S&P Global
Market Intelligence

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European dividend outlook for 2024

Pattie Zhang, Research Analyst, pattie.zhang@spglobal.com

Herne Martin, Research Analyst, herne.martin@spglobal.com

Nikita Chhabra, Research Lead, nikita.chhabra@spglobal.com

Arun Jain, Research Analyst, arun.jain@spglobal.com

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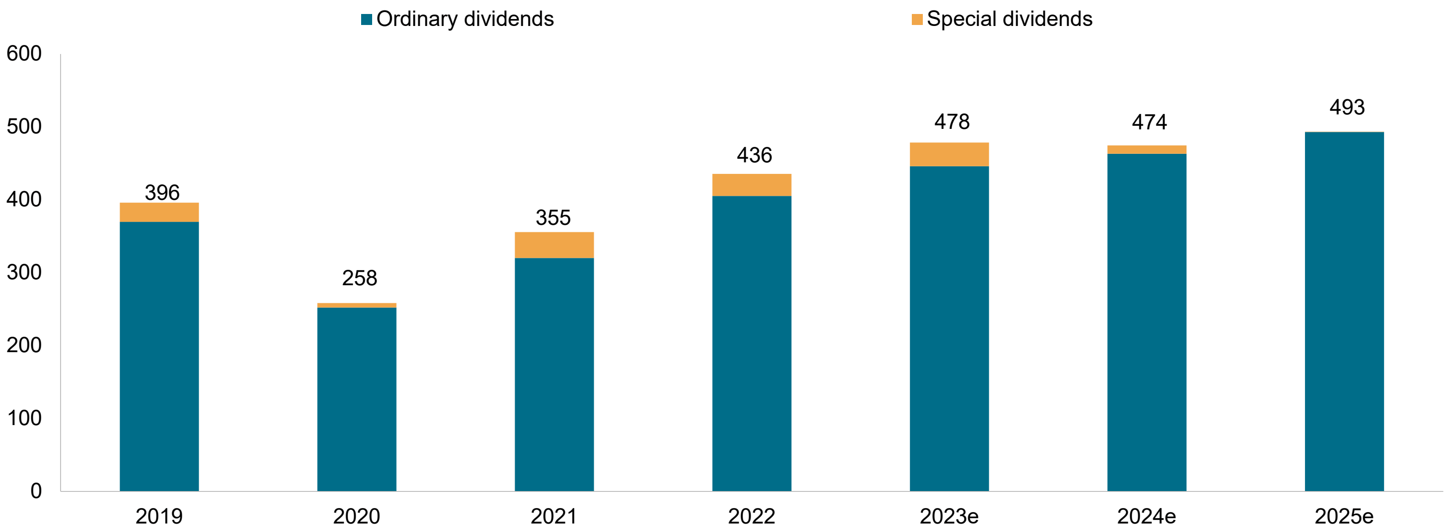
Ordinary dividends continue growth in Europe despite expected slowdown

- Using the S&P Europe BMI index as a benchmark, the European market is forecast to pay €474 billion in dividends in 2024, down 0.8% year over year. Excluding special payments, ordinary dividends are expected to increase by 4%, reaching a new high of €463 billion.
- The top sector contributor is banks, accounting for 15% of aggregate dividends, followed by capital goods (9%) and energy (9%). Although the materials sector is forecast to lower payments by 16% year over year, it will make up about 6% of dividends, on a par with utilities (6%) and food, beverage and tobacco (6%).
- HSBC Holdings PLC, Shell PLC, Nestlé SA, Roche Holding AG and Novartis AG are projected to keep topping the list of the largest dividend payers.
- Banks, capital goods and pharmaceuticals are expected to raise their dividends by double digits. The banking sector's continued growth cements its position as the leader in the region.
- The transportation sector is forecast to register the steepest drop in 2024, falling 49%. Driven by A.P. Moller - Maersk A/S and Hapag-Lloyd AG, the industry's dividend payments are likely to normalize following significant increases in 2022 and 2023.

European aggregate dividends (€B)

Benchmark: S&P Europe BMI index



Data compiled Nov. 10, 2023.

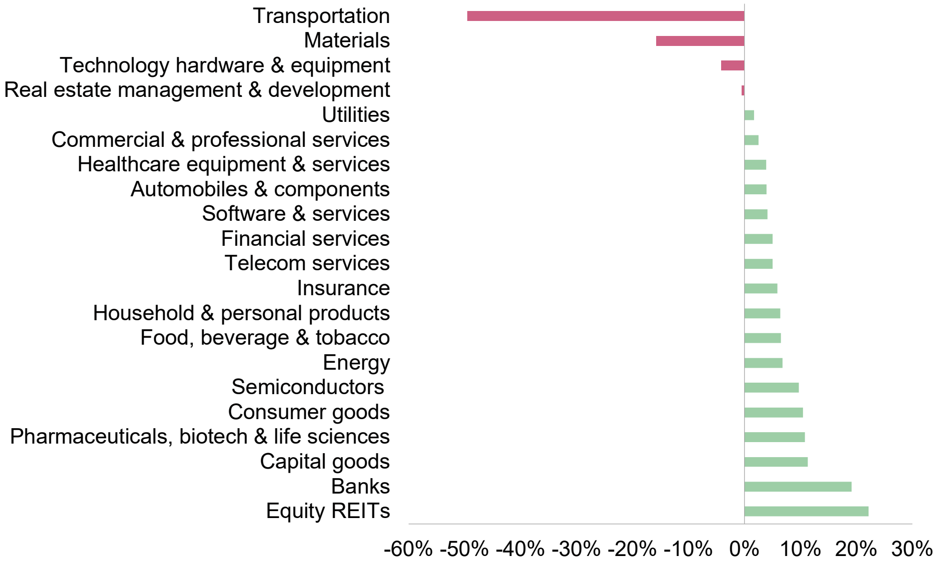
Source: S&P Global Market Intelligence.

Macroeconomic environment and DPS forecast evolution

S&P Global Market Intelligence remains optimistic on the European dividends front for 2024, with forecast growth of 4% in ordinary payments as profits have remained resilient in fiscal year 2023. Powerhouse sectors such as banks and energy have benefited from the post-pandemic environment, with higher interest rates and soaring energy prices driving shareholder returns.

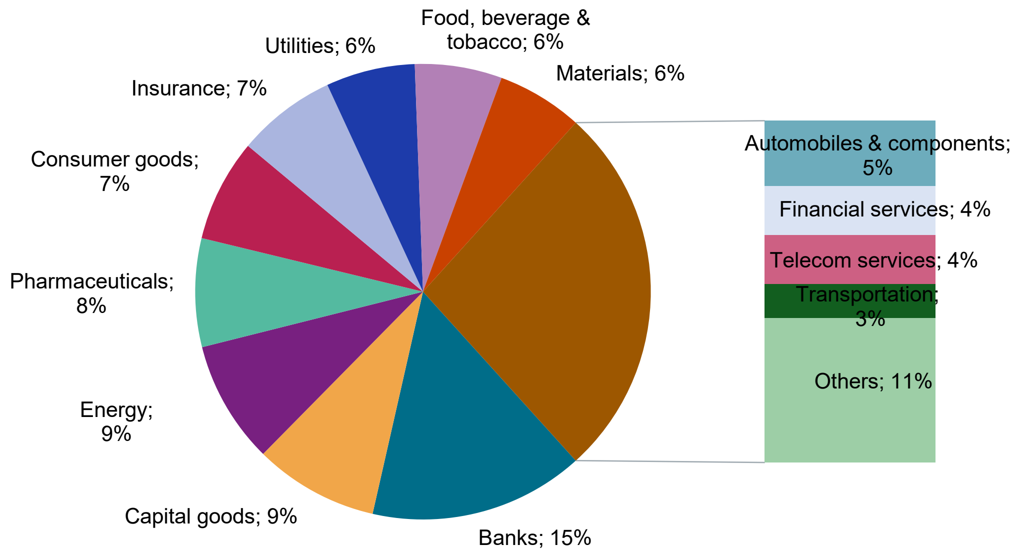
However, a marked macroeconomic slowdown is expected for fiscal year 2024, with Market Intelligence projecting growth for the eurozone at a subpotential 0.5%. Although we still expect resilient dividend growth, factors including escalation of conflicts in Eastern Europe and the Middle East, sticky core inflation rates and tighter-for-longer financial conditions present downside risks for dividend payments in 2025.

2024e versus 2023e in percentage for aggregate dividends



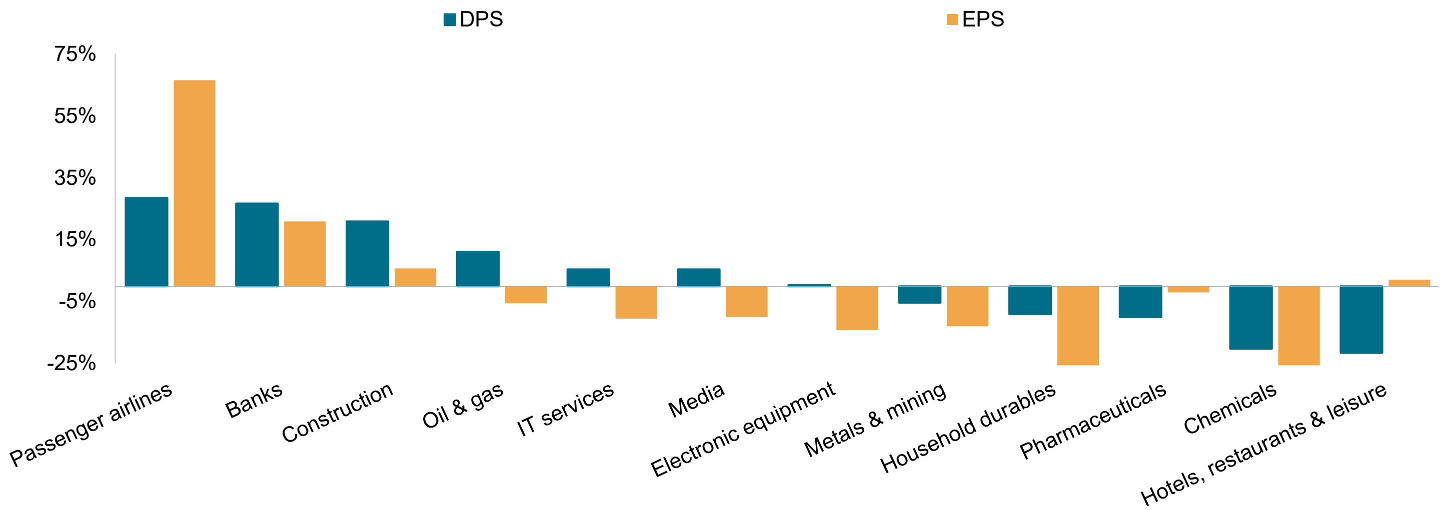
Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

2024e aggregate dividends breakdown by sector



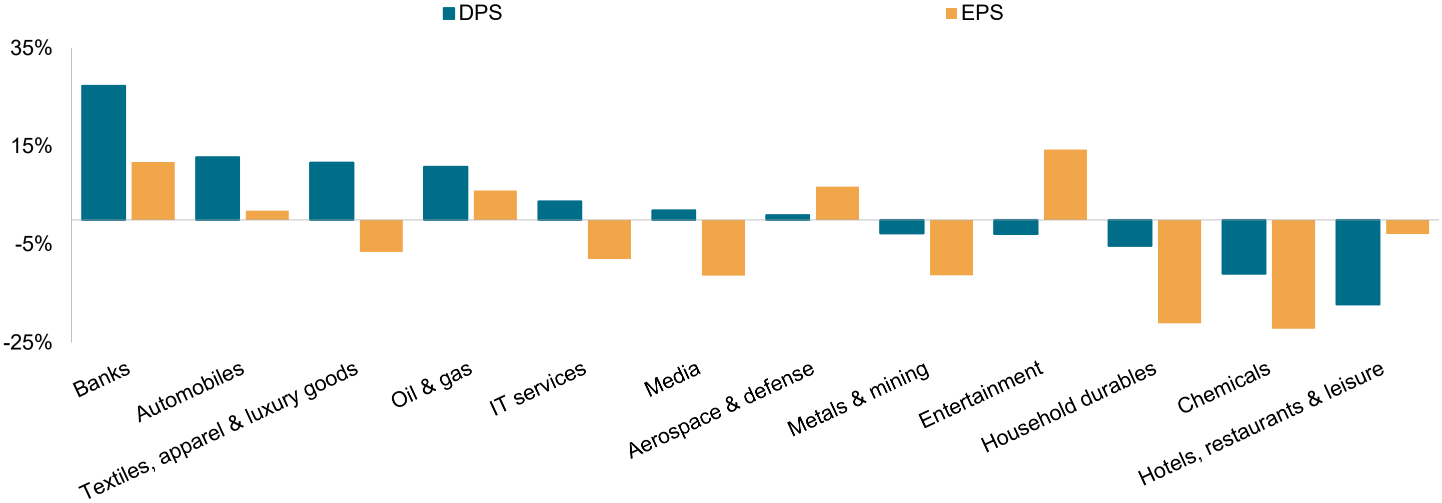
Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

FY 2023 DPS/EPS estimation change since April



Data compiled Nov. 10, 2023.
DPS = dividend per share; EPS = earnings per share.
The change is calculated by percentage difference between November and April.
Source: S&P Global Market Intelligence.

FY 2024 DPS/EPS estimation change since April



Data compiled Nov. 10, 2023.
DPS = dividend per share; EPS = earnings per share.
The change is calculated by percentage difference between November and April.
Source: S&P Global Market Intelligence.

Over the last seven months, we have massively raised dividend projections for European banks, in line with market expectations for the banks' near-term profits. The average dividend per share (DPS) forecasts for fiscal year 2023 and fiscal year 2024 jumped by approximately 27%, driven by the higher interest rates and targeted higher payout ratios. Most banks in our coverage are committed to a clear payout ratio policy; to keep pace with the evolution of earnings per share (EPS; +21% on average over the last seven months) consensus, we have accordingly increased fiscal year 2023 DPS forecasts by 52% for UniCredit SpA, 45% for ING Groep NV, 44% for Intesa Sanpaolo SpA and 32% for HSBC. We have downgraded Virgin Money UK PLC, Société Générale SA and Commerzbank AG, mainly driven by the uncertainty for allocations between dividends and buybacks.

Apart from banks, for fiscal year 2023, we have been more optimistic toward transportation (+10%), real estate investment trusts (REITs [+7%]) and energy (+7%). Notably, the average EPS consensus for energy has seen a slight 2% decline since April; however, we believe elevated oil prices and capital expenditure flexibility will keep supporting energy firms' profit margin and cash flow generation, thus supporting upside potential for dividends. On the contrary, we have been more cautious toward consumer services (-20%), real estate management (-18%), pharmaceuticals (-15%) and materials (-12%). The lower estimates for consumer services are largely due to a delayed dividend resumption, such as for Gym Group PLC, Marks and Spencer Group PLC and Restaurant Group PLC. The average EPS consensus for consumer services, nevertheless, has inched up by 2%, suggesting that the sector is on track to recover despite some downside factors.

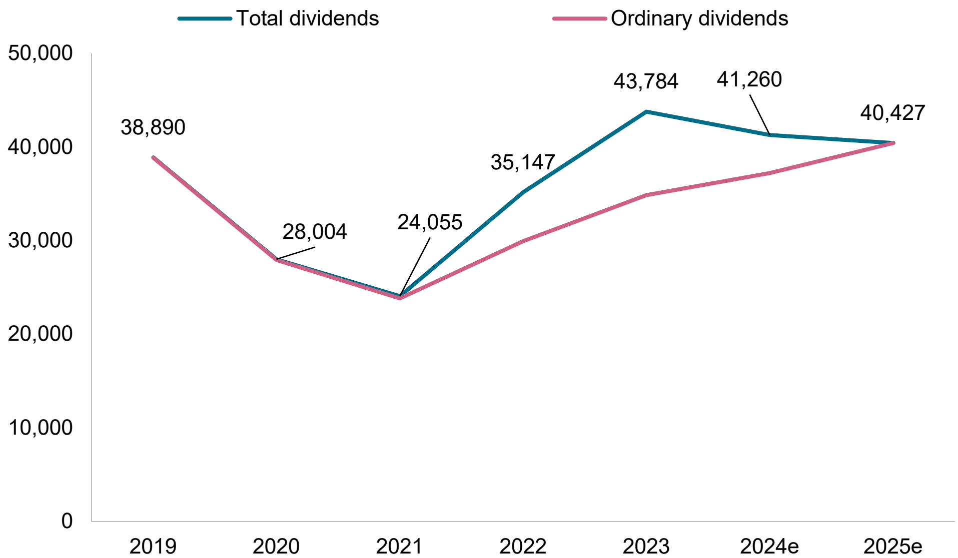
For fiscal year 2024, since last April, we have upgraded DPS forecasts for energy (+7%), software (+4%) and consumer durables (+4%). The average EPS consensus for consumer durables has declined by more than 10% over the past months, primarily dragged down by homebuilders. However, the improved outlook for luxury goods and apparel has countered homebuilders' lower DPS projections. We raised the projected fiscal year 2024 DPS by 40% for Adidas AG and by 10% for Hermès International SA. In the meantime, we decreased forecasts for consumer services (-16%), pharmaceuticals (-15%), real estate management (-12%) and technology (-9%). Consistently, the EPS consensus for the downgraded sectors has declined to varying degrees; for example, the EPS consensus shrank by 15% for materials, 11% for technology and 14% for pharmaceuticals.

We identify downside risks when we observe a dropping EPS and a growing DPS, or EPS has declined far more than the corresponding DPS. Examples for fiscal year 2024 projections include semiconductors and consumer durables. Likewise, we recognize upside risks when the EPS has climbed higher than the DPS. Examples include consumer staples and consumer services.

Energy recovering toward pre-pandemic level thanks to BP and Shell

European energy companies are on track to pay ordinary dividends of €34.9 billion and special dividends of €8.9 billion in 2023. Ordinary dividends have witnessed a strong recovery since 2022, albeit still 10% below the pre-pandemic level. In 2023, ordinary dividends are forecast to jump by 16% year over year, driven by a massive rally from Nordic payers (such as **Equinor ASA** [+36%], **Aker BP ASA** [+33%] and **Neste Oyj** [+24%]) and resilient improvements from global oil majors (such as **Shell** [+11%] and **BP PLC** [+7%]).

Energy aggregate dividends (€M)



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

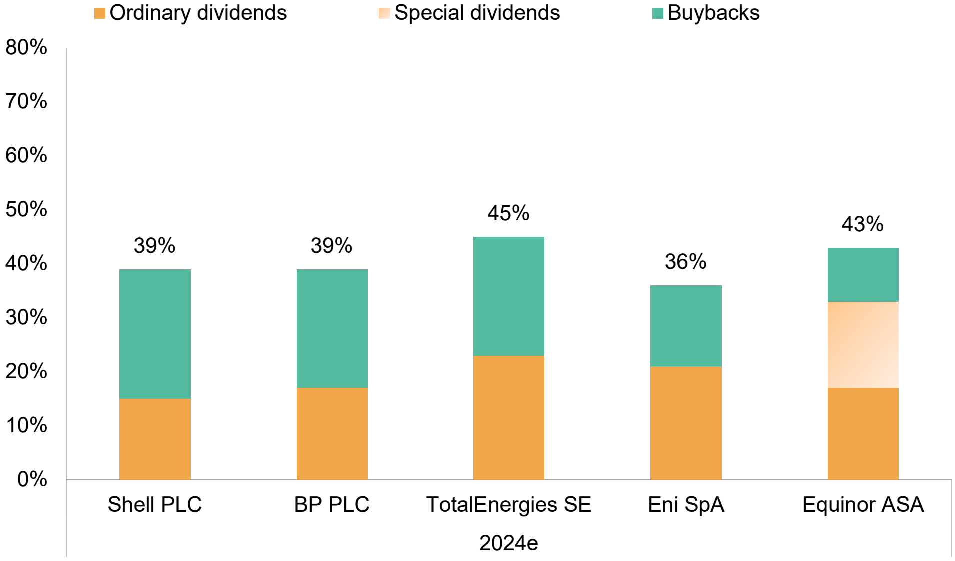
That positive outlook is driven by the relative stability of the oil price in 2023, with the price oscillating between $80/b and $95/b. This level provides the oil majors with enough surplus to reduce their leverage ratios and reward their shareholders through share buybacks and dividend distributions. In this current environment, we predict that energy dividends will increase by 7% in 2024 and exceed €40 billion in 2025.

Share buybacks have been gaining popularity among oil companies, including the top five dividend payers. We believe **Shell** and **BP** present significant dividend upsides because they are currently allocating a larger portion of their cash flow from operations (CFFO) to buybacks (compared with the pre-pandemic level) and their dividends as a percentage of CFFO are lagging their peers' by 5%-10%. In 2023 and 2024, the average ratio among the main oil majors is about 25%, while Shell and BP are likely to stand at 15%-18%.

On the contrary, the buyback allocation has been rising from a low single-digit percentage to 25% in 2022 and 2023. **TotalEnergies SE** and **Eni SpA** are striking a balance between the two instruments, which are slightly weighted toward dividends. **TotalEnergies** also aims to grow dividends by 5% per annum over the next five years. **Equinor** tends to multitask at both special dividends and share buybacks. In 2023, 37% of **Equinor's** CFFO has been distributed as special dividends, followed by 23% in buybacks and 13% in ordinary dividends.

In 2023, 80% of special dividends have been paid by **Equinor** thanks to a strong outlook for free cash flow and capex flexibility. Likewise, **OMV AG** has added a special dividend as a new instrument to reward shareholders given a leverage ratio below 30%. The uncertainty in corporate restructuring has led **Capricorn Energy PLC** to pay two special dividends of €493 million in total.

2024e cash flow from operations allocation as shareholder returns



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

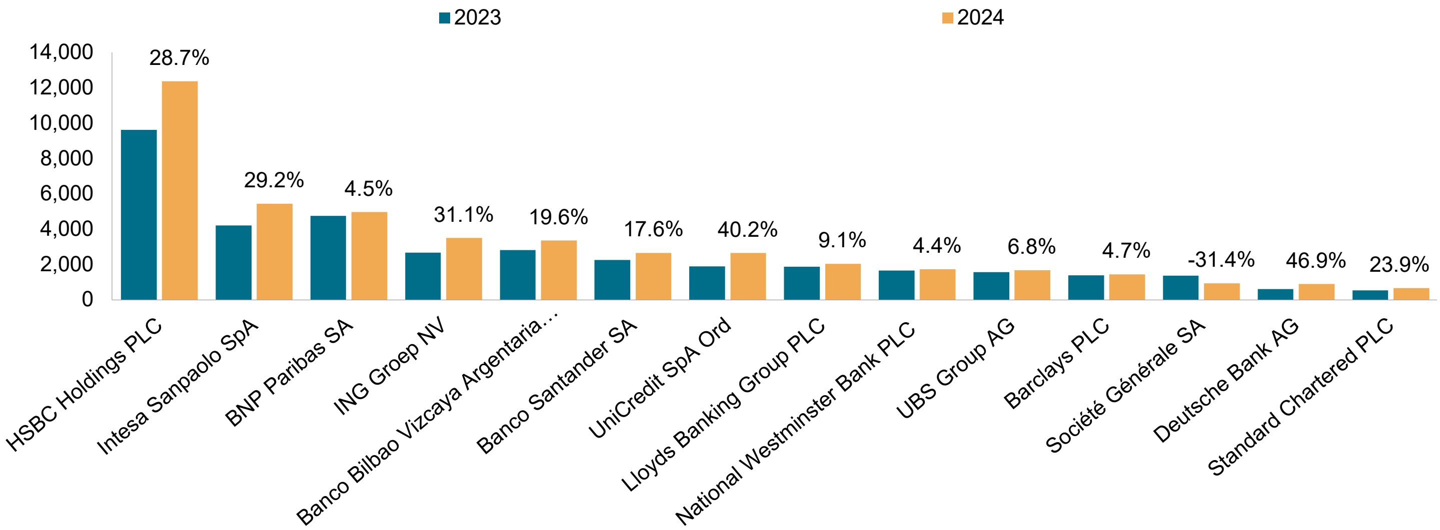
DPS Scenarios

Oil majors	Ex-date	Base-case DPS (€)	Bear-case DPS (€)	% change	Best-case DPS (€)	% change	Eurex DPS (€)	Vs. base case
BP PLC	Feb. 15, 2024	0.079	0.073	-7%	0.086	10%	0.079	0%
BP PLC	May 9, 2024	0.079	0.073	-7%	0.086	10%	0.079	0%
BP PLC	Aug. 8, 2024	0.085	0.076	-11%	0.095	12%	0.079	-7%
BP PLC	Nov. 7, 2024	0.085	0.076	-10%	0.095	12%	0.079	-7%
Eni SpA	March 18, 2024	0.240	0.240	0%	0.240	0%	0.231	-4%
Eni SpA	May 20, 2024	0.230	0.230	0%	0.230	0%	0.231	0%
Eni SpA	Sept. 23, 2024	0.240	0.230	-4%	0.250	4%	0.237	-1%
Eni SpA	Nov. 18, 2024	0.240	0.230	-4%	0.250	4%	0.237	-1%
Shell PLC	Feb. 15, 2024	0.331	0.331	0%	0.380	15%	0.331	0%
Shell PLC	May 16, 2024	0.331	0.331	0%	0.380	15%	0.331	0%
Shell PLC	Aug. 15, 2024	0.363	0.331	-9%	0.418	15%	0.358	-2%
Shell PLC	Nov. 14, 2024	0.363	0.344	-5%	0.418	15%	0.358	-2%
TotalEnergies SE	Jan. 2, 2024	0.740	0.740	0%	0.740	0%	0.740	0%
TotalEnergies SE	March 20, 2024	0.740	0.740	0%	0.740	0%	0.749	1%
TotalEnergies SE	June 19, 2024	0.740	0.740	0%	0.860	16%	0.830	12%
TotalEnergies SE	Sept. 25, 2024	0.780	0.740	-5%	0.860	10%	0.830	6%

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

Banks remain resilient, boosted by higher interest rates

2024e aggregate dividends by bank (€M)



Data compiled Nov. 10, 2023.
Ordinary (excluding special).
Source: S&P Global Market Intelligence.

The banking sector has shown surprising resilience throughout 2023 after the industry was rocked by the collapse of Silicon Valley Bank (SVB) and Credit Suisse Group AG in March. Despite the uncertain environment, rising interest rates have boosted profits and are expected to drive higher dividend payouts in 2024.

The aggregate ordinary dividend payout from banks is expected to increase 19% to €71 billion in 2024. This follows a 29% jump in 2023.

HSBC is forecast to return to its pre-pandemic DPS after it established a payout of 50%, more than doubling the level of its 2022 payment. The bank also intends to initiate a further buyback of up to $3 billion, aimed to be concluded by the full-year 2023 results.

Intesa Sanpaolo expects its 2023 net profit to exceed €7.5 billion off the back of higher interest rates, leading to a projected payout increase of 29% in 2024. The bank has a dividend policy of a payout ratio of 70% until 2025. Similarly, UniCredit's dividend is forecast to jump to €1.50 per share, in line with the bank's policy of a 35% payout ratio.

On the downside, French banks Société Générale and Crédit Agricole SA are set to lower their distributions in 2024. After welcoming a new management in May 2023, Société Générale has been weighed down by a lackluster performance from its retail bank. We forecast a drop for Crédit Agricole after the bank increased payments in 2022 and 2023 owing to the catch-up for the fiscal year 2019 dividend that could not be paid at the time. Unlike their European counterparts, French banks have not seen rising interest rates translate into strong profits. This is because their liabilities reprice more quickly than their assets, such as fixed-rate mortgages, thus reducing their net interest income.

Other banks including ING Groep and Banco Bilbao Vizcaya Argentaria SA (BBVA) are set to hike their dividend payments after a successful financial performance in the first nine months of 2023, and have launched significant buyback programs.

DPS Scenarios

Eurozone banks	Ex-date	Base-case DPS (€)	Bear-case DPS (€)	% change	Best-case DPS (€)	% change	Eurex DPS (€)	Vs. base case
Banco Bilbao Vizcaya Argentaria SA	April 3, 2024	0.410	0.350	*-15%*	0.478	17%	0.361	*-12%*
Banco Bilbao Vizcaya Argentaria SA	Oct. 9, 2024	0.160	0.150	*-6%*	0.180	13%	0.209	*31%*
BNP Paribas SA	May 20, 2024	4.300	4.100	*-5%*	4.900	14%	4.440	*3%*
Commerzbank AG	May 2, 2024	0.350	0.310	*-11%*	0.380	9%	N/A	*N/A*
Crédit Agricole SA	May 28, 2024	0.900	0.860	*-4%*	0.970	8%	0.950	*6%*
Deutsche Bank AG	May 17, 2024	0.450	0.450	*0%*	0.500	11%	0.450	*0%*
ING Groep NV	April 24, 2024	0.650	0.600	*-8%*	0.750	15%	0.632	*-3%*
ING Groep NV	Aug. 6, 2024	0.350	0.300	*-14%*	0.400	14%	0.405	*16%*
Intesa Sanpaolo SpA	May 20, 2024	0.152	0.129	*-15%*	0.179	18%	0.162	*7%*
Intesa Sanpaolo SpA	Nov. 18, 2024	0.146	0.125	*-14%*	0.168	15%	0.124	*-15%*
Nordea Bank Abp	March 22, 2024	0.970	0.950	*-2%*	1.010	4%	0.960	*-1%*
Banco Santander SA	April 29, 2024	0.083	0.069	*-17%*	0.089	7%	0.084	*1%*
Banco Santander SA	Oct. 31, 2024	0.083	0.069	*-17%*	0.091	10%	0.084	*1%*
Société Générale SA	May 28, 2024	1.150	0.700	*-39%*	1.500	30%	1.065	*-7%*
UniCredit SpA	April 22, 2024	1.600	1.510	*-6%*	1.660	4%	1.660	*4%*

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

DPS Scenarios

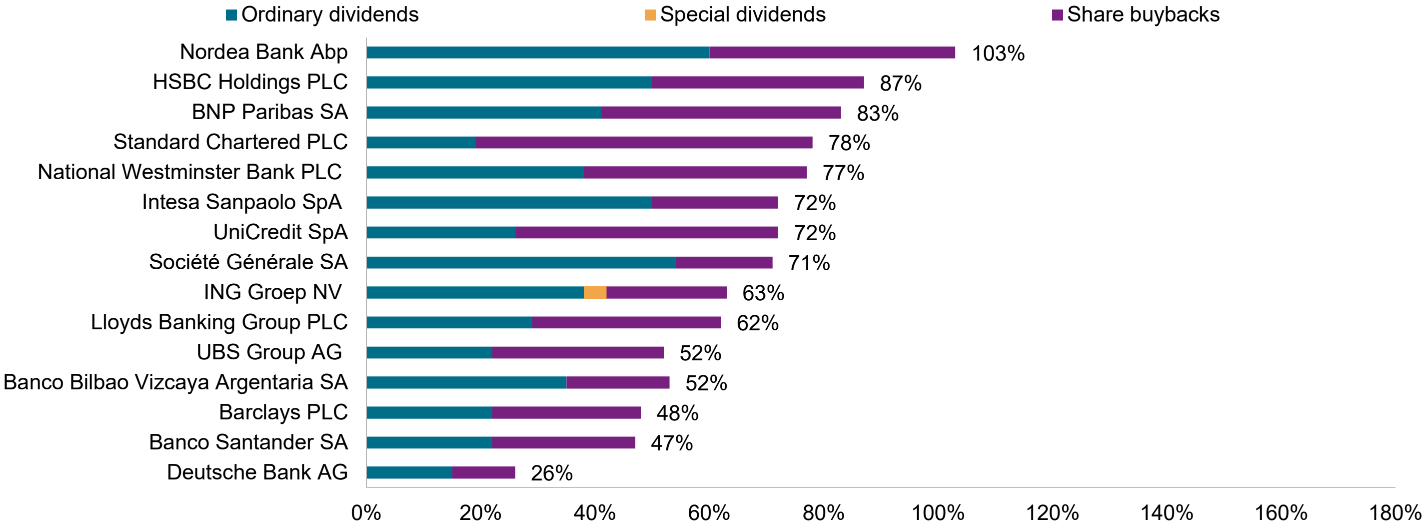
UK banks	Ex-date	Base-case DPS	Bear-case DPS	% change	Best-case DPS	% change
Barclays PLC	Feb. 29, 2024	£0.055	£0.054	-2%	£0.060	*9%*
Barclays PLC	Aug. 8, 2024	£0.029	£0.028	-4%	£0.030	*5%*
HSBC Holdings PLC	March 7, 2024	$0.320	$0.300	-6%	$0.360	*13%*
HSBC Holdings PLC	May 9, 2024	$0.110	$0.100	-9%	$0.120	*9%*
HSBC Holdings PLC	Aug. 8, 2024	$0.110	$0.100	-9%	$0.120	*9%*
HSBC Holdings PLC	Nov. 7, 2024	$0.110	$0.100	-9%	$0.120	*9%*
Lloyds Banking Group PLC	April 11, 2024	£0.018	£0.018	0%	£0.020	*9%*
Lloyds Banking Group PLC	Aug. 1, 2024	£0.010	£0.009	-8%	£0.012	*20%*
National Westminster Bank PLC	March 21, 2024	£0.113	£0.105	-7%	£0.121	*7%*
National Westminster Bank PLC	Aug. 8, 2024	£0.055	£0.047	-15%	£0.065	*18%*

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

Nevertheless, 2024's profits could tell a different story, leading to an eventual slowdown in dividend payments. Although third-quarter 2023 earnings were still bolstered by rising net interest income, the tailwind is not expected to last as central banks' efforts to tighten monetary policies start coming to an end. Shareholder returns could also slow going forward as supervisors urge banks to preserve capital in the face of a souring economic outlook. We forecast a more modest 5% increase in 2025.

Shareholder return allocation in 2023

As a percentage of underlying profits



Data compiled Nov. 10, 2023.

Source: S&P Global Market Intelligence.

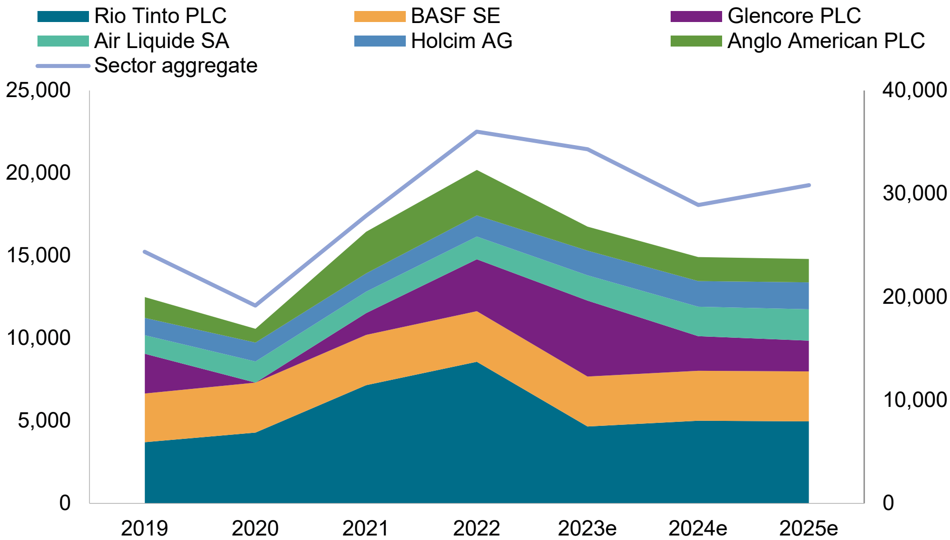
Reduced payments from materials sector as mining and chemical companies face headwinds

The materials sector, represented by leading mining companies (such as **Rio Tinto PLC** and **Glencore PLC**) and chemical companies (such as **BASF SE** and **Air Liquide SA**), is forecast to pay ordinary dividends of €34.3 billion and special dividends of €2.8 billion in 2023. We forecast that the aggregate dividends paid in 2024 will be 16% lower year over year, roughly hovering around €29 billion, up 20% compared with the payment in 2019.

The top six dividend payers in 2023 are predicted to deliver an average payout ratio (based on adjusted earnings) of 75%, an average trailing yield of 5.7% and an average forward yield of 4.6%.

Mining companies rapidly came through the COVID-19 pandemic and paid record dividends in 2021, driven by higher iron ore, aluminum and copper prices. Due to the industry's cyclical nature, most miners tend to calculate payout based on adjusted earnings, EBITDA or surplus cash rather than committing to a progressively growing dividend. **Rio Tinto** seeks to return 50% of interim earnings and 60% of full-year earnings as dividends; we forecast that its fiscal year 2023 final dividend will increase by 10% year over year, bringing the full-fiscal year 2023 dividend to $4.27 per share. **Anglo American PLC** targets a 40% payout ratio; therefore, we predict that its fiscal year 2023 final dividend will decrease by 27% year over year, sliding to $0.54 per share, reflecting lower sales volume and higher unit costs. **Glencore** has paid a record level of dividends in 2023, reaching €6 billion. With oil and commodity prices easing to normal levels, we project that the regular dividends will see an obvious downturn in 2024, with aggregate payments down 67% from the 2023 level. Nevertheless, Glencore is forecast to remain a major contributor in the sector with an aggregate payout standing at about €2 billion.

Materials sector's aggregate dividends (€M)



Data compiled Nov. 10, 2023.
The right axis refers to the sector aggregate.
Source: S&P Global Market Intelligence.
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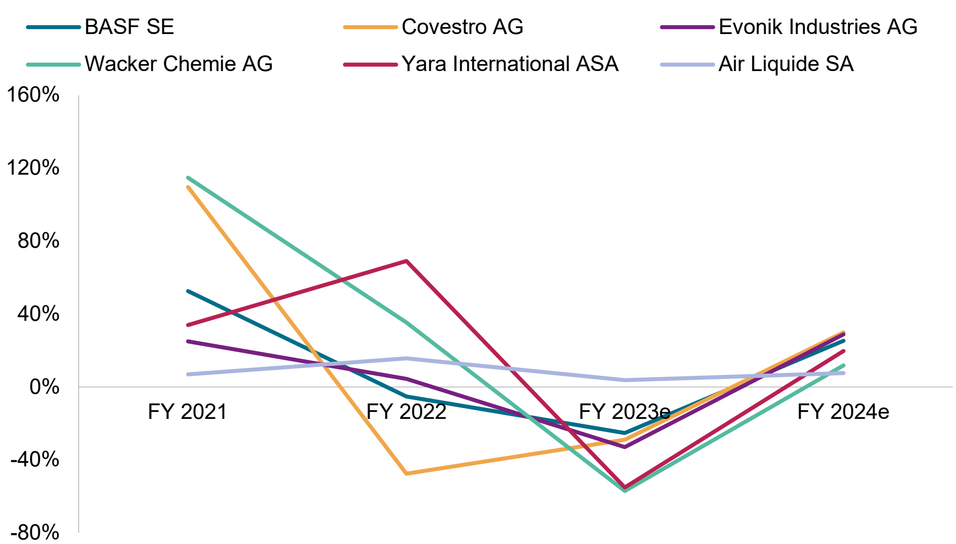
The chemicals subsector is also facing significant challenges, with an expectation for ordinary payouts to fall by 10% year over year (versus an increase of 8.7% year over year in 2023) to reach €11.4 billion in 2024 amid customer destocking and weak pricing power. Nonetheless, the industry is expected to recoup the losses of 2024 to reach about €12.7 billion in dividend payments in 2025.

Profitability takes a hit at key chemical players

Adjusted EBITDA growth (%)



Data compiled Nov. 10, 2023.
Sources: S&P Global Market Intelligence; company filings.
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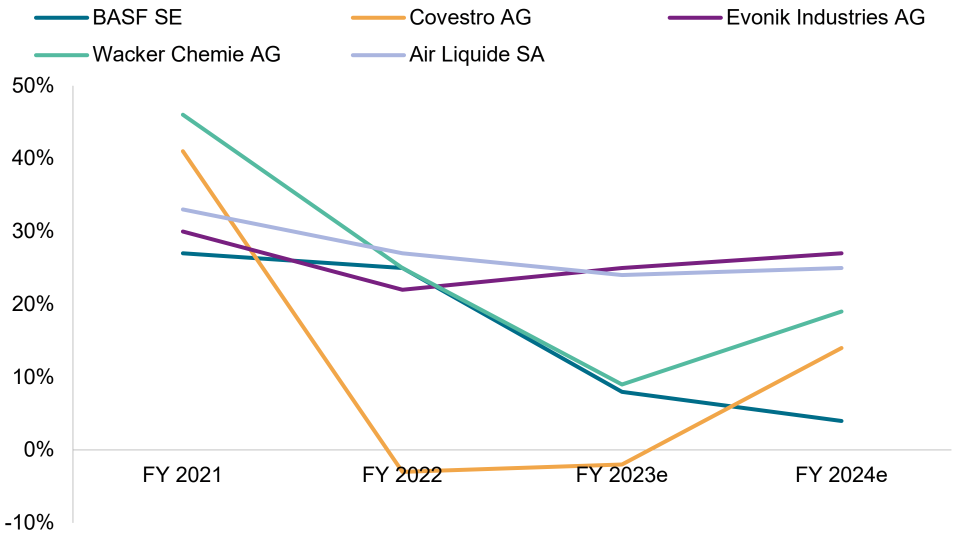
While the payments from **BASF** and **Evonik Industries AG** are forecast to come in flat, **Covestro AG** is expected to keep its dividend suspended for 2024 amid reduced demand and weak pricing for its key products. **Wacker Chemie AG** in Germany is anticipated to cut its payments to almost one-third amid a high-cost European production base and an unfavorable supply and demand balance. In Norway, chemical major **Yara International ASA** is also expected to cut its dividend payments by 93% year over year as it faces low prices for its nitrogen-based end products and high energy costs. On the other hand, in France, **Air Liquide's** dividend is expected to continue growing in line with its dividend policy.

Supporting its payments are its robust free cash flows at about €2.5 billion, against a dividend outflow of about €1.6 billion; a managed leverage position; and a stable earnings base.

Although the management of **BASF** has recently committed on the dividend sustainability in 2024, we see a risk of a dividend cut of about 30% from 2025 onward in a context of several years of weak free cash flows. At the current level, the dividend cover by free cash flow would be well below 1x, with 0.8x in 2024 and 0.7x in 2025.

Weakened free cash flows at major chemical manufacturers

Free cash flow to EBITDA (%)



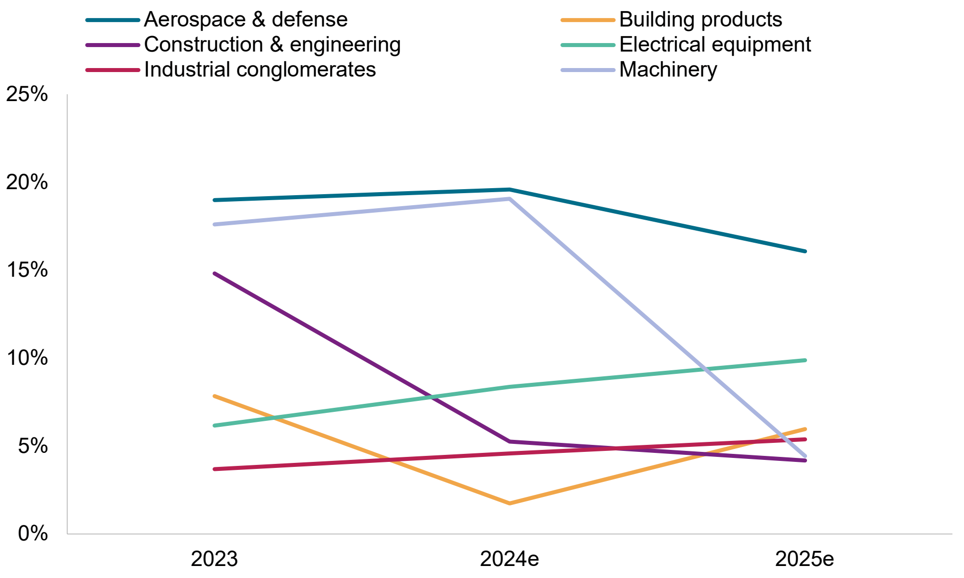
Data compiled Nov. 10, 2023.

Sources: S&P Global Market Intelligence; company filings.

Aircraft, defense and truck segments boost capital goods sector's dividend payouts

Ordinary dividend payout from the capital goods sector is expected to grow by 11.3% year over year (versus an increase of 13.2% year over year in 2023) to reach €39.8 billion in 2024. Although the double-digit growth might seem impressive against a tough macroeconomic environment, it is expected to taper to 7% year over year moving into 2025. Within the capital goods sector, we see high double-digit growth for the aerospace and defense as well as machinery segments at 19.6% year over year and 19.1% year over year, respectively. Other segments such as building products as well as construction and engineering are forecast to post muted growth of 1.7% year over year and 5.3% year over year, respectively.

Capital goods: Dividend growth by segment (%)



Data compiled Nov. 10, 2023.

Source: S&P Global Market Intelligence.

France and Germany dominate the capital goods sector in Europe, generating about 28% and about 19% of the sector's payout, respectively, in 2023. These regions also deliver higher-than-average dividend growth as opposed to other markets in Europe. Average estimated growth for France and Germany stands at 10% year over year and 13% year over year, respectively, during 2024–25, compared with other smaller European markets that average 6% year over year.

In Market Intelligence's view, the dividend paymasters that will drive the 2024 growth include **Airbus SE, Safran SA, BAE Systems PLC, Rheinmetall AG, AB Volvo, Daimler Truck Holding AG, Schneider Electric SE** and **Siemens AG.**

On the aerospace side, recovering global air traffic and high replacement demand for modern fuel-efficient and low-emissions aircraft are driving the beat. As the pandemic wanes, a strong recovery is expected for the civil aerospace industry, especially in the narrow-body segment. Resultantly, aircraft manufacturers offer a significant cash return potential to shareholders in the next 3-4 years. Two major players that are expected to contribute significantly to 2024 dividend payouts are **Airbus** and **Safran**.

Defense majors Rheinmetall and BAE Systems are also booming. **Rheinmetall** stands to benefit from the German government's decision to increase its defense spending to 2% of GDP. The company is currently capitalizing on opportunities for defense exports to many countries. In the UK, **BAE Systems** is a major beneficiary of the European and Asian defense upturn planned in the coming decade. The company has solid earnings before interest, taxes and amortization (EBITA) margins and strong free cash flow conversion.

In the trucking space, **Volvo** and **Daimler Truck** are expected to post high growth in shareholder payments. Factors such as vehicle replacement needs and higher list prices, along with electrification trends, are boosting growth. Both companies are looking to capitalize on their strong market shares across regions while maintaining robust profitability margins.

Among the capital goods heavyweights, we see an upside risk associated with the dividend of **Vinci SA**. We forecast a 13% upside at €3.60 per share for Vinci versus our base-case projection of a final dividend of €3.20 per share for fiscal year 2023. We observe that Vinci's toll roads and contracting business remains resilient even in a more difficult macroeconomic environment. Separately, for the medium term, we highlight the energy transition as a key catalyst for the stock.

Pharmaceutical industry's dividend growth is revived amid a reflection on operating models

The pharmaceutical industry is expected to witness improved growth in the aggregate dividend in the next two years after its sluggish performance of just 2% growth in 2023. Payments from the industry are dominated by seven companies, accounting for an estimated 93% of the aggregate amount for the sector in 2024.

In 2024, we expect growth in the aggregate dividend of about 11% to €36.5 billion, driven primarily by **Novartis AG** and **Novo Nordisk A/S** and complemented by other large constituents, including **AstraZeneca PLC** and **GSK PLC**.

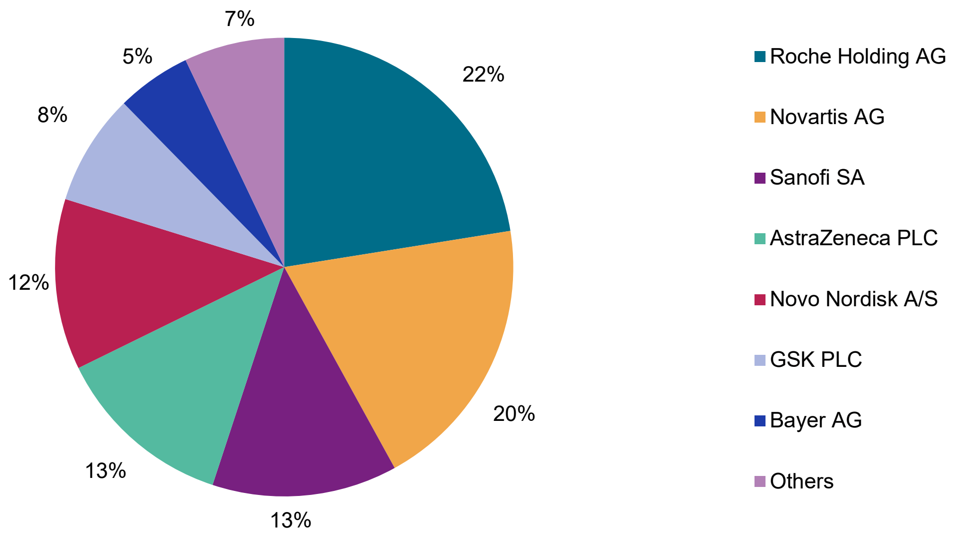
Roche is forecast to retain its position as the top dividend payer in the sector, continuing its record for continually growing its dividend. The company has typically paid at a 50% payout ratio, although it has no specific dividend policy, equating to a DPS for 2024 of CHF9.6, despite falling sales attributed to a reduction in revenue from COVID-19-related products.

Some of the sector's largest participants are currently going through a transitional phase involving streamlining and consolidation, with the trend of spinning off consumer health divisions growing. **GSK** was the first to demerge its consumer healthcare division into **Haleon PLC**, and the decline in the company's dividend by 38% in 2023 can be attributed to this. For fiscal year 2024, we forecast a positive performance from the company with growth in the DPS of 16% to £0.655.

Sanofi SA is another pharmaceutical company that is considering spinning off its consumer healthcare division, which is currently scheduled to occur at the earliest in the fourth quarter of 2024. Our forecast reflects the company as it is currently structured, as the 2024 dividend is unlikely to be affected by any change, with growth in the dividend for fiscal year 2023 of 3.9% to a DPS of €3.7.

We forecast a dividend cut for **Bayer AG** from €2.40 per share in 2023 to €1.90 per share in 2024, taking a payout at the lower end of 30%, the same as in 2021–23 (target range of 30%-40%). Our bearish view originates from the failure of a major drug trial and ongoing costly litigation proceedings regarding its business in the US, compounding the company's elevated leverage levels and weaker cash flows. Our negative outlook also reflects the ongoing strategic review of the different businesses within the company, which could lead to the spinoff of some components. However, we see an upside risk as the company could choose to keep the dividend flat at €2.40 per share and go for a payout at the top end of the target range at around 40%.

2024e aggregate pharmaceutical dividends by constituents



Data compiled Nov. 10, 2023.
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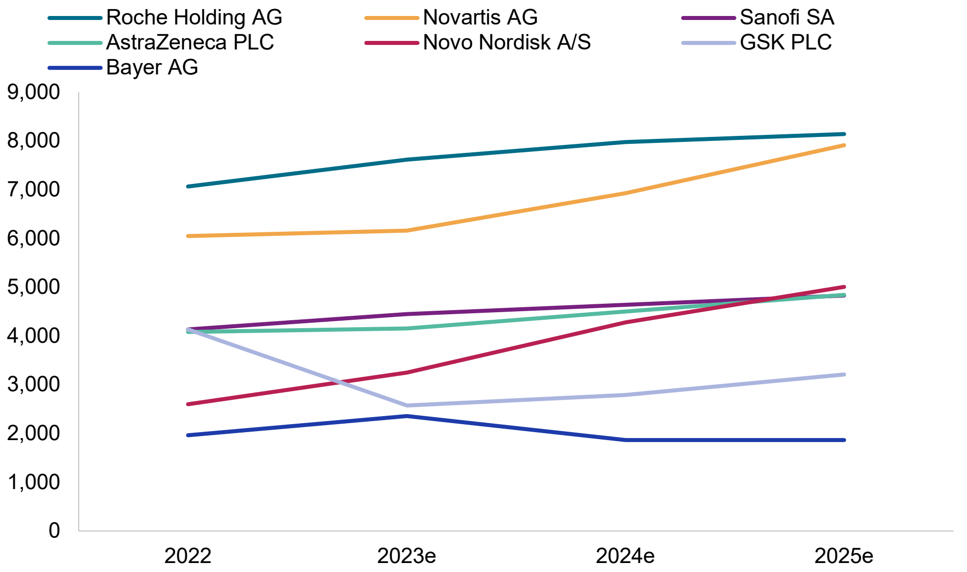
Pharmaceutical sector's top contributors outlook (€M)



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Consumer services are set to surpass the pre-pandemic level in 2024

Consumer services, including hotel and restaurant businesses such as **Compass Group PLC** and **Sodexo SA**, are forecast to pay ordinary dividends of €3.2 billion in 2023 (up 57% year over year), followed by declining annual growth of 24% in 2024 and 16% in 2025. Heavily affected by the COVID-19 pandemic, more than 90% of hospitality companies have suspended dividends between 2020 and 2023. We project that about half of them will not resume regular dividends until 2024 or 2025. Notably, **Sodexo**, **Evolution AB**, and **La Française des Jeux SA (FDJ)** have paid unbroken dividends since 2020, reflecting their dedication to sustainable capital allocations.

Consumer staples are reverting to growth with inflation falling off

Consumer staples are forecast to pay €3.7 billion in dividends in 2023, down 7% from 2019 and down 5% from 2022. Entrenched inflation throughout 2023 has resulted in higher capex and lower profit margins, translating to declining earnings performance. With inflation ultimately winding toward a normal level, we expect the sector's annual payout to finally surpass the pre-pandemic level (about €4 billion) in 2024 and progressively grow at a high single digit over the medium term. The top two dividend payers, **Koninklijke Ahold Delhaize NV** and **Tesco PLC**, are forecast to contribute half of the sector's aggregate payments. Their payout ratios average 45% and forward yields are approximately 4.2%.

Consumer durables are being polarized by luxury goods and homebuilders

Luxury goods industry is going up on the back of income elasticity of demand

The luxury goods industry is forecast to pay dividends of €14.6 billion in 2023, up 7% from a record year in 2022 for which aggregate dividends jumped by 62% year over year, peaking at €13.6 billion, more than 50% higher than the pre-pandemic payout. We expect the industry's aggregate dividends to grow sustainably by 10%-15% per annum over the short term. According to our base forecasts, in 2024, major groups such as **LVMH Moët Hennessy Louis Vuitton SE (LVMH), Christian Dior SE** and **Compagnie Financière Richemont SA (Richemont)** will see annual growth of 14%-16%. **Kering SA** is expected to deliver flat dividends while struggling to revive sales at Gucci. Although **Hermès International** does not follow a clear dividend policy, we predict that it will slightly outperform other peers by reporting annual growth of up to 20%.

Homebuilders industry is going down owing to inflated mortgage rates

European homebuilders are forecast to pay €2.2 billion in dividends in 2023, down 30% from the prior-year level. 2021 and 2022 delivered a record compound annual growth rate (CAGR) of 52% in aggregate dividends; following the two banner years, we now see that inflated mortgage rates have taken such a toll on household durables that the imbalance between demand and supply is bearing away homebuilders' operating profits. As a result, we forecast 2024 to see a further dividend decline of 20% from 2023, of which UK names such as **Barratt Developments PLC**, **The Berkeley Group Holdings PLC** and **Vistry Group PLC** are expected to report a downturn as much as 45%-55%.

Consumer discretionary favors risk-averse investors with healthy yields and payout ratios

European retailers are forecast to pay dividends of €6.5 billion in 2023, up 5% from the 2022 level. Sustainable growth has been seen since 2021, for which annual dividends more than doubled from the 2020 level, and since then, the momentum has been sliding back to a normal track. We expect 2024 and 2025 to deliver further growth of 10% and 7%, respectively. The top two payers, **Inditex SA** and **H & M Hennes & Mauritz AB (H&M)**, used to make up 60% of retailers' aggregate dividends in the past two years; we now predict that the proportion will catch up on 70% (as seen before the COVID-19 pandemic) in 2024 and 2025. **Inditex** tends to return a stable payout ratio of 70%-75%, including its recurring special dividends. However, with a 50% payout ratio as a threshold, **H&M** has returned more than 100% profits to shareholders over the past three years and hence delivers a more attractive dividend yield of about 4.1%.

After record payouts in 2023, automotive dividends to plateau in 2024

DPS Scenarios

Auto majors	Ex-date	Base-case DPS (€)	Bear-case DPS (€)	% change	Best-case DPS (€)	% change	Eurex DPS (€)	Vs. base case
Ferrari NV	April 22, 2024	2.250	2.020	*-10%*	2.700	*20%*	*2.200*	*-2%*
Stellantis NV	April 22, 2024	1.600	1.485	*-7%*	1.782	*11%*	*1.555*	*-3%*
Mercedes-Benz Group	May 9, 2024	5.200	4.700	*-10%*	5.700	*10%*	*5.120*	*-2%*
Volkswagen AG	May 10, 2024	9.260	8.760	*-5%*	9.750	*5%*	*8.610*	*-7%*
BMW Group	May 16, 2024	5.800	5.400	*-7%*	6.300	*9%*	*5.830*	*1%*

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

After growing 23.9% year over year in 2023, automobile manufacturers' dividends are forecast to barely grow in 2024 at 2.0% year over year to reach a total dividend payout of €21.0 billion. Germany and Italy dominate the segment in Europe, generating about 77% and about 22% of the segment's payout, respectively, in 2023.

Even as supply chains ease, amid an increasingly challenging macroeconomic outlook and a normalizing pricing environment, automakers in Germany are anticipated to face a flattish year for dividends in 2024. This applies both to the premium segment brands, such as **Mercedes-Benz Group** and **BMW Group**, and to the mainstream ones, such as **Volkswagen AG**. While our base case estimates dividend growth from €8.70 per share to €9.20 per share for Volkswagen, the increase is largely due to a higher payout ratio assumption as the company moves toward its targeted 30% ratio. Excluding this, consistent with BMW and Mercedes-Benz, the flat trend also applies to Volkswagen. Nonetheless, Italian counterparts in the space offer some hope. **Stellantis NV** and **Ferrari NV** are forecast to boost shareholder payments in 2024 by 17% year over year and 24% year over year, respectively. In addition to realizing merger cost synergies (PSA Group and Fiat Chrysler Automobiles NV), Stellantis is benefiting from record-high vehicle prices. Ferrari's growth stems from its strong sales growth, excellent pricing power and robust research and development (R&D) investments. We highlight a further upside to our base-case dividend forecast for Ferrari at €2.70 per share. Our base case is at €2.25 per share.

For the "big four" automakers (BMW, Mercedes-Benz, Volkswagen and Stellantis), we estimate flat dividends for 2025. In 2025, volumes are likely to remain broadly flat even as pricing continues to moderate. Specifically, weak consumer discretionary spending and inflationary impacts are anticipated to weigh on the earnings of original equipment manufacturers (OEMs). While the trajectory of dividends could be lackluster for the next two years, the average trailing and forward dividend yields of the big four automakers calculate to a strong 8.3% and 8.1%, respectively, which compare favorably with the dividend yields elsewhere in Europe.

The automobile components segment makes up only 10%-12% of the overall dividend payout of the automobiles and components sector (as per 2023–24 data). Even as growth for OEM players plateaus over the next two years, the automobile components segment is expected to post double-digit growth of 23.4% year over year in 2024 and 20.2% year over year in 2025. This follows bleak growth of 2.2% year over year witnessed in 2023 payments, when payouts from OEMs grew 23.9% year over year. Heavyweights in the space include **Continental AG** and **Compagnie Générale des Etablissements Michelin SCA.**

Dividends from the insurance sector maintain steady growth

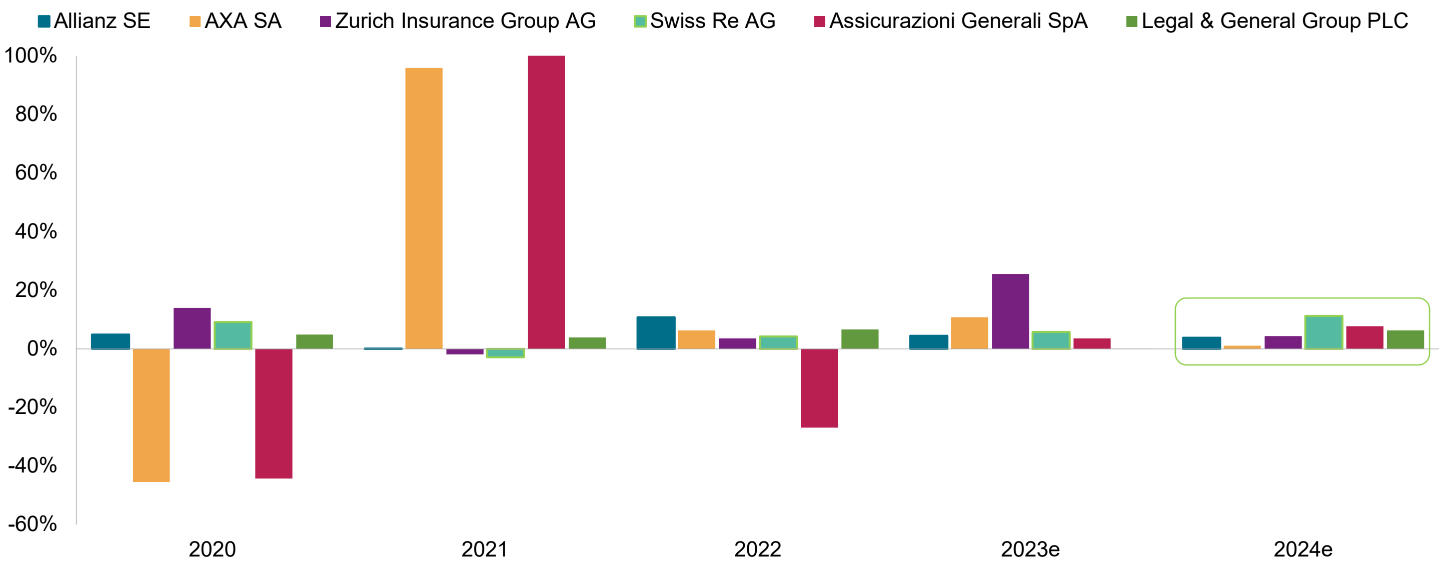
We expect aggregate ordinary dividend payments in the insurance sector to continue their consistent growth, with a 6% increase in 2024. This follows a 2.5% increase in 2023. We project solid year-over-year growth for all major insurance companies.

Notable increases include Dutch insurers **Aegon NV** and **ASR Nederland NV**. Following Aegon's agreement to combine its Dutch operations with ASR, the company announced a hike in its 2023 DPS target from about €0.25 to €0.30 and aims for a DPS of €0.40 by 2025. Similarly, ASR announced a dividend step-up with mid- to high single-digit dividend growth per annum until 2025.

Allianz SE, AXA SA and **Zurich Insurance Group AG** remain the top three payers in the sector, with steady increases of 1%-4% expected in 2024. **Swiss Re AG** and **Assicurazioni Generali SpA** expect bigger jumps of 11% and 8%, respectively.

Stable growth is also expected in the UK. **Legal & General Group PLC** and **Phoenix Group Holdings PLC** have delivered consecutive annual growth for aggregate dividends over the past five years. **Prudential PLC** intends to grow its DPS by 7%-9%. **Aviva PLC** has announced that it expects to pay a total dividend of about £915 million for 2023, up 8% year over year.

YOY change for aggregate ordinary dividends



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

Mixed fortunes across the utilities sector make for limited growth in the aggregate dividends

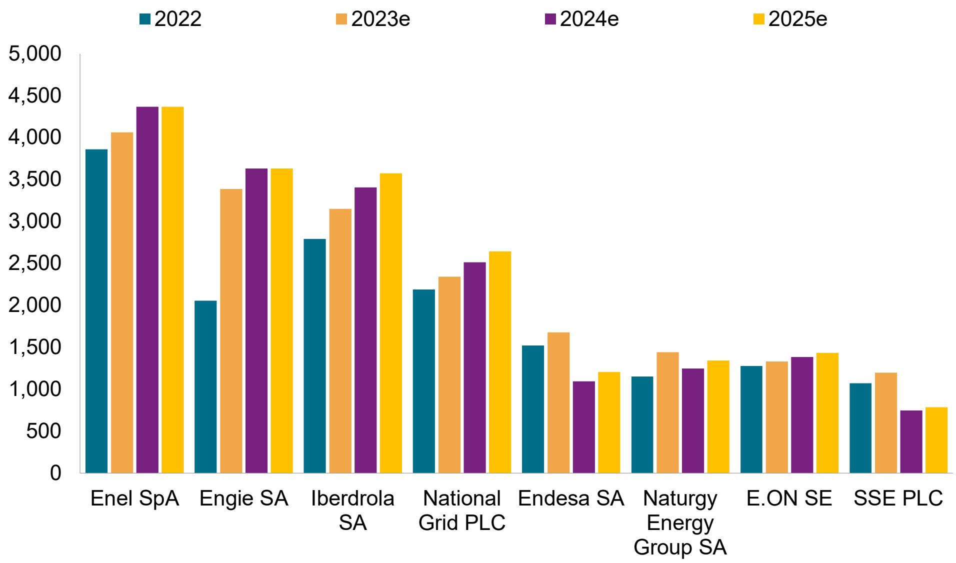
In 2023, the aggregate dividend in the utilities sector saw large growth as it was buoyed by rising global energy prices caused by macroeconomic shocks. As the market currently expects the consequences of these shocks to dissipate in the coming years, growth in earnings and dividends across the sector in 2024 and beyond is limited. For 2024, we expect an aggregate dividend of €30 billion, a 2% increase on the aggregate level expected to be returned in 2023.

The picture across the sector is varied. Some companies, such as **Iberdrola SA**, are expected to consistently return growing dividends, while others, such as **Endesa SA**, are forecast to reduce their payments in 2024 and 2025 as earnings levels return to their historical trend and interest expenses rise due to the increases in interest rates.

Engie SA has seen the largest rise in its dividend compared with its peers, increasing its dividend by 65% in 2023 compared with the 2022 level. The company is expected to become the second-largest payer in the sector by 2024, with a DPS of €1.5, as the board reaffirmed its commitment to a payout ratio of between 65% and 75%.

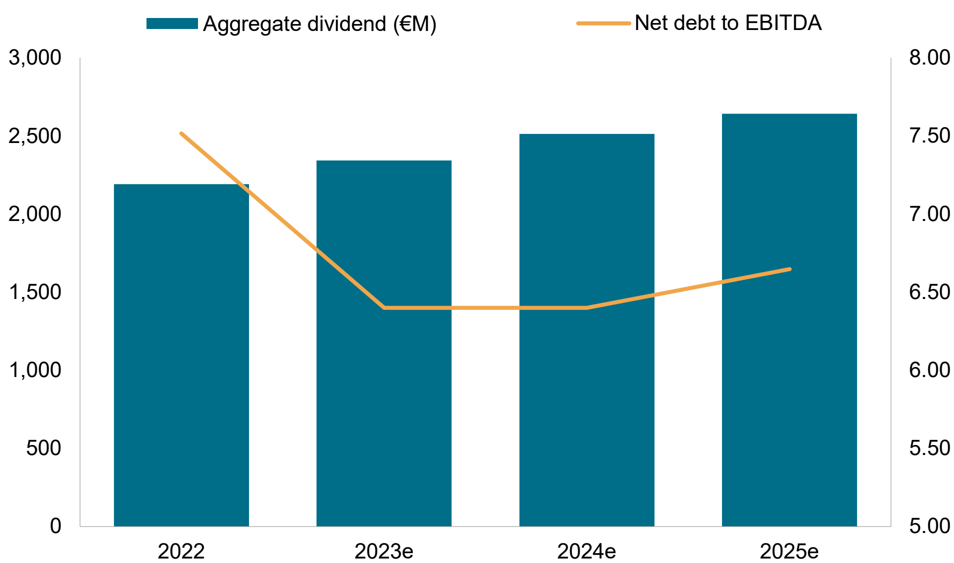
National Grid PLC sets a progressive dividend policy with an annual DPS in line with the UK Consumer Prices Index including owner occupiers' housing costs (CPIH) rate. In 2024, we expect an aggregate DPS of £0.607, representing an annual increase of 6.5%. However, compared with its peers, the company remains highly leveraged with a net debt-to-EBITDA ratio of 7.5x in 2023. For the next two

Aggregate dividends of top eight contributors (€M)



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

National Grid's aggregate dividends and leverage ratio



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

years, the leverage ratio is expected to fall slightly but remain elevated, potentially putting the sustainability of the dividend at risk. National Grid and Iberdrola are two of the few companies that have offered scrip dividends to shareholders in the sector in the past and are expected to continue to do so.

Transportation negatively impacted by shipping companies, but airlines are set to resume distributions

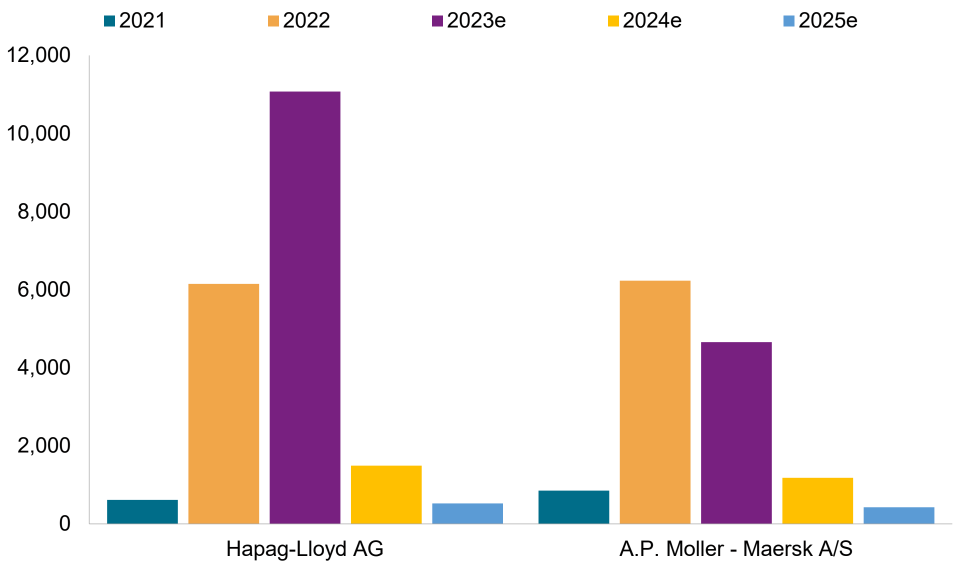
The transportation sector is forecast to see the steepest decline out of all sectors in 2024, falling approximately 49% versus the 2023 level to an aggregate dividend of €12.6 billion. The sector's movement is driven by **A.P. Moller - Maersk** and **Hapag-Lloyd**, with the two firms contributing 63% of the sector's aggregate dividends in 2023.

Both shipping companies significantly increased their dividends during 2022 and 2023 thanks to booming sales as the market environment provided strong tailwinds.

Having substantially rewarded shareholders in the past two years, both companies are expected to return closer to the historical trend of their DPS. For fiscal year 2023, **A.P. Moller - Maersk** and **Hapag-Lloyd** are forecast to return 540 Danish kroner per share and €8.5 per share, respectively, to shareholders.

On the contrary, the sector will benefit from the dividend recovery from airlines such as **Ryanair Holdings PLC**, **Deutsche Lufthansa AG** and **EasyJet PLC** that had to suspend their distributions during the pandemic. **Ryanair** has recently posted a record annual profit and will start paying regular dividends to its shareholders for the first time.

Aggregate dividends (€M)



Data compiled Nov. 10, 2023.
Source: S&P Global Market Intelligence.

Telecommunications sector returns to dividend growth

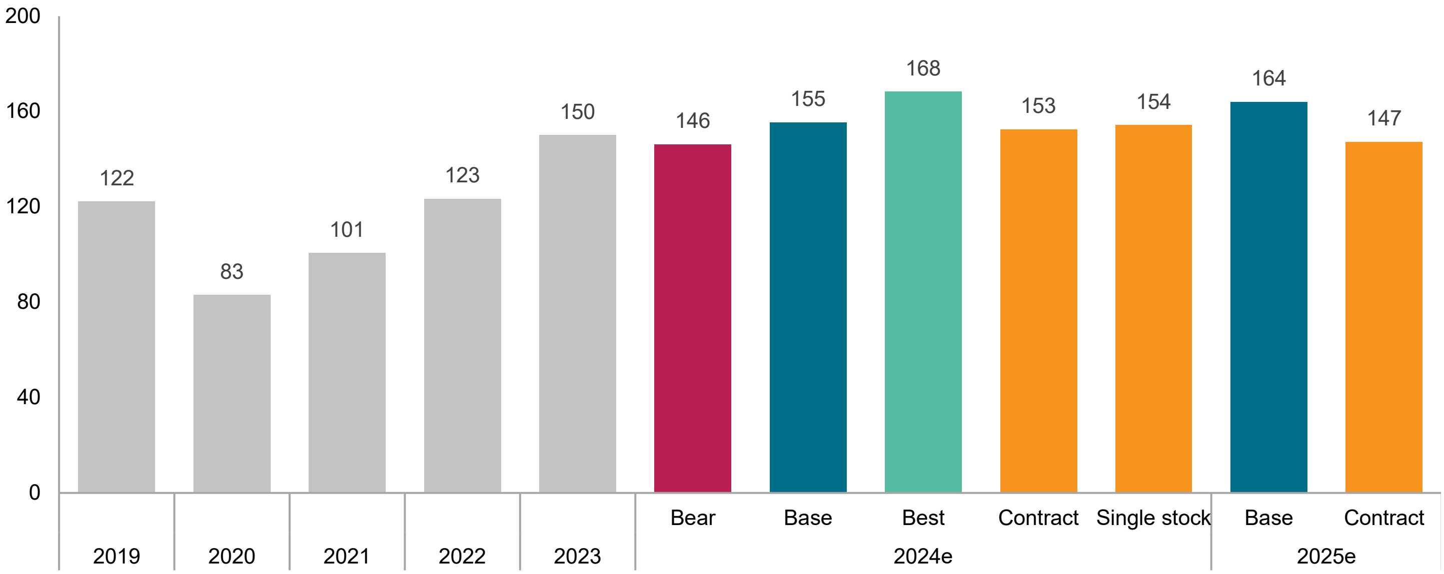
The sector is set to accelerate with a 5% increase in dividend payments in 2024, compared with only 0.5% in 2023.

Deutsche Telekom AG, the leading payer in the industry, plans to increase its dividend by 10% to €0.77 per share from €0.70 per share in 2022. In view of the EPS guidance of over €1.60 for 2023, the proposed dividend is thus in the middle of the intended 40%-60% payout range. The operator group reported growth in users and service revenue despite a complex market environment marked by inflation and price hikes.

Low single-digit increases are expected for **Orange SA** and **Swisscom AG** in 2024, while we forecast that dividends for **Vodafone Group PLC, Telefónica SA** and **BT Group PLC** will remain flat.

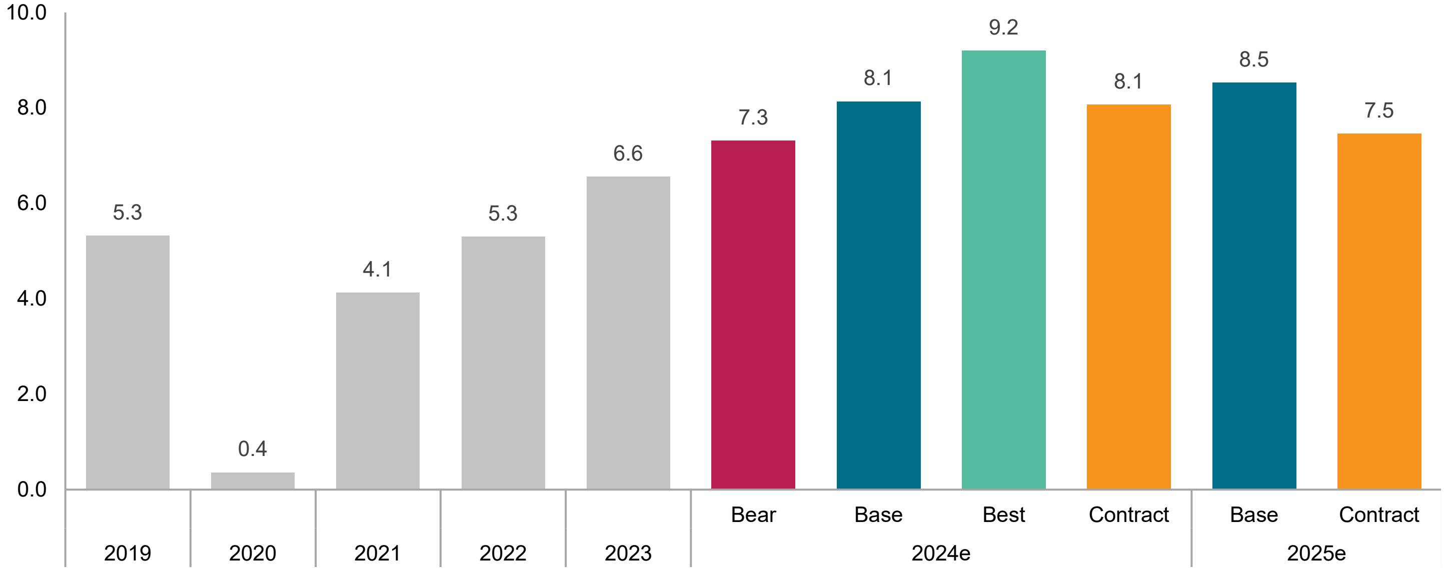
Dividend Index Points: Outlooks for SX5E, SX7E, SD3E and FTSE 100

SX5E Dividend Index Points (DIPs)



Data compiled Nov. 28, 2023.
Sources: S&P Global Market Intelligence; Eurex.

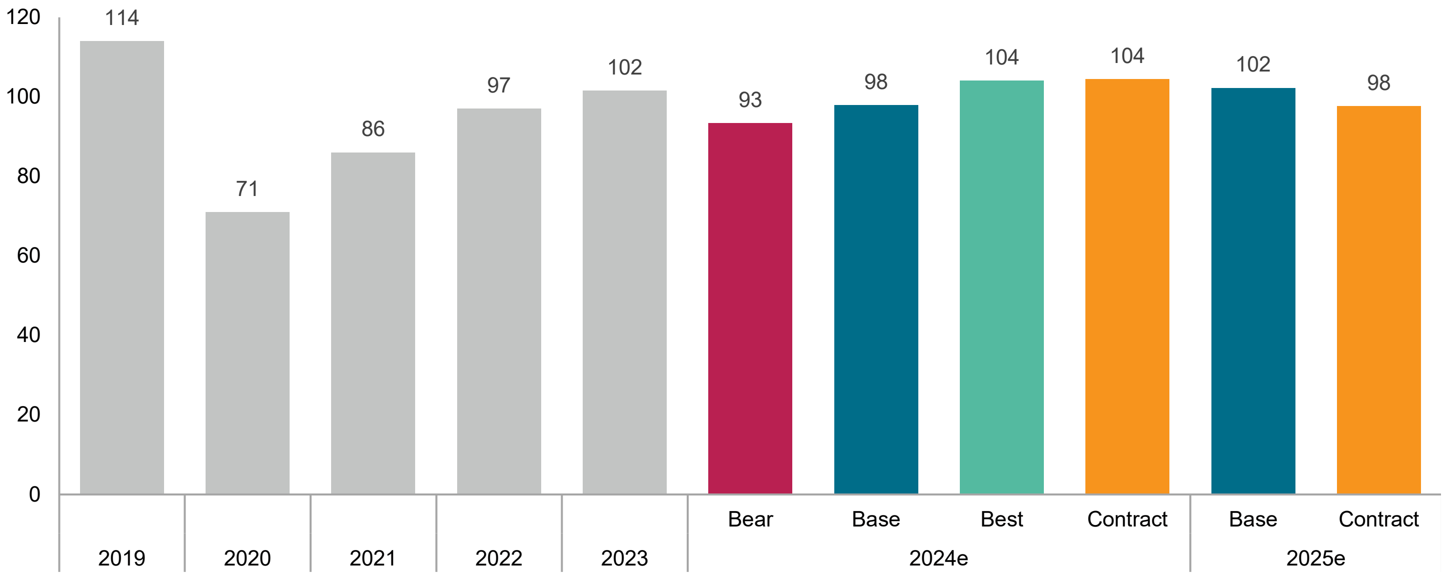
SX7E Dividend Index Points (DIPs)



Data compiled Nov. 28, 2023.

Sources: S&P Global Market Intelligence; Eurex.

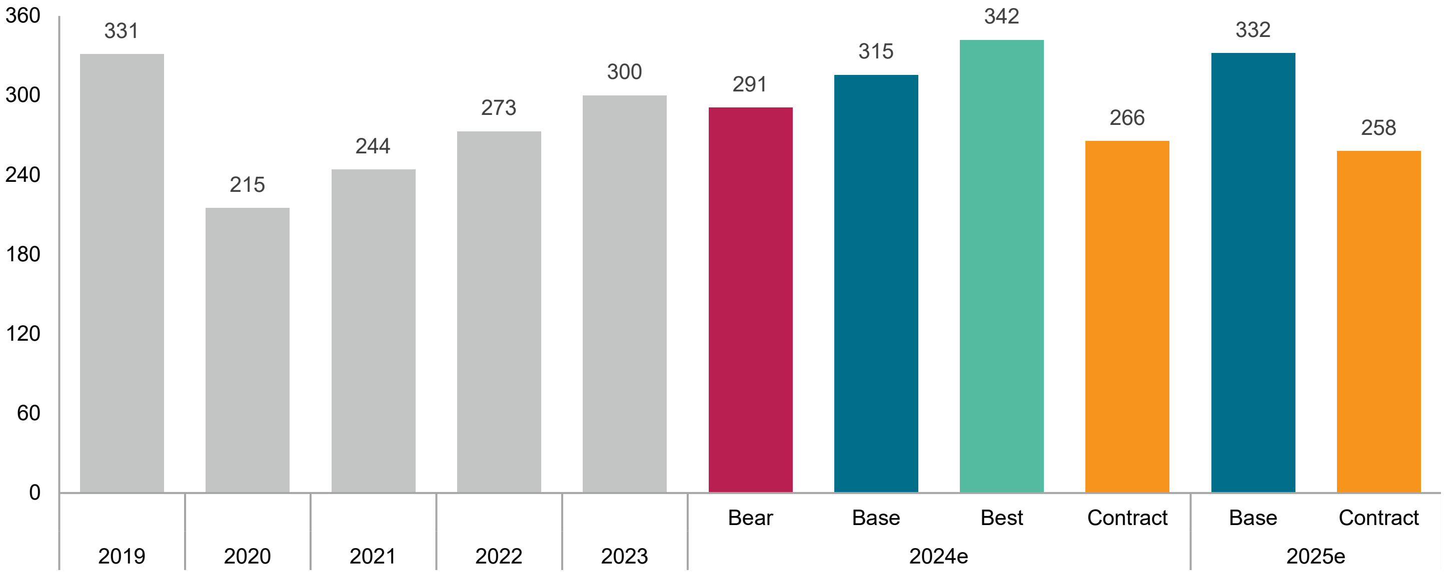
SD3E Dividend Index Points (DIPs)



Data compiled Nov. 28, 2023.

Sources: S&P Global Market Intelligence; Eurex.

FTSE 100 Dividend Index Points (DIPs)



Data compiled Nov. 28, 2023.
Sources: S&P Global Market Intelligence; Eurex.

Top 25 dividend payers

Top 25 dividend payers in 2024e

Company	Aggregate payment, 2024e (€)
HSBC Holdings PLC	12,369,495,153
Shell PLC	8,690,072,469
Nestlé SA	8,466,730,088
Roche Holding AG	7,976,928,003
Novartis AG	7,484,869,157
LVMH Moët Hennessy Louis Vuitton SE	7,241,452,149
TotalEnergies SE	7,150,604,748
British American Tobacco PLC	6,109,045,060
Mercedes-Benz Group	5,578,578,303
Intesa Sanpaolo SpA	5,436,033,614
BP PLC	5,208,205,892
Rio Tinto PLC	4,995,051,251
BNP Paribas SA	4,967,609,469
Stellantis NV	4,918,742,779
Allianz SE	4,750,542,740
Sanofi SA	4,639,290,780
Volkswagen AG	4,624,288,746
AstraZeneca PLC	4,502,695,757
Unilever PLC	4,426,700,481
Enel SpA	4,368,913,179
Inditex SA	4,358,297,413
Novo Nordisk A/S B	4,275,940,607
AXA SA	4,063,948,985
Deutsche Telekom AG	3,828,980,033
Zurich Insurance Group AG	3,730,636,393

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

Top 30 dividend YOY changes

Top 30 dividend YOY changes, 2023e versus 2024e

Company	Aggregate payment, 2023e (€)	Aggregate payment, 2024e (€)	Change, aggregate (€)	Change (%)
HSBC Holdings PLC	9,613,385,456	12,369,495,153	2,756,109,697	29%
Novartis AG	6,161,161,647	7,484,869,157	1,323,707,510	21%
Intesa Sanpaolo SpA	4,208,324,712	5,436,033,614	1,227,708,902	29%
Novo Nordisk A/S B	3,246,457,927	4,275,940,607	1,029,482,681	32%
Shell PLC	7,699,098,162	8,690,072,469	990,974,306	13%
LVMH Moët Hennessy Louis Vuitton SE	6,254,296,292	7,241,452,149	987,155,857	16%
Porsche AG Vz	460,055,000	1,325,505,000	865,450,000	188%
ING Groep NV	2,666,596,255	3,497,194,469	830,598,214	31%
BP PLC	4,446,278,585	5,208,205,892	761,927,307	17%
UniCredit SpA Ord	1,894,266,911	2,655,905,123	761,638,212	40%
Stellantis NV	4,208,327,702	4,918,742,779	710,415,077	17%
Unibail-Rodamco-Westfield SE	-	695,206,855	695,206,855	-
CaixaBank SA	1,728,219,669	2,381,494,252	653,274,582	38%
Inditex SA	3,734,873,440	4,358,297,413	623,423,973	17%
Nordea Bank Abp	2,877,535,902	3,428,469,200	550,933,299	19%
Banco Bilbao Vizcaya Argentaria SA	2,812,863,671	3,362,992,927	550,129,256	20%
Nestlé SA	7,966,506,320	8,466,730,088	500,223,769	6%
UPM-Kymmene Oyj	799,986,069	373,326,832	-426,659,237	-53%
Wacker Chemie AG	596,135,796	168,905,142	-427,230,654	-72%
Société Générale SA	1,362,469,925	934,291,256	-428,178,669	-31%
Crédit Agricole SA	3,175,166,801	2,746,361,172	-428,805,629	-14%
SSE PLC	1,200,175,271	748,072,868	-452,102,403	-38%
Endesa SA	1,677,543,285	1,095,543,521	-581,999,763	-35%
Norsk Hydro ASA	1,056,721,907	444,816,791	-611,905,116	-58%
Kuehne + Nagel International AG	1,671,099,596	995,626,474	-675,473,122	-40%
Yara International ASA	1,267,895,844	90,418,366	-1,177,477,478	-93%
BMW Group	5,450,092,091	3,642,557,947	-1,807,534,144	-33%
Glencore PLC	4,588,756,916	2,094,256,012	-2,494,500,904	-54%
A.P. Moller - Maersk A/S A	4,659,492,601	1,182,960,955	-3,476,531,647	-75%
Hapag-Lloyd AG	11,072,898,459	1,493,962,491	-9,578,935,969	-87%

Data compiled Nov. 10, 2023..
Source: S&P Global Market Intelligence.

CONTACTS

Americas: +1 800 447 2273
Japan: +81 3 6262 1887
Asia-Pacific: +60 4 291 3600
Europe, Middle East, Africa: +44 (0) 134 432 8300

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