National Grid	2,013	5.4%	1.25x	No
Diageo	1,735	2.0%	1.99x	No
Lloyds	1,503	4.8%	2.89x	2019, 2020
Imperial Brands	1,323	6.7%	1.88x	2020
NatWest Group	1,322	5.3%	2.26x	2019
Reckitt Benckiser	1,274	3.0%	1.94x	No
Legal & General	1,127	7.4%	1.79x	No
Barclays	1,110	4.4%	4.29x	2016, 2019, 2020
Aviva	1,088	8.7%	0.52x	2012, 2013, 2019

Source: Company accounts, Marketscreener, consensus analysts' forecasts. Ordinary dividends only.



### Notes to editors:

Each quarter, AJ Bell takes the forecasts for the FTSE 100 companies from all the leading city analysts and aggregates them to provide the dividend outlook for each company. The data above relates to the outlook for 2022, 2023 and, in some cases, 2024. Data correct as of 19 September 2022.

The value of your investments can go down as well as up and you may get back less than you originally invested. We don't offer advice, so it's important you understand the risks, if you're unsure please consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term.