European DIPs analysis

European dividends remain resilient despite the uncertain economic environment

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Key takeaways

In this report, we highlight our Dividend Index Points (DIPs) and dividend projections for the SX5E, SD3E, SX7E and FTSE indices, alongside our bear and best cases until the end of 2024.

– Over the past six months, our outlook for European dividends has remained positive and has even increased, especially for the banking sector. The aggregate payout is also supported by increased dividends from the oil & gas sector, particularly from Shell PLC and BP PLC.

– Since the beginning of the year, our DIPs projections for the SX7E index have increased by 10% in 2023 and 24% in 2024. For the SX5E, we now project 143 points for the December 2023 contract and 153 points for the 2024 contract, up 6% and 10%, respectively, since last January. Our estimates are broadly in line with market expectations in 2023, except for FTSE, where we see more upside.

– For 2024, although the macroeconomic environment is still uncertain, the big European companies seem to benefit from robust performance and profits. The solid financial year 2022 results and the positive trading updates so far this year, combined with share buyback programs, support the increase in the dividend per share. Those programs can be stopped at any time if the companies face a deterioration in their cash flow and aim to protect their dividend distribution.

– Since the beginning of the year, the companies have been allowed interim dividends in Switzerland. We think Compagnie Financière Richemont SA could be a good candidate because its peers are already paying semiannual dividends. Roche AG, Novartis AG, Nestle SA and UBS Group AG may also introduce interim payments to align with the practice of their other European and US peers.

– In the upcoming SX5E reshuffle scheduled for September, we see a high risk of Ferrari SpA replacing Vonovia SE. In addition, CRH PLC's listing is expected to move to New York in September, which could help promote other names like Compagnie de Saint-Gobain SA (Saint-Gobain), Wolters Kluwer NV, Engie SA or RWE AG for an entry into the SX5E index.

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SX5E DIPs analysis

SX5E DIPs projections
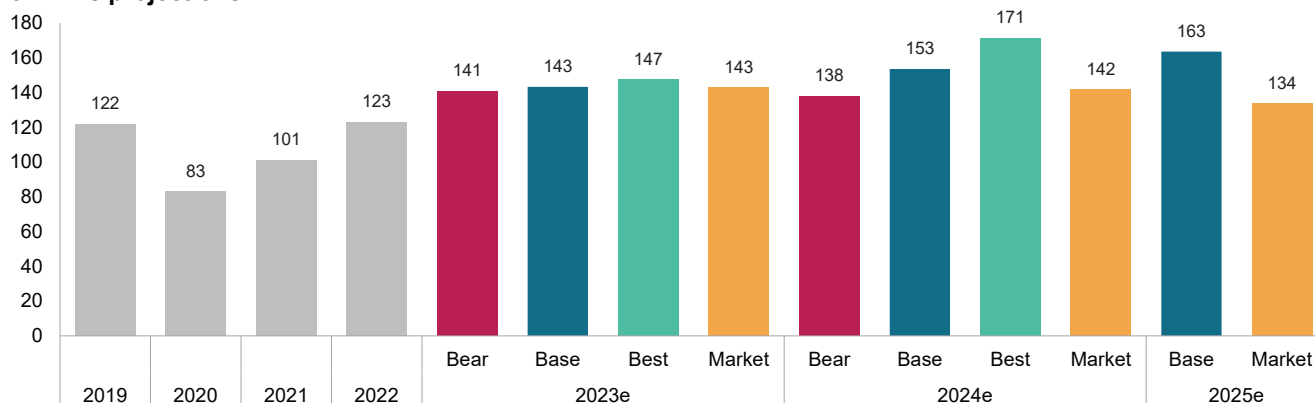
Data compiled Jul. 05, 2023.
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Risky dividends for the 2023 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
ASML	1-Aug-23	EUR	1.580	0.89	1.450	0.82	-8%	1.800	1.02	14%
ING	7-Aug-23	EUR	0.280	1.42	0.220	1.11	-21%	0.340	1.72	21%
BBVA	9-Oct-23	EUR	0.153	1.29	0.110	0.93	-28%	0.170	1.43	11%
BANCO SANTANDER	31-Oct-23	EUR	0.080	1.84	0.060	1.38	-25%	0.110	2.53	38%
ASML	1-Nov-23	EUR	1.580	0.89	1.450	0.82	-8%	1.800	1.02	14%
ANHEUSER-BUSCH INBEV	14-Nov-23	EUR	0.200	0.25	0.000	0	-100%	0.400	0.5	100%
VINCI	14-Nov-23	EUR	1.100	0.91	1.000	0.83	-9%	1.300	1.07	18%
LVMH	5-Dec-23	EUR	5.600	2.03	5.000	1.82	-11%	7.000	2.54	25%
TOTALENERGIES	5-Dec-23	EUR	0.000	0	0.000	0	0%	1.000	0.87	Special

Risky dividends for the 2024 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
ASML	1-Feb-24	EUR	1.580	0.89	1.450	0.82	-8%	1.800	1.02	14%
BBVA	3-Apr-24	EUR	0.395	3.33	0.300	2.53	-24%	0.450	3.8	14%
STELLANTIS	22-Apr-24	EUR	1.340	4.41	1.000	3.29	-25%	1.680	5.53	25%
UNICREDIT	22-Apr-24	EUR	1.280	3.48	1.090	2.96	-15%	1.400	3.8	9%
LVMH	23-Apr-24	EUR	8.400	3.05	7.000	2.54	-17%	9.000	3.27	7%
VINCI	23-Apr-24	EUR	3.100	2.56	3.000	2.48	-3%	3.600	2.98	16%
ING	26-Apr-24	EUR	0.580	2.94	0.520	2.63	-10%	0.700	3.55	21%
BANCO SANTANDER	30-Apr-24	EUR	0.080	1.84	0.060	1.37	-26%	0.110	2.53	38%
INDUSTRIA DISENO TEXTIL	30-Apr-24	EUR	0.700	1.09	0.550	0.86	-21%	0.740	1.15	6%
ASML	2-May-24	EUR	1.950	1.1	1.750	0.99	-10%	2.200	1.24	13%
ANHEUSER-BUSCH INBEV	2-May-24	EUR	0.800	1	0.750	0.94	-6%	1.000	1.25	25%
MERCEDES-BENZ	6-May-24	EUR	5.200	5.82	4.600	5.15	-12%	5.600	6.27	8%
ADIDAS	10-May-24	EUR	0.000	0	0.000	0	0%	0.700	0.16	Resumption
VOLKSWAGEN PRF	10-May-24	EUR	9.460	2.73	8.060	2.33	-15%	10.060	2.9	6%
BMW	16-May-24	EUR	5.100	2.29	4.500	2.02	-12%	5.700	2.56	12%
BNP PARIBA	20-May-24	EUR	3.900	6.39	3.300	5.41	-15%	4.800	7.87	23%
VONOVIA	20-May-24	EUR	1.580	1.5	0.850	0.81	-46%	1.660	1.58	5%
TOTALENERGIES	3-Dec-24	EUR	0.000	0	0.000	0	0%	1.000	0.87	Special

For **TotalEnergies SE**, we expect quarterly payments of €0.74, leading to annual dividends per share (DPS) of €2.96. The company has already announced a first interim of €0.74 per share. Our bear case is equal to the base case, as the company is unlikely to decrease the following interim payments. After the sale of the Canadian oil sands, management said it plans to distribute at least 40% of cash flow generated this year through share buybacks or special dividend. Therefore, in addition to an increase in the final dividend to €0.80, our best case includes the possibility of a special dividend of €1.00, similar to 2022.

For **ING Group**, we expect a financial year 2023 annual dividend of €0.86, representing a 50% payout in line with policy. This includes an interim of €0.28, leading to a 33/67 split, a pattern similar to previous years. Our bear-case scenario is a DPS of €0.74 — a payout ratio of around 46% using the low end of the earnings per share (EPS) consensus. Our best-case forecast is €1.04, about 54% of the high end of EPS consensus. Benefiting from rising interest rates, the bank posted a strong result in the first quarter of 2023 despite the industry turmoil.

BNP Paribas targets an ordinary payout ratio of 60%, of which 50%-60% is cash dividend and 0%-10% are share buybacks. We forecast a flat financial year 2023 dividend of €3.90 for BNP. This represents a payout ratio of 50%, in line with the policy. Our bear case of €3.30 applies a 50% payout ratio to the low end of the earnings consensus, whereas our best case of €4.80 uses 50% of the top end of the earnings forecasts. Thanks to its diversified activities, the company is expected to report robust results in 2023 despite the anticipated economic slowdown.

We expect **Adidas** to suspend its dividend for financial year 2023 as our base and bear case because the company is expected to post a net loss on both reported and adjusted basis. Its bottom line has been hit by the termination of its Yeezy partnership, a tough Chinese market and a buildup of excess inventories. Moreover, net debt to EBITDA stood elevated at 4.4 times at the end of financial year 2022. On the upside, we are projecting a maintained dividend of €0.70, as Adidas may want to avoid a dividend suspension. However, it is worth noting that Adidas did resort to a dividend suspension during the pandemic.

For our base case, we expect **Vonovia SE** to pay a DPS of €1.58, in line with its dividend policy of distributing 70% of funds from operations (FFO). Our best case is only slightly higher and forecasts full payments at the financial year 2021 level of €1.66 (74% of FFO). Our base and best cases are supported by the resilient demand for Vonovia's residential property units and a steady leverage position expected to average 55% in financial year 2023–24, almost flat compared to 56% in financial year 2021–22 (debt to debt plus equity as per S&P Global Ratings). We expect the dividend to be further cushioned by the scrip option on the payment and a downsized capital expenditure for financial year 2023. Furthermore, unlike Aroundtown SA and Grand City SA, Vonovia has not said that its dividend is conditional on the market environment. Our bear case is a flat dividend of €0.85, reflective of the risky dynamics of the real estate market, which is fraught with declining valuations, rising cost of funding and slow-moving non-core asset disposals.

For **Anheuser-Busch InBev SA/NV**, the biggest uncertainty lies in the potential resumption of an interim dividend. We have forecast an annual DPS of €1.00 (33% payout), including an interim payment of €0.20, although we see a high risk on the split. Even though we expect an interim due to a projected strong performance, with brokers estimating a stable financial year 2023 adjusted EPS and a leverage ratio close to 3.0x, there is still a risk of no interim resumption because of the deleveraging priority. Our bear case is a flat annual DPS of €0.75, whereas our best case is a significant increase to €1.40.

Regarding **Banco Bilbao Vizcaya Argentaria, SA (BBVA)**, our estimates are underpinned by a payout ratio at the midpoint of the company's guidance at around 45% and a split between interim and final similar to the previous two years, that is, 28%/72%. Earnings estimates point out a double-digit growth for the current year, underpinned by net interest income expansion as well as a loan book growth project. Moreover, the nonperforming loan (NPL) ratio decreased from 4% to 3.3% in the first quarter of financial year 2023, which supports our positive outlook on the company and the projected double-digit dividend growth for financial year 2023.

On **Banco Santander, SA**, we expect coming payments to turn into an annual dividend of €0.16 per share, equally split between interim and final at a payout ratio of around 30%. The management mentioned that it expects to distribute a total shareholder remuneration of 50%, including both dividends and share buybacks, so we expect the remaining 20% to be distributed in the latter form. We signal a medium risk on the estimated amounts, as there is no guidance on the split between the cash portion and buyback, although we estimate a slightly higher skewed distribution toward cash dividends out of the total annual distribution.

For **BMW Group**, our base case assumes a payout 32.5% higher than the average of 31.6% seen during the financial years 2017–21, resulting in a DPS of €5.10. For our bear case, we take the lowest payout level of 30% (range of 30%-40%) to arrive at a DPS of €4.50 to reflect the waning pricing power, which could put downward pressure on earnings. At the top end, we expect BMW to go for a 33% payout on a higher earnings consensus of €5.70 to account for a likely acceleration in demand as BMW makes an organized transition into electric vehicles.

For **Mercedes-Benz Group**, our base case is a flat dividend of €5.20. We expect the upper and lower range on this dividend to be €5.60 and €4.60, respectively, which is a 40% distribution in both cases, albeit on the high and low ends of the earnings consensus. Our base case of a flat dividend recognizes the company's guidance of slightly lower earnings before interest and tax for financial year 2023 as well as its strong preference for a value-over-volume approach and high pricing power. The downside is driven by the expectation of a sluggish European market, slower recovery in Chinese sales and continued high inventory levels.

For **Volkswagen AG** (VW), our best, base and bear-case distributions stand at 30% (on higher EPS estimates), 29% and 25%, resulting in a DPS of €10.06, €9.46 and €8.06, respectively. VW has steadily built on its distribution ratio, going from 17% in financial year 2017 to 29% in financial year 2022. We expect the company to stay the course and keep growing the payout, so we forecast a payout of 29% for financial year 2023 as well. Our dividend estimate is also supported by the company's strong balance sheet and sizeable free cash flows. Our bear-case payout ratio of 25% is the same as the financial year 2021 payout level. The risk on the downside takes into consideration the general cyclicality of the automotive sector as well as intensifying competition in China and a normalizing price mix.

Taking the payout at 35% for all our three cases is **Unicredit SpA**, for which we have bear, base, and best dividends of €1.09 (low EPS), €1.28 (median) and €1.40 (high), respectively. We expect the dividend to be protected by the bank's leading position in its main markets and stronger balance sheet post-restructuring. The bank has improved its financial year 2023 guidance with a net profit of more than €6.5 billion and distribution of at least €5.75 billion. The balance sheet is very robust, with a common equity Tier 1 ratio of 16%.

In the case of **ASML Holding NV**, there is risk around the distribution between interims and final. We are expecting a similar split as financial year 2022, but there is not an established pattern yet. Although the company tends to increase dividends by around 15%, a boost is still possible considering the positive earnings forecasts. There is also some upside risk, as the payout ratio has been closer to 40% over the past two years. For financial year 2023, we forecast a 15% growth to an annual distribution of €6.69, including three interim payments of €1.58 and a final of €1.95. This corresponds to a projected payout ratio of 36%, in line with the historical range of 30%-40%. Our bear case is another 5% increase to an annual dividend of €6.10 (3 x €1.45 + final of €1.75), a payout of 32%. Our best-case scenario is a 31% increase to an annual amount of €7.60 (3 x €1.80 + final of €2.20), leading to a payout of 41%.

2023 SX5E DIPs by Amount Confidence

Medium, 8
Low, 7
High, 2
Announced, 127
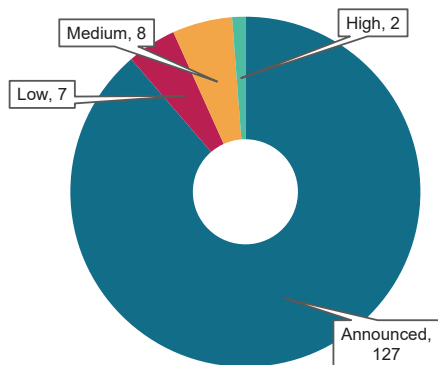
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2024 SX5E DIPs by Amount Confidence

High, 29
Low, 49
Medium, 75
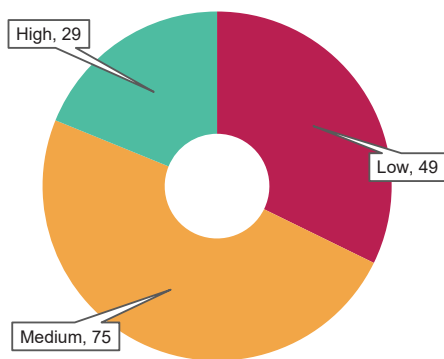
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SD3E DIPs analysis

SD3E DIPs projections
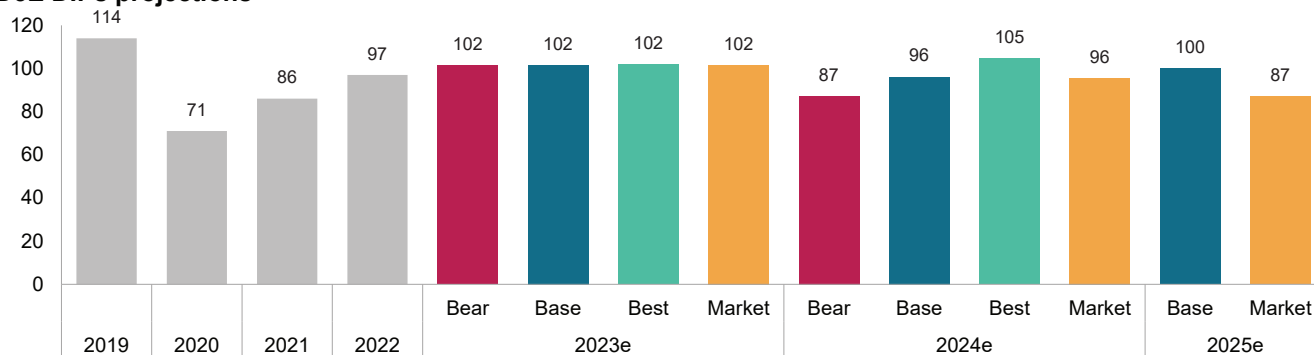
Data compiled Jul. 05, 2023.
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Risky dividends for the 2023 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
AHOLD DELHAIZE NV	11-Aug-23	EUR	0.48	0.63	0.46	0.6	-4%	0.5	0.65	4%
AGEAS ORD	25-Oct-23	EUR	1.6	2.41	1.55	2.33	-3%	1.7	2.56	6%

Risky dividends for the 2024 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
ENDESA	28-Dec-23	EUR	0.370	1.62	0.310	1.36	-16%	0.560	2.45	51%
KESKO	2-Apr-24	EUR	0.270	0.6	0.220	0.48	-19%	0.280	0.62	4%
MERCEDES-BENZ	6-May-24	EUR	5.200	5.82	4.600	5.15	-12%	5.600	6.27	8%
KBC	7-May-24	EUR	3.200	2.56	2.700	2.16	-16%	4.500	3.59	41%
VOLKSWAGEN PRF	10-May-24	EUR	9.460	2.73	8.060	2.33	-15%	10.060	2.9	6%
BMW	16-May-24	EUR	5.100	2.29	4.500	2.02	-12%	5.700	2.56	12%
BNP PARIBAS	20-May-24	EUR	3.900	3.65	3.300	3.08	-15%	4.800	4.49	23%
CREDIT AGRICOLE	28-May-24	EUR	0.750	4.85	0.700	4.52	-7%	0.900	5.81	20%
OMV	4-Jun-24	EUR	2.100	0.75	0.000	0	-100%	2.250	0.8	7%
OMV	4-Jun-24	EUR	2.500	3.24	1.610	2.08	-36%	2.712	3.51	8%
KESKO	18-Jun-24	EUR	0.270	0.6	0.220	0.48	-19%	0.280	0.62	4%
ENDESA	1-Jul-24	EUR	0.690	3.02	0.470	2.06	-32%	0.750	3.28	9%
KESKO	9-Sep-24	EUR	0.270	0.6	0.220	0.48	-19%	0.280	0.62	4%
KESKO	9-Dec-24	EUR	0.270	0.6	0.220	0.48	-19%	0.280	0.62	4%

On Spanish utility **Endesa SA**, we see a moderate risk on the upcoming split between interim and final payments. Even though the company has already guided €1.0 per share for financial year 2023 as the annual DPS, we see a risk that the company may not follow the recent years' pattern of 33%/67% between interim and final. It may move close to the evenly distributed instalments prior to financial year 2019.

For financial year 2023, we are forecasting a dividend of €0.75 for **Credit Agricole SA**, corresponding to a projected payout of about 50%, in line with the policy. Our bear case is a DPS of €0.70, a 53% payout using the low end of the earnings consensus. Similarly, our best-case of €0.90 applies a 53% payout to the high end of the consensus. A drop is expected from financial year 2022 as last year's distribution included €0.20 for the catch-up on the undistributed 2019 dividend. Although the firm is a leader in the French retail banking market and has a relatively low-risk profile, brokers currently forecast a 7% drop in EPS for financial year 2023, and the deteriorating environment could present a downside risk.

KBC Group SA NV targets a payout ratio of at least 50% of the consolidated profit. For financial year 2023, we forecast a distribution of €4.20, an approximately 59% projected payout ratio. KBC also aims to distribute the surplus capital above the fully loaded common equity ratio of 15% (around €0.4 billion), in the form of share buyback and/or an extraordinary interim dividend. During its first-quarter 2023 results in May, the company said a final decision will be taken "in the next few months." Between 2022 and 2025, the company targets a compound annual growth rate of 6% for total income and 1.8% for operating expenses, as well as a combined ratio of at most 92%. Taking a more cautious stance, we see the bank paying a dividend of €3.7 and applying a 52% payout ratio, while from a more optimistic viewpoint, the dividend could go up to €5.5, issuing a payout ratio close to 80%.

For **OMV AG**, we predict an ordinary dividend of €2.50 per share and a special dividend of €2.10 per share. This translates into a payout ratio of 27%, excluding the special payment. In our bear-case scenario, we apply a payout ratio of 25% using median earnings estimate and no special dividend. In our best-case scenario, we apply a payout ratio of 30% using higher EPS estimates.

Kesko Corporation is likely to hold its payment flat next year at €1.08, as brokers project earnings to decline by 12% this year. Our forecast results in a payout ratio of around 80%, in line with the company's dividend policy. As per first-quarter results, comparable earnings per share fell by 19%. Our bear-case estimate is based on a lower payout ratio of 70%, and our best-case estimate targets the upper end of the payout ratio range at 80%.

2023 SD3E DIPs by Amount Confidence

Medium, 2
High, 9
Announced, 91
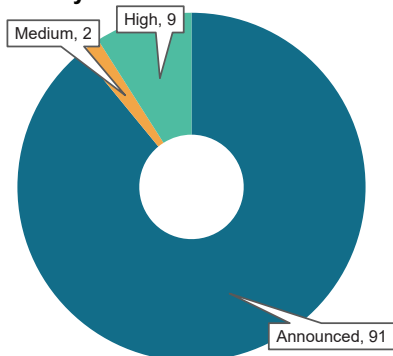
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2024 SD3E DIPs by Amount Confidence

High, 15
Low, 36
Medium, 47
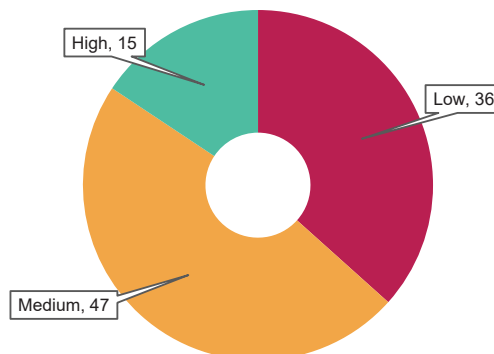
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SX7E DIPs analysis

SX7E DIPs projections
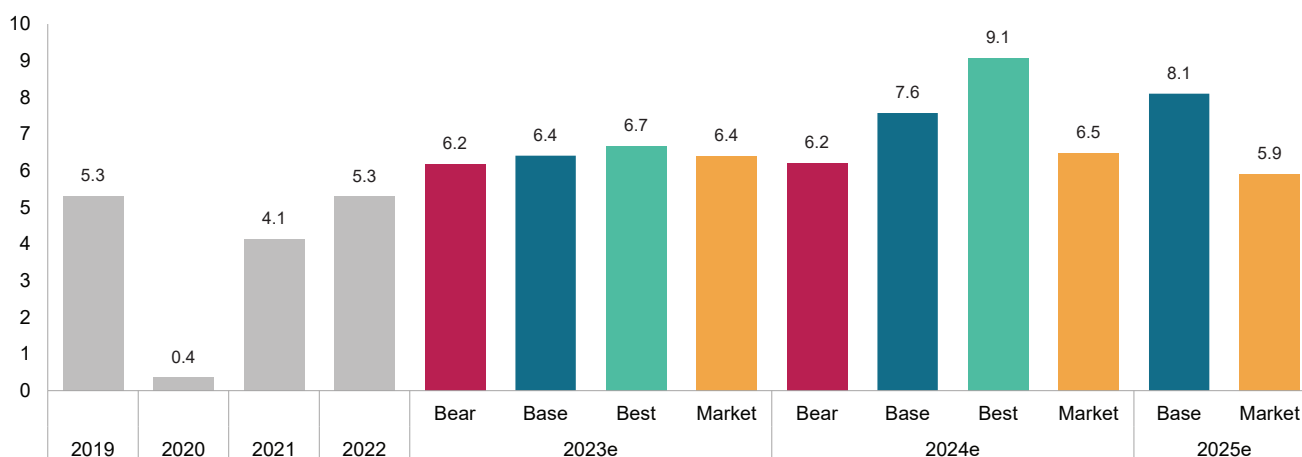
	2019	2020	2021	2022	2023e Bear	2023e Base	2023e Best	2023e Market	2024e Bear	2024e Base	2024e Best	2024e Market	2025e Base	2025e Market
Value	5.3	0.4	4.1	5.3	6.2	6.4	6.7	6.4	6.2	7.6	9.1	6.5	8.1	5.9

Data compiled Jul. 05, 2023.
Source: S&P Global Market Intelligence.
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Risky dividends for the 2023 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
ING GROEP ORD	7-Aug-23	EUR	0.28	0.23	0.22	0.18	-21%	0.34	0.28	21%
ABN AMRO BANK ORD	16-Aug-23	EUR	0.36	0.03	0.28	0.03	-22%	0.44	0.04	22%
BBVA ORD	9-Oct-23	EUR	0.153	0.21	0.11	0.15	-28%	0.17	0.23	11%
BANCO SANTANDER SA ORD	31-Oct-23	EUR	0.08	0.29	0.06	0.22	-25%	0.11	0.4	38%
INTESA SANPAOLO ORD	20-Nov-23	EUR	0.13	0.47	0.12	0.43	-8%	0.15	0.54	15%

Risky dividends for the 2024 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
BCO DE SABADELL ORD	28-Dec-23	EUR	0.02	0.03	0.016	0.02	-20%	0.026	0.03	30%
NORDEA BANK ABP ORD	22-Mar-24	EUR	0.93	0.75	0.81	0.65	-13%	1	0.8	8%
AIB GROUP ORD	28-Mar-24	EUR	0.14	0.04	0.1	0.03	-29%	0.2	0.06	43%
BBVA ORD	3-Apr-24	EUR	0.395	0.53	0.3	0.4	-24%	0.45	0.61	14%
BANCO BPM ORD	22-Apr-24	EUR	0.38	0.13	0.33	0.11	-13%	0.45	0.15	18%
ABN AMRO BANK ORD	23-Apr-24	EUR	0.7	0.07	0.6	0.06	-14%	0.8	0.07	14%
ING GROEP ORD	26-Apr-24	EUR	0.58	0.47	0.52	0.42	-10%	0.7	0.57	21%
BANCO SANTANDER SA ORD	30-Apr-24	EUR	0.08	0.29	0.06	0.22	-26%	0.11	0.4	38%
KBC GROEP ORD	7-May-24	EUR	3.2	0.18	2.7	0.15	-16%	4.5	0.25	41%
BANK OF IRELAND GROUP	9-May-24	EUR	0.55	0.13	0.45	0.11	-18%	0.76	0.18	38%
DEUTSCHE BANK ORD	17-May-24	EUR	0.45	0.21	0.3	0.14	-33%	0.45	0.21	0%
BNP PARIBAS ORD	20-May-24	EUR	3.9	1.02	3.3	0.86	-15%	4.8	1.26	23%
BPER BANCA ORD	20-May-24	EUR	0.2	0.04	0.15	0.03	-25%	0.25	0.06	25%
INTESA SANPAOLO ORD	20-May-24	EUR	0.135	0.49	0.11	0.4	-19%	0.15	0.54	11%
CREDIT AGRICOLE ORD	28-May-24	EUR	0.75	0.22	0.7	0.2	-7%	0.9	0.26	20%
SOCIETE GENERALE ORD	28-May-24	EUR	1.7	0.31	1.2	0.22	-29%	2.1	0.38	24%
COMMERZBANK AG	3-Jun-24	EUR	0.52	0.12	0.35	0.08	-33%	0.65	0.15	25%

Our base case for **ABN AMRO Bank NV** has a DPS of €1.06 on an annual basis. This is a 50% payout, in line with the company's policy. There is uncertainty about the split — we have followed the same pattern as last year, but it has varied in the past. At the upper end, we expect a DPS of €1.24, a payout of 48% using the top end of the earnings consensus. For the bear case, we forecast a DPS of €0.88, an 11% cut versus financial year 2022 due to continued uncertainty in the banking sector.

For the base case of **AIB Group PLC**, we forecasted a final dividend of €0.14, representing a 25% payout ratio. The shareholder returns policy is to aim for a 40%-60% payout. Therefore, our base case corresponds to an overall 50% payout, equally splitting between cash dividends and share buybacks.

For the base case of **Bank of Ireland**, we forecasted an annual dividend of €0.55, reflecting the bank's updated target to raise the payout ratio toward 40%. The Irish banking sector has changed significantly in recent years and is foreseen to outperform many of its international peers in financial year 2023. Our forecast is well above the financial year 2022 dividend level of €0.21, supported by an aggressive payout improvement and positive interest rate environment. Consistent with the 40% policy target, the bear case of €0.45 and the best case of €0.76, respectively, reflect lower and higher EPS.

For **Banco BPM SpA**'s base case, we expect a dividend of €0.38 at a payout ratio of 50%, in line with the bank's dividend policy. We arrive at the bear-case DPS of €0.33 and the best-case DPS of €0.47, taking the higher and lower end of the earnings estimates, with the same payout ratio of 50%. Our estimates on the upside are supported by the bank's adequate capital buffers, diversified funding profile, improving profitability and strong presence in wealthy northern Italy. On the downside, the dividend could be negatively impacted by an existing above-average impaired loan portfolio and any significant weakening in the Italian operating environment.

To arrive at the range of estimates for **Intesa Sanpaolo SpA**, we take a 70% payout on the EPS (high, median and low). The bank is expected to post a robust set of results for financial year 2023. Therefore, even our base-case estimate of €0.27 (the best-case is €0.30) translates into a dividend growth of 60% year on year. Intesa is expected to draw on the strength of its leading positions in various market segments and a diversified loan book during financial year 2023. Furthermore, the brokers forecast a sizeable expansion in the net interest margin and strong operating revenues this year. Nonetheless, the bank's concentrated operations in the Italian market create risk on the downside, and we have a DPS estimate of €0.23.

Both our base and best case for **Deutsche Bank AG** rest on a dividend payment in line with the bank's guidance, that is, a growth of 50% on last year's DPS to €0.45. We expect improved strategic execution and earnings, as well as sound capitalization, to support dividend payments for financial year 2023. In a bearish scenario, however, the bank could go for a flat dividend of €0.30, resulting in a payout of 16% on earnings compared with 13% for financial year 2022. We see downside risks associated with faltering economic growth in Europe as well as the cyclicality of the bank's large investment banking activities.

For **Nordea Bank Adp**, we predict a DPS of €0.93 for financial year 2023 as our base-case scenario, resulting in a payout of 70% at the top end of the dividend policy of 60%-70%, driven by continued improvement in the bank's profitability and its strong asset quality. Considering the high inflation, rising interest rates and ongoing economic slowdown, we forecast a DPS of €0.81 with lower EPS estimates (70% payout) as our bear-case scenario. On the upside, the bank could draw on the strength of its leading pan-Nordic franchise and robust capitalization and deliver a DPS of €1.0 (on high EPS estimates with 70% payout).

2023 SX7E DIPs by Amount Confidence

High, 0.1
Medium, 1.0
Low, 0.3
Announced, 5.1
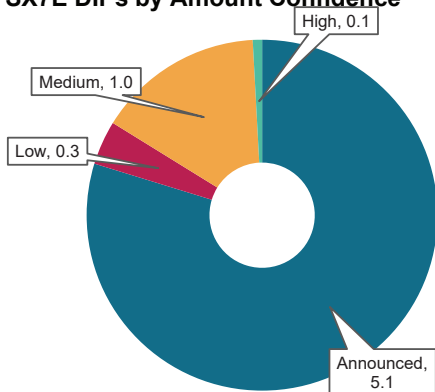
Data compiled Jul. 05, 2023.
Source: S&P Global Market Intelligence.
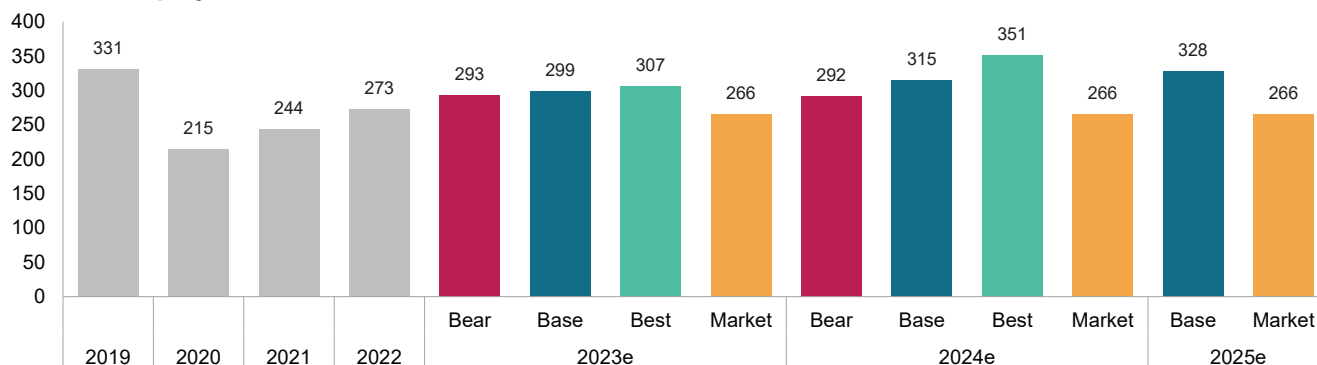© 2023 S&P Global.

2024 SX7E DIPs by Amount Confidence

Medium, 3.8
Low, 3.8
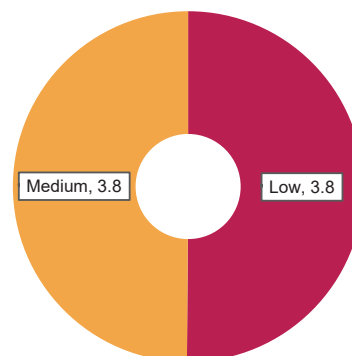
Data compiled Jul. 05, 2023.
Source: S&P Global Market Intelligence.
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FTSE 100 DIPs analysis

FTSE100 DIPs projections

Data compiled Jul. 05, 2023.
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Risky dividends for the 2023 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
LLOYDS	3-Aug-23	GBP	0.008	2.16	0.008	2.11	-2%	0.01	2.57	19%
BARCLAYS	10-Aug-23	GBP	0.025	1.51	0.025	1.51	0%	0.03	1.82	20%
RIO TINTO	10-Aug-23	USD	1.93	6.46	1.45	4.85	-25%	2.413	8.08	25%
BP	10-Aug-23	USD	0.071	3.81	0.066	3.53	-7%	0.079	4.23	11%
ASTRAZENECA	10-Aug-23	USD	1	4.57	0.93	4.25	-7%	1.1	5.03	10%
ANGLO AMERICAN	17-Aug-23	USD	0.74	2.76	0.592	2.21	-20%	0.888	3.31	20%
BP	9-Nov-23	USD	0.071	3.81	0.066	3.53	-7%	0.079	4.23	11%

Risky dividends for the 2024 December expiry

Stock name	Ex-date	Currency	Base DPS	Base DIPS	Bear DPS	Bear DIPS	% Change	Best DPS	Best DIPS	% Change
SHELL	15-Feb-24	USD	0.33	6.98	0.33	6.98	0%	0.396	8.37	20%
BP	15-Feb-24	USD	0.079	4.19	0.073	3.88	-7%	0.091	4.87	16%
BARCLAYS	22-Feb-24	GBP	0.05	3.03	0.05	3.03	0%	0.06	3.63	20%
HSBC	7-Mar-24	USD	0.3	18.54	0.25	15.45	-17%	0.4	24.72	33%
RIO TINTO	7-Mar-24	USD	2.28	8.72	1.71	5.72	-25%	2.85	9.54	25%
ANGLO AMERICAN	14-Mar-24	USD	0.783	2.92	0.587	2.19	-25%	0.979	3.65	25%
LLOYDS	11-Apr-24	GBP	0.017	4.32	0.016	4.22	-2%	0.02	5.15	19%
GLENCORE	2-May-24	USD	0.13	5.01	0.1	3.85	-23%	0.16	6.17	23%
BP	9-May-24	USD	0.079	4.19	0.073	3.88	-7%	0.091	4.87	16%
SHELL	16-May-24	USD	0.33	6.98	0.33	6.98	0%	0.396	8.37	20%
COMPASS	13-Jun-24	GBP	0.15	0.99	0.13	0.86	-13%	0.173	1.14	15%
BP ORD	8-Aug-24	USD	0.085	4.53	0.073	3.88	-14%	0.105	5.6	24%
SHELL	8-Aug-24	USD	0.347	7.68	0.33	7.3	-5%	0.416	9.21	20%
BARCLAYS	8-Aug-24	GBP	0.028	1.67	0.023	1.36	-18%	0.035	2.12	27%
RIO TINTO	8-Aug-24	USD	1.7	5.72	1.275	4.29	-25%	2.125	7.16	25%
ASTRAZENECA	8-Aug-24	USD	1.05	4.8	0.93	4.25	-11%	1.15	5.25	10%
ANGLO AMERICAN	15-Aug-24	USD	0.85	3.17	0.638	2.38	-25%	1.063	3.96	25%
FLUTTER ENTERTAINMENT	29-Aug-24	GBP	1.2	0.69	0	0	-100%	1.35	0.78	13%
GLENCORE	29-Aug-24	USD	0.13	5.01	0.1	3.85	-23%	0.16	6.17	23%
BP	7-Nov-24	USD	0.085	4.53	0.073	3.88	-14%	0.105	5.6	24%
SHELL	14-Nov-24	USD	0.347	7.68	0.33	7.3	-5%	0.416	9.21	20%

We expect a second-quarter dividend of $0.33 for **Shell PLC**, up 15% from the first quarter, in line with a company strategy update published in mid-June 2023. Shell announced an upcoming share buyback of at least $5 billion for the second half of 2023 and upwardly adjusted its shareholder distributions from 20%-30% of cash flows from operations (CFFO) to 30%-40%. Compared with an annual DPS of $1.88 prior to the pandemic, Shell's current DPS level leaves decent room for further capital returns. On top of that, its underlying EPS and CFFO are both higher than during the pre-pandemic years.

We are seeing upside from **BP PLC**'s dividend. Currently, the company aims to increase its dividend by 4% on an annual basis. Following the dividend boost announced by Shell, we think BP will hike its quarterly payment by 8% to $0.0714 in August and increase it by 10% to $0.0785 in February 2024. In the first quarter of 2023, the company delivered a strong performance with an underlying replacement cost profit of $5 billion, lower than the 2022 record levels but higher than $4.8 billion in the fourth quarter of 2022, reflecting an exceptional gas and oil trading result. Net debt was further reduced to $21.2 billion, supporting BP's announcement of a share buyback of $1.75 billion. The announced first-quarter dividend increased by 21% year on year; in addition, following the median EPS consensus, our forecast of $0.2874 translates to a payout ratio of 28%, significantly lower than the pre-pandemic level. For the second-quarter macro-outlook, BP expects oil and gas prices to remain elevated, supported by a tighter balance between supply and demand.

We have been regularly increasing our forecast for **HSBC Holdings PLC** over the past few months, following several earnings upgrades from the brokers. The bank targets a payout ratio of 50% in financial years 2023 and 2024 and recently resumed quarterly payments. Our current projection for the final dividend of $0.21 next year assumes a payout ratio of 47% of reported EPS (slightly below the guidance of 50%). We see some upside to our forecast, as the bank may decide to strictly apply this ratio, and the EPS estimates have improved over the past few months. In addition, the DPS is supported by the ongoing share buyback program of $2 billion.

For the base case of **Rio Tinto Group**, we forecast an interim dividend of $1.93 for financial year 2023, translating to a 50% payout of the median EPS consensus for the first half of 2023. Consistent with a 50% payout for the interim dividend, our bear-case forecast of $1.45 is based on lower EPS, and the best-case scenario of $2.41 is based on higher EPS. Despite challenging market conditions, Rio Tinto delivered a solid performance for financial year 2022 with a net debt of $4.2 billion, mainly driven by $9 billion in free cash flow offsetting $11.7 billion in shareholder returns.

Glencore PLC is committed to a particular methodology for calculating dividends, which are comprised of a fixed $1 billion and a variable element representing a minimum 25% of free cash flow (FCF) generated by industrial assets. According to the 2023 illustrative spot annualized FCF by Glencore, industrial EBITDA is forecast to be about $19.2 billion, and capex is forecast to be $6 billion. Taking the guided inputs as reference and considering the ongoing share buybacks, we foresee an annual base distribution of $0.26 for 2024. The bear case of $0.2 and the best case of $0.32 are 23% up or down compared with the base scenario, showing our concerns about the uncertainty of cash flow stability, outstanding shares and the net debt level.

For **Anglo American PLC**, we expect an interim dividend of $0.74 for financial year 2023, down 40% on the prior year reflecting a sliding profit performance following the record year financial year 2021. Following median EPS projections for the first half of 2023, our forecast leads to a 40% payout, in line with the policy. Underlying EBITDA ended financial year 2022 at $14.5 billion, a 30% decrease from financial year 2021, driven by inflationary headwinds and higher energy prices combined with lower production volumes. Financial year 2022 delivered a return on capital employed of 30%, above the 15% target, and a mining EBITDA margin of 47%. Financial year 2023 is expected to see underlying profits shrink further, but net debt will remain at a healthy low level, which can support a strong balance sheet and sustainable dividend commitments.

2023 FTSE 100 DIPs by Amount Confidence

High, 65
Medium, 45
Low, 1
Announced, 187
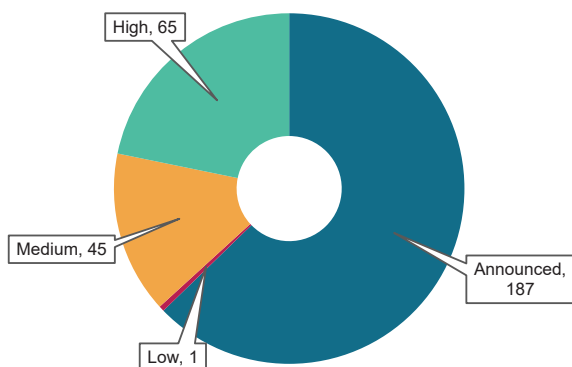
Data compiled Jul. 05, 2023.
Source: S&P Global Market Intelligence.
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2024 FTSE 100 DIPs by Amount Confidence
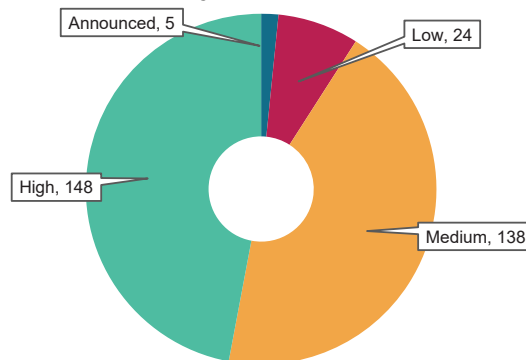
Announced, 5
Low, 24
High, 148
Medium, 138

Data compiled Jul. 05, 2023.
Source: S&P Global Market Intelligence.
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Risky dividend analysis – Eurex vs. S&P

Risky dividend analysis – Eurex vs. S&P

Eurex DPS vs. S&P DPS	2023 annual expiry			2024 annual expiry		
Company name	S&P DPS	Eurex DPS	*Diff*	S&P DPS	Eurex DPS	*Diff*
ABN AMRO	€ 1.03	€ 1.04	*1.0%*	€ 1.10	€ 0.85	***-22.7%***
adidas	-	-	-	€ 0.00	€ 0.81	***Resumption***
AB InBev	$0.95	$0.85	*-10.3%*	$1.10	$1.06	*-3.9%*
Banco Santander	€ 0.14	€ 0.13	*-6.1%*	€ 0.16	€ 0.14	*-13.4%*
Barclays	£0.08	£0.07	*-6.7%*	**£0.08**	**£0.06**	***-18.7%***
BBVA	€ 0.46	€ 0.44	*-4.5%*	€ 0.55	€ 0.47	*-14.1%*
BNP Paribas	-	-	-	€ 3.90	€ 4.07	*4.3%*
BP	$0.28	$0.28	*1.8%*	$0.33	$0.29	*-11.3%*
Richemont	CHF 2.50	CHF 2.41	*-3.5%*	CHF 2.80	CHF 2.47	*-11.8%*
Credit Agricole	-	-	-	€ 0.75	€ 0.75	*-0.3%*
Deutsche Bank	-	-	-	€ 0.45	€ 0.40	*-11.1%*
Endesa	€ 1.96	€ 1.59	***-18.9%***	€ 0.69	€ 1.09	***57.4%***
Glencore	$0.40	$0.40	*-0.2%*	**$0.26**	**$0.39**	***49.2%***
HSBC	$0.53	$0.55	*3.2%*	**$0.60**	**$0.50**	***-17.0%***
Inditex	€ 0.80	€ 0.80	*0.0%*	€ 0.97	€ 0.84	*-13.7%*
ING Groep	€ 0.67	€ 0.70	*4.5%*	€ 0.88	€ 0.77	*-12.5%*
KBC Groep	€ 4.00	€ 3.88	*-3.1%*	€ 4.20	€ 3.88	*-7.7%*
Lloyds	£0.02	£0.03	*8.6%*	£0.03	£0.02	*-8.2%*
LVMH	€ 12.60	€ 12.89	*2.3%*	€ 14.40	€ 14.00	*-2.8%*
Nokia	€ 0.11	€ 0.11	*1.8%*	€ 0.14	€ 0.14	*0.0%*
OMV	-	-	-	€ 2.50	€ 2.37	*-5.2%*
Orange	€ 0.70	€ 0.70	*-0.1%*	€ 0.72	€ 0.68	*-5.6%*
Rio Tinto	$4.18	$4.14	*-1.0%*	$3.98	$4.07	*-2.2%*
Shell	$1.24	$1.25	*1.0%*	$1.39	$1.33	*-4.0%*
Societe Generale	-	-	-	€ 1.70	**1.47**	***-13.5%***
Stellantis	-	-	-	€ 1.34	€ 1.25	*-6.7%*
UBS Group	-	-	-	CHF 0.55	CHF 0.52	*-5.5%*
Vinci	€ 4.10	€ 4.15	*1.2%*	€ 4.30	€ 4.12	*-4.3%*
Vonovia	-	-	-	€ 1.58	€ 0.50	***-68.4%***

Eurex data as of June 30, 2023.
Note: S&P Global DPS excludes special and conditionals dividends
Source: S&P Global Market Intelligence and Eurex.
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SMI: Risk of frequency change with interim dividends

SMI: Risk of frequency change with interim dividends

Stock name	Probability of interim	IR answer	Peers paying more than one dividend a year	Peers paying one dividend a year
Nestle	MEDIUM	Do not intend to change frequency	Unilever, Reckitt	Danone
Roche	MEDIUM	Do not intend to change frequency	AstraZeneca, GSK	Sanofi
Novartis	MEDIUM	Reply awaited	AstraZeneca, GSK	Sanofi
Richemont	**HIGH**	**Reply awaited**	**LVMH, Kering, Hermes, Burberry, Dior**	**Prada**
Zurich Insurance	LOW	Do not intend to change frequency	Aviva, Ageas	Axa, Assicurazioni Generali
UBS Group	**MEDIUM**	**Did not confirm**	**Intesa Sanpaolo, ING, Banco Santander, BBVA, HSBC, Barclays**	**BNP Paribas, UniCredit**
ABB	LOW	Do not intend to change frequency	-	Schneider Electric, Legrand, Siemens
Lonza	LOW	Did not confirm	-	Sartorius Stedim Biotech, UCB
Sika	LOW	Reply awaited	-	Givaudan
Alcon	LOW	Reply awaited	Coloplast	EssilorLuxotica

As of July 5, 2023.
Source: S&P Global Market Intelligence.
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Recently, the Swiss corporate law was amended to include a provision for interim dividend payments. Prima facie, the prerequisites for such a distribution are the publication of audited interim financial statements for the period of distribution and approval of the payment and statements in a general shareholders meeting.

So far, no companies in Switzerland have communicated a potential change in their dividend frequency. We think **Richemont** could be a good candidate because its peers (LVMH Moët Hennessy Louis Vuitton, Kering, Hermes International SA, Christian Dior SE and Burberry Group) are all paying semiannual dividends. The other sectors where an international comparison could favor a change in payment frequency are in the pharmaceutical (**Roche/Novartis**), consumer goods (**Nestle**) and banking (**UBS**) sectors, although some European peers are still paying annual dividends. UBS paid its 2019 dividend in two equal installments in May and November 2020, following the regulators' guidelines during the pandemic.

In the pharmaceutical and consumer goods sectors, Roche, Novartis and Nestle may decide to align the dividend frequency with their American and British peers.

SX5E September reshuffle: Ferrari and Saint-Gobain candidates to enter the index while Prosus changes free float

The expected listing move of CRH to New York on or around September 25, 2023 would lead to its removal from the index. In addition, Vonovia is currently ranked 66 in the latest selection list for that index, which could lead to its exclusion. As a result, there may be two constituent changes toward the end of September.

As of early July, Ferrari, Wolters Kluwer, Saint-Gobain and RWE were in the selection list as candidates to enter the index. By looking at the stock price, Ferrari would rank 41 and Saint-Gobain 47.

We have simulated below the deletion of CRH and Vonovia and the addition of Ferrari and Saint-Gobain. That reshuffle would reduce the 2024 DIPs by 1 point to 152 points. If Wolters Kluwer enters the index instead of Saint-Gobain, that reduction could be 2 points to 151 points.

Finally, the simplification of **Prosus NV**'s corporate structure, which is expected to happen in early September, would lead to an increase in the free float from around 38% to 57%. This is expected to remove another 1 point from the index, resulting in 150 points.

SX5E reshuffle

SX5E	Effective end of Sept	Current
Divisor	**724,268,113**	714,483,971
Market cap.	**3,104,618,728,105**	3,062,678,415,218.39

Other European Indices

IBEX DIPs projections (2023-2025)
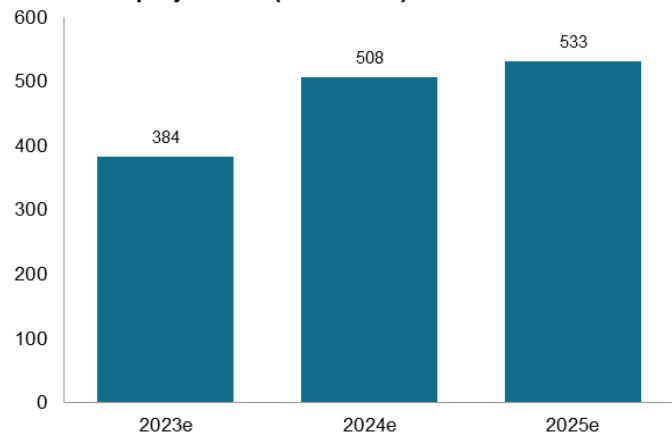
Data compiled Jul. 03, 2023.
Source: S&P Global Market Intelligence.
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FTSE MIB DIPs projections (2023-2025)
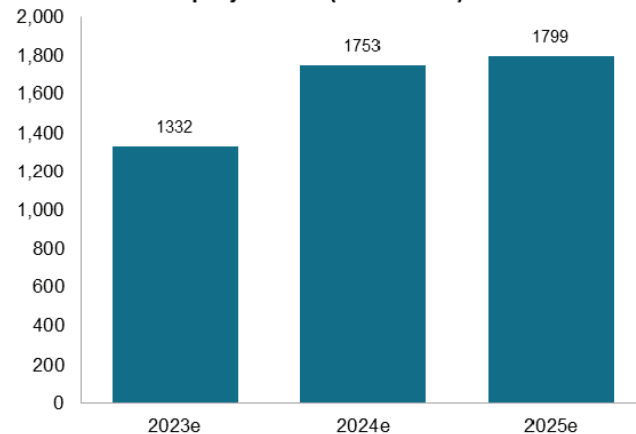
Data compiled Jul. 03, 2023.
Source: S&P Global Market Intelligence.
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Stoxx Europe 600 DIPs projections (2023-2025)
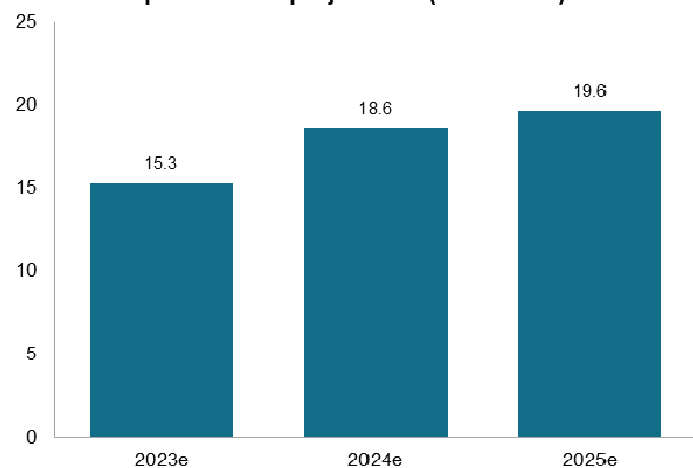
Data compiled Jul. 03, 2023.
Source: S&P Global Market Intelligence.
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SMI DIPs projections (2023-2025)
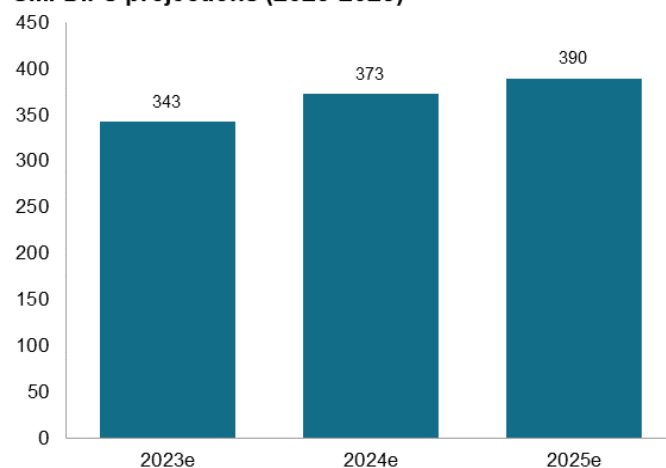
Data compiled Jul. 03, 2023.
Source: S&P Global Market Intelligence.
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DAX40 Performace DIPs projections (2023-2025)
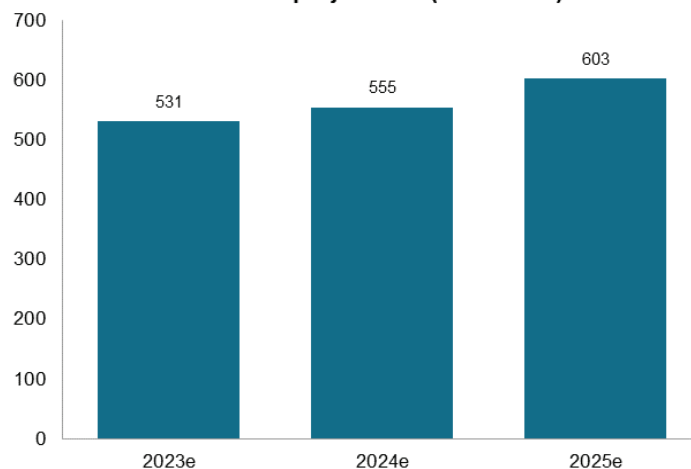
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