

Five Years Dividend Payment Review for NSE Quoted Companies



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Executive Summary

To conservative income investors, dividend investing appears so simple, but it is not so. Dividend Investing requires good understanding of the technicalities involved as we would share in this report, and thus should be treated with every sense of responsibility. The most important thing to note in stock investment is that investors should not increase their exposure with dividend investing approach.

A cursory review of stocks listed on the Nigerian bourse between September 27, 2011 and September 27, 2016, revealed that Nigerian stocks had grown by 41%, thereby indicating an average of 8% yearly growth in the last five years. This suggests unimpressive outlook if we are to consider or juxtapose this with inflation figures within the same period under review.

Inflation: Yearly Average

Period	2011	2012	2013	2014	2015	2016
Average	10.85	12.24	8.52	8.06	9.02	13.81

Source: NBS

Data from the inflation table above (*as obtained from the National Bureau of Statistics*) indicates that income investors', particularly the portfolios without diversification into fixed income assets, are not likely to be in good shape.

This is not to discourage risk-averse investors from investing in the Nigerian stock market but to enlighten conservative income investors on the need to consider dividend consistency rate along with payout ratio and free cash-flow pattern in picking dividend-paying stocks. On this note, our report would focus on an analysis of the dividend history and consistency rate of quoted companies in the last 5yrs.

Executive Summary

Our analysis reveals that not much attention should be given to dividend yield, which is a function of price- the lower the price, the higher the yield. A better understanding of what drove price lower needs to be considered in picking dividend-paying stocks.

Having said that, the current state of the economy, that is, recession may incite companies to cut-down on dividend payout to investors, as a way of building up their retained earnings to weather the recession storm, which may make dividend stocks less attractive going forward.

Going by history, some large CAP companies had not only reduced payout ratio but nearly stopped paying dividends regularly, the recent real-example is FBN Holdings Plc. Though, no company is immune to industry and financial disaster, investors need to be wary of High dividend yield. Consistency rate, payout ratio and free cash-flow as revealed in this report should be taken as key indicators or compass hence forth.

Do feel free to share your opinions/observations and feedback with us via research@proshareng.com

Thank you.

For: Proshare Editorial Board

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ANALYSIS OF DIVIDEND PAID BY QUOTED COMPANIES



From analysis, we observed that out of 212 quoted companies in the last five years, only 124 companies paid dividends which are largely medium and Small Capped stocks- the big-capped stocks formed minority class in paying, though the class remain the most consistent in paying dividends regularly as indicated by research and analysis.

Dividend History and Review of Dividend Payment Consistency

58%

of all quoted companies Pays Dividend

33%

of firms that pay dividend are Large CAPs

67%

of firms that pay dividend are Medium and Small CAPs

18%

of firms that pay dividend records 100% Payment Consistency
(Mostly large CAPs)

27%

of quoted companies that pay dividend record 71-80% Consistence
in paying dividend (Largely Medium CAPs)

14%

of quoted companies that pays dividend records 50-70%
Consistency rate

41%

of quoted companies that pay dividend record Below-50%
consistency rate

Analysis: 5 Years Dividend Payment Consistency

124 quoted firms	41 large CAPs	83 small CAPs	22 quoted firms	33 quoted firms	17 quoted firms	51 quoted firms
58% of quoted companies pay dividend	33% of firms that pay dividend are Large CAPs	67% of firms that pay dividend are Small CAPs	18% records 100% Payment Consistency	27% of quoted companies record 7180% Consistence in paying dividend	14% of quoted companies record 5070% Consistency	41% of quoted companies record Below50%

Source: Proshare Markets

Top Companies with high dividend consistency rate

Dividend Consistency: Top Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
ACCESS	0.55	1.37	100%	40%
AFRIPRUD	0.43	0.13	100%	331%
ASHAKACEM	0.15	0.73	100%	21%
CAP	1.15	1.11	100%	104%
DANGSUGAR	0.5	0.62	100%	81%
FBNH	0.15	1	100%	15%
FIDELITYBK	0.16	0.19	100%	84%
GLAXOSMITH	0.3	3.1	100%	10%
GUARANTY	1.77	2.63	100%	67%
MOBIL	7.2	12.25	100%	59%
MRS	1.1	3.58	100%	31%
NAHCO	0.2	0.06	100%	333%

Dividend Consistency: Top Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
NB	3.6	2.4	100%	150%
NESTLE	29	0.68	100%	4265%
OKOMUOIL	0.1	3.77	100%	3%
PZ	0.5	0.54	100%	93%
TRANSEXPR	0.1	0.15	100%	67%
UACN	1	1.37	100%	73%
UBA	0.4	0.9	100%	44%
UCAP	0.35	0.6	100%	58%
WAPCO	3	6.87	100%	44%
ZENITHBANK	0.25	1.42	100%	18%

PAYOUT RATIO REVIEW

- 1** The dividend payout ratio is the proportion of profit paid to shareholders relative to the total profit declared by a company. The amount that is not shared as dividend by the company is called retained earnings. This is a way of measuring the portion of a company's profit that are paid out to all shareholders as dividends rather than plough it back into the business as retained earnings in any financial year.
- 2** For a conservative investors or income investors, we recommend a high dividend payout ratio stocks. This class of stocks would be more suitable for steady income portfolio- So it is advisable to consider stocks with higher payout ratio as this signifies high business stability and business growth in the company, which further suggests no urgent or serious need for future investments.
- 3** Though, we also want risk-averse investors to be cautious of high payout ratio like 100% or above because it actually reveals that the company is losing money paying all its profits to shareholders as dividend. On the other hand, low payout ratio suggests otherwise. For the purpose of this report, we have made use of current EPS, current DPS in the last 2 financial years (2014 and 2015) to calculate the dividend payout ratio as a guide.

High Payout Ratio Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
CADBURY	0.65	0.08	43%	813%
BERGER	0.75	0.21	86%	357%
BOCGAS	0.1	0.03	71%	333%
NAHCO	0.2	0.06	100%	333%
AFRIPRUD	0.43	0.13	100%	331%
VITAFOAM	0.25	0.1	86%	250%
FO	3.45	1.71	43%	202%
CONOIL	3	1.5	71%	200%
CWG	0.02	0.01	67%	200%
REDSTAREX	0.35	0.18	86%	194%
NIGERINS	0.035	0.02	57%	175%

Source: Proshare Markets

Moderate Payout Ratio Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
REGALINS	0.3	0.04	50%	75%
NPFMCRFBK	0.15	0.2	86%	75%
UACN	1	1.37	100%	73%
UPDCREIT	0.43	0.59	67%	73%

Moderate Payout Ratio Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
SMURFIT	0.26	0.37	86%	70%
INTBREW	0.35	0.5	57%	70%
CCNN	0.35	0.52	57%	67%
GUARANTY	1.77	2.63	100%	67%
CHAMS	0.02	0.03	14%	67%
TRANSEXPR	0.1	0.15	100%	67%
STANBIC	0.9	1.36	71%	66%

Source: Proshare Markets

Low Payout Ratio Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
ASHAKACEM	0.15	0.73	100%	21%
TRANSCORP	0.06	0.3	29%	20%
ZENITHBANK	0.25	1.42	100%	18%
FBNH	0.15	1	100%	15%
BETAGLAS	0.4	2.91	86%	14%
CAVERTON	0.1	0.73	67%	14%
AIRSERVICE	0.15	1.24	57%	12%
SCOA	0.075	0.72	57%	10%

Low Payout Ratio Stocks

Tickers	Current DPS	Current EPS	Consistency Rate	current Payout Ratio
GLAXOSMITH	0.3	3.1	100%	10%
ABCTRANS	0.02	0.21	71%	10%
OKOMUOIL	0.1	3.77	100%	3%

Source: Proshare Markets

UNCLAIMED DIVIDENDS AND THE NEW SEC INITIATIVE



THE PROPOSED SEC 12 YEAR RULE AND THE CAPITAL MARKET DEVELOPMENT FUND

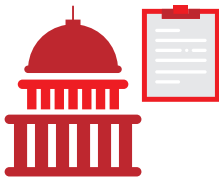
“Companies and Registrars in custody of dividends which remain unclaimed by shareholders 12 years after the date of declaration or subsequently attain the 12 years threshold shall upon the coming into effect of this Rule transfer such monies into the Nigerian Capital Market Development Fund (NCMDF)”

- The Securities & Exchange Commission (SEC), in August 2016.

AIM

- 1 To reduce the incidence of unclaimed dividend in the Nigerian Capital Market .
- 2 To solve one of the concerns of retail investors within the market space, proposed below rule which states thus.

COMPLIANCE EXPECTATION



Companies and Registrars are expected to comply by **forwarding a report on unclaimed dividends to the SEC not later than 30 days** after the end of every calendar year and compliance details disclosed in the company's annual report.

EFFECTIVE DATE



This rule is expected to take effect after all **comments and input put forward to the Rules Committee of the SEC has been reviewed** and a final draft of rules approved by the commission.

REGISTERING FOR E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)– STEP BY STEP PROCESS



LAUNCH DATE

July 29, 2015

POWERED BY

SEC in conjunction with the
Central Bank of Nigeria and
NIBSS Plc

AIM

- 1 To ease the process of e-dividend registration.
- 2 To reduce the volume of unclaimed dividend in the Nigerian Capital Market.

STEP BY STEP PROCESS TO REGISTER

- 1 Upload your completed e-Dividend Mandate forms at the office of your registrar OR approach your Banker to process their completed e-Dividend Mandate Form(s).
- 2 Registrar validates investor's Shareholder Account Number, Name, Signature and Clearing House Number (CHN).
- 3 A scanned copy of the completed e-Dividend Mandate Form(s) will be uploaded on to the portal for immediate access by your nominated Bank for the verification of your Bank account details.
- 4 Registrars shall exercise caution when validating names generated by the system for the Clearing House Number, Shareholder Account Number and Bank Account Number against the physical form to ensure there is a reasonable level of congruence before the document is accepted and saved on the portal.
- 5 You should complete separate forms for each shareholder account number, as upload of e-Dividend Mandate Forms shall be on the basis of individual shareholder number and company of investment indicated on your physical e-Dividend Mandate Form.
- 6 The receiving bank may reject the mandate uploaded by Presenting Registrars if the signature on the mandate does not tally with the specimen signature of the account holder in the Bank.



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References/related Reports

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16. SEC restrictions on dealings in securities of unlisted public companies.

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