

# Dividend initiation fever: Who is next?

## Nonpayers report: Part 4

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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 dividend “holdouts” — i.e., companies which used to pay dividends in the past and currently do not.
- Most of the US large-cap dividend holdouts are not expected to reinstate dividend payments in the near term despite the elevated dividend initiation momentum in the US equity market.
- Only two holdouts are likely to reinstate dividends soon: Aptiv PLC and Expedia Group 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.

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# 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 this series of 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?](#)”).

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 stock<sup>1</sup>.

More than half of the top 20 most likely companies to initiate dividends are TMT corporates<sup>2</sup>. **Likely initiations within the TMT sector** were addressed in the second release of the Dividend initiation fever series ([access here](#)).

The third edition of the Dividend initiation fever series considers likely initiations of non-TMT companies within the S&P 500 Index. Nonetheless, one specific group of S&P 500 nonpayers that do not operate in the TMT sector differentiate themselves from regular non-dividend-paying companies. This fourth edition of the Nonpayers report series examines the **dividend reinstatement likeliness of this small group of S&P 500 constituents that used to pay dividends but currently do not**. We refer to these companies as “**dividend holdouts**.”

## Dividend ‘holdouts’

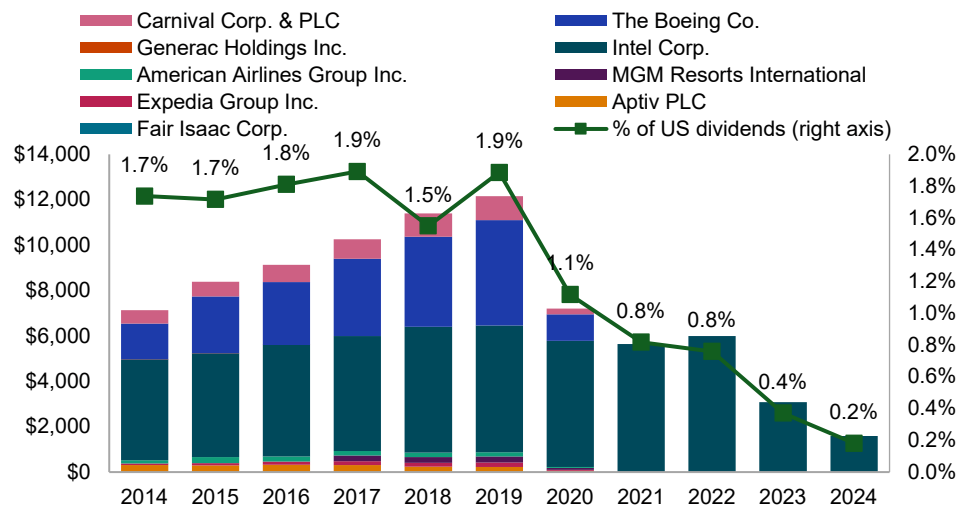
As abovementioned, some S&P 500 constituents used to pay dividends a few years ago but have not reinstated them since the suspension.

Prominent names include **The Boeing Co., American Airlines Group Inc., Carnival Corp. & PLC and Expedia Group Inc.**

While some of these companies were struggling before 2020 and the dividend sustainability was already at risk (especially Boeing), the COVID-19 outbreak substantially affected their industries, pushing most of them to preserve cash and suspend distributions to shareholders.

### Dividend holdouts

Historical dividend payments



Data compiled Aug. 27, 2024.

US\$M.

Source: S&P Global Market Intelligence.

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

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.”

In addition, **Intel Corp.** has recently become a dividend holdout after the dividend suspension announced in August 2024. Similarly, The **Cooper Companies Inc.** suspended dividends by the end of 2023.

Most of these holdouts were remarkable dividend-paying companies in the past with a long-dated dividend history. Combined, these even accounted for almost 2% of the entire US dividend universe. **Are these dividend holdouts likely to reinstate soon?**

## Quantamental scoring

According to our *quantamental* dividend initiation likeliness score<sup>3</sup>, Fair Isaac Corp. is the highest-ranked company, as it exhibits the highest possible score in all pillars except for leverage management and dividend history. Our *quantamental* scoring is combined with the covering analyst qualitative sentiment score. Only one of these corporates has a “likely” analyst qualitative sentiment score: Expedia.

### Dividend 'holdouts' in the S&P 500 Index

Company	Ticker	Analyst sentiment	Overall score	Dividend history	Buyback history	Buyback payout	Sales growth	Leverage management	FCF stability	FCF margin growth
Fair Isaac Corp.	FICO		0.76							
Aptiv PLC	APTIV		0.57							
Expedia Group Inc.	EXPE		0.57							
MGM Resorts International	MGM		0.52							
American Airlines Group Inc.	AAL		0.38							
Generac Holdings Inc.	GNRC		0.29							
The Boeing Co.	BA		0.24							
Carnival Corp. & PLC	CCL		0.19							

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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In the following section, we analyze each company’s situation and provide scenario analysis for those that could reinstate dividends in the near term<sup>4</sup>.

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

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.

# Company analysis

## American Airlines Group Inc.

American Airlines (AAL) initiated dividends in 2014 with a quarterly dividend per share (DPS) of US\$0.1. The DPS remained flat until its suspension in early 2020. The company spent on average US\$201 million in dividends per year before the COVID-19 outbreak. Its payout ratio was minimal: only 4.4% of its annual OCF<sup>5</sup> on average. Repurchases largely exceeded dividends. While AAL deployed over US\$1 billion from fiscal year 2015 to fiscal year 2019 via dividends, expenses related to buybacks amounted to US\$11.8 billion in the same period. In summary, **AAL had a record of a flat and low payout dividend largely shadowed by its management's implicit preference of share repurchases over dividends.**

After the COVID-19 outbreak, dividends were suspended. AAL received assistance under PSP1, PSP2 and PSP3 which required it to not pay dividends on its common stock nor repurchase it through September 2022. Since then, AAL's key objective has been **deleveraging**.

The company's management set a US\$15 billion debt reduction target for year-end 2025. According to its latest earnings presentation, AAL already achieved 87% of it. Returning to **profitability** was and still is the other top priority. While its net income margin improved post-COVID-19, it has faced some pressures in the last-12-months (LTM).

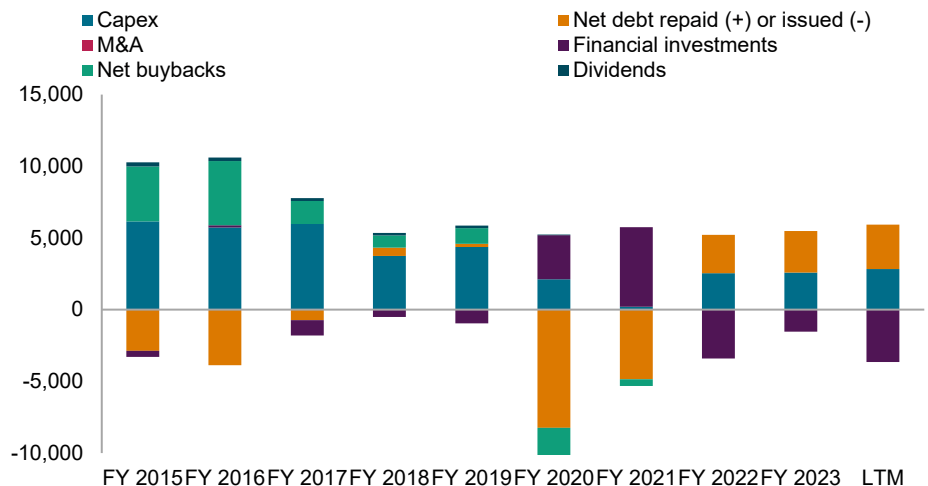
**Regarding the capital return possibility, CEO Robert Isom has recently commented that these would only be considered beyond 2025 once the debt target is reached<sup>6</sup>.**

On capital allocation, fleet replacement needs (capital expenditure) remain the company's main cash use. AAL has limited these needs to US\$3.0 billion-US\$3.5 billion annually until 2030, below the US\$3.9 billion annual average observed in 2014–19.

While limited capex might offset growth perspectives, the short-term industry outlook is unfavorable for AAL (and its peers). The industry faces slowing demand, pivoting away from the capacity growth trend observed in the last few quarters. The industry's inability to pivot quickly is expected to translate into muted revenue growth in calendar year 2025. In conclusion, **we do not expect AAL to reinstate dividends before 2026.**

### American Airlines' capital allocation

US\$M



Data compiled Sept. 25, 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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5. Cash from operations.

6. American Airlines, Q1 Earnings Call, April 25, 2024. In June 2022, the board was explicitly asked about a dividend reinstatement possibility. The question was addressed with a similar answer, emphasizing debt reduction and profitability as the key objectives up until at least 2025.

## American Airlines' financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	49,866	49,324	45,801	27,377	15,287	42,873	41,689	40,021	37,830	36,272
Revenue (YOY %)	1.1%	7.7%	67.3%	79.1%	-64.3%	2.8%	4.2%	5.8%	4.3%	-4.5%
Gross margin (%)	23.9%	26.1%	23.4%	5.3%	-31.7%	29.1%	27.4%	31.0%	33.2%	35.2%
EBITDA margin (%)	9.6%	11.9%	9.2%	-10.6%	-52.0%	13.6%	13.3%	16.7%	19.1%	21.7%
Net income margin (%)	-0.2%	1.6%	0.3%	-6.7%	-51.2%	3.7%	3.2%	3.0%	6.4%	18.6%
FCF (US\$M)	1,951	2,920	1,565	1,849	-8,259	569	1,397	-3	261	658
FCF margin (%)	3.9%	5.9%	3.4%	6.8%	-54.0%	1.3%	3.4%	0.0%	0.7%	1.8%
Net debt/EBITDA	3.1x	3.0x	3.8x	29.5x	NM	2.8x	2.9x	2.8x	2.3x	1.6x
Net debt/(EBITDA - capex)	4.4x	4.0x	5.4x	36.3x	NM	4.8x	4.7x	17.4x	9.2x	5.2x

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

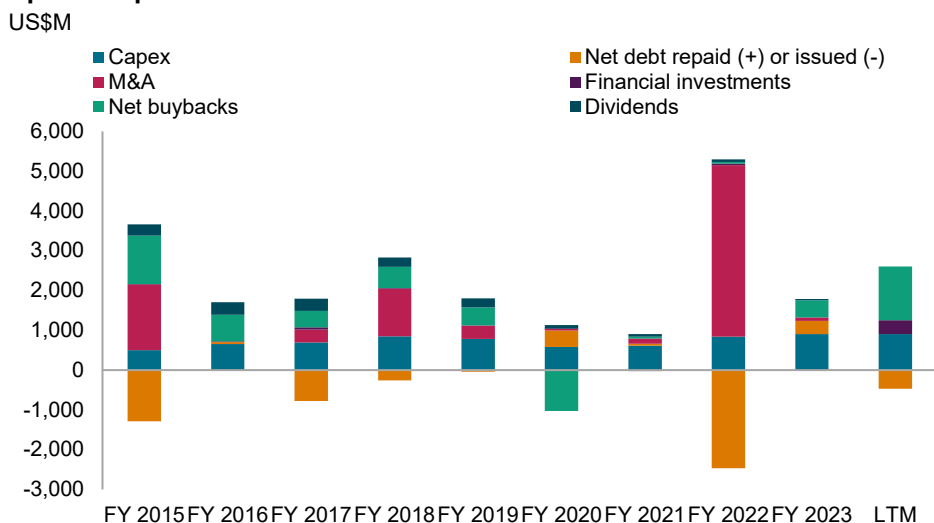
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## Aptiv PLC

Aptiv, one of the world's largest vehicle components manufacturers focused on new mobility solutions, initiated dividends in 2013. It did not grow the dividend every year, spending on average US\$269 million annually, an average payout of 29% of its normalized earnings<sup>7</sup>. The company's board decided to suspend the dividend after the COVID-19 outbreak to preserve liquidity.

**Despite the suspension, shareholder return was not overlooked.** According to Aptiv's latest earnings presentation<sup>8</sup>, from 2011 to 2024 year to date, Aptiv spent US\$27 billion in "capital deployment," with a balanced approach between M&A (36%), cash returned to shareholders (33%) and capex (31%).

### Aptiv's capital allocation



Data compiled Sept. 25, 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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**M&A was the main capital use after 2020**, as depicted by the company's US\$4.3 billion acquisition of intelligent edge software provider Wind River. While the large valuation multiples implied in the transaction might explain the poor share price performance of Aptiv since then, Wind River's long-term growth perspectives should pay benefits in the midterm, apart from diversifying Aptiv's end markets beyond automotives.

7. 17.5% average between fiscal year 2018 and fiscal year 2019, the last two "full" fiscal years before the suspension.

8. Aptiv Q2 2024 Earnings Call presentation. Source: S&P Capital IQ Pro.

**More recently, Aptiv is aggressively focusing on shareholder return.** The board authorized a new US\$5 billion share repurchase program, approximately 25% of Aptiv's market capitalization<sup>9</sup>.

**Aptiv's financial performance supports the refocus on shareholder return.** The company has increased manufacturing and engineering efficiency, and its margins have returned to pre-COVID-19 levels. From a balance sheet perspective, Aptiv deleveraged following Wind River acquisition: its net debt-to-EBITDA ratio dropped from 2.41x in fiscal year 2022 to 1.71x in the LTM, in line with its fiscal years 2015–19 average of 1.7x.

**Estimates are optimistic as well.** Bottom-line performance is forecast to outpace revenue growth by 10 percentage points compound annual growth rate (CAGR) in the next five years<sup>10</sup>.

### Aptiv's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	19,985	20,051	17,489	15,618	13,066	14,357	14,435	12,884	12,274	10,864
Revenue (YOY %)	-0.3%	14.6%	12.0%	19.5%	-9.0%	-0.5%	12.0%	5.0%	13.0%	-29.9%
Gross margin (%)	18.5%	17.2%	15.1%	15.6%	14.9%	18.5%	18.9%	20.4%	22.4%	20.1%
EBITDA margin (%)	14.9%	13.7%	12.1%	12.7%	12.0%	14.7%	15.5%	16.0%	17.7%	14.9%
Net income margin (%)	18.5%	14.7%	3.4%	3.8%	13.8%	6.9%	7.4%	10.5%	10.2%	13.3%
FCF (US\$M)	1,393	862	514	601	1,288	353	553	874	1,116	501
FCF margin (%)	7.0%	4.3%	2.9%	3.8%	9.9%	2.5%	3.8%	6.8%	9.1%	4.6%
Net debt/EBITDA	1.7x	1.8x	2.4x	0.6x	1.0x	2.0x	1.7x	1.2x	1.5x	2.1x
Net debt/(EBITDA - capex)	2.4x	2.6x	3.8x	0.9x	1.5x	3.0x	2.7x	1.9x	2.1x	3.1x

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

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From a financial standpoint, Aptiv could reinstate dividends and organically finance them. Nonetheless, CFO Joseph Massaro commented during the Aug. 9, 2023, J.P. Morgan Auto Conference, “[I] Don't see the dividend coming back at least in the near to midterm. Again, we think we have ample organic and inorganic investment opportunities.”

Despite this, **we believe the refocus on shareholder return combined with a strong financial performance and an elevated dividend initiation momentum in the US market makes Aptiv a strong candidate for a reinstatement sometime in the next 12 to 24 months.**

### Aptiv's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	0.88	1.10	1.26
S&P 500 DIPs (annual)	0.028	0.035	0.040
Forward yield (%)	1.2%	1.5%	1.7%
FCF payout (%)	19.8%	24.7%	28.3%
Normalized EPS payout (%)	14.0%	17.5%	20.1%
Annual dividends (US\$B)	234	292	335

Data compiled Sept. 25, 2024.

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

Source: S&P Global Market Intelligence.

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9. Market capitalization as of July 31, 2024.

10. Consensus estimates expect Aptiv's normalized net income to grow at a 16% CAGR in the next five years, above the 6% priced in revenue estimates for the same period.



## Carnival Corp. & PLC

Carnival (CCL), one of the largest cruise operators in the world, used to have a long-dated dividend policy before 2020. The company paid dividends since at least 1994. CCL only temporarily suspended them in 2009 because of the Great Financial Crisis (GFC) economic turmoil<sup>11</sup>. Since 2010, CCL uninterruptedly paid quarterly dividends<sup>12</sup> amounting to almost US\$1.4 billion annually until 2020, when CCL suspended dividends to preserve liquidity given the gloomy outlook the COVID-19 outbreak represented for the travel and leisure industry.

**A solid pre-COVID-19 dividend track record should support a dividend reinstatement thesis for CCL.**

Moreover, **Royal Caribbean Cruises Ltd.** — CCL's closest peer — **has just reinstated dividends.**

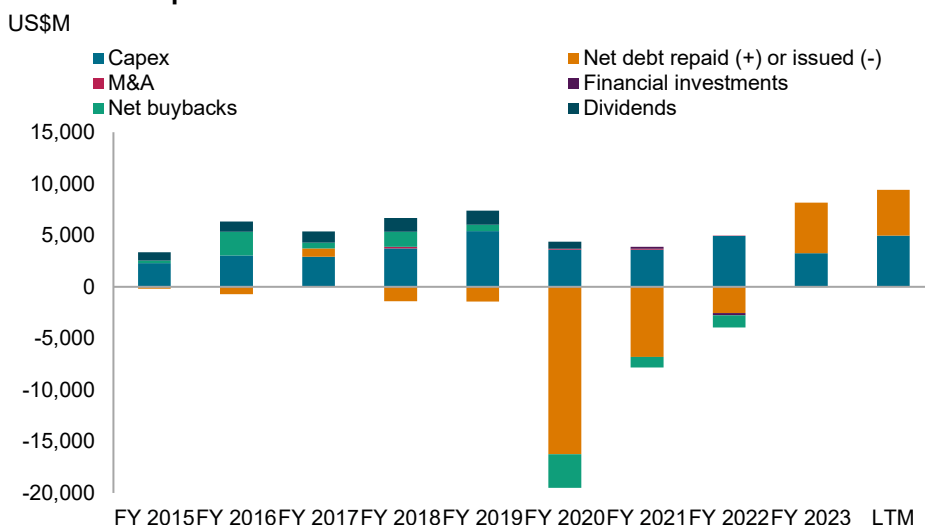
This should put further pressure on CCL's management to reconsider its approach toward shareholder return.

CCL's **management was explicitly asked about a dividend reinstatement possibility** in its latest earnings call. President and CEO Joshua Ian Weinstein replied, "Right now, our priority is [to] generate all that free cash flow, pay down debt and restrengthen the balance sheet. And in that process, returning value from the debt side to the equity holders. I can't wait to have those conversations, but I'd say that's premature."<sup>13</sup> In other words, **deleveraging is the top priority.**

**Weinstein's view is reflected in CCL financials.** To offset the pandemic-related headwinds, CCL raised capital via equity in the last three years (US\$5.4 billion combined in fiscal years 2020–22), along with a substantial increase in net debt in the same period (US\$25.6 billion). Nonetheless, **since fiscal year 2023, CCL has repaid US\$5.9 billion of debt**<sup>14</sup>.

Despite the effort made, **CCL's leverage and margins are a no-go for a dividend reinstatement thesis.** CCL has a gross leverage ratio of 5.3x EBITDA in the LTM, substantially above the 2.1x average registered between fiscal year 2015 and fiscal year 2019. Similarly, while the company has improved its EBITDA margin (22.5% in the LTM), it remains 4.7 percentage points below the 27.2% average of fiscal years 2015–19. Positively, consensus estimates align with CCL management's intention to repay debt. Negatively, timing looks stretched. While the market expects CCL to de-lever in the upcoming years, CCL is only forecast to achieve a net leverage ratio of 3.0x in fiscal year 2027 (versus the 1.9x pre-COVID-19 average). Consequently, **we do not expect CCL to reinstate dividends in the near term until its leverage is substantially reduced.**

### Carnival's capital allocation



Data compiled Sept. 25, 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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11. Carnival suspended dividends during 2009 and reinstated them in 2010 at a quarter of 2008's level. The DPS only reached pre-GFC levels in 2017.

12. The company also declared one special dividend payment in 2012.

13. Carnival, Q2 2024 Earnings Call, June 25, 2024. Source: S&P Capital IQ Pro.

14. Fiscal year 2023 and fiscal year 2024 year to date combined. Source: S&P Capital IQ Pro.

## Carnival's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	23,437	21,593	12,169	1,908	5,594	20,825	18,880	17,510	16,389	15,714
Revenue (YOY %)	8.5%	77.4%	537.8%	-65.9%	-73.1%	10.3%	7.8%	6.8%	4.3%	-1.1%
Gross margin (%)	51.2%	49.6%	31.3%	-42.4%	14.9%	53.3%	57.1%	41.8%	42.7%	39.9%
EBITDA margin (%)	22.5%	20.0%	-13.7%	-212.3%	-47.8%	26.2%	28.6%	29.0%	29.1%	22.9%
Net income margin (%)	3.9%	-0.3%	-50.1%	NM	-183.0%	14.4%	16.7%	14.9%	17.0%	11.2%
FCF (US\$M)	80	2,343	-5,178	-3,283	-7,446	-936	592	1,496	983	1,113
FCF margin (%)	0.3%	10.9%	-42.6%	-172.0%	-133.1%	-4.5%	3.1%	8.5%	6.0%	7.1%
Net debt/EBITDA	5.3x	6.5x	NM	NM	NM	2.0x	1.7x	1.7x	1.9x	2.1x
Net debt/(EBITDA - capex)	55.4x	23.7x	NM	NM	NM	NM	5.6x	4.1x	5.2x	5.7x

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

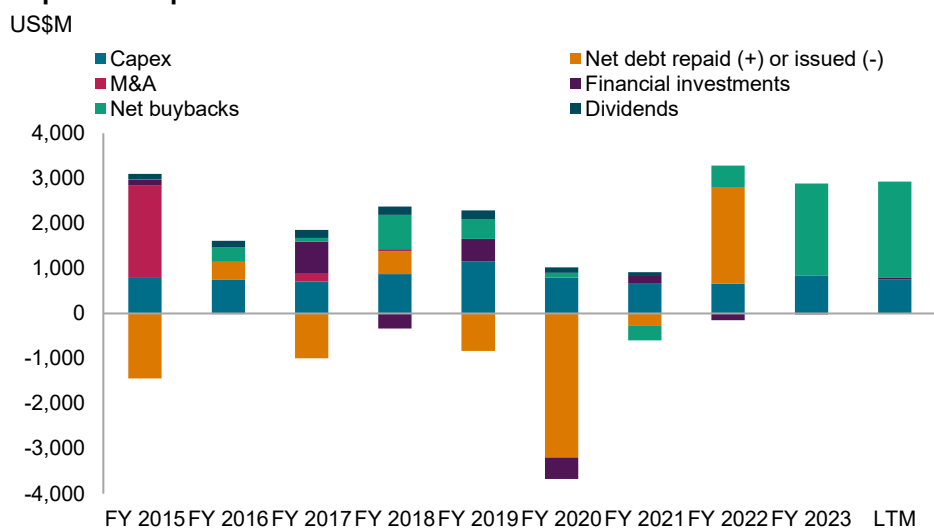
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## Expedia Group Inc.

Expedia, a worldwide known online travel company, initiated dividends in 2010. Apart from one large special dividend paid in 2012, the company uninterruptedly distributed regular quarterly dividends until their suspension in 2020.

**Expedia raised a large amount of debt to get through the COVID-19 turmoil and the global travel industry shutdown.** Since then, the company board's top priority has been deleveraging, as reflected in its financial performance: **its net debt decreased from US\$5.3 billion in fiscal year 2020 to a net cash position in the LTM**<sup>15</sup>. Expedia's management targets a 2x leverage ratio, just below the 2.3x informed in its latest earnings presentation.

### Expedia's capital allocation



Data compiled Sept. 25, 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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**Shareholder return had a large comeback recently.** Expedia has engaged heavily in stock repurchases in the last few quarters. Its CFO commented, "Our strong cash position enabled us to repurchase \$1.2 billion or 9.2 million shares year-to-date ... we expect to utilize the strong cash-generating power of our business and our remaining \$3.6 billion share repurchase authorization to continue to buy back our stock opportunistically."<sup>16</sup>

Since the beginning of fiscal year 2023, the company spent US\$3.3 billion in buybacks, which translates into a 62.9% FCF payout accounting for common stock issuance dilution. In other words, Expedia undeniably reassessed its capital allocation priorities toward shareholder returns.

15. Source: S&P Capital IQ Pro.

16. Julie Whalen, Expedia's CFO. Expedia Q2 2024 Earnings Call. Source: S&P Capital IQ Pro.

**Is the buybacks comeback enough for a dividend reinstatement thesis?** The only related commentary of our concern traces back to June 2021, when Expedia's management did not rule out the possibility of reinstating them, along with buybacks<sup>17</sup>. Nonetheless, emphasis was made on deleveraging as the top priority. Repurchases historically had a more prominent role than dividends in Expedia's capital allocation framework. From fiscal year 2015 to fiscal year 2019, the company spent US\$2,580 million in buybacks, 3.2x dividend payments (US\$816 million)<sup>18</sup>. Nonetheless, Expedia still returned on average 16% of its FCF to shareholders via dividends<sup>19</sup>. **The travel and leisure industry outlook combined with Expedia's financial performance improvement and its closest peer dividend initiation supports a likely-reinstatement scenario for Expedia.**

### Expedia's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	13,263	12,839	11,667	8,598	5,199	12,067	11,223	10,060	8,774	6,672
Revenue (YOY %)	3.3%	10.0%	35.7%	65.4%	-56.9%	7.5%	11.6%	14.7%	31.5%	15.8%
Gross margin (%)	88.9%	87.7%	85.8%	82.3%	68.3%	82.9%	83.4%	82.5%	81.8%	80.4%
EBITDA margin (%)	13.4%	12.7%	11.9%	5.7%	-23.6%	10.9%	11.3%	11.1%	12.2%	11.0%
Net income margin (%)	6.1%	6.2%	3.0%	0.1%	-50.2%	4.7%	3.6%	3.8%	3.2%	11.5%
FCF (US\$M)	2,040	1,977	2,533	2,458	-3,572	1,210	953	1,327	938	1,414
FCF margin (%)	15.4%	15.4%	21.7%	28.6%	-68.7%	10.0%	8.5%	13.2%	10.7%	21.2%
Net debt/EBITDA	NM	1.0x	1.3x	6.0x	NM	1.1x	1.0x	0.8x	1.2x	2.6x
Net debt/(EBITDA - capex)	NM	2.0x	2.3x	NM	NM	5.0x	3.2x	2.3x	4.0x	NM

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

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### From its financials perspective, Expedia seems to be fully recovered from the 2020 downturn.

Expedia has managed to bring its gross margin above pre-pandemic levels. While its selling, general and administrative (SG&A) expenses burden has also increased, the company was able to deliver profitability gains: it carries a net income margin of 6.1x in the LTM, above pre-COVID-19 levels. Bottom-line growth (22.7% year-over-year growth in EBITDA in the LTM) outpaces topline growth (8.2% year-over-year growth in revenue in the LTM). Similarly, the 14.2x FCF margin in the LTM stands above its historical levels. The company has a significant amount of surplus cash on its balance sheet (US\$6.3 billion) and a net cash position. This investment-grade company benefits from a significant scale and a strong brand awareness. Despite the short-term macro headwinds and geopolitical tensions, leisure demand is expected to remain strong, supporting a positive outlook for Expedia's operational performance.

**Booking Holdings Inc.'s dividend initiation** adds a strong reason for Expedia's management to reconsider the dividend reinstatement possibility.

17. Expedia at Evercore ISI Inaugural TMT Conference, June 7, 2021. Source: S&P Capital IQ Pro.

18. Even accounting for common stock issuance, "net" repurchases exceeded dividend expenses by about 2x in that period.

19. Fiscal years 2015–19 dividend FCF payout average.

Expedia's closest competitor initiated dividend payments in February 2024 for the first time in its history, with dividend expenses expected to amount to US\$1.2 billion in fiscal year 2024. By the time of the initiation, Booking's decision implied a dividend payout of 20% forward earnings and 16% forward FCF, as well as a forward yield of 0.94%.

**While it is true that Booking remains the leading player in this comparison and benefits from a fundamentally stronger financial position than Expedia<sup>20</sup>, we have observed companies following peers' decisions in the past.**

Alphabet's dividend initiation in July 2024 after Meta Platforms Inc.'s initiation decision from February 2024 is the most obvious and recent example.

In summary, **we believe Expedia is a strong candidate for a dividend reinstatement in the next 12-48 months.** The company has fully recovered from the pandemic downturn and its financials seem more solid today than before. Dividend initiation momentum in the US market is the highest in a decade and Booking's initiation adds an extra reason for Expedia's management to reconsider dividends within its capital allocation framework.

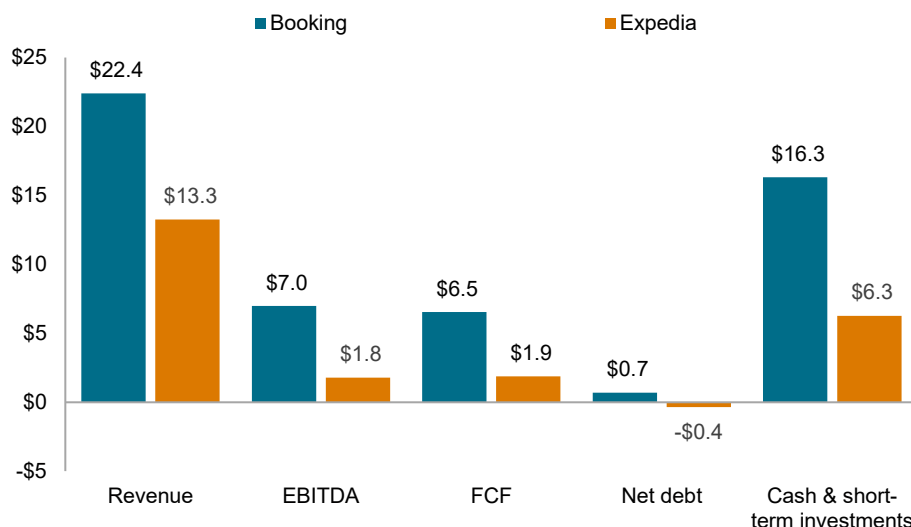
## Fair Isaac Corp.

Fair Isaac (FICO), a leading predictive analytics and decision management software company and credit score data provider, used to pay dividends until 2017. This S&P 500 constituent offered a constant quarterly DPS of US\$0.02 from at least 2004 to 2017, when the company's board decided to suspend the dividend.

The suspension rationale was straightforward: **FICO's management determined to discontinue regular cash dividend payments in favor of share repurchases.**

## Booking vs. Expedia

US\$B, LTM



Data compiled Sept. 9, 2024.

Source: S&P Global Market Intelligence.

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## Expedia's initiation scenario analysis

Metric	Bear	Base	Bull
Dividend per share (annual)	1.44	1.68	1.84
S&P 500 DIPs (annual)	0.021	0.025	0.027
Forward yield (%)	1.0%	1.1%	1.2%
FCF payout (%)	9.0%	10.5%	11.5%
Normalized EPS payout (%)	12.1%	14.1%	15.5%
Annual dividends (US\$B)	187	219	240

Data compiled Sept. 25, 2024.

Source: S&P Global Market Intelligence.

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20. In the last 12 months, Booking generated US\$22.4 billion in revenue (versus US\$13.3 billion for Expedia); had an EBITDA 3.9x larger than Expedia's; had an EBITDA margin 17.8 percentage points higher than its competitor; and had an FCF 3.5x that of Expedia; among other metrics. In contrast, Expedia has a slightly better debt position. In addition, Expedia holds a leading market position in the United States. Expedia's margins have historically lagged those of its closest peer.

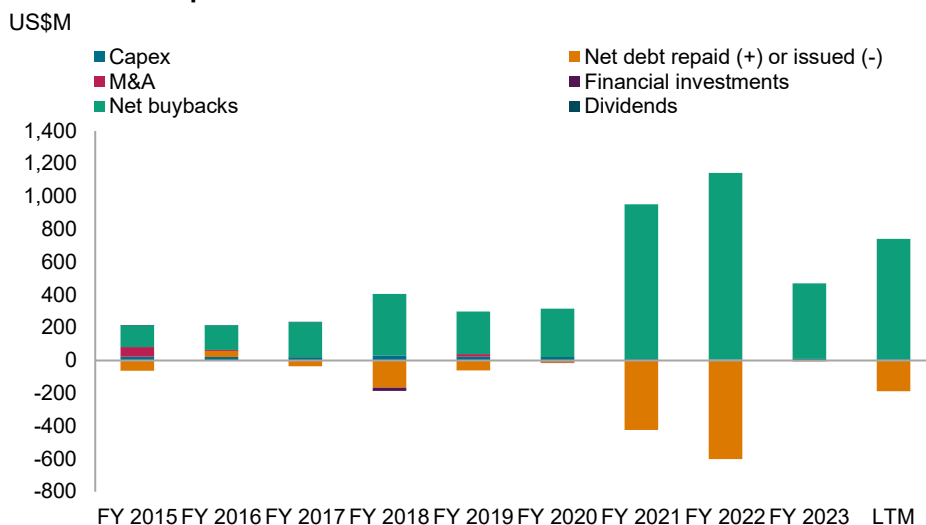
Since the dividend suspension, focus has remained on buybacks, as depicted by the chart beside. From fiscal year 2018 to fiscal year 2023, FICO spent on average twice its levered FCF in buybacks. The company used on average US\$602 million annually in repurchases in that period. Given the large payout, FICO issued net debt at an average pace of US\$211 million per year.

**Back in 2019, FICO's management expressed its lack of interest in reinstating a dividend** under the current tax scenario and emphasized its preference of buybacks instead. There have been no recent comments about a dividend reinstatement possibility.

**FICO is the highest-ranked dividend holdout company in our *quantamental* scoring system.** The company has a solid financial performance and reliable revenue growth. It manages to grow margins over time and its balance sheet is solid despite a quite-elevated leverage. Moreover, FICO does not overlook shareholder return in its capital allocation policy given its large buyback payout. **Nevertheless, while FICO could organically finance dividend payments, its management seems to have no interest in doing so.**

The lack of commentaries or initiative from FICO's management regarding a dividend reinstatement possibility, combined with a historically flat dividend shadowed by explicitly preferred buybacks, translates into our no-initiation thesis for FICO. **We do not expect the company to reinstate dividends in the near term.**

## Fair Isaac's capital allocation



Data compiled Sept. 25, 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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## Fair Isaac's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	1,653	1,514	1,377	1,317	1,295	1,160	1,000	935	881	839
Revenue (YOY %)	9.2%	9.9%	4.6%	1.7%	11.6%	16.0%	7.0%	6.1%	5.1%	6.3%
Gross margin (%)	79.3%	79.4%	78.1%	74.7%	72.1%	71.0%	68.7%	69.2%	69.9%	67.7%
EBITDA margin (%)	43.2%	43.3%	40.8%	33.3%	28.6%	24.4%	20.3%	23.1%	22.0%	21.7%
Net income margin (%)	28.9%	28.4%	27.1%	29.8%	18.3%	16.6%	12.6%	14.3%	12.4%	10.3%
FCF (US\$M)	562	480	468	402	311	238	136	196	197	115
FCF margin (%)	34.0%	31.7%	34.0%	30.6%	24.1%	20.5%	13.6%	21.0%	22.4%	13.7%
Net debt/EBITDA	2.7x	2.6x	3.1x	2.5x	2.0x	2.6x	3.3x	2.3x	2.6x	2.9x
Net debt/(EBITDA - capex)	2.8x	2.7x	3.1x	2.5x	2.1x	2.8x	3.9x	2.5x	2.9x	3.3x

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

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## The Boeing Co., Intel Corp. and other holdouts

**Boeing**, one of two largest global suppliers of large commercial aircraft, was a historical dividend payer up until 2020's COVID-19 outbreak. Since then, the company has not reinstated dividend payments.

In March 2023, Boeing's management was explicitly asked about a reinstatement possibility. Emphasis was made on paying down debt, improving the company's credit rating and reinvesting in the business for the long term. While Boeing's financials do not support a reinstatement thesis, as depicted by its low *quantamental* scoring (also, see Appendix), **more importantly we see Boeing's market environment as a red flag for a dividend comeback.**

Boeing faces quality control challenges and is under strict regulatory scrutiny, especially after a relatively new Boeing 737 delivered to Alaska Airlines Inc. in 2023 had operational issues and Boeing's manufacturing and process documentation came under the press and public spotlight. Beyond its unfavorable financial position, we believe this is not the time for a reinstatement for Boeing.

**Generac Holdings Inc.**, another S&P 500 constituent, paid two special dividends in the past (fiscal year 2012 and fiscal year 2013). This global designer and manufacturer of power energy technology solutions discussed a quarterly dividend initiation possibility idea with shareholders in 2019. Back then, its management views the company as still developing in the growth period of a company life cycle. Generac has a low score in our *quantamental* scoring system. Given the lack of management commentaries about a dividend reinstatement possibility, the company's poor financial performance in the last 12-18 months and its low *quantamental* ranking, we do not expect it to initiate a quarterly dividend policy in the near term.

**Intel** used to be a flagship dividend payer. Not many years ago, Intel paid one of the largest dividends in the US equity market. The company has just become a dividend holdout. In August 2024, Intel decided to suspend its dividend after its September 2024 dividend was distributed. The measure was intended to preserve liquidity and was combined with cost-cutting initiatives in head count and operating expenditure or expense (opex).

Despite the suspension, Intel's management emphasized the company's long-term commitment to a competitive dividend. **While this reaffirms its long-term capital allocation goals, we do not expect Intel to reinstate dividends soon.** By the beginning of 2023, Intel had already affected its historic dividend policy by cutting the DPS from US\$0.365 to US\$0.125 quarterly (-65.8%). From a financial standpoint, the company is no position to support a reinstatement. Intel carries a negative FCF in the LTM, and its revenue downsized to US\$55 billion (versus US\$79 billion in fiscal year 2021). The company's EBITDA margin is less than half of what it used to be a couple of years ago. The market is concerned about competitive pressures and Intel's lag in its datacenter business versus peers. We do not expect Intel to reinstate dividends in the near term.

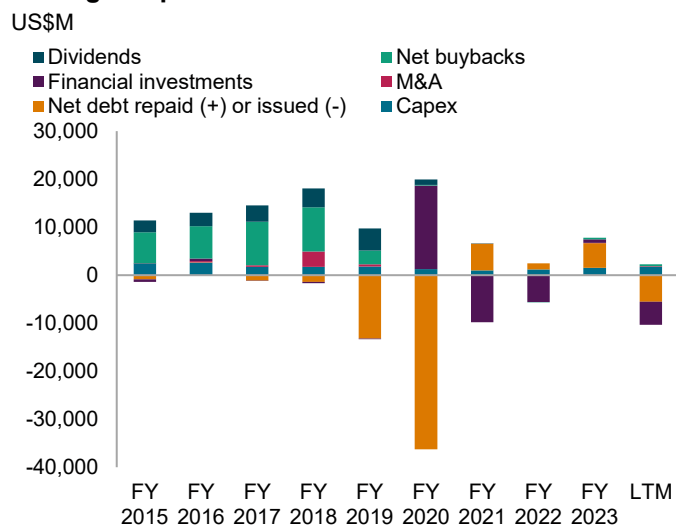
Another S&P 500 constituent has recently become a dividend holdout. **The Cooper Companies** suspended its dividends in December 2023. The company used to distribute a semiannual DPS of US\$0.03 since 2003. We do not expect the company to reinstate dividends in the short term.

Finally, **MGM Resorts International**, a casino, hotels and entertainment resorts operator, suspended its quarterly dividend policy in 2023. Before that, the company

had paid quarterly instalments since 2017. Prior to the suspension, MGM cut the DPS by 98% in 2020. A few years after it, management decided to terminate the dividend for an awkward reason. Despite the minimal dividend the company offered and its post-pandemic recovered cash and balance sheet position, MGM's management decided to forgo its dividend policy. The CFO argued that the dividend was an "administrative issue, ... burdensome ... [and] complex."<sup>21</sup> Focus was fully shifted toward repurchases. In late 2023, MGM's management reemphasized its preference of buybacks over dividends and discarded the possibility of a dividend reinstatement in the next 12 months. **We do not expect MGM to reinstate dividends in the near term.**

## Appendix: Boeing & Intel supporting data

### Boeing's capital allocation



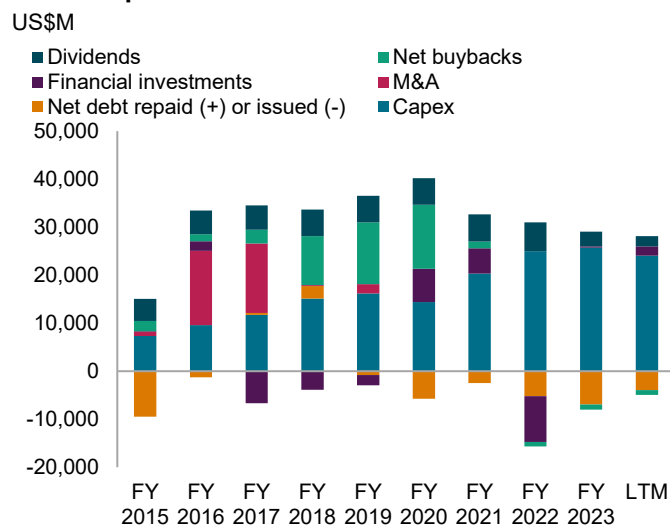
Data compiled Sept. 25, 2024.

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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### Intel's capital allocation



Data compiled Sept. 25, 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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### Boeing's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	73,557	77,794	66,608	62,286	58,158	76,559	101,127	94,005	93,496	96,114
Revenue (YOY %)	-5.4%	16.8%	6.9%	7.1%	-24.0%	-24.3%	7.6%	0.5%	-2.7%	5.9%
Gross margin (%)	10.5%	11.9%	7.9%	8.7%	-2.6%	6.2%	19.4%	18.5%	15.5%	14.6%
EBITDA margin (%)	1.8%	4.1%	1.7%	2.7%	-10.7%	0.2%	13.8%	12.9%	9.5%	9.4%
Net income margin (%)	-4.7%	-2.9%	-7.4%	-6.7%	-20.4%	-0.8%	10.3%	9.0%	5.4%	5.4%
FCF (US\$M)	-1,970	8,099	6,131	1,080	-11,769	-2,400	8,561	8,330	7,732	4,859
FCF margin (%)	-2.7%	10.4%	9.2%	1.7%	-20.2%	-3.1%	8.5%	8.9%	8.3%	5.1%
Net debt/EBITDA	25.5x	10.6x	26.2x	21.2x	NM	37.4x	0.4x	0.1x	NM	NM
Net debt/(EBITDA - capex)	NM	18.3x	114.7x	40.5x	NM	NM	0.4x	0.1x	NM	NM

Data compiled Sept. 25, 2024.

Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

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21. MGM Resorts International Q4 2022 Earnings Call. Source: S&P Capital IQ Pro.

## Intel's financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue (US\$M)	55,121	54,228	63,054	79,024	77,867	71,965	70,848	62,761	59,387	55,355
Revenue (YOY %)	1.6%	-14.0%	-20.2%	1.5%	8.2%	1.6%	12.9%	5.7%	7.3%	-0.9%
Gross margin (%)	41.4%	40.0%	43.0%	55.4%	56.0%	58.6%	61.7%	62.3%	61.7%	62.6%
EBITDA margin (%)	19.2%	17.8%	24.8%	42.9%	46.4%	46.2%	45.6%	42.3%	38.4%	41.7%
Net income margin (%)	1.8%	3.1%	12.7%	25.1%	26.8%	29.2%	29.7%	15.3%	17.4%	20.6%
FCF (US\$M)	-9,770	-11,735	4,928	2,033	12,884	12,555	8,059	12,118	6,241	10,600
FCF margin (%)	-17.7%	-21.6%	7.8%	2.6%	16.5%	17.4%	11.4%	19.3%	10.5%	19.1%
Net debt/EBITDA	2.0x	2.4x	0.8x	0.2x	0.3x	0.5x	0.4x	0.3x	0.1x	NM
Net debt/(EBITDA - capex)	NM	NM	NM	0.5x	0.5x	0.9x	0.8x	0.6x	0.2x	NM

Data compiled Sept. 25, 2024.

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