



## Scrip dividend trends and take-up

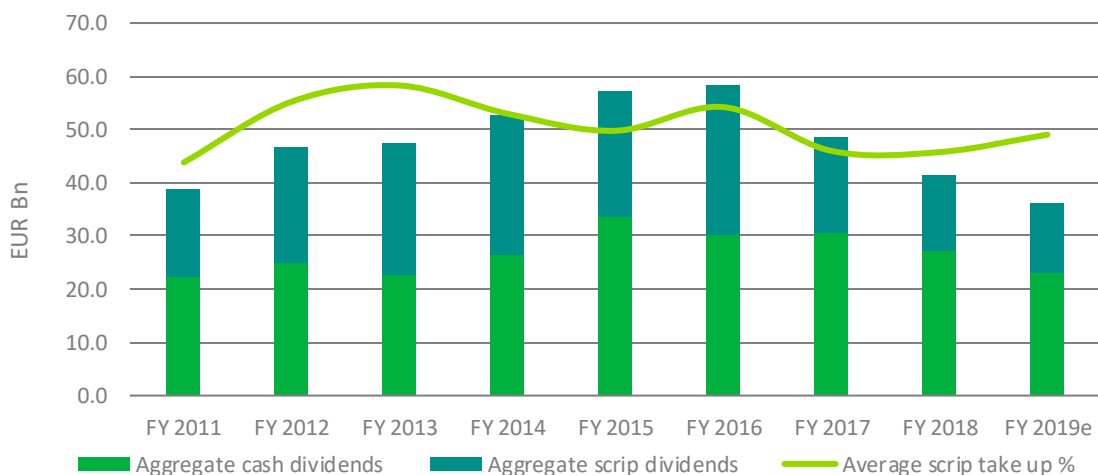
Tuesday, May 7<sup>th</sup> 2019

### The value of scrip dividend in the STOXX 600 is expected to decrease to €13.1bn for FY19 after €14.5bn in FY18

- We forecast 32 companies among STOXX 600 to offer scrip dividends for FY19 vs. 38 in FY18
- Average scrip take-up is the lowest in the UK (24%) and highest in Spain (76%) over the FY10-FY17 period
- We expect the utilities sector to be biggest contributor to scrip dividends, followed by banks
- The largest scrip dividends are forecasted from HSBC, BP and Iberdrola

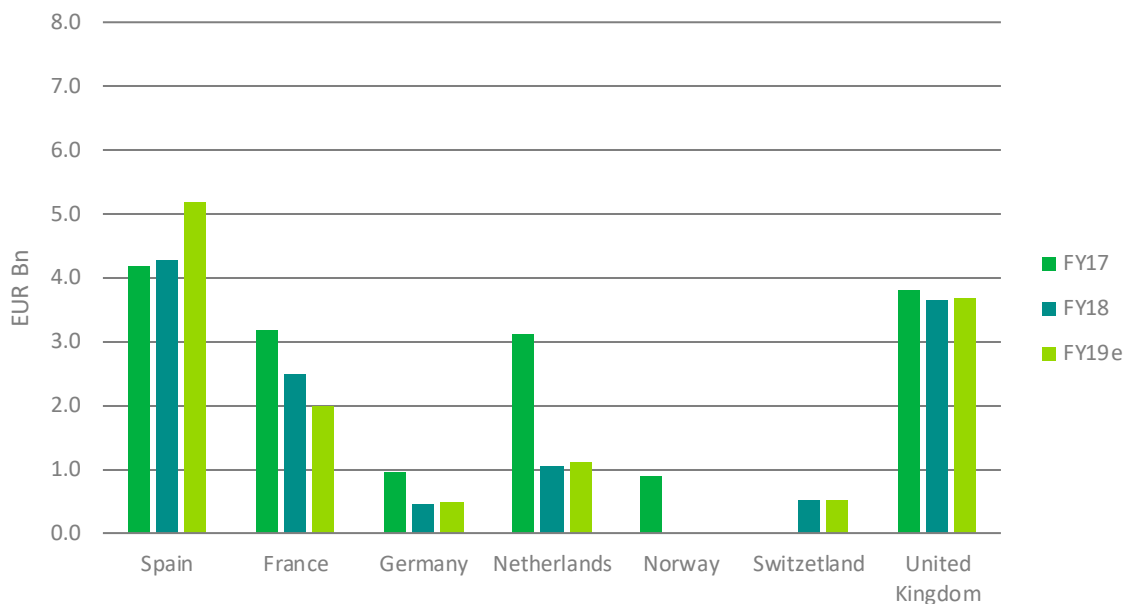
We expect the aggregate scrip dividend from companies included in the Europe STOXX 600 index to amount €13.1bn in FY19 compared to €14.5bn in FY18. Scrip dividend from its peak in FY16, declined in terms of aggregate amount, number of companies as well as take-up ratio. The most probable reason accounting for this can be attributed to better market conditions and stronger balance sheets reported by the companies. This is especially true for the oil and gas sector.

**STOXX 600: Aggregate scrip and cash dividends and average scrip take-up ratio**



For FY18 unavailable take-up ratios and for FY19 scrip take-up ratios, we took the most recent take-up for our analysis.

### Spain shows the highest take-up rate, while the UK the lowest



For FY17 and FY18, France paid the most scrip dividends, followed by Spain and the United Kingdom.

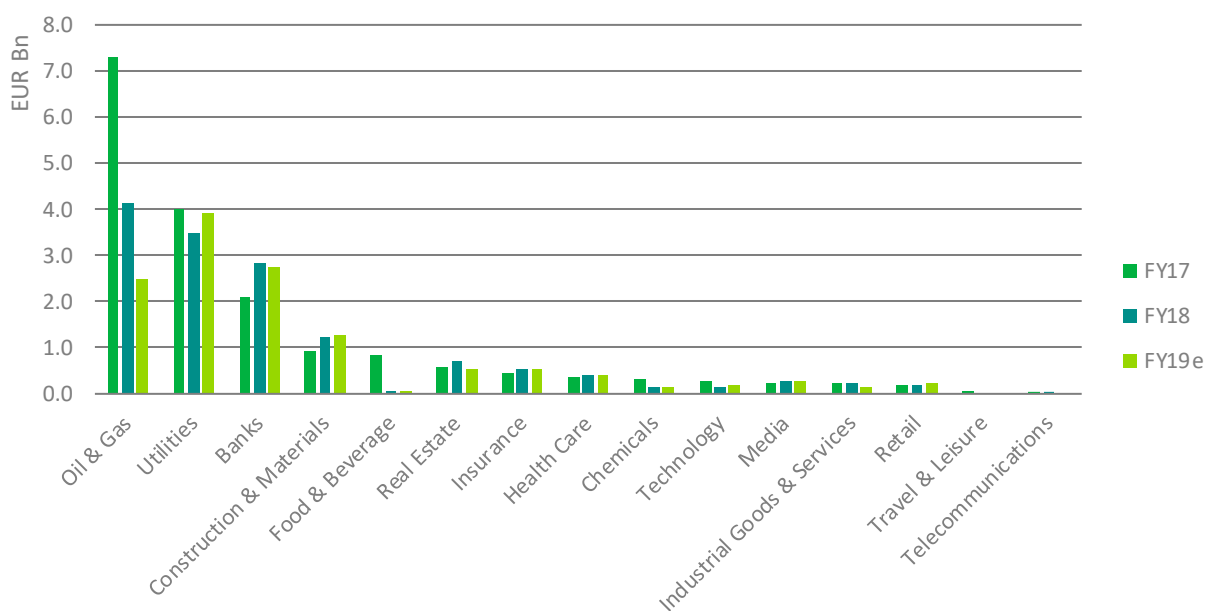
The UK is the European country with the highest number of scrip dividends since FY10. However, shareholders tend to opt for cash rather than new shares. The average take-up ratio over the FY10 to FY17 period is the lowest among countries in the STOXX 600. This could be the result of lower withholding tax on cash dividends in UK or due to high dividend yields in UK stocks.

In contrast, although Spain has less companies which pay scrip dividends, shareholders tend to opt for new shares rather than cash. We note that even though Spain ended fiscal incentives for one scrip option in January 2017 (selling the rights on the market and receiving cash), the ratio has remained at a high level. Although, the number of scrip companies declined after 2017 (down to 9 from 13). Companies like **Telefonica**, **Caixabank** and **BBVA** discontinued the scrip option. The average take-up ratio over the FY10-FY17 period is 76%, highest among countries in STOXX 600. Spain shows the highest increase in forecasted scrip dividend, most likely attributed to Banco Santander's shift to bi-annual dividend payments, because of which we forecast a higher quantity of dividends including the scrip option.

The large decrease in aggregate scrip amount in France is mainly linked to **Total's** decision to stop its scrip program because of stronger financial position and **Societe Generale**. **Societe Generale** will pay a scrip dividend for FY18 but management said that it would be temporary and expects to revert to cash dividends in FY19.

Country	Average take-up ratio %	Number of Companies FY18	FY18 Scrip dividends (EUR m)	Number of companies FY19e	FY19 scrip dividends (EUR m)
France	60%	13	2492.0	9	1985.2
Germany	29%	3	440.1	3	485.3
Netherlands	41%	4	1053.3	4	1119.6
Spain	76%	5	4261.7	5	5187.0
Switzerland	62%	1	531.8	1	531.8
United Kingdom	24%	12	3659.2	10	3669.4

### Utilities, Oil & Gas and Banks are the three biggest scrip payers



Utilities are forecast to become the biggest contributor to aggregate scrip dividends in FY19. Six companies are expected to pay dividends with a payment option of shares, reflecting an aggregate amount of nearly €4bn. The increase in FY19 is mainly due to EDF. Over 2019-2020, **EDF** expects €15bn of net investment per year and decided to resume its scrip dividend option with its FY18 final dividend. **The French State** (83.5% of the capital) committed to the scrip for the final FY18 dividend, FY19 and FY20. This will result in a high take-up ratio.

In the Banking sector, despite cash dividends expected from **Societe Generale** for FY19, the sector is expected to remain the second largest contributor to the aggregate scrip dividend. **HSBC** and **Barclays** are forecast to pay scrip dividends for FY19. Starting from FY19, **Banco Santander** will switch to biannual payments (four instalments previously) while maintaining the scrip option. We expect **Banco Santander** to pay scrip interim dividends from FY19. The change in timetable mechanically drive the aggregate scrip dividend up.

The aggregate scrip dividend amount has continuously decreased in the Oil & Gas sector from a peak in FY16, following recovery in oil price. Among major companies in this sector, **Royal Dutch Shell** stopped its scrip dividend at 4Q17 and Total at 4Q18. We forecast two companies to continue paying scrip dividends. We expect **BP** to pay quarterly scrip dividends for FY19 and **Repsol** to pay scrip dividends for the next three years. Both companies intend to offset the dilution with share buybacks.

Sector	FY11-FY18 average take-up ratio %	Number of scrips FY18	Aggregate FY18 Scrip dividends (EUR m)	Number of scrips FY19e	Aggregate FY19 scrip dividends (EUR m)
Automobiles & Parts	56%	0	0.0	0	0.0
Banks	54%	5	2829.0	3	2769.3
Chemicals	32%	1	161.3	1	161.6
Construction & Materials	56%	3	1220.0	3	1257.5
Financial Services	43%	0	0.0	0	0.0
Food & Beverage	75%	1	78.1	1	82.6
Health Care	53%	2	407.4	2	429.8
Industrial Goods & Services	42%	3	251.3	2	145.4
Insurance	30%	3	525.1	3	537.8
Media	45%	1	269.3	1	279.5
Oil & Gas	44%	3	4130.2	2	2507.0
Real Estate	30%	6	717.8	5	578.3
Retail	59%	1	204.2	1	222.0
Technology	59%	2	149.0	2	174.8
Telecommunications	41%	1	19.6	0	0.0
Travel & Leisure	31%	0	0.0	0	0.0
Utilities	46%	6	3488.0	6	3921.8

**Stocks with confirmed cash distributions + Stocks that paid scrips which we predict to pay cash dividends (Remains possible that they might revert back to scrips)**

<b>Company</b>	<b>Reason for cash dividend instead of scrip dividend</b>
Bureau Veritas	For FY18, Bureau Veritas will pay a scrip dividend in order to have more financial flexibility for investment and acquisitions. The company has not communicated on whether they intend to continue with scrip dividends going forward.
Covivio	For FY18, Covivio announced a scrip dividend. The scrip dividend is not a new policy the company intends to follow for future years.
Inmarsat	We do not expect a scrip dividend in line with the removal of that option for the latest dividend payment.
Societe Generale	For FY18, Societe Generale will pay a flat scrip dividend. At FY18 results, the management said that they currently do not expect to continue with scrip dividend from FY19.
Standard Chartered	We do not expect a scrip dividend in line with the removal of that option for the latest dividend payment.

## Appendix

## A. STOXX 600 Europe with the highest historical scrip take-up ratio

Company	Number of scrips paid FY11-FY17	Average scrip take-up %	Company	Number of scrips paid FY11-FY17	Average scrip take-up %
EDF	7	89%	Equinor	8	46%
CaixaBank	17	89%	Vonovia	2	45%
Sabadell	2	88%	Eurazeo	1	45%
Siemens GRE	1	88%	Bolloré	11	45%
CNP Assurances	2	88%	Cofinimmo	4	44%
BBVA	13	86%	Deutsche Telekom	5	44%
Santander	18	85%	Weir Group	5	43%
Credit Agricole	3	84%	Publicis Groupe	6	43%
Klepierre	1	81%	Société Générale	1	42%
Bouygues	1	79%	National Grid	13	41%
Engie	2	78%	Veolia Env.	3	41%
Telefonica	4	77%	AKZO Nobel	14	38%
Faurecia	2	75%	Michelin	2	37%
Randstad	3	74%	Royal Dutch Shell	24	34%
Unicredit	3	74%	CRH	14	33%
Royal Boskalis Westminster	7	73%	NN Group	7	33%
Remy Cointreau	6	73%	Edenred	5	32%
BNP Paribas	1	72%	Deutsche Wohnen	1	31%
Repsol	13	69%	Meggitt	7	30%
EssilorLuxottica	1	68%	GrenkeLeasing	2	30%
Vinci	1	68%	British Land	12	29%
Danone	4	68%	HSBC Holdings	28	29%
Rubis	7	68%	SSE	14	28%
Bankinter	1	66%	Whitbread	5	28%
Covivio	1	66%	Segro	7	25%
URW	1	66%	Centrica	7	25%
Ingenico	7	66%	Land Securities	11	24%
Iberdrola	14	65%	RSA Insurance	5	24%
Arkema	1	65%	Hammerson	3	21%
Eutelsat	2	64%	BP	28	20%
Credit Suisse	4	62%	Standard Chartered	10	20%
Dassault Aviation	2	61%	DSM	13	20%
Carrefour	7	60%	Aviva	2	19%
Atos	6	60%	ConvaTec	2	19%
Saint-Gobain	3	58%	Inmarsat	4	18%

<b>Teleperformance</b>	1	57%	<b>Pennon</b>	12	18%
<b>Philips</b>	6	56%	<b>Naturgy Energy Group</b>	1	18%
<b>Wolters Kluwer</b>	1	55%	<b>Barclays</b>	15	16%
<b>Gecina</b>	1	55%	<b>Phoenix Group</b>	2	14%
<b>Rexel</b>	4	55%	<b>Aroundtown Property</b>	1	14%
<b>ACS</b>	12	55%	<b>E.ON</b>	3	14%
<b>Ferrovial</b>	9	54%	<b>Deutsche Lufthansa</b>	3	13%
<b>Accor</b>	4	53%	<b>Derwent London</b>	14	12%
<b>Total</b>	13	52%	<b>Hiscox</b>	10	10%
<b>Dassault Systemes</b>	6	50%	<b>Unite Group</b>	1	7%
<b>Casino Guichard Perrachon</b>	1	50%	<b>WPP</b>	2	5%
<b>Aegon</b>	13	47%	<b>St.James's Place</b>	1	3%
<b>Standard Life Aberdeen</b>	1	47%	<b>Intermediate Capital</b>	1	2%

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