



Top attractive dividend stocks in APAC

February 8th, 2022

As the world is making strides in its post-pandemic recovery, strained supply chains and the prospect of a rapid interest rate hike by the US Federal Reserve is piling on the fear that stock markets may be too frothy for their own good, especially in developed markets. Despite the recent sell off in US markets which saw the NASDAQ 100 decline by 11.7% year-to-date, the Index is still up 65.7% relative to its pre-pandemic levels which is leading investors to think hard about the durability of such price gains as rising interest rates threaten long duration stocks.

It is a long-proven fact that dividend stocks tend to be more resilient than non-dividend paying stocks during major stock market meltdowns – the S&P Dividend Aristocrats Index decline by 23.5% in 2008 versus the 33.5% decline for the broader S&P500 market composite. Not only that the attractive dividend yields provide additional support through the market-wide collapse but the long-history of distributing cash also indicates solid fundamentals coupled with more disciplined use of cash by the managements which boils down to higher quality earnings.

IHS Markit anticipates the global dividend scene to be upbeat in 2022 with the payout reaching more than two trillion dollars¹. The outlook is particularly brighter for APAC as the region is sustaining a new high of over USD 600 billion dividends even without COVID make-up payments and similar types of one-off surge in payouts. In times during which resilience is much sought after, we present the top attractive dividend payers that we expect to thrive moving forward. We have identified 27 stocks from 2145 stocks across 13 markets and 19 sectors in APAC that are expected to demonstrate stable growth pattern of annual dividends (special dividend included) starting from FY2016 until FY2023E. Of these, 15 stocks are trading below the price 52-week ago (as of 2022-02-04).

The attractive dividend stocks were selected based on the following financial metrics -

- No dividend cut or suspension occurred/expected from FY2016 to FY2023 (466 companies)
- Positive EPS CAGR expected from FY2021 to FY2023 (389 companies)
- Average payout ratio from FY 2021 to 2023 lower than 70% (348 companies)
- Average leverage ratio, defined by net debt/EBITDA, of FY2021 to FY2023 to be lower than 2.5 times (243 companies)
- FY2022 dividend yield to be higher than 2.5% (66 companies)
- Positive FCF maintained in past five years (43 companies)
- FCF per share > DPS in past three years (38 companies)
- ROIC > 5% for each of last 5 years (27 companies)
- *Trading below last year's price (15 companies; as of 2022-02-04)*

¹ <https://cdn.ihsmarkit.com/www/pdf/0122/Seven-key-forecasts-for-2022.pdf>
https://cdn.ihsmarkit.com/www/pdf/0122/Forecasting_7-Key-Forecasts_Inforgraphic-Final.pdf

The selection results, as shown in the table below, are sorted from highest to the lowest based on the compound annual growth rate (CAGR) of dividends from FY2016-FY2023 in the table below.

Top 15 attractive dividend stocks in APAC

ISIN	Name	Mkt	DPS CAGR in FY16-23E	EPS CAGR in FY21-23E	FY21-23E average net Debt/EBITDA	FY18-20 average DPS/FCF	FY22E dividend Yield	Past 1-year price change (%)
HK0000055878	China Taiping Insurance Holdings	HK	26%	12%	-1.4	1%	4.6%	-20.1%
CNE000001R84	Ping An Ins Group Co of China (A)	CN	19%	21%	2.3	10%	4.9%	-38.3%
CNE1000003X6	Ping An Ins Group Co of China (H)	HK	19%	21%	2.3	10%	4.0%	-33.3%
JP3783420007	Hikari Tsushin Inc	JP	16%	9%	1.9	32%	3.5%	-37.5%
JP3100800006	Aica Kogyo Co. Ltd	JP	14%	13%	-0.9	66%	3.4%	-14.3%
CNE1000008M8	China Pacific Insurance (Group) (A)	CN	13%	15%	0.3	8%	5.7%	-28.4%
CNE1000009Q7	China Pacific Insurance (Group) (H)	HK	13%	15%	0.3	6%	6.3%	-26.4%
CNE100001QQ5	Midea Group Co Ltd	CN	12%	14%	-2.1	34%	2.7%	-23.1%
JP3188200004	Otsuka Corp.	JP	11%	9%	-3.2	54%	2.9%	-18.9%
KR7064960008	SNT Motiv	KR	10%	3%	-2.8	25%	4.1%	-39.0%
JP3205800000	Kao Corp.	JP	8%	9%	-0.8	45%	2.6%	-27.3%
JP3344400001	Sanwa Holdings Corp.	JP	7%	8%	-0.8	35%	2.8%	-3.3%
JP3684000007	Nitto Denko Corp	JP	7%	18%	-2.1	53%	2.5%	-13.2%
JP3152740001	ABC-Mart Inc.	JP	5%	15%	-3.6	56%	3.3%	-16.2%
KR7086280005	Hyundai Glovis Co Ltd	KR	5%	7%	-0.4	27%	2.6%	-23.3%

All information as of 2022-02-04

Source: IHS Markit, Factset

1. Fundamental analysis

Top 15 attractive dividend stocks in APAC

	DPS CAGR FY16-FY23E	EPS CAGR FY21-23E	Average Net Debt/EBITDA FY21-23E	Average Payout Ratio FY16-23E	FY22E dividend yield
Average	12.4%	12.6%	-0.7	40%	3.7%
Median	11.9%	13.1%	-0.8	37%	3.4%
Standard Deviation	5.8%	5.2%	1.9	14%	1.2%

On average, the top 15 stocks are expected to generate a compound annual growth rate (CAGR) of 12% over the period from FY16 and FY23.

Those companies pay out around 40% of the earnings each year to maintain the momentum. The stable growth in payouts of the companies is likely to be achieved by the healthy financial positions, indicated by an average leverage ratio (Net debt/EBITDA) of -0.7. It means the companies are generally in a net cash positions for the period under analysis. This is aligned with the strong FCF positions of the shortlisted stocks, the new screening metrics we introduced this year. In a region where outsized loans and negative FCF are more commonly found than AMER or EMEA, these 15 stocks indeed stood out.

On average, the 15 stocks are expected to notch up a forward yield of around 3.7%, compared with U.S 10-year Treasury yield of around 1.83% as of 4th Feb 2022. **China Pacific Insurance**, a state backed insurer and dual-listed in Mainland China and Hong Kong SAR leads the list with the highest forward dividend yield of 6.3%. Notably, although Japan companies are known for their strong commitment for stable dividends to shareholders, they typically generate relatively lower dividend yields. From the list above, selected Japan companies, on average, are expected to realize an average dividend yield of 3%.

2. Market/sector analysis

A variety of sectors are represented in top 15 list, underpinning the diverse dynamics in APAC. In relative to last year however, the real estate players from Mainland China and Hong Kong SAR such as Seazen group (KYG7956A1094), Country Garden Holdings (KYG245241032) as well as construction & material players related to properties are missing from the list, given the wrenched property scene in those two markets.

On the other hand, the market composition of top attractive dividend stock list remains largely unchanged with Japanese players dominating half of the list. We attribute this to the cultural factor where the stability and predictability of dividend streams over long period of time is highly valued across Japanese corporates. **Aica Kogyo** (JP3100800006), **Otsuka Corp** (JP3188200004) retained their names in the list for consecutive years on the back of solid dividend track records despite more stringent screening metrics we introduced this year. It is also notable that several Japanese companies stretched their cash flow positions to sustain dividend payout. Kyudenko corp (JP3247050002), Kamaji Gumi (JP3266800006) the two construction & material companies are eliminated due to their FCF positions.

Without a surprise, the strongest dividend growth momentum came from Mainland China. Three Mainland China insurers – **China Taiping Insurance** (HK0000055878), **Ping An Insurance Group** (CNE000001R84, CNE1000003X6), **China Pacific Insurance Group** (CNE1000008M8, CNE1000009Q7) - topped the list with double-digit payout growths. They have achieved fast earnings growths over the past decade and are expected to maintain the trend going forward. The rising middle-income class and ageing population create increasing demand for the insurance services. Thus, the industry has played an increasingly important role in serving the real economy in recent years, with the aggregate of insurance coverage provided by the sector soared 34.6% in 2021 from one year ago, as per the data from China Banking and Insurance Regulatory Commission. The burgeoning industry will inevitably benefit the fundamentals of the players and in turn, their prospects of future payouts.

Last but not least, two South Korean companies are shortlisted in our list this year - **SNT Motiv** (KR7064960008) and **Hyundai Glovis** (KR7086280005). Both companies have been steady dividend payers with more than a decade of records. They are closely related to the automakers in Korea as SNT Motive supplies automobile parts while Hyundai Glovis offers overseas shipment for finished cars. Considering the aggressive sales Hyundai and Kia's aggressive new launches and production plan, we are positive that the two companies would be able to sustain progressive payouts.

Appendix

Top attractive dividend stocks in APAC (trading above last year's price included)

ISIN	Name	Sector	Mkt	DPS CAGR in FY16-23E	EPS CAGR in FY21-23E	FY21-23E average net Debt/EBITDA	FY18-20 average DPS/FCF	FY22E dividend Yield	Past 1-year price change (%)
HK0000055878	China Taiping Insurance Holdings	Insurance	HK	26%	12%	-1.4	1%	4.6%	-20.1%
KYG5635P1090	Longfor Properties	Real Estate	HK	25%	14%	1.9	18%	4.2%	6.1%
KR7030000004	Cheil Worldwide	Media	KR	21%	15%	-1.4	42%	4.9%	8.7%
CNE000001R84	Ping An Ins Group Co of China (A)	Insurance	CN	19%	21%	2.3	10%	4.9%	-38.3%
CNE1000003X6	Ping An Ins Group Co of China (H)	Insurance	HK	19%	21%	2.3	10%	4.0%	-33.3%
JP3783420007	Hikari Tsushin Inc	Telecommunications	JP	16%	9%	1.9	32%	3.5%	-37.5%
KYG2108Y1052	China Resources Land	Real Estate	HK	14%	11%	1.7	37%	4.2%	21.6%
JP3100800006	Aica Kogyo	Construction & Materials	JP	14%	13%	-0.9	66%	3.4%	-14.3%
JP3219000001	Kamigumi	Industrial Goods & Services	JP	13%	9%	-1.4	27%	2.6%	15.5%
CNE1000008M8	China Pacific Insurance (Group) (A)	Insurance	CN	13%	15%	0.3	8%	5.7%	-28.4%
CNE1000009Q7	China Pacific Insurance (Group) (H)	Insurance	HK	13%	15%	0.3	6%	6.3%	-26.4%
CNE100001QQ5	Midea Group Co Ltd	Consumer Products	CN	12%	14%	-2.1	34%	2.7%	-23.1%
JP3735400008	Nippon Telegraph & Tel	Telecommunications	JP	12%	16%	1.9	33%	3.3%	25.4%
JP3188200004	Otsuka Corp.	Technology	JP	11%	9%	-3.2	54%	2.9%	-18.9%
KR7064960008	SNT Motiv	Automobiles & Parts	KR	10%	3%	-2.8	25%	4.1%	-39.0%
KR7010130003	Korea Zinc	Basic Resources	KR	10%	3%	-1.1	62%	3.1%	24.2%
CNE1000002G3	China Comms Services Corp (H)	Telecommunications	HK	10%	7%	-5.5	32%	5.3%	19.4%
JP3496400007	KDDI Corp	Telecommunications	JP	9%	4%	0.2	27%	3.3%	17.9%
JP3420600003	Sekisui House	Consumer Products & Services	JP	8%	13%	-0.1	49%	3.8%	12.9%
AU000000AUB9	AUB Group	Insurance	AU	8%	5%	0.1	50%	2.6%	45.1%
JP3205800000	Kao Corp	Personal Care, Drug & Grocery Stores	JP	8%	9%	-0.8	45%	2.6%	-27.3%
JP3344400001	Sanwa Holdings Corp	Construction & Materials	JP	7%	8%	-0.8	35%	2.8%	-3.3%
JP3684000007	Nitto Denko Corp	Chemicals	JP	7%	18%	-2.1	53%	2.5%	-13.2%
JP3942400007	Astellas Pharma	Health Care	JP	7%	39%	-1.7	32%	2.5%	11.9%
TW0008464009	Nien Made Enterprise	Consumer Products & Services	TW	7%	14%	-0.8	79%	3.6%	5.5%
JP3152740001	ABC-Mart	Retail	JP	5%	15%	-3.6	56%	3.3%	-16.2%
KR7086280005	Hyundai Glovis	Industrial Goods & Services	KR	5%	7%	-0.4	27%	2.6%	-23.3%

All information as of 2022-02-04

Source: IHS Markit, Factset

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