Dividend initiation fever: Who is next?

Nonpayers report: Part 1

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About us

S&P Global Market Intelligence Dividend Forecasting serves top-tier financial institutions with their investment decision-making and risk management through provision of timely data, insights and commentary on dividend forecasts. Powered by a global team of 40 dividend analysts closely maintaining precise forecasts on the size and timing of payments based on bottom-up fundamental research as well as a proprietary advanced analytics model, our dataset incorporates the latest company news and market developments. We pride ourselves in an unmatched coverage that spans over 28,000+ stocks across the globe and our analysts are always available to engage in discussion and address users' queries.

To learn more or to request a demo, contact dividendsupport@spglobal.com or visit https://www.spglobal.com/marketintelligence/en/mi/products/dividend-forecasting.html.

The take

– The US market's dividend initiation momentum has reached its highest level in the last decade after Meta Platforms Inc.'s and Google parent Alphabet Inc.'s first-ever dividend announcements.

– With a proprietary quantitative scoring system combined with analyst qualitative analysis, S&P Global Market Intelligence provides initiation likeliness metrics for the 96 constituents of the S&P 500 Index that do not pay regular dividends on their common stock.

– Half of the top 25 quantitative-ranked nonpayers operate in the TMT sector.

– None of the 20 most likely companies to initiate dividends are companies that suspended dividends during the COVID-19 pandemic.
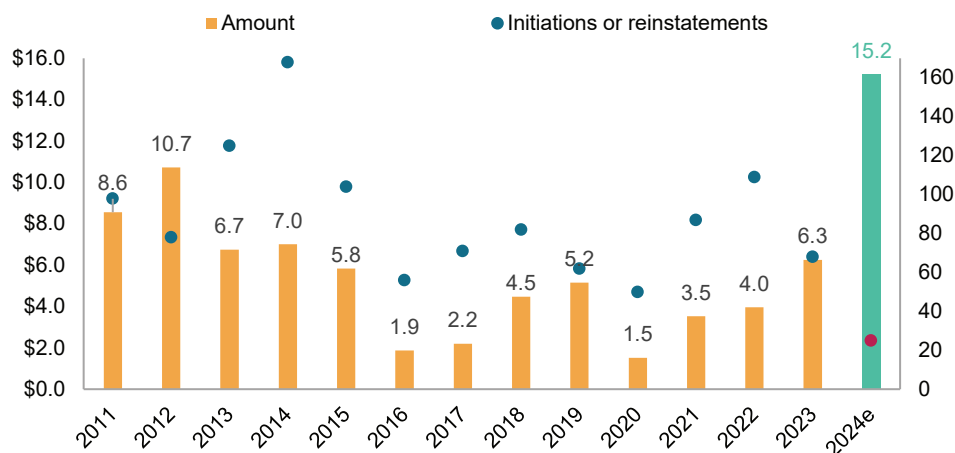
S&P 500 nonpayers

Dividend initiation fever

The dividend initiation momentum in the US market has reached its highest level since at least Apple Inc.'s reinstatement in 2012. Since 2023, and particularly in the beginning of 2024, many large-cap companies initiated or reinstated dividends. Some of these companies are Meta Platforms Inc., The Walt Disney Co., T-Mobile US Inc., Salesforce Inc. and most recently Alphabet Inc. An estimated US$15.2 billion of new dividends is expected for 2024 (US$17.7 considering Google on an annualized basis as only three payments are expected in 2024). Regarding Google's initiation, we addressed the likelihood of it in a previous report — "*Google dividends: To initiate or not?*" — published before Alphabet's announcement.

US market dividend initiations or reinstatements (US$B)
Dividend initiation fever

Legend: ■ Amount   ● Initiations or reinstatements

Year	Amount
2011	8.6
2012	10.7
2013	6.7
2014	7.0
2015	5.8
2016	1.9
2017	2.2
2018	4.5
2019	5.2
2020	1.5
2021	3.5
2022	4.0
2023	6.3
2024e	15.2

As of May 21, 2024.
e = estimated.
Apple reinstated dividends in 2012. Its annualized dividend would have triggered 2012's new or reinstated dividends to reach US$15.7 billion.
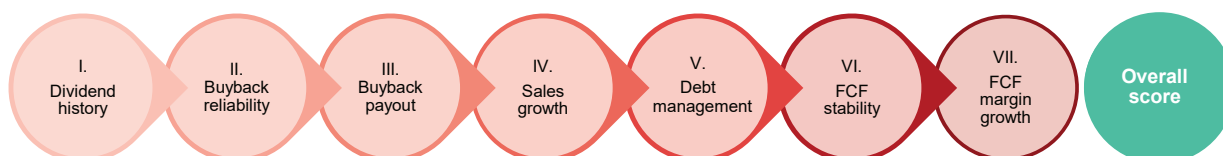Source: S&P Global Market Intelligence.
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Most likely initiations: Quantitative and qualitative analysis

Which S&P 500 constituents are the most likely to initiate dividends? According to our data, only 96 constituents do not pay regular dividends on their common stock. To address the initiation question, we analyzed these nonpayers from **fundamental** and **qualitative** standpoints.

Our fundamental evaluation is summarized in the **"overall score."** This score reflects the **dividend initiation fundamental financial likeliness** for each of these companies. The score ranges from 0 to 1, representing the lowest and highest possible grades, respectively. The score is not a probability of initiation — it intends to provide a quantitative score of the company's financial robustness. It relies on seven pillars that we consider key for the dividend initiation thesis.

S&P Global Market Intelligence Dividend Forecasting's quantitative score pillars

I. Dividend history → II. Buyback reliability → III. Buyback payout → IV. Sales growth → V. Debt management → VI. FCF stability → VII. FCF margin growth → **Overall score**

As of May 22, 2024.
Source: S&P Global Market Intelligence.
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Each pillar has four possible classifications: **"Low," "Medium," "High" and "Very High."** While the methodology is analyzed in depth in the following section, the pillars[1] try to address four key questions:

1. *What is the capital return policy of the company? — Pillars I, II and III*

2. *How reliable is the topline performance of the company? — Pillar IV*

3. *How does the company manage its leverage and EBITDA generation? — Pillar V*

4. *How reliable is the company's free cash flow (FCF) generation over time to support a dividend initiation thesis? — Pillars VI and VII*

S&P Global Market Intelligence Dividend Forecasting's quantitative scoring grades

- Low (0)
- Medium (1)
- High (2)
- Very High (3)
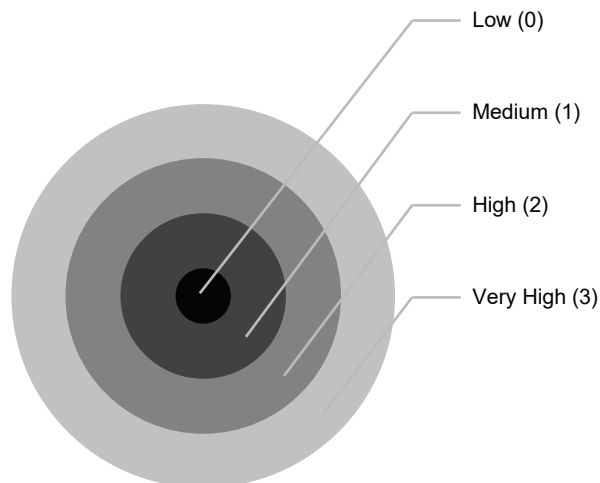
As of May 22, 2024.
Source: S&P Global Market Intelligence.
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The table below exhibits the top 20 companies that are most likely to initiate dividends exclusively based on their quantitative scores.

S&P 500 nonpayers: Top 20 companies ranked by quantitative score

Company	Ticker	Analyst sentiment	Overall score	Dividend history	Buyback history	Buyback payout	Sales growth	Leverage management	FCF stability	FCF margin growth
IDEXX Laboratories Inc.	IDXX	yellow	0.86	○	●	●	●	●	●	●
Cadence Design Systems Inc.	CDNS	yellow	0.81	○	●	●	●	●	●	◕
Lululemon Athletica Inc.	LULU	yellow	0.81	○	◐	●	●	●	●	●
Adobe Inc.	ADBE	green	0.76	○	●	●	●	●	●	◔
Synopsys Inc.	SNPS	red	0.76	○	●	●	●	●	●	◔
Autodesk Inc.	ADSK	yellow	0.76	○	●	●	◔	◐	●	●
ANSYS Inc.	ANSS	red	0.76	○	●	◔	●	●	●	◕
VeriSign Inc.	VRSN	yellow	0.76	○	●	●	●	●	●	◕
F5 Inc.	FFIV	yellow	0.76	○	●	●	●	●	●	◔
Chipotle Mexican Grill Inc.	CMG	red	0.71	○	●	●	◔	◔	●	●
PayPal Holdings Inc.	PYPL	yellow	0.71	○	◐	●	●	●	●	◔
O'Reilly Automotive Inc.	ORLY	yellow	0.71	○	●	●	●	●	●	○
Edwards Lifesciences Corp.	EW	red	0.71	○	●	●	●	●	●	○
Fortinet Inc.	FTNT	yellow	0.71	○	◕	●	●	●	●	◔
Fair Isaac Corp.	FICO	yellow	0.71	◔	●	●	●	●	●	◕
Mettler-Toledo International Inc.	MTD	yellow	0.71	○	●	●	○	●	●	●
Akamai Technologies Inc.	AKAM	green	0.71	○	●	●	●	●	●	○
Fiserv Inc.	FI	yellow	0.67	○	●	●	●	○	●	◐
Keysight Technologies Inc.	KEYS	yellow	0.67	○	◐	●	◕	●	●	◐
NVR Inc.	NVR	yellow	0.67	○	●	●	○	●	●	◐

Data compiled May 22, 2024.
Analyst sentiment score: capital allocation policies and management commentaries' qualitative analysis groups dividends into unlikely (red), neutral (yellow) or likely (green) initiations.
Quantitative scores depicted by pie charts, where a full pie chart represents a "Very High" score, downgrading into "High," "Medium" or "Low" scores.
Source: S&P Global Market Intelligence.
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1. **Methodology note:** Each pillar is equally weighted in the overall score. "Very High," "High" and "Medium" scores translate into 3 points, 2 points and 1 point, respectively, while "Low" scores provide no points. The total sum of the scores has a maximum level of 21, which is then normalized to [0,1] for communication purposes only.
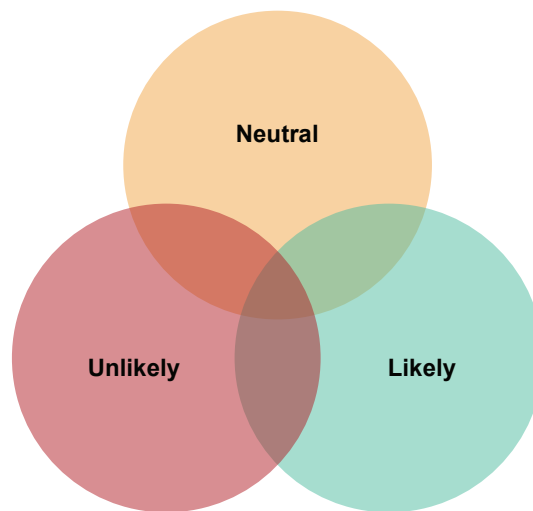
As depicted in the previous table, **we combine the quantitative fundamental analysis with qualitative analysis**. The latter consists of the **study of the capital allocation policies** that managements comment on in their earnings calls or investor presentations, with special emphasis on their capital allocation priorities and commentaries regarding shareholder returns. Without this analysis, some companies like Berkshire Hathaway Inc. (score of 0.52) could be included in the list above despite Berkshire's management's explicit commentaries about not considering a dividend initiation.

Similarly, the qualitative analysis comprises **business-related capital needs** that might deprive a company from increasing shareholder returns. One example relates to Chipotle Mexican Grill Inc.'s situation. The company's management emphasizes reinvesting in the business to continue expanding its restaurant footprint, with over 285 new restaurants expected to be inaugurated in 2024 in North America. The cash needed to fund the expansion might deprive Chipotle's management from initiating despite its solid fundamentals (score of 0.71).

Moreover, our qualitative analysis considers the situation of some companies that used to pay dividends until the pandemic (which translates into a "High" score in Pillar I) which currently state that they do not expect to reinstate dividends until deleveraging is successful. One example is American Airlines Group Inc.'s situation.

The analyst sentiment score is divided into three categories: **unlikely, neutral** and **likely**, depicted by red, yellow and green, respectively. Our final top 20 selection contains seven companies with "likely" sentiment scores and above-average quantitative scores (over 0.47), the 12 highest-ranked companies by quantitative score with "neutral" sentiment scores and one outlier — Amazon.com Inc.

S&P Global Market Intelligence Dividend Forecasting analysts' qualitative sentiment scores

As of May 22, 2024.
Source: S&P Global Market Intelligence.
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Company	Ticker	Analyst sentiment	Overall score	Dividend history	Buyback history	Buyback payout	Sales growth	Leverage management	FCF stability	FCF margin growth
IDEXX Laboratories Inc.	IDXX	(yellow)	0.86	○	●	●	●	●	●	●
Cadence Design Systems Inc.	CDNS	(yellow)	0.81	○	●	●	●	●	●	◕
Lululemon Athletica Inc.	LULU	(yellow)	0.81	○	◑	●	●	●	●	●
Adobe Inc.	ADBE	(green)	0.76	○	●	●	●	●	●	◔
Autodesk Inc.	ADSK	(yellow)	0.76	○	●	●	◔	◕	●	●
VeriSign Inc.	VRSN	(yellow)	0.76	○	●	●	●	●	●	◔
F5 Inc.	FFIV	(yellow)	0.76	○	●	●	●	●	●	◔
PayPal Holdings Inc.	PYPL	(yellow)	0.71	○	◑	●	●	●	●	◔
O'Reilly Automotive Inc.	ORLY	(yellow)	0.71	○	●	●	●	●	●	○
Fortinet Inc.	FTNT	(yellow)	0.71	○	◑	●	●	●	●	◔
Fair Isaac Corp.	FICO	(yellow)	0.71	◔	●	●	●	○	●	◕
Mettler-Toledo International Inc.	MTD	(yellow)	0.71	○	●	●	○	●	●	●
Akamai Technologies Inc.	AKAM	(green)	0.71	○	●	●	●	●	●	○
Keysight Technologies Inc.	KEYS	(yellow)	0.67	○	◑	●	◔	●	●	◑
Netflix Inc. USA	NFLX	(green)	0.62	○	◔	◔	●	◕	●	●
ServiceNow Inc.	NOW	(green)	0.62	○	◑	◔	●	◕	●	◑
Arista Networks Inc.	ANET	(green)	0.62	○	◑	◑	◔	●	●	◑
Amazon.com Inc.	AMZN	(yellow)	0.52	○	○	○	●	●	●	◑
Match Group Inc.	MTCH	(green)	0.52	◔	◔	●	◑	○	●	◑
Regeneron Pharmaceuticals Inc.	REGN	(green)	0.52	○	●	◑	○	●	●	◕

Data compiled May 22, 2024.
Analyst sentiment score: capital allocation policies and management commentaries' qualitative analysis groups dividends into unlikely (red), neutral (yellow) or likely (green) initiations.
Quantitative scores depicted by pie charts, where a full pie chart represents a "Very High" score, downgrading into "High," "Medium" or "Low" scores.
Source: S&P Global Market Intelligence.
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The table above displays our selection of the top 20 companies that are most likely to initiate dividends, assessed from both a fundamental quantitative perspective and a qualitative capital allocation analysis standpoint.

More than half of these companies (11) operate in the TMT[2] sector. Predominant names include **Adobe Inc., Akamai Technologies Inc., Netflix Inc., ServiceNow Inc. and Arista Networks Inc.** We will focus on the TMT sector specifically in the second edition of this Special Report Series, which examines non-dividend-paying companies within the S&P 500 Index. No single company in our final top 20 used to be a dividend payer that suspended distributions during the pandemic, such as Aptiv PLC, Expedia Group Inc., The Boeing Co., American Airlines, Royal Caribbean Cruises Ltd., Carnival Corp. & PLC and Western Digital Corp. Moreover, except for Expedia and American Airlines, the remaining companies have negative analyst sentiment scores and most of them return below-average quantitative scores.

Complete coverage

In the previous section, we outlined our selection of the top 20 S&P 500 constituents that are most likely to initiate dividends based on both quantitative analysis (score) and qualitative analysis. The first table included the top 20 ranked companies by quantitative score only, regardless of the analyst sentiment score. The overall scores (and their breakdowns) and analyst sentiment scores for the remaining 76 constituents can be found below.

2. TMT: Technology, media and entertainment and telecommunications. S&P Global Market Intelligence uses GICS for sector definition. GICS sectors included in our definition of "TMT" are "media and entertainment," "semiconductors and semiconductor equipment," "software and services," "technology hardware and equipment" and "telecom services."

S&P 500 nonpayers: Bottom 76 companies ranked by quantitative score (part 1)

Company	Ticker	Analyst sentiment	Overall score	Dividend history	Buyback history	Buyback payout	Sales growth	Leverage management	FCF stability	FCF margin growth
Netflix Inc. USA	NFLX	green	0.62	○	◔	◔	●	◕	●	●
ServiceNow Inc.	NOW	green	0.62	○	◑	◔	●	◕	●	◕
Arista Networks Inc.	ANET	green	0.62	○	◑	◑	◔	●	●	◑
DexCom Inc.	DXCM	yellow	0.62	○	◔	◔	●	◕	●	●
IQVIA Holdings Inc.	IQV	yellow	0.62	○	●	◑	●	○	●	◑
Ulta Beauty Inc.	ULTA	yellow	0.62	○	●	●	○	●	●	◕
Incyte Corp.	INCY	yellow	0.62	○	◔	●	●	●	●	◕
Qorvo Inc.	QRVO	yellow	0.62	○	●	●	○	●	●	◕
Bio-Rad Laboratories Inc.	BIO	yellow	0.57	○	◑	●	○	●	●	◕
Monster Beverage Corp.	MNST	red	0.57	○	◔	◑	●	●	●	○
AutoZone Inc.	AZO	yellow	0.57	○	●	●	●	○	●	○
Centene Corp.	CNC	red	0.57	○	◑	◔	●	●	●	○
Charter Communications Inc.	CHTR	red	0.57	○	◑	●	●	●	○	○
Gartner Inc.	IT	red	0.57	○	●	●	◔	◔	●	◕
Align Technology Inc.	ALGN	yellow	0.57	○	●	●	○	●	●	○
Aptiv PLC	APTV	red	0.57	◑	◔	◔	◔	●	●	◕
Expedia Group Inc.	EXPE	yellow	0.57	◑	◔	◔	◔	◕	●	◕
Etsy Inc.	ETSY	yellow	0.57	○	◑	●	●	○	●	◕
Take-Two Interactive Software Inc.	TTWO	red	0.52	○	◑	◔	◔	○	●	●
MGM Resorts International	MGM	red	0.52	◑	◑	◔	○	◕	●	◕
Amazon.com Inc.	AMZN	yellow	0.52	○	○	○	●	●	●	◕
Berkshire Hathaway Inc.	BRK.A	red	0.52	○	◑	◔	◔	●	◕	◕
CoStar Group Inc.	CSGP	red	0.52	○	◔	◔	●	●	●	○
Builders FirstSource Inc.	BLDR	red	0.52	○	◑	●	○	◕	◕	◕
Molina Healthcare Inc.	MOH	yellow	0.52	○	◑	◑	◑	◑	●	◕
Match Group Inc.	MTCH	green	0.52	◔	◔	●	◑	○	●	●
Regeneron Pharmaceuticals Inc.	REGN	green	0.52	○	◑	◑	○	●	●	◕
Advanced Micro Devices Inc.	AMD	yellow	0.48	○	◔	●	○	◑	◑	◑
Airbnb Inc.	ABNB	yellow	0.48	○	◔	●	◔	◔	●	◕
Copart Inc.	CPRT	yellow	0.48	○	◔	○	◑	●	●	○
CBRE Group Inc.	CBRE	yellow	0.48	○	●	●	◔	○	●	○
Corpay Inc.	CPAY	yellow	0.48	○	◑	●	◔	○	●	◕
Caesars Entertainment Inc.	CZR	yellow	0.48	○	◔	◔	●	○	●	◑
PTC Inc.	PTC	red	0.43	○	●	◔	◑	○	●	○
Enphase Energy Inc.	ENPH	yellow	0.43	○	◑	●	○	◑	◑	○
Trimble Inc.	TRMB	red	0.43	○	●	◑	◔	○	●	◕
EPAM Systems Inc.	EPAM	yellow	0.43	○	◔	◔	○	●	●	◕
Henry Schein Inc.	HSIC	yellow	0.43	○	●	●	○	○	●	○

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S&P 500 nonpayers: Bottom 76 companies ranked by quantitative score (part 2)

Company	Ticker	Analyst sentiment	Overall score	Dividend history	Buyback history	Buyback payout	Sales growth	Leverage management	FCF stability	FCF margin growth
Vertex Pharmaceuticals Inc.	VRTX	yellow	0.43	○	◔	◔	◑	◔	◑	◔
Live Nation Entertainment Inc.	LYV	red	0.43	○	◔	●	◔	◔	●	○
Waters Corp.	WAT	yellow	0.38	○	○	○	○	●	●	◑
Arch Capital Group Ltd.	ACGL	yellow	0.38	○	○	○	●	●	◔	◔
Axon Enterprise Inc.	AXON	yellow	0.38	○	○	○	●	◔	●	◔
Tyler Technologies Inc.	TYL	red	0.38	○	○	○	●	◔	●	◔
Hologic Inc.	HOLX	yellow	0.38	○	◑	◔	○	◑	●	○
DaVita Inc.	DVA	red	0.38	○	◑	●	○	○	◑	○
Mohawk Industries Inc.	MHK	red	0.38	○	○	○	○	●	●	◑
TransDigm Group Inc.	TDG	yellow	0.38	●	○	○	○	○	○	◑
Palo Alto Networks Inc.	PANW	yellow	0.33	○	○	○	●	◔	◑	○
Intuitive Surgical Inc.	ISRG	red	0.33	○	○	○	◔	●	●	○
The Boeing Co.	BA	red	0.33	◑	◔	◔	◔	○	◔	◔
Teledyne Technologies Inc.	TDY	red	0.33	○	○	○	◔	◔	●	◑
Zebra Technologies Corp.	ZBRA	yellow	0.33	○	◑	◑	○	○	●	○
Uber Technologies Inc.	UBER	red	0.29	○	○	○	◔	◔	◔	●
Boston Scientific Corp.	BSX	red	0.29	○	○	○	◔	◔	●	◔
ON Semiconductor Corp.	ON	yellow	0.29	○	◑	◔	○	●	○	○
Dollar Tree Inc.	DLTR	yellow	0.29	○	◑	◔	●	○	○	○
Warner Bros. Discovery Inc.	WBD	red	0.29	○	○	○	◔	○	●	◑
Charles River Laboratories International Inc.	CRL	red	0.29	○	○	○	●	○	◑	○
Dayforce Inc.	DAY	yellow	0.29	○	○	○	◑	○	○	◔
American Airlines Group Inc.	AAL	yellow	0.29	◑	○	○	◔	○	○	○
Tesla Inc.	TSLA	yellow	0.24	○	○	○	●	◑	○	○
CarMax Inc.	KMX	yellow	0.24	○	●	◔	○	○	○	◔
Generac Holdings Inc.	GNRC	yellow	0.24	◔	◔	◔	○	○	○	◑
Insulet Corp.	PODD	red	0.24	○	○	○	◑	◔	○	◑
Royal Caribbean Cruises Ltd.	RCL	red	0.19	◑	○	○	○	○	○	◑
Illumina Inc.	ILMN	red	0.19	○	○	○	○	○	●	◔
Carnival Corp. & PLC	CCL	red	0.19	◕	○	○	○	○	◑	○
The Cooper Companies Inc.	COO	red	0.19	○	○	○	◔	○	●	○
Biogen Inc.	BIIB	yellow	0.14	○	○	○	○	○	●	○
First Solar Inc.	FSLR	red	0.14	○	○	○	○	●	○	○
Western Digital Corp.	WDC	red	0.10	◑	○	○	○	○	○	○
Moderna Inc.	MRNA	yellow	0.05	○	○	◔	○	○	○	○
United Airlines Holdings Inc.	UAL	red	0.05	○	○	○	◔	○	○	○
Catalent Inc.	CTLT	yellow	0.05	○	○	○	○	○	○	◔
Norwegian Cruise Line Holdings Ltd.	NCLH	red	0.05	○	○	◔	○	○	○	○

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Source: S&P Global Market Intelligence.
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Fundamental approach

Quantitative score: Methodology

Which companies are more likely to initiate or reinstate dividends from a fundamental standpoint? To address this question, we provide a quantitative score replicable for every single company based on seven pillars.

Pillar I: Dividend history

Has the company ever paid dividends? If so, when did it suspend its dividend policy?

According to our data, 96 companies within the S&P 500 do not pay regular dividends on their common stock. Nonetheless, 12 of these did distribute cash to their shareholders on a regular basis within the last decade. TransDigm Group Inc. pays one special dividend a year. The remaining 11 suspended their dividends sometime in the last decade. Most of these suspensions (eight) occurred during or after the pandemic, particularly within the travel and leisure industries (Boeing, American Airlines, Carnival and Royal Caribbean Cruises, among others). From a capital allocation perspective, we consider that companies that used to pay dividends in the past might be more likely to reinstate than companies that never engaged in regular cash distributions.

Score breakdown: Pillar I

– Very High: Companies that already engage in special dividend payments every year.

– High: Companies that used to pay dividends and suspended them during or after the pandemic.

– Medium: Companies that suspended dividends before the pandemic.

– Low: Companies that did not pay regular dividends on their common stock in the last decade or suspended them within the last-12-months (LTM).

Pillar II: Buyback reliability

Does the company regularly engage in shareholder returns? How long dated is its buyback policy?

The popularity of share repurchases increases every year as more companies adopt them as a key capital allocation use beyond reinvesting to support organic growth, M&A and even dividend payments. We consider that companies with a long track record of shareholder returns via buybacks are more likely to evaluate a dividend payment as another use of capital, against companies that — due to financial or managerial reasons — do not regularly deploy cash into buying back their common stock.

Score breakdown: Pillar II

– Very High: Companies that engaged in buybacks in the LTM and every year in the last 10 years.

– High: Companies that engaged in buybacks in the LTM and every year in the last five years.

– Medium: Companies that repurchased their common stock in the LTM.

– Low: Companies without buybacks in the LTM or with negative FCF in the LTM.

Our findings show that 28 companies meet the highest criteria (28%), while another 23 (24%) repurchased their stock every year in the last five years and in the LTM. Thirty-one companies did not buy back their stock in the LTM or exhibited negative FCF in the same period.

Pillar III: Buyback payout magnitude and sustainability
While regularly returning cash to shareholders via buybacks could support an initiation thesis, the magnitude matters.

In a similar fashion to the dividend analysis, we divide the sample into four groups depending on the size of the repurchase the company engages in. We consider the buyback FCF payout to determine these scores.

Score breakdown: Pillar III

– Very High: Companies with cumulative payouts at or above 65% and positive FCF in the last three years.

– High: Companies with cumulative payouts of between 35% and 65% in the last three years and positive FCF in the same period.

– Medium: Companies with cumulative payouts of below 35% in the last three years or negative FCF in some of the last three years.

– Low: Companies that did not engage in buybacks in the last three years or had negative FCF every year in the period.

Only 21 companies meet the highest criteria for both buyback reliability and magnitude, such as Adobe, Fiserv Inc., Chipotle and Synopsys Inc.

Pillar IV: Revenue growth reliability

How stable or volatile is the company's revenue growth over time?

Companies with low volatility in their topline performance might feel more confident to initiate dividends, as dividends represent a commitment to their shareholder base with lower flexibility and less discretion compared with share repurchases. Consequently, to account for sales performance in our fundamental quantitative scoring, we analyzed how many years of consecutive revenue growth the company exhibits in the last decade.

Score breakdown: Pillar IV

- Very High: Companies with at least 10 years of consecutive positive revenue growth.

- High: Companies with at least five years of consecutive positive sales growth.

- Medium: Companies with at least three years of revenue growth and sales growth in the LTM.

- Low: Companies with less than three years of consecutive topline growth.

Almost half of the S&P 500 non-dividend-paying companies show Very High or High criteria regarding topline performance.

Pillar V: Leverage management and EBITDA generation

How prudent is the company toward leverage management and how reliable is its EBITDA generation over time?

Dividend sustainability is strongly related to leverage management and EBITDA generation. Companies suffering from an operational standpoint and/or that are highly indebted tend to struggle with their dividend policies. Similarly, companies with these types of issues are less likely to deploy cash to their shareholders via dividends and instead tend to focus on deleveraging and supporting organic growth.

Score breakdown: Pillar V

- Very High: Companies with net leverage below 2.5x and positive EBITDA in at least nine of the last 10 fiscal years.

- High: Companies with net leverage below 2.5x and positive EBITDA in at least four of the last five fiscal years.

- Medium: Companies with net leverage below 2.5x and positive EBITDA in the LTM or the last fiscal year.

- Low: Companies with net leverage above 2.5x or negative EBITDA in the LTM or the last fiscal year.

Out of 96 companies, 38 meet the highest criteria, while 36 show balance sheet weakness and are classified as Low.

Pillar VI: Free cash flow stability

How reliable is the company's FCF generation over time?

Dividends represent a commitment to deploy a share of the FCF generated to shareholders on a regular basis. Companies with volatile FCF generation are less likely to be able to meet such expectations.

Score breakdown: Pillar VI

- Very High: Companies with positive FCF in the LTM, last fiscal year and at least nine of the last 10 years.

- High: Companies with positive FCF in the LTM, last fiscal year and at least four of the last 10 years.

- Medium: Companies with positive FCF in the last two years but less than four of the last five years.

- Low: Companies showing negative FCF in the LTM, last fiscal year or sometime within the last two years.

Pillar VII: Free cash flow margin growth

A reliable positive FCF over time, combined with FCF margin growth, increases the odds of a dividend initiation.

Companies might exhibit positive FCF over time but not necessarily grow the FCF as a share of sales (i.e., FCF margin) in the same period. To address how regularly companies grow their FCF margins, we analyze four periods: LTM/year over year, three years, five years and 10 years.

Score breakdown: Pillar VII

- Very High: Positive FCF margin in the LTM and growth in all four periods of analysis (LTM/year over year, three years, five years and 10 years).

- High: Positive FCF margin in the LTM and growth in three out of four periods of analysis.

- Medium: Positive FCF margin in the LTM and margin growth in two of the four periods of analysis.

- Low: Negative FCF margin in the LTM or positive margin growth in only one of the four periods of analysis.

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