S&P Global
Market Intelligence

# Dividend Forecasting Bi-weekly Brief

25th April 2023

## APAC what to watch

***Nikkei 225: Dividends to attract more investment from Warren Buffet for trading houses***

The news earlier this month of **Berkshire Hathaway's** increased stockholding in Japan's five leading trading houses – **Itochu, Mitsubishi, Mitsui & Co., Sumitomo and Marubeni** - to 7.4% in each has officially denoted rising interest in Japan's equity market by global investors. In particular, it stands out that there is predictability in dividend stream of Nikkei 225 companies which also tend to be stable and resilient on the back of substantial cash surpluses. Warren Buffet remarked during an interview this month *"we very much like the fact that [aforementioned 5 investees] are generating more money for dividends…"* Dividend yield of these five companies hovered between 3%-7% during the last three years (right chart) and Berkshire Hathaway is known to have capitalized on low borrowing cost in yen (<2% per annum for long-term loans) to enjoy the wide spread. Another enticing factor for Japan is that its corporate governance reforms over the last decade have caused its market to mature where investors now have strong say in AGM to exert influence for higher dividends.

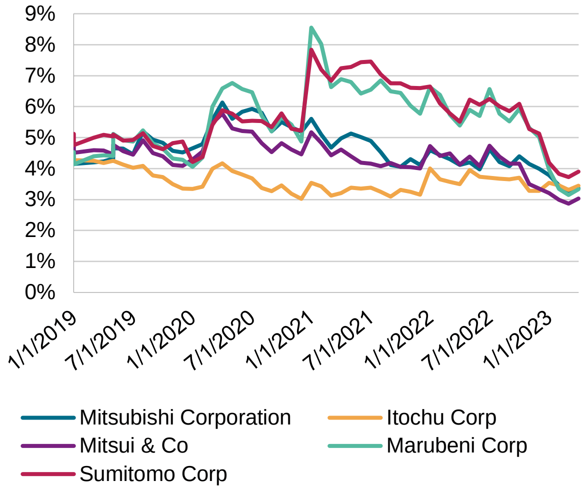
***Nifty 50: Steel dividend to deteriorate***

Several headwinds hit Indian steel industry this year: 1) Indian government imposed a 15% levy on steel exports to dissuade local steelmakers from exporting during H1 of FY ended March 2023, as steel prices were high and firms had gains from exports. 2) When steel prices fell and the export tariff was repealed in November 2022, international market prices equaled local rates and made exports unappealing for Indian steelmakers. Consequently, **JSW Steel's** proportion of exports in its total income fell to 12% from previous year's 21%. Also, inventory losses and rising raw material prices affected the sector hard in H2. Although prices have already dropped from their highs, earnings are still expected to fall y/y. Given these backdrop**, S&P Global MI DF anticipates an 80% y/y drop in FY23 final dividend to INR3.5 per share.**

***MSCI Indonesia: Poultry dividend likely to fall short of expectation***

For FY2022, Indonesia's largest poultry producer **Charoen Pokphan Indonesia** reported a 19% y/y decline in gross profit due to rapid rise in operating expenses. This was contrary to the optimism in the consensus prior to the earnings release which expected a 12% y/y increase in the earnings related to rising revenue from its core businesses such as poultry feed, chicken breeding and processing. Accordingly, **S&P Global MI DF revises down dividend projection for the company's upcoming FY2022 final dividend to IDR 86 per share, which translates to a payout ratio of around 48%, consistent with its historical levels.** This also represents a decrease by 41% y/y.

**Trading Houses 3-YR Dividend Yield**




Source: S&P Capital IQ
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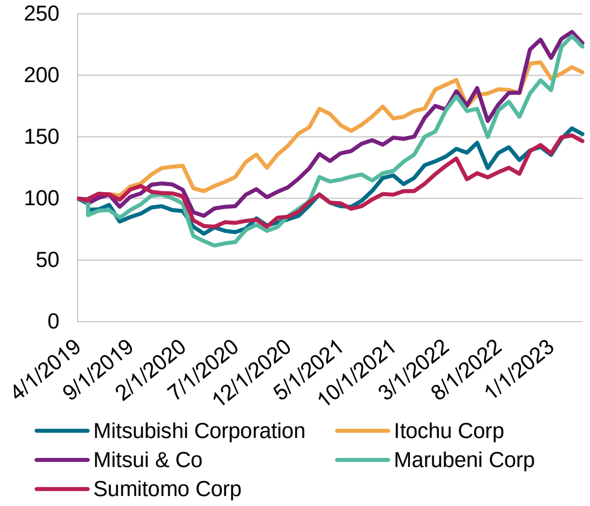
**Trading Houses 3-Year Share Price (Rebased)**

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## APAC special reports

**Cathay Financial: Slim dividend amid sharp downturn**

One of Taiwan's largest financial holding company announced an 80% y/y downturn in net profit and corresponding sharp dividend cut is anticipated

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**Shinhan Financial: Precarious forecast for FY2023 dividends**

South Korea's 2nd largest bank is remapping its shareholder return policy. On top of it is ambitious 40% return target.

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