

Dividend initiation fever: Who is next?

Nonpayers report: Part 3

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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, along with other large-cap companies’ initiations and reinstatements.
- With a proprietary *quantamental* scoring system combined with analyst qualitative analysis, S&P Global Market Intelligence provides dividend initiation likeliness metrics for the S&P 500 non-dividend-paying companies excluding TMT companies and “dividend holdouts.”
- Dividend initiation scenarios are provided for IDEXX Laboratories Inc., Lululemon Athletica Inc., PayPal Holdings Inc. and Amazon.com Inc., among others.
- Some prominent S&P 500 constituents are not expected to initiate dividends in the short term, such as Tesla Inc., United Airlines Holdings Inc. and Chipotle Mexican Grill Inc.

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>

S&P 500 nonpayers

Dividend initiation fever

The “Dividend initiation fever” report series addresses the dividend initiation likelihood of large-cap companies in the US equity market. Before we began these reports, we addressed Google parent **Alphabet Inc.’s dividend initiation likelihood**. The company initiated dividends a few days after we released our findings (“[Google dividends: To initiate or not?](#)”)¹.

In the [first release](#) of this report series, we utilized a proprietary **quantamental scoring system** combined with **analyst qualitative sentiment** scores to rank the dividend initiation likeliness of the companies within the **S&P 500** Index that do not pay regular dividends on their common stock².

More than half of the top 20 most likely companies to initiate dividends are TMT corporates³. Likely initiations within the TMT sector were addressed in the [second release](#) of the Dividend initiation fever series.

This third edition of the Dividend initiation fever series focuses on likely initiations of non-TMT companies within the S&P 500 Index that have never paid regular dividends on their common stock. The non-TMT companies in the S&P 500 Index that used to pay dividends but currently do not (i.e., “dividend holdouts”) are analyzed in a different report, the fourth edition of this series.

Dividend initiation likeliness ranking: Top companies

Our **quantamental dividend initiation likeliness score** intends to rank companies by their financial fundamentals, with special emphasis on capital allocation given that we use this scoring system to consider whether these companies are more or less likely to initiate dividends. **IDEXX Laboratories Inc.** is the highest-ranked company excluding TMT nonpayers and dividend holdouts, as it exhibits the highest possible score in all the pillars except for dividend history (as expected), where only dividend holdouts add up.

The **quantamental** scoring system is combined with our Dividend Forecasting covering analyst **qualitative sentiment score**. This qualitative analysis considers the company’s capital allocation policy and priorities, as well as the industry trends and other factors. Moreover, it pays close attention to management commentaries and guidance regarding capital allocation priorities and their broad view of dividends if there were any comments made in recent years.

Only one of the 21 companies most likely to initiate dividends has a likely sentiment score: **Regeneron Pharmaceuticals Inc.** Regarding all the other companies, our qualitative analysis of managements’ capital allocation policies and priorities does not suggest an explicit interest in dividend initiation.

1. Special thanks to Gonzalo Ruiz-Olalde for his collaboration in this report’s quantitative and qualitative research.

2. For a complete definition and explanation of our quantamental and qualitative scoring systems, see the first report.

3. 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.”

The table below exhibits the companies in the S&P 500 Index that are most likely to initiate dividends in the short term, excluding companies from the TMT sector and dividend holdouts.

S&P 500 nonpayers — top companies most likely to initiate dividends (excluding TMT and 'holdouts')

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	●	0.86	○	●	●	●	●	●	●
Lululemon Athletica Inc.	LULU	●	0.81	○	●	●	●	●	●	●
PayPal Holdings Inc.	PYPL	●	0.71	○	●	●	●	●	●	●
O'Reilly Automotive Inc.	ORLY	●	0.71	○	●	●	●	●	●	○
Mettler-Toledo International Inc.	MTD	●	0.71	○	●	●	○	●	●	●
Fiserv Inc.	FI	●	0.67	○	●	●	●	○	●	●
Keysight Technologies Inc.	KEYS	●	0.67	○	●	●	●	●	●	●
NVR Inc.	NVR	●	0.67	○	●	●	○	●	●	●
DexCom Inc.	DXCM	●	0.62	○	●	●	●	●	●	●
IQVIA Holdings Inc.	IQV	●	0.62	○	●	●	●	○	●	●
Ulta Beauty Inc.	ULTA	●	0.62	○	●	●	○	●	●	●
Etsy Inc.	ETSY	●	0.62	○	●	●	●	○	●	●
Bio-Rad Laboratories Inc.	BIO	●	0.57	○	●	●	○	●	●	●
AutoZone Inc.	AZO	●	0.57	○	●	●	●	○	●	○
Align Technology Inc.	ALGN	●	0.57	○	●	●	○	●	●	○
Amazon.com Inc.	AMZN	●	0.52	○	○	○	●	●	●	●
CBRE Group Inc.	CBRE	●	0.52	○	●	●	●	○	●	●
Axon Enterprise Inc.	AXON	●	0.52	○	●	●	●	●	●	●
Incyte Corp.	INCY	●	0.48	○	●	●	●	●	●	○
Molina Healthcare Inc.	MOH	●	0.48	○	●	●	●	●	●	○
Regeneron Pharmaceuticals Inc.	REGN	●	0.48	○	●	●	○	●	●	○

Data compiled Aug. 22, 2024.

FCF = free cash flow.

Analyst sentiment score: Capital allocation and management commentaries' qualitative analysis groups dividend 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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Some companies with a high *quantamental* ranking score are not included in the table above given that the Dividend Forecasting team has a negative qualitative sentiment score for them. Some others are simply not considered as likely candidates for an initiation given their relatively weaker fundamentals. See the "Companies not expected to initiate dividends soon" section for further details. Finally, for the complete ranking of all the non-TMT and non-holdouts S&P 500 constituents, see the Appendix section of this report.

In the following section, we analyze some of the most-likely dividend initiation candidates and provide dividend initiation scenario analysis⁴.

4. Our initiation likeliness usually considers "short term" or "near term" as a proxy for companies which our Dividend Forecasting team considers likely to initiate within the next 24 months.

Non-TMT companies

Most likely initiations: Commentary and scenario analysis

The table exhibited in the previous section outlines all the most likely candidates for a dividend initiation. In this section, we provide dividend initiation scenario analysis for some of the most prominent companies of the abovementioned selection.

IDEXX Laboratories Inc.

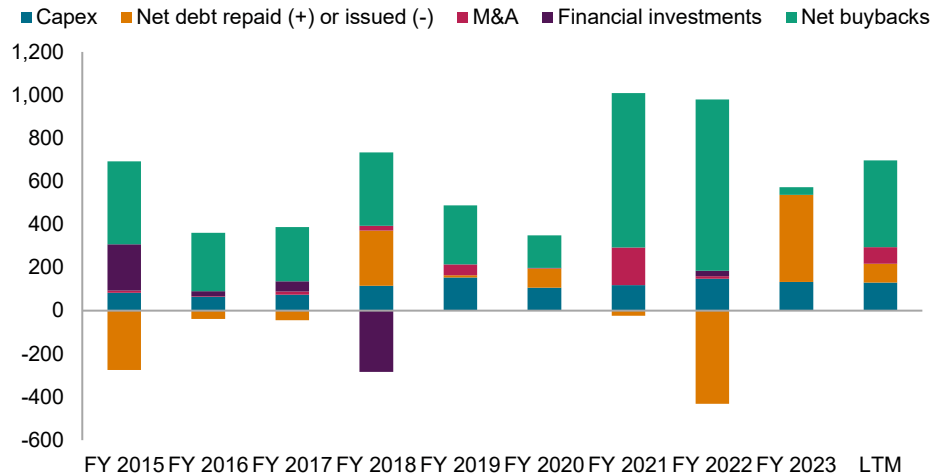
IDEXX Laboratories Inc. (IDEXX),

a developer, manufacturer and distributor of products and service provider for the companion animal veterinary, livestock and poultry, water testing and dairy markets globally, is the highest-ranked company in our *quantamental* scoring system. The company exhibits the **highest possible quantamental score** in all pillars, except for dividend history, as it has never engaged in dividend payments on its common stock in the past.

Most of the pharmaceutical company's revenue originated from its Companion Animal Group (CAG) segment, an **extremely reliable revenue** source. IDEXX has reported revenue growth in every year of at least the last decade and exhibits a 10.6% five-year compound annual growth rate (CAGR). Topline performance is also leveraged by **cost management efficiencies**: the company grows its gross margin over time. **Bottom-line performance is also stable**: the company has achieved a net income margin of over 20% every year since fiscal year 2020. Its cash flow generation and **free cash flow (FCF) margin follow a similar trend**. IDEXX shows **prudent debt management** over time: net debt has remained below 2x since fiscal year 2016, and the company manages to reduce it over time (0.51x in the last-12-months [LTM]).

IDEXX's capital allocation

US\$M



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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IDEXX's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	3.20	4.00	4.80
S&P 500 DIPs (annual)	0.031	0.039	0.047
Forward yield (%)	0.6%	0.8%	0.9%
FCF payout (%)	30.9%	38.6%	46.3%
Normalized EPS payout (%)	29.1%	36.4%	43.7%
Annual dividends (US\$M)	263	329	395

Data compiled Sept. 25, 2024.

DIPs = dividend index points; EPS = earnings per share.

Source: S&P Global Market Intelligence.

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Regarding capital allocation, the company's CFO has recently emphasized⁵ a capital allocation framework centered on supporting organic business growth and strategically related M&A activity. Excess capital is expected to be returned through share repurchases. Interestingly, IDEXX has a target of 2% full-year reduction in its share count. In the last five full fiscal years, IDEXX returned almost all its FCF via buybacks (96% FCF buyback payout). **While its management seems to prefer buybacks to drive shareholder return, its disciplined approach toward repurchases combined with a highly reliable cash generation business and healthy fundamentals could trigger IDEXX to adopt a dividend policy.**

Lululemon Athletica Inc.

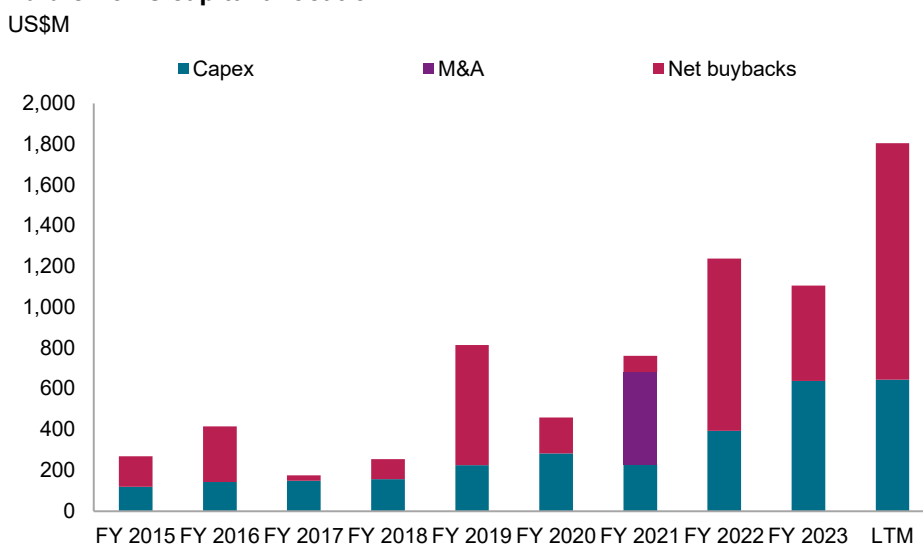
Lululemon Athletica Inc. (LULU) is a designer, distributor and retailer of technical athletic apparel, footwear and accessories. The company is **one of the top-ranked S&P 500 constituents**, as it has the highest score in all pillars excluding dividend history (it has never paid dividends on its common stock) and buyback history⁶.

Despite operating in a completely different industry, LULU has some of IDEXX's characteristics: the company has a record of **reliable revenue generation, high topline and bottom-line margins, and a solid balance sheet, as it has no debt.**

In contrast to IDEXX, **LULU lacks an explicit approach to buybacks** beyond management preference of buybacks to support shareholder return⁷. LULU also returns a substantial share of its FCF to shareholders. In the last five full fiscal years, LULU deployed 83% of its FCF via buybacks.

Like IDEXX's situation, there is no explicit commentary regarding dividends. **While the company might continue to engage exclusively in buybacks to drive shareholder return, its solid fundamentals and elevated capital return to shareholders position LULU as a top candidate for a dividend initiation.**

Lululemon's capital allocation



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Lululemon's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	2.40	3.00	3.40
S&P 500 DIPs (annual)	0.033	0.041	0.046
Forward yield (%)	0.9%	1.1%	1.3%
FCF payout (%)	20.9%	26.1%	29.6%
Normalized EPS payout (%)	171%	21.4%	24.2%
Annual dividends (US\$M)	295	368	417

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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5. 2024 Investor Day, Aug. 15, 2024.

6. For a detailed explanation of each pillar methodology and scoring system, see the first report of this Dividend initiation fever series.

7. Lululemon CFO Meghan Frank explicitly mentioned buybacks as the company's preferred method to return cash to shareholders. Q2 2025 Earnings Call, Aug. 29, 2024. Source: S&P Capital IQ Pro.

PayPal Holdings Inc.

PayPal Holdings Inc. (PYPL), a technology platform for digital and mobile P2P and merchant payments with more than 425 million active accounts in over 200 markets, exhibits an above-average *quantamental* score.

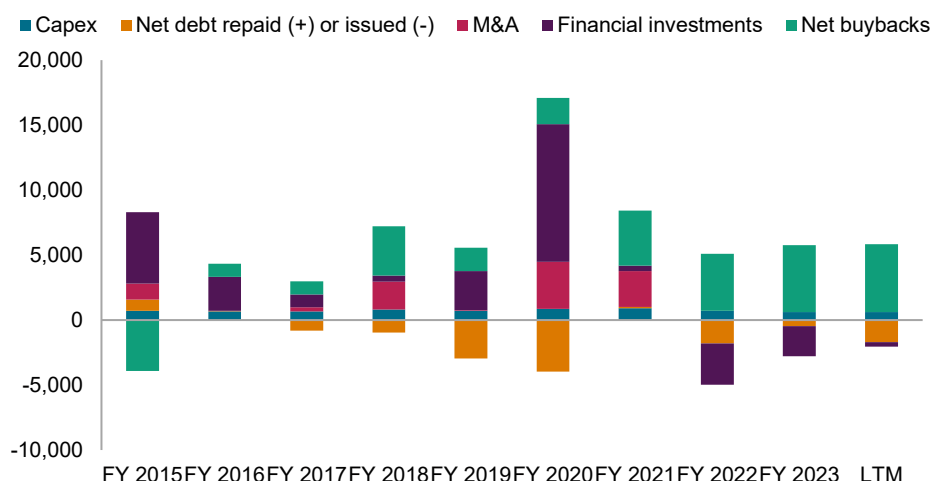
Unlike IDEXX and LULU, the company does not show a stable long-term FCF margin growth trend. While the company has managed to achieve **large FCF margins** in the past, the path has been slightly more volatile than the abovementioned companies. Nonetheless, PYPL does have **solid fundamentals** and is expected to generate over US\$6 billion in FCF in fiscal year 2024. The company has a **record of aggressive shareholder return**: in the last five years, PYPL deployed over 92% of its FCF to shareholders via buybacks. Positively, this high return has not affected its balance sheet fundamentals: with US\$13.6 billion in cash and short-term equivalents and less than US\$13 billion of total debt, PYPL has a net cash position⁸.

Beyond its *quantamental* score and a record of consistent shareholder return, a key event which supports our likely initiation thesis for PYPL is the company's top management reshuffling over the last 12 months. The company's former CEO, Dan Schulman, who had a key role in PYPL's strategy since the eBay separation in 2015, resigned in September 2023 after a long period of stock price underperformance. While the new leadership aims to reorient the business toward profitable long-term growth, we believe a dividend initiation could further support PYPL's comeback story if the new management is able to deliver according to expectations.

In a recent conference⁹, new CEO Alexander Chriss was asked if PYPL has become a capital return story now. Chriss emphasized its intention to return all FCF via buybacks.

PayPal's capital allocation

US\$M



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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PayPal's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	0.48	0.64	0.84
S&P 500 DIPs (annual)	0.058	0.077	0.102
Forward yield (%)	0.6%	0.8%	1.1%
FCF payout (%)	8.1%	10.9%	14.3%
Normalized EPS payout (%)	10.9%	14.5%	19.0%
Annual dividends (US\$M)	491	654	859

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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8. Source: S&P Capital IQ Pro.

9. PayPal at Goldman Sachs Communacopia + Technology Conference. Sept. 9, 2024. Transcript source: S&P Capital IQ Pro.

Similarly, in another conference¹⁰, new PYPL CFO Jamie Miller commented that the company's short-term capital allocation priorities are organic growth and buybacks, discarding large-scale M&A possibilities. Moreover, some of PYPL's closest peers like Visa Inc. and Mastercard Inc. already pay dividends on their common stock. **In our opinion, the "new" PYPL story management wants to bring in combined with a record and focus on shareholder return plus the lack of future large-scale M&A activity in the short term supports an initiation thesis for PYPL.**

O'Reilly Automotive Inc.

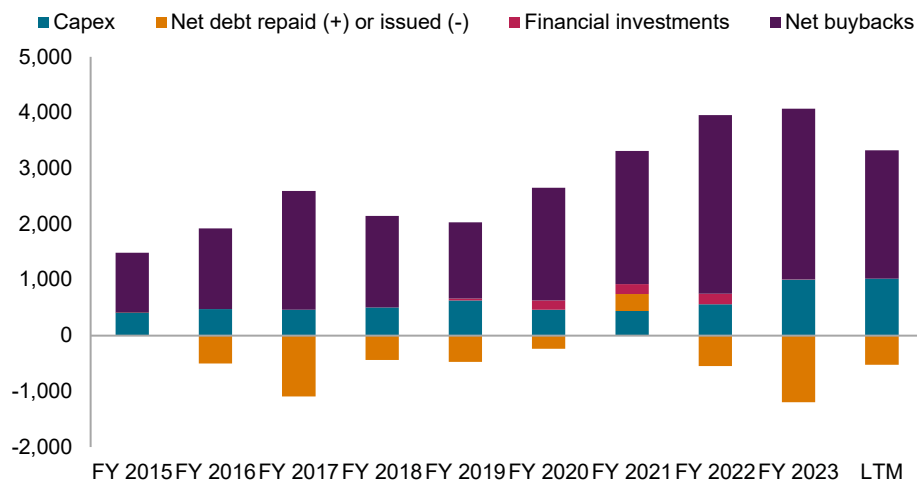
O'Reilly Automotive Inc. (ORLY), a retailer and supplier of automotive aftermarket parts, tools, supplies and equipment and accessories that operates in the US, Puerto Rico and Mexico, shows an above-average *quantamental* ranking. **ORLY exhibits the highest possible score in all pillars except for FCF margin growth over time.**

This second-largest US aftermarket auto parts retailer benefits from a significant scale and a solid FCF generation record. **The company has managed to increase its revenue every year in at least the last decade, although it does not show substantial long-term improvements in its topline and bottom-line margins.**

ORLY historically kept **manageable debt levels** and currently has a net leverage ratio of 1.79x in the LTM. Regarding capital allocation, the company engages aggressively in share repurchases and **usually returns over 100% of its FCF via buybacks**. ORLY has returned 147% of its cumulative FCF in the last five years.

We think ORLY is a suitable candidate for an initiation despite the lack of recent commentaries from its management regarding dividends. Moreover, two of its closest peers already pay dividends on their common stock (Genuine Parts Co. and Advance Auto Parts Inc.).

O'Reilly's capital allocation US\$M



As of Sept. 18, 2024.

Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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O'Reilly's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	8.00	11.20	13.60
S&P 500 DIPs (annual)	0.055	0.077	0.093
Forward yield (%)	0.7%	1.0%	1.2%
FCF payout (%)	22.9%	32.0%	38.9%
Normalized EPS payout (%)	19.4%	27.2%	33.0%
Annual dividends (US\$M)	464	650	789

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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10. PayPal at 2024 RBC Capital Markets Financial Technology Conference. June 11, 2024. Transcript source: S&P Capital IQ Pro.

Mettler-Toledo International Inc.

Mettler-Toledo International Inc.

(MTD), a global manufacturer and supplier of medical equipment precision instruments, has an elevated *quantamental* score in our ranking system.

The company exhibits the highest possible score in all pillars except for sales growth¹¹. MTD registered a year-over-year decline in its revenue in fiscal year 2023, a trend that has continued in the LTM. This was the first time since fiscal year 2015 that the company experienced a decrease in its sales. Topline headwinds derive from weak biopharma spending in China, the key market for MTD in its Asia/rest of the world revenue segment by geography, which in total accounts for approximately 32% of total revenue, according to its latest 10-K.

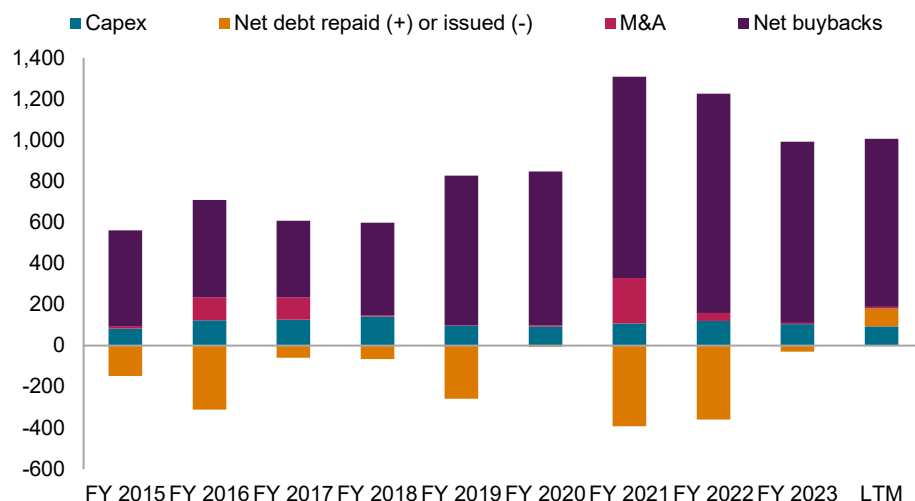
Despite the revenue decline, MTD benefits from high diversification in its products, industries and geographies. This translates into **a stable and reliable cash flow generation:** the company has achieved double-digit positive FCF margins every year in the last decade. MTD also shows efficiencies in cost management, as depicted by the decrease in its selling, general and administrative (SG&A) expenses weight from 29% of revenue in fiscal year 2017 to 24% in the LTM. The company has a manageable debt (net leverage of 1.67x in the LTM).

While short-term trends might not be ideal for a dividend initiation in the very short term, we believe MTD is a suitable candidate.

The company's management emphasizes its approach to buybacks as like a dividend, given the consistency of its share repurchase program¹². MTD has returned more than 100% of its levered FCF every year in the last decade.

Mettler-Toledo's capital allocation

US\$M



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Mettler-Toledo's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	6.80	8.00	9.60
S&P 500 DIPs (annual)	0.017	0.020	0.024
Forward yield (%)	0.5%	0.6%	0.7%
FCF payout (%)	16.7%	19.6%	23.5%
Normalized EPS payout (%)	16.9%	19.8%	23.8%
Annual dividends (US\$M)	144	170	204

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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11. MTD and all the other companies analyzed in this report have no score in the dividend history pillar. For companies which used to pay dividends in the past and currently do not (i.e., dividend holdouts), see the fourth release of the Dividend initiation fever series.

12. MTD at Bank of America 2022 Healthcare Conference, May 11, 2022. Source: S&P Capital IQ Pro.

The consistently elevated buyback payout ratio combined with strong fundamentals in a dividend initiation-prone market makes MTD a likely candidate for an initiation in the short/midterm.

Fiserv Inc.

Fiserv Inc. (FI), a global provider of financial services technology and payment-related solutions for merchants and financial institutions, has an **above-average quantamental score**.

FI benefits from a **highly recurring revenue** business. Since fiscal year 2021, the company has shown a stable high single-digit revenue growth rate, which combined with cost-cutting efficiencies translates into topline **margin growth**, supporting its high-margin business.

FI does not register a single year of negative FCF in the last decade and has achieved double-digit FCF margins since fiscal year 2020.

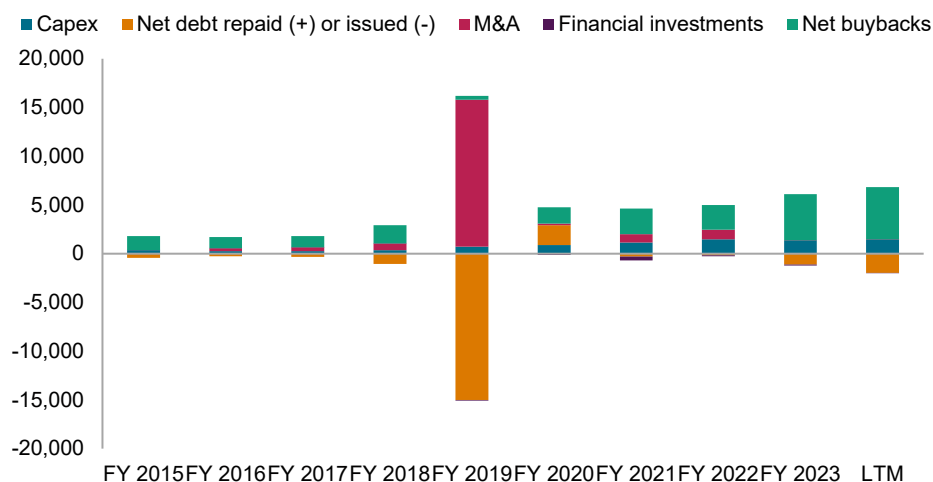
The company faces **two key weaknesses**: a **highly competitive environment** and its leverage levels. FI has the lowest score in the leverage management pillar in our *quantamental* scoring system. Despite the reduction achieved in recent years, **FI's net leverage remains high** (2.82x in the LTM).

Regarding capital allocation, even when asked about a dividend initiation possibility¹³, FI's management emphasized its disciplined approach toward capital allocation combined with a commitment to return value to shareholders. Even though organic growth and M&A are prioritized over shareholder returns, FI aims to return all excess cash via buybacks. Management's intention is reflected in FI's financials: in the cumulative last five years, the company returned 76% of its FCF, and the buyback payout ratio has increased recently (108% in fiscal year 2023).

While FI might continue to exclusively return cash to shareholders via repurchases as it has done for more than a decade, we believe it is a suitable candidate for an initiation given the dividend initiation momentum in the US market and, more

Fiserv's capital allocation

US\$M



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Fiserv's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	1.28	1.68	2.08
S&P 500 DIPs (annual)	0.087	0.114	0.142
Forward yield (%)	0.7%	0.9%	1.2%
FCF payout (%)	15.7%	20.6%	25.5%
Normalized EPS payout (%)	14.6%	19.2%	23.8%
Annual dividends (US\$M)	737	967	1,198

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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13. Fiserv Shareholder/Analyst Call held on May 19, 2021. Source: S&P Capital IQ Pro.

importantly, the company's strong fundamentals despite its high leverage. Moreover, some of FI's closest peers like Fidelity National Information Services Inc. and Global Payments Inc. already pay dividends on their common stock.

Keysight Technologies Inc.

Keysight Technologies Inc. (KEYS) provides electronic design and test solutions to the commercial communications, networking, aerospace, defense and government, automotive, energy, semiconductor, electronic and education industries in the Americas, Europe and Asia-Pacific. This industrial company has an above-average *quantamental* score.

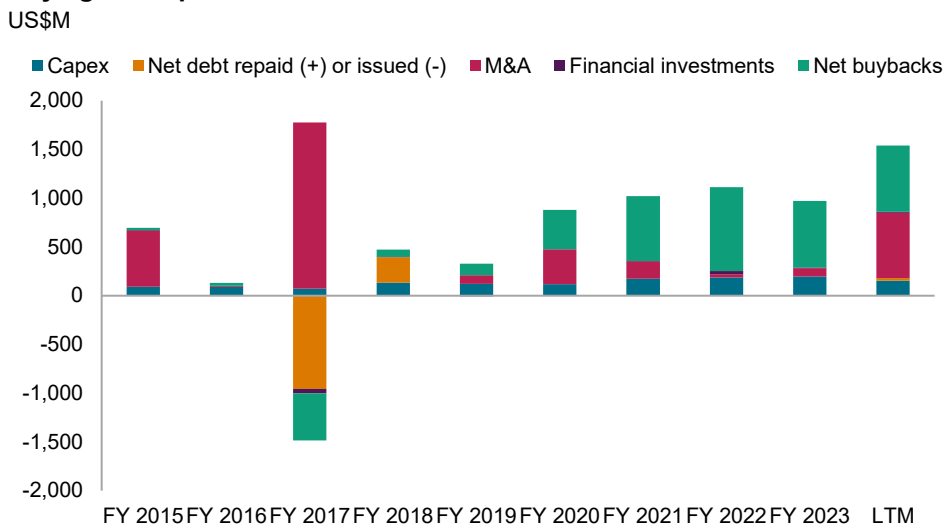
Unlike some top-ranked companies addressed before, KEYS' revenue generation is less reliable. In particular, the company faced a 10.6% decline in sales in the LTM amid inventories corrections affecting commercial communications and electronic industrial end markets, as well as muted PC and smartphone demand.

Despite the decline, the company still has a strong long-term growth potential which should be leveraged by its prudent financial policy. KEYS' leverage is low (0.32x in the LTM after three years of achieving a net cash position). Moreover, the company has a **reliable cash flow generation** over time and usually returns most of its FCF to shareholders, as depicted by the 72% buyback FCF payout ratio (fiscal years 2019–23). In addition, **some of the company's closest peers already pay dividends** on their common stock, like Agilent Technologies Inc., Motorola Solutions Inc., Ametek Inc. and Fortive Corp., among others.

In the last couple of years, KEYS' management was asked about dividends. While emphasis was made on the role buybacks play in KEYS' capital allocation, management did not explicitly favor them over dividends.

More importantly, **in 2021 dividends were explicitly considered.** Although the company decided to go for share repurchases instead of dividends, the mere consideration of

Keysight's capital allocation



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Keysight's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	0.76	1.00	1.28
S&P 500 DIPs (annual)	0.016	0.021	0.026
Forward yield (%)	0.5%	0.6%	0.8%
FCF payout (%)	12.1%	15.9%	20.3%
Normalized EPS payout (%)	12.3%	16.2%	20.7%
Annual dividends (US\$M)	132	174	222

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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dividends increases the dividend initiation likeliness for this S&P 500 constituent. Our qualitative sentiment remains neutral for this company as it is expected to continue experiencing a decrease in revenue in what remains of 2024. 2025 holds a brighter outlook, as consensus estimates price a recovery in sales.

While we would not expect KEYS to initiate dividends in calendar 2024, we believe it is a likely candidate for an initiation in the upcoming years.

Amazon.com Inc.

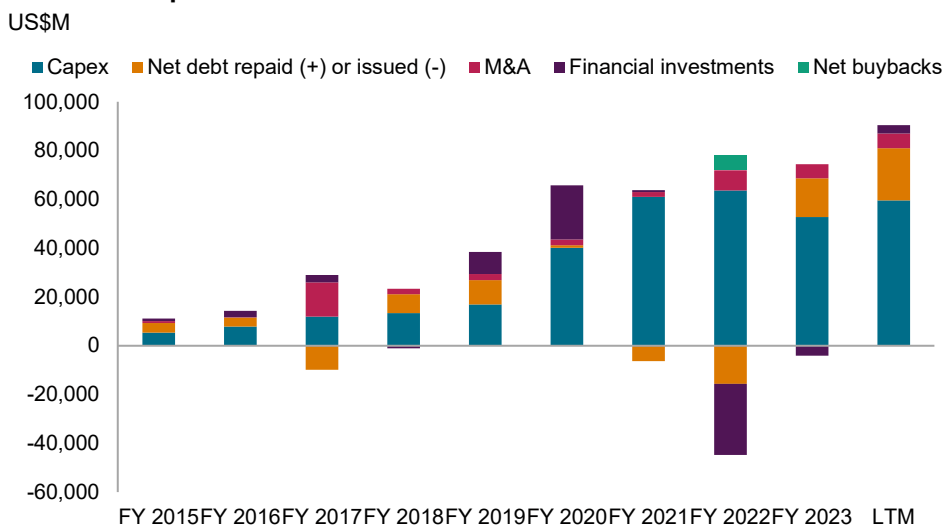
After some remarkable large-cap dividend initiations in 2024, **probably the most relevant company that still does not pay dividends is Amazon.com Inc.**

In contrast to its other Magnificent 7 peers (excluding Tesla Inc.), Amazon does not exhibit a strong shareholder return policy. **Reinvesting in the business has always been Amazon's top priority. The company only engaged in buybacks in 2022.** After spending US\$6 billion, Amazon paused the share repurchases.

Unlike Microsoft Corp.'s and Apple Inc.'s scenarios before initiating dividends, Amazon's stock price is thriving. Similarly, the company does not face activist investor pressure as Microsoft and Apple did before adopting dividends. Nonetheless, neither Meta Platforms Inc. nor Alphabet shared these common denominators and ended up initiating dividends recently. Jeff Bezos' ownership is a key factor: with almost 9% of outstanding shares, the incentive to receive a quarterly paycheck is large. Additionally, the US equity market momentum supports the dividend initiation thesis.

Does Amazon intend to pay dividends? **The company's capital allocation policy has remained unchanged since 2017: Amazon prioritizes growth and emphasizes long-term profitability.** When asked about capital allocation priorities in April 2024¹⁴, management reemphasized this.

Amazon's capital allocation



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Amazon's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	0.64	0.88	1.20
S&P 500 DIPs (annual)	0.707	0.973	1.326
Forward yield (%)	0.3%	0.5%	0.6%
FCF payout (%)	12.1%	16.7%	22.7%
Normalized EPS payout (%)	13.6%	18.7%	25.5%
Annual dividends (US\$M)	6,717	9,236	12,595

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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14. Amazon Q1 2024 Earnings Call.

Amazon has benefited from a secular digital transformation trend and is expected to continue doing so. The company has a leading market position in digital commerce and cloud computing (AWS). The company's cash flow trends continue to improve, supported by operating margin increases. Nonetheless, Amazon is a **capital-intensive business**. While its AWS business is key to its positive financial performance observed in recent quarters, capital expenditure needs have increased alongside it.

While focus might remain on reinvesting in the business and the elevated capex needs primarily associated with AWS (which accounted for over 50% of Amazon's fiscal year 2023 capex), the company's strong balance sheet¹⁵, **low leverage**¹⁶ and **record-high FCF generation**¹⁷ make Amazon a top candidate for a dividend initiation in the short term.

Regeneron Pharmaceuticals Inc.

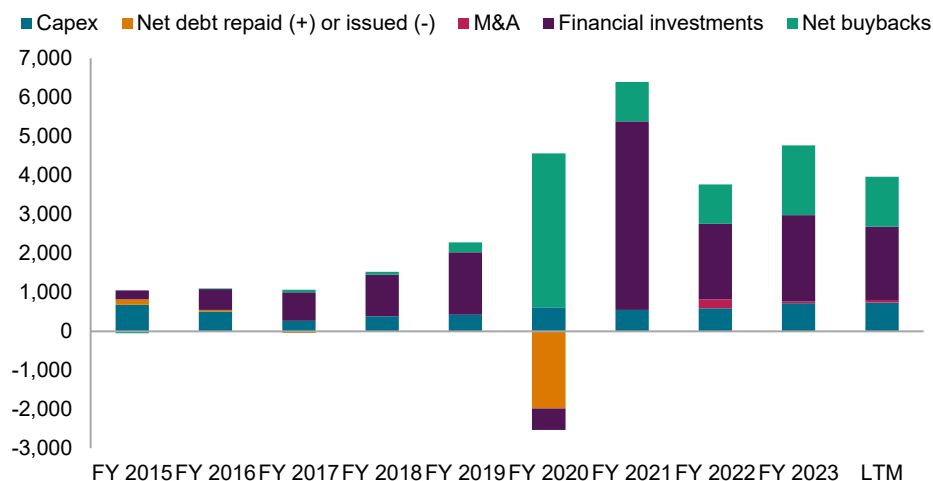
Despite not being one of the highest-ranked companies in our quantamental scoring system, we believe Regeneron Pharmaceuticals Inc. is a strong candidate for a dividend initiation in the short term.

The company was recently¹⁸ asked about the possibility of initiating dividends. Regeneron's CFO commented that the company even brought in some outside advisers to analyze whether it made sense to initiate a dividend. Despite concluding that 2023–24 was not the right time, **emphasis was made on a dividend initiation intention once the costs incurred for developments with Sanofi are fully paid down.**

Regeneron shows a prudent financial policy over time. The company has had a net cash position every year in the last decade and exhibits a cash and short-term investments position of US\$9.8 billion in its balance sheet. Regeneron's FCF generation is highly reliable: the company has managed to achieve double-digit FCF margins every year since fiscal year 2016.

Regeneron's capital allocation

US\$M



As of Sept. 18, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

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Regeneron's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	10.00	14.00	18.00
S&P 500 DIPs (annual)	0.008	0.011	0.015
Forward yield (%)	1.0%	1.3%	1.7%
FCF payout (%)	21.4%	29.9%	38.4%
Normalized EPS payout (%)	22.2%	31.1%	40.0%
Annual dividends (US\$M)	1,079	1,511	1,943

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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15. Amazon has US\$89 billion in cash and short-term equivalents.

16. 0.59x net debt to EBITDA in the LTM.

17. US\$59.1 billion in the LTM.

18. Morgan Stanley 22nd Annual Global Healthcare Conference held on Sept. 4, 2024. Source: S&P Capital IQ Pro.

Companies not expected to initiate dividends soon

In the Appendix (see below), we include the complete list of S&P 500 nonpayers excluding TMT companies and dividend holdouts. The table exhibits that some of the highest-ranked companies in our *quantamental* assessment have an unlikely qualitative sentiment score. In other words, the Dividend Forecasting team covering analyst does not expect these companies to initiate dividends in the short term either due to their financial performance or due to other reasons.

For instance, **Chipotle Mexican Grill Inc.** is one of the most prominent names with a negative sentiment score. Despite Chipotle's solid financials (which support the company's top 15% ranking in our *quantamental* scoring system), the covering Dividend Forecasting analyst does not expect the company to initiate dividends soon, arguing that Chipotle's capital uses are primarily focused on expanding its restaurant footprint. **Monster Beverage Corp.** faces a similar situation.

Some other companies' *unlikely* qualitative sentiment scores derive from an explicit lack of intention of initiating dividends from their managements. While **Berkshire Hathaway Inc.** is probably the most known example, this also applies to **Teledyne Technologies Inc.** Interestingly, **Edwards Lifesciences Corp.** also falls under this category. Despite being one of the highest-ranked nonpayers in our *quantamental* scoring system, a few years ago its management discarded the possibility of initiating dividends soon. Without a doubt, due to the solid financial performance the company exhibits, the negative qualitative sentiment needs to be revised on a more frequent period than Berkshire or Teledyne, for instance.

A few companies are restricted from paying dividends due to their debt/credit covenants. Consequently, we have a negative sentiment score on them. For instance, **Uber Technologies Inc.**, **Builders FirstSource Inc.** and **CoStar Group Inc.** belong to this category.

Many non-dividend-paying companies in this group cannot simply afford dividend payments, regardless of debt restrictions or capital allocation preferences. Some remarkable names facing challenging financial performances are **Moderna Inc.**, **Norwegian Cruise Line Holdings Ltd.** and **United Airlines Holdings Inc.**

Finally, many other companies exhibit a **low *quantamental* ranking and a neutral sentiment score**. Probably the most remarkable nonpayer in this category is **Tesla**. Despite holding one of the largest market capitalization in the US equity market, we believe this Magnificent 7 member might not initiate dividends soon. While the company has over US\$30 billion in cash and short-term equivalents in the LTM, Tesla has been a net debt issuer since fiscal year 2023, and, more importantly, it carries a negative FCF in the LTM. The company has seen muted sales growth recently (-3% year to date and +1.4% year over year in the LTM). Profitability decline might be the most worrying signal for this leading electric vehicle manufacturer. We believe Tesla will prioritize reinvesting in the business and normalizing its profitability metrics in this high pricing pressure and rising competition environment the company engages in. Nonetheless, given its strong balance sheet and cash position, the company certainly is a candidate for a dividend initiation in the midterm.

Appendix: Dividend initiation likeliness complete ranking

The table below includes the complete ranking of S&P 500 non-dividend-paying companies excluding companies that operate in the TMT sector and dividend holdouts.

S&P 500 nonpayers — dividend initiation likelihood ranking (excluding TMT companies and 'holdouts')

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	🟡	0.86	○	●	●	●	●	●	●
Lululemon Athletica Inc.	LULU	🟡	0.81	○	●	●	●	●	●	●
Chipotle Mexican Grill Inc.	CMG	🔴	0.71	○	●	●	●	●	●	●
PayPal Holdings Inc.	PYPL	🟡	0.71	○	●	●	●	●	●	●
O'Reilly Automotive Inc.	ORLY	🟡	0.71	○	●	●	●	●	●	○
Edwards Lifesciences Corp.	EW	🔴	0.71	○	●	●	●	●	●	○
Mettler-Toledo International Inc.	MTD	🟡	0.71	○	●	●	○	●	●	●
Fiserv Inc.	FI	🟡	0.67	○	●	●	●	○	●	●
Keysight Technologies Inc.	KEYS	🟡	0.67	○	●	●	●	○	●	●
NVR Inc.	NVR	🟡	0.67	○	●	●	○	●	●	●
DexCom Inc.	DXCM	🟡	0.62	○	●	●	●	●	●	●
IQVIA Holdings Inc.	IQV	🟡	0.62	○	●	●	●	○	●	●
Ulta Beauty Inc.	ULTA	🟡	0.62	○	●	●	○	●	●	●
Monster Beverage Corp.	MNST	🔴	0.62	○	●	●	●	●	●	●
Etsy Inc.	ETSY	🟡	0.62	○	●	●	●	○	●	●
Bio-Rad Laboratories Inc.	BIO	🟡	0.57	○	●	●	○	●	●	●
AutoZone Inc.	AZO	🟡	0.57	○	●	●	●	○	●	○
Centene Corp.	CNC	🔴	0.57	○	●	●	●	●	●	○
Align Technology Inc.	ALGN	🟡	0.57	○	●	●	○	●	●	○
Trimble Inc.	TRMB	🔴	0.57	○	●	●	●	○	●	●
Mohawk Industries Inc.	MHK	🔴	0.57	○	●	●	○	●	●	●
Teledyne Technologies Inc.	TDY	🔴	0.57	○	●	●	●	●	●	●
Amazon.com Inc.	AMZN	🟡	0.52	○	○	○	●	●	●	●
Berkshire Hathaway Inc.	BRK.A	🔴	0.52	○	●	●	●	●	●	●
Builders FirstSource Inc.	BLDR	🔴	0.52	○	●	●	○	●	●	●
CBRE Group Inc.	CBRE	🟡	0.52	○	●	●	●	○	●	●
Axon Enterprise Inc.	AXON	🟡	0.52	○	●	●	●	●	●	●
Incyte Corp.	INCY	🟡	0.48	○	●	●	●	●	●	○
Molina Healthcare Inc.	MOH	🟡	0.48	○	●	●	●	●	●	○
Regeneron Pharmaceuticals Inc.	REGN	🟢	0.48	○	●	●	○	●	●	○
Airbnb Inc.	ABNB	🟡	0.48	○	●	●	●	●	●	●
Copart Inc.	CPRT	🟡	0.48	○	○	○	●	●	●	●
Corpay Inc.	CPAY	🟡	0.48	○	●	●	●	○	●	●
Caesars Entertainment Inc.	CZR	🟡	0.48	○	●	●	●	○	●	●
Enphase Energy Inc.	ENPH	🟡	0.48	○	●	●	○	●	●	●
DaVita Inc.	DVA	🔴	0.48	○	●	●	○	○	●	●
Uber Technologies Inc.	UBER	🔴	0.48	○	●	●	●	○	●	●
Henry Schein Inc.	HSIC	🟡	0.43	○	●	●	○	○	●	○
Live Nation Entertainment Inc.	LYV	🔴	0.43	○	●	●	●	○	●	○
CoStar Group Inc.	CSGP	🔴	0.38	○	●	●	●	●	○	○
Vertex Pharmaceuticals Inc.	VRTX	🟡	0.38	○	●	●	●	●	●	○
Waters Corp.	WAT	🟡	0.38	○	○	○	○	●	●	●
Berkshire Hathaway Inc.	BRK.A	🔴	0.52	○	●	●	●	●	●	●
Hologic Inc.	HOLX	🟡	0.38	○	●	●	○	●	●	○
Intuitive Surgical Inc.	ISRG	🔴	0.33	○	○	○	●	●	●	○
Charles River Laboratories International Inc.	CRL	🔴	0.33	○	○	○	●	○	●	●
Boston Scientific Corp.	BSX	🔴	0.29	○	○	○	●	●	●	●
Dollar Tree Inc.	DLTR	🟡	0.29	○	●	●	●	○	○	○
Insulet Corp.	PODD	🔴	0.29	○	○	○	●	○	○	●
Illumina Inc.	ILMN	🔴	0.29	○	○	○	○	○	●	●
Tesla Inc.	TSLA	🟡	0.24	○	○	○	●	●	○	○
CarMax Inc.	KMX	🟡	0.24	○	●	●	○	○	○	●
Zebra Technologies Corp.	ZBRA	🟡	0.14	○	○	○	○	○	●	○
Biogen Inc.	BIIB	🟡	0.14	○	○	○	○	○	●	○
First Solar Inc.	FSLR	🔴	0.14	○	○	○	○	●	○	○
United Airlines Holdings Inc.	UAL	🔴	0.05	○	○	○	●	○	○	○
Catalent Inc.	CTLT	🔴	0.05	○	○	○	○	○	○	●
Norwegian Cruise Line Holdings Ltd.	NCLH	🔴	0.05	○	○	●	○	○	○	○
Moderna Inc.	MRNA	🔴	0.00	○	○	○	○	○	○	○

Data compiled Aug. 22, 2024.

Analyst sentiment score: capital allocation and management commentaries' qualitative analysis groups dividend 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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