

Q1 2024

UK Dividend Monitor



**Foreword, by Mark Cleland,
CEO of Governance Services
& CEO of Issuer Services UCIA**

Stock markets around the world had a very strong first quarter, but although the UK market briefly reached a record high, it has lagged well behind its global peers during the strong rally of recent months.

Investors are focused on the timing and magnitude of interest rate cuts and the likely impact these will have on economic growth. The overall value of dividends is growing, but only modestly at present.

At Computershare, we look after the registers of 900 companies in the UK and through timely and accurate shareholder register management, we provide the insight, comfort and assurance for companies and investors that records are up to date, accessible and secure. One of our key roles is to ensure dividends declared by the listed companies reach their shareholders. Our services are underpinned by smart technology and expert people.

The Computershare UK Dividend Monitor is the most comprehensive and widely followed research on dividends in the UK and we are proud to bring you the Q1 2024 edition.

Media enquiries:

e: media@computershare.com



CONTENTS

AT A GLANCE	4
OVERVIEW	5
SECTORS & COMPANIES	9
TOP COMPANIES	12
TOP 100 V MID 250	13
YIELD	14
VIEWPOINT AND OUTLOOK	15

AT A GLANCE

Overview

- UK dividends rose to £15.6bn in Q1, up 4.9% on a headline basis, boosted by one-off payments
- Underlying growth was slower – regular dividends (which exclude one-offs) rose 2.0% on a constant-currency basis, in line with our forecast
- Sterling was stronger in Q1 2024 compared to Q1 2023 and reduced the headline growth rate by 1.7 percentage points

Sectors & Companies

- Healthcare, oil, telecoms, and food, drink and tobacco dominated Q1 but only the last showed growth; the others saw payouts fall – but not because companies cut per-share dividends – exchange rates and the impact of share buybacks pulled the total paid lower
- The banking sector is largely absent in Q1, though we expect it to make the largest contribution to growth in 2024
- The fastest growth came from the airlines, leisure and travel sector which continues to recover from the pandemic

Top 100 v Mid 250

- Top 100 payouts were 2.0% higher on an underlying basis – 94% of companies that paid a dividend in Q1 either increased it or held it steady
- Mid-250 dividends rose 1.9% and 95% of companies increased or held payouts flat year-on-year

Yield

- Prospective yield on UK equities held steady at 4.0%
- Bond yields rose again in Q1 and once again exceeded equity yields
- Cash savings offered the highest income, but have proved vulnerable to inflation over the longer term

Outlook

- UK dividend outlook is healthy but unexciting – most sectors will show steady, low single-digit growth, reflecting a sluggish global and UK economy
- We expect one-off special dividends will be larger in 2024 than 2023, although dividends in the mining sector are likely to shrink further
- Headline forecast upgraded to £94.5bn, up 4.3% year-on-year
- Regular dividends (excluding one-offs) forecast to reach £89.5bn, up 1.5% on an underlying basis (down from 2.0%)



OVERVIEW

UK dividends started 2024 on a positive note, rising 4.9% to £15.6bn in the first quarter, ahead of our expectations owing to higher one-off special dividends. Regular dividends, which exclude these volatile one-offs, were £14.7bn¹ in Q1, up 2.0% on a constant-currency basis, and in line with our forecast.

The brightest spots in the first quarter included airlines, leisure and travel, where payouts continue to recover from the pandemic and, data indicates, still have a lot of ground to catch up when compared to pre-2020 levels. The same forces boosted the consumer goods sector, where airline caterer Compass made another large increase. Most sectors delivered steady low single-digit growth.

The big sectors make the real difference though. Dividends are seasonal and of the sectors that dominate the first quarter – healthcare, oil, telecoms, and food, drink and tobacco – only the last showed growth in the total value paid, mainly thanks to strong profits at Associated British Foods. The others all declined modestly owing either to a stronger pound, the impact of share buybacks or a combination of both. Even in the oil sector, where per-share dollar dividend increases are significant – 20% in Shell's case – these forces combined to eliminate growth in the total sterling value distributed. Meanwhile the banking sector, which continues to be the main driver of UK dividend growth at present, is largely absent from the first-quarter figures. This helps explain why underlying growth was relatively subdued. In the second and third quarters, cuts from the mining sector are likely to detract from progress elsewhere, meaning these quarters will be held back too.

Q1 headline payouts rose 4.9% to £15.6bn.

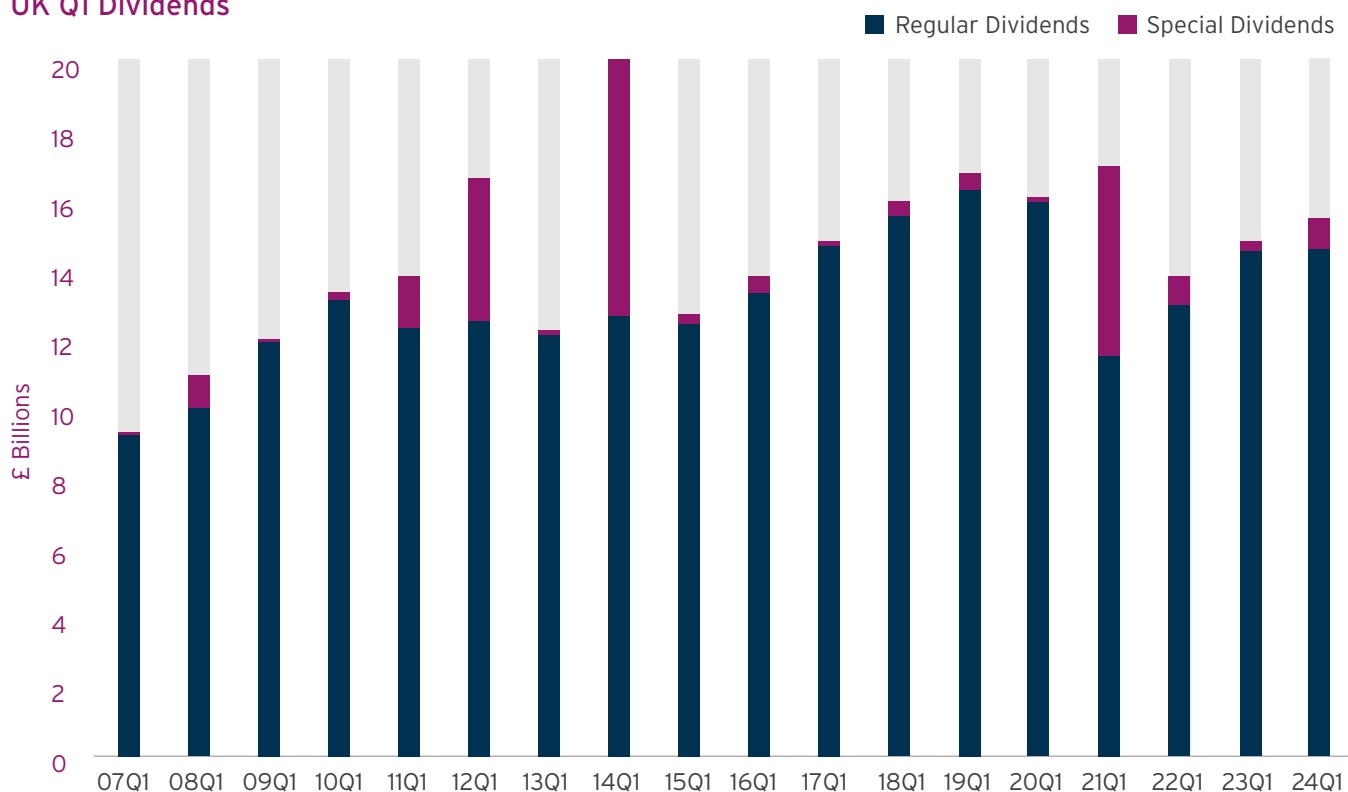
This is largely why the outlook for 2024 is relatively modest. We have increased our forecast for headline growth on the back of higher-than-anticipated special dividends in the first quarter and a slightly lower sterling exchange rate compared to January. But the mining sector looks likely to be weaker, following a large cut announced by Glencore. We now forecast 4.3% growth (up from 3.7%), or £94.5bn in total payouts. Regular dividend growth looks likely to be slower than we anticipated, however. We forecast regular dividends of £89.5bn, equivalent to underlying growth of 1.5% (down from 2.0%).

Underlying Q1
growth was
2.0%
excluding one-offs
and exchange rates

**2024 forecast: upgrade
headline to £94.5bn on higher
one-offs but underlying growth
reduced to 1.5%.**

¹ Calendar effects have brought forward some payments from the second quarter and we have adjusted for this in assessing the outturn relative to our forecast.

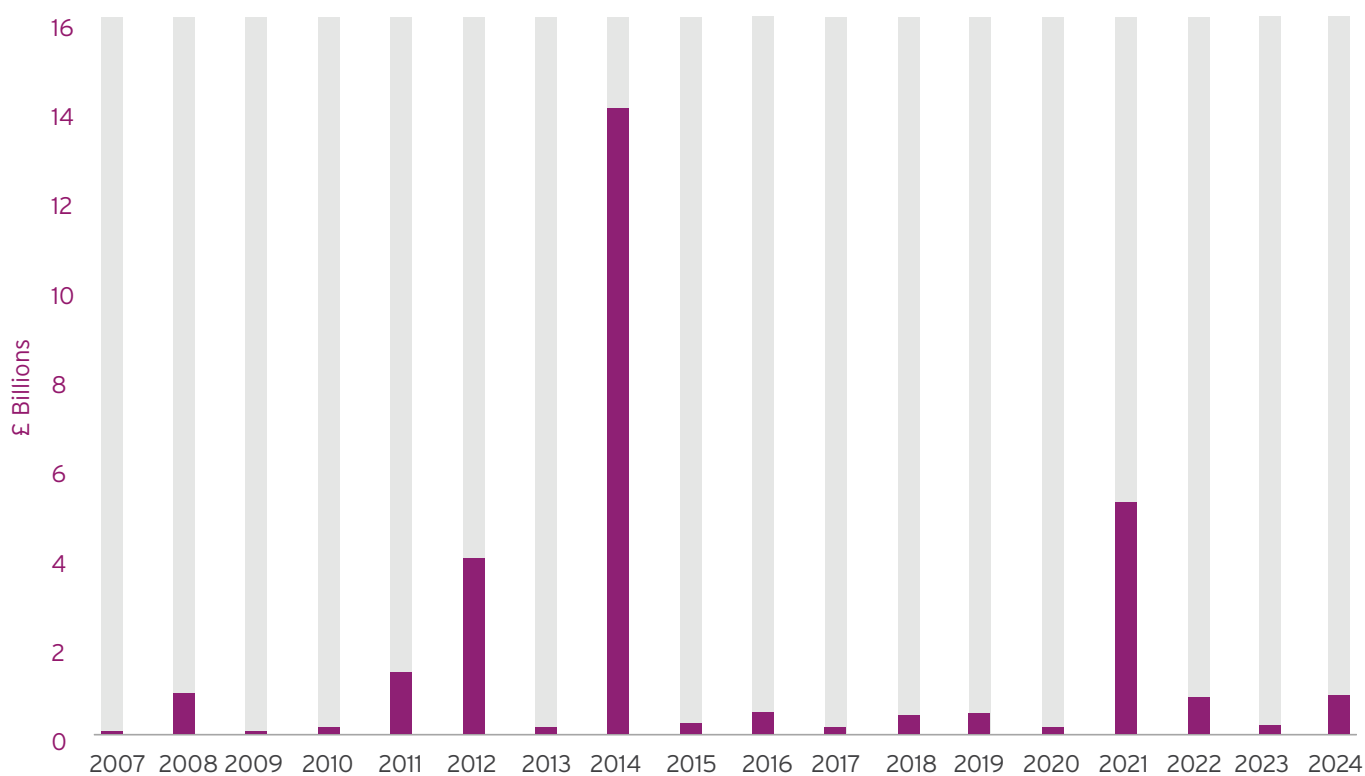
UK Q1 Dividends



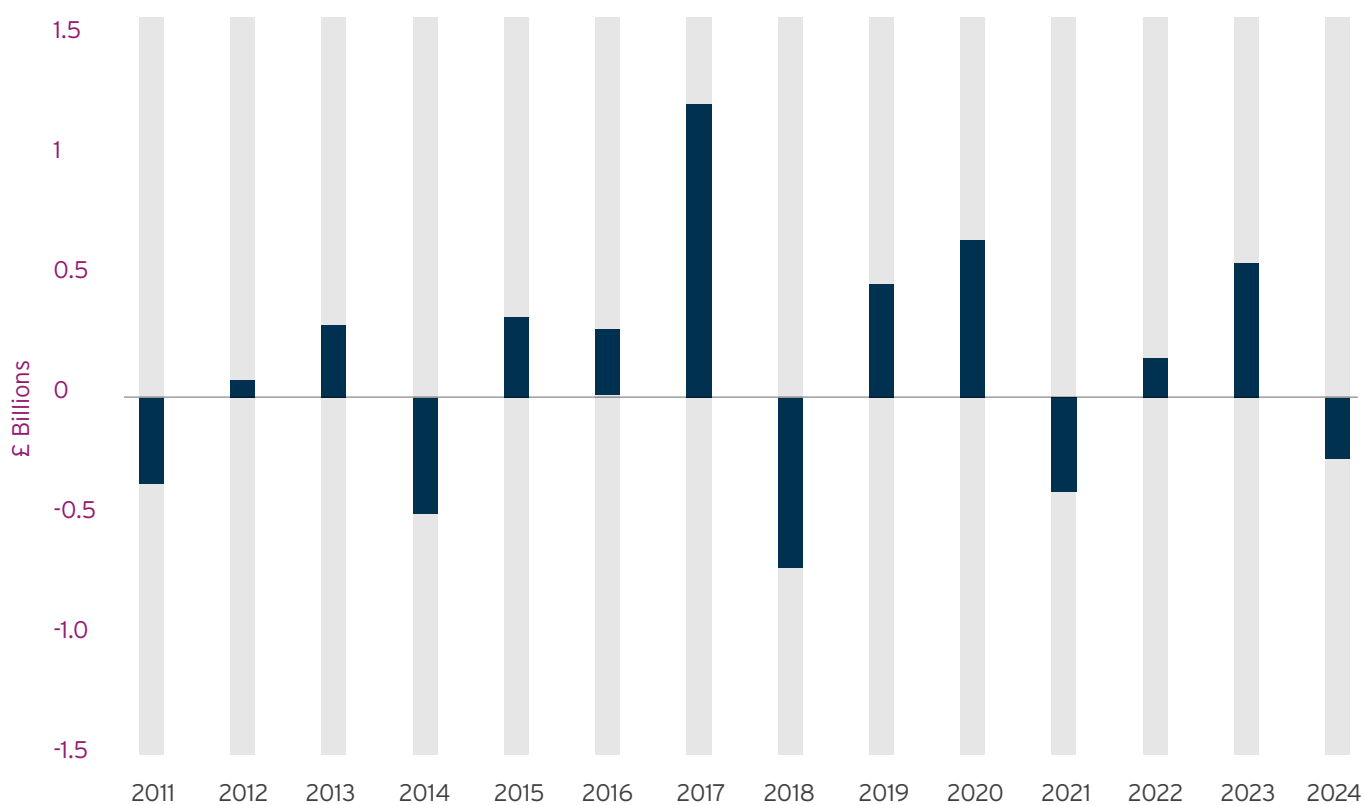
Dividends Paid £bn

£bn	2014			2015			2016			2017		
Q1	£27.4	123.4%		£12.7	-53.5%		£13.8	8.7%		£14.9	7.6%	
Q2	£23.9	0.2%		£27.1	13.5%		£30.2	11.4%		£33.7	11.5%	
Q3	£22.0	1.7%		£23.1	5.3%		£25.4	10.1%		£30.2	18.8%	
Q4	£13.8	-0.5%		£14.9	8.1%		£15.6	4.7%		£15.8	0.9%	
Full Year	£87.0	21.6%		£77.8	-10.5%		£85.1	9.3%		£94.5	11.1%	
£bn	2018			2019			2020			2021		
Q1	£16.1	7.8%		£16.8	4.8%		£16.2	-3.9%		£17.0	5.3%	
Q2	£33.0	-2.0%		£36.3	10.1%		£17.1	-52.8%		£25.6	49.4%	
Q3	£31.2	3.4%		£33.6	7.4%		£16.8	-50.0%		£30.5	81.8%	
Q4	£17.0	7.7%		£17.8	5.1%		£10.7	-39.9%		£12.7	18.2%	
Full Year	£97.2	2.9%		£104.5	7.5%		£60.8	-41.8%		£85.8	41.1%	
£bn	2022			2023			2024e					
Q1	£13.8	-18.6%		£14.8	7.1%		£15.6	4.9%				
Q2	£36.6	43.0%		£33.0	-9.8%		£35.8	8.4%				
Q3	£30.0	-1.7%		£27.6	-7.9%		£27.4	-0.7%				
Q4	£13.5	6.7%		£15.2	12.2%		£15.8	4.1%				
Full Year	£93.9	9.5%		£90.6	-3.5%		£94.5	4.3%				

Special Dividends Q1



Q1 Exchange Rate Boost / Penalty



Special dividends and FX

Special dividends are by their nature very volatile and unpredictable because companies typically declare them in unusual circumstances. They fell to multi-year lows in 2023 and we certainly expected them to rebound somewhat this year. These one-offs exceeded our expectations in the first quarter because Mondi, the packaging group, sold its Russian operation and chose to distribute the proceeds as a £600m special dividend. Other payouts included £96m from Associated British Foods, owner of Primark, whose profits have benefited from high inflation, and £200m from B&M, the discounter, after strong Christmas trading. When companies pay special dividends on the back of unusually strong trading it is typically so as not to set unrealistic expectations for ongoing growth in the regular dividend – most companies prefer to show a steady progression in their regular payout over time.

£904m in special dividends in Q1.

The second quarter will see what is likely to be the largest special dividend of the year from HSBC, which comes alongside big increases in its regular payouts and a significant share buyback programme.

The pound was notably stronger in the first quarter of 2024 compared to the same period in 2023, so the value of dividends declared in US dollars and euros was translated at a less favourable exchange rate, reducing the growth rate by 1.7 percentage points. Since the negative currency effect was almost as large as the actual growth rate, this meant the total value of regular dividends paid was almost unchanged in sterling terms, up just 0.3%. Adding back this currency effect is what yields the constant-currency underlying growth rate of 2.0% for the quarter.

Stronger pound reduced headline growth rate by 1.7pp in Q1.

SECTORS & COMPANIES

The largest two dividend-paying sectors in the first quarter, oil and pharmaceuticals, were also the weakest in sterling terms. This largely explains why the sterling value of UK payouts overall was flat year-on-year.

Oil dividends were 2.8% lower year-on-year in sterling terms in Q1. The stronger exchange rate combined with the sharp reduction in the number of shares in issue that has resulted from vigorous share buyback programmes was enough to offset per-share increases declared by Shell and BP. For the full year, oil dividends are likely to be roughly flat to slightly ahead. A more modest 2024 for the sector removes a significant engine of dividend growth from the UK market this year, after it made a major contribution during its recovery from the cuts made early in the pandemic. This is not to say oil companies do not have significant amounts of surplus capital. Oil companies, and especially Shell, have shifted the emphasis significantly towards share buybacks in the last two years. In 2023, Shell and BP returned almost twice as much capital to shareholders via this route than via dividends (£20bn v £10.6bn).

The stronger pound also brought the value of pharmaceutical dividends down 2.9% in the first quarter as AstraZeneca held its payout flat in dollar terms, more than offsetting a small increase from GSK (which promises a more significant hike for Q2). Basic consumer goods saw payouts drop for the same reason. Unilever held its euro dividend steady, which meant a lower sterling value.

The telecoms sector is also a major Q1 contributor. Neither of the two largest payers, Vodafone and BT, made an increase; and exchange rates brought the sterling value of Vodafone's euro dividend lower.

In the large food, drink and tobacco sector, most companies made only small increases, but Associated British Foods significantly increased its regular distribution alongside the large one-off special dividend that it paid and took the sector total up 4.7%.

Across the wider market, the fastest growth came from the airlines, leisure and travel sector which continues to recover from the pandemic. The restoration of dividends from EasyJet and SSP, after they were forced to cancel them in the early stages of the outbreak, meant payouts across the sector quadrupled year-on-year. They remain well below their pre-2020 levels however.

The banks are likely to make the largest contribution to dividend growth in the UK this year for the third year running. Only Virgin Money made a payment in the first quarter – and reduced it, as profits were impacted by rising credit impairments. This risk is relevant to the wider sector – fears of credit impairment have held bank share prices back over the past nine months, even as profits have continued to perform well and dividends have been increased.

Oil companies have diverted cash to share buybacks – worth almost twice as much as dividends in

2023

A stronger pound impacted large dividend-paying sectors like oil, pharmaceuticals, telecoms, and basic consumer goods.

Dividends By Industry £m – Q1

	2017	change yoy	2018	change yoy	2019	change yoy	2020	change yoy	2021	change yoy	2022	change yoy	2023	change yoy	2024	change yoy
Resources & Commodities	£85	-78%	£164	94%	£201	22%	£205	2%	£149	-27%	£224	51%	£183	-19%	£194	6%
Consumer Basics	£1,707	13%	£2,852	67%	£3,031	6%	£3,167	4%	£7,780	146%	£2,952	-62%	£2,963	0%	£3,122	5%
Consumer Discretionary	£1,437	-8%	£2,177	51%	£2,220	2%	£1,502	-32%	£758	-50%	£1,036	37%	£1,081	4%	£1,181	9%
Banks & Financials	£743	-1%	£542	-27%	£674	24%	£693	3%	£992	43%	£757	-24%	£787	4%	£790	0%
Healthcare & Pharmaceuticals	£2,853	10%	£2,645	-7%	£2,829	7%	£2,893	2%	£2,780	-4%	£3,214	16%	£3,089	-4%	£2,998	-3%
Industrials	£568	-6%	£634	12%	£565	-11%	£533	-6%	£373	-30%	£835	124%	£1,252	50%	£1,896	51%
Oil, Gas & Energy	£4,776	21%	£4,281	-10%	£4,511	5%	£4,521	0%	£1,920	-58%	£2,337	22%	£2,824	21%	£2,746	-3%
Information Technology	£122	15%	£135	11%	£144	7%	£150	5%	£141	-6%	£152	8%	£158	4%	£168	6%
Telecoms	£1,576	16%	£1,622	3%	£1,596	-2%	£1,478	-7%	£1,073	-27%	£1,243	16%	£1,316	6%	£1,271	-3%
Domestic Utilities	£1,020	2%	£999	-2%	£1,044	5%	£1,022	-2%	£1,049	3%	£1,097	5%	£1,179	7%	£1,188	1%
Total	£14,888	8%	£16,051	8%	£16,814	5%	£16,164	-4%	£17,015	5%	£13,845	-19%	£14,832	7%	£15,555	5%

Airlines, leisure and travel showing strong recovery from pandemic – but dividends are still low by comparison to pre-Covid times.

Dividends By Sector £m – Q1

Sector £m	2023	2024	Headline change year on year	Underlying change year on year
Mining	£99	£111	11.8%	12.7%
Industrial Chemicals	£84	£84	0.1%	0.1%
Basic Consumer Goods	£964	£931	-3.4%	-0.9%
Food Retail	£0	£0		
Food, Drink & Tobacco Producers	£1,999	£2,191	9.6%	4.7%
Airlines, Leisure & Travel	£22	£76	252.2%	333.7%
General Retail	£344	£348	1.1%	2.5%
Housebuilding, Consumer Goods & Services	£704	£753	7.0%	7.0%
Media	£11	£4	-65.8%	-4.6%
Motor Manufacturing & Parts	£0	£0		
Banks	£48	£13	-72.6%	-72.6%
General Financials	£330	£351	6.3%	6.3%
General & Life Insurance	£0	£0		
Property	£409	£427	4.2%	6.7%
Healthcare & Pharmaceuticals	£3,089	£2,998	-2.9%	-0.4%
Building Materials & Construction	£606	£612	0.9%	3.1%
Industrial Goods & Support	£646	£1,284	98.9%	6.2%
Oil, Gas & Energy	£2,824	£2,746	-2.8%	0.0%
Information Technology	£158	£168	6.3%	6.3%
Telecoms	£1,316	£1,271	-3.4%	-0.1%
Domestic Utilities	£1,179	£1,188	0.8%	0.8%
Total	£14,832	£15,555	4.9%	2.0%

Banks expected to make the largest contribution to growth in 2024 and mining companies will detract the most but neither is significantly represented in Q1.

TOP COMPANIES

Top Payers – Q1

Rank	2019	2020	2021	2022	2023	2024
1	Royal Dutch Shell Plc	Royal Dutch Shell Plc	Tesco plc	Astrazeneca plc	Astrazeneca plc	Astrazeneca plc
2	Astrazeneca plc	Astrazeneca plc	Astrazeneca plc	Shell Plc	Shell Plc	Shell Plc
3	BP plc	BP plc	British American Tobacco Plc	British American Tobacco Plc	British American Tobacco Plc	British American Tobacco Plc
4	Vodafone Group plc	British American Tobacco Plc	Vodafone Group plc	Vodafone Group plc	Vodafone Group plc	Vodafone Group plc
5	British American Tobacco Plc	Vodafone Group plc	Unilever plc	Glaxosmithkline plc	BP plc	BP plc
Subtotal £bn	8.6	£8.6	£10.1	£6.9	£7.5	£7.5
% of total dividends	51%	53%	59%	49%	51%	48%
6	Glaxosmithkline plc	Glaxosmithkline plc	Glaxosmithkline plc	Unilever plc	Unilever plc	Unilever plc
7	Unilever plc	Unilever plc	Royal Dutch Shell Plc	BP plc	Barclays plc	National Grid Plc
8	Imperial Brands Plc	Imperial Brands Plc	BP plc	National Grid Plc	National Grid Plc	CRH Plc
9	National Grid Plc	National Grid Plc	National Grid Plc	Imperial Brands Plc	GSK Plc	Mondi
10	BT Group	BT Group	Imperial Brands Plc	SSE Plc.	Imperial Brands Plc	GSK Plc
11	Compass Group Plc	Compass Group Plc	Persimmon plc	Associated British Foods plc	Compass Group Plc	Compass Group Plc
12	Persimmon plc	Associated British Foods plc	Aviva Plc	Royal Mail Plc	SSE Plc.	Imperial Brands Plc
13	Intercontinental Hotels Group	SSE Plc.	SSE Plc.	B&M European Value Retail S.A.	Associated British Foods plc	Associated British Foods plc
14	SSE Plc.	Easyjet plc	Cairn Energy plc.	Compass Group Plc	BT Group	BT Group
15	Greencore Group Plc	3i Group plc	Sage Group plc	BT Group	B&M European Value Retail S.A.	SSE Plc
Subtotal £bn	£5.2	£4.9	£4.9	£4.4	£4.8	£5.1
Grand Total £bn	£13.8	£13.5	£15.0	£11.2	£12.3	£12.6
% of total dividends	82%	83%	88%	81%	83%	81%



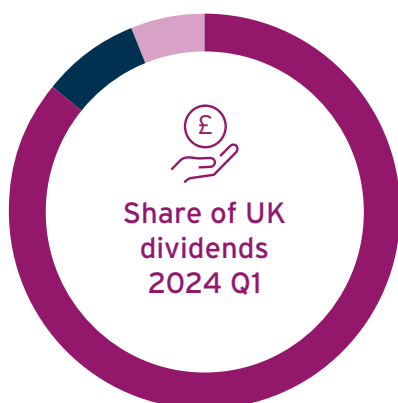
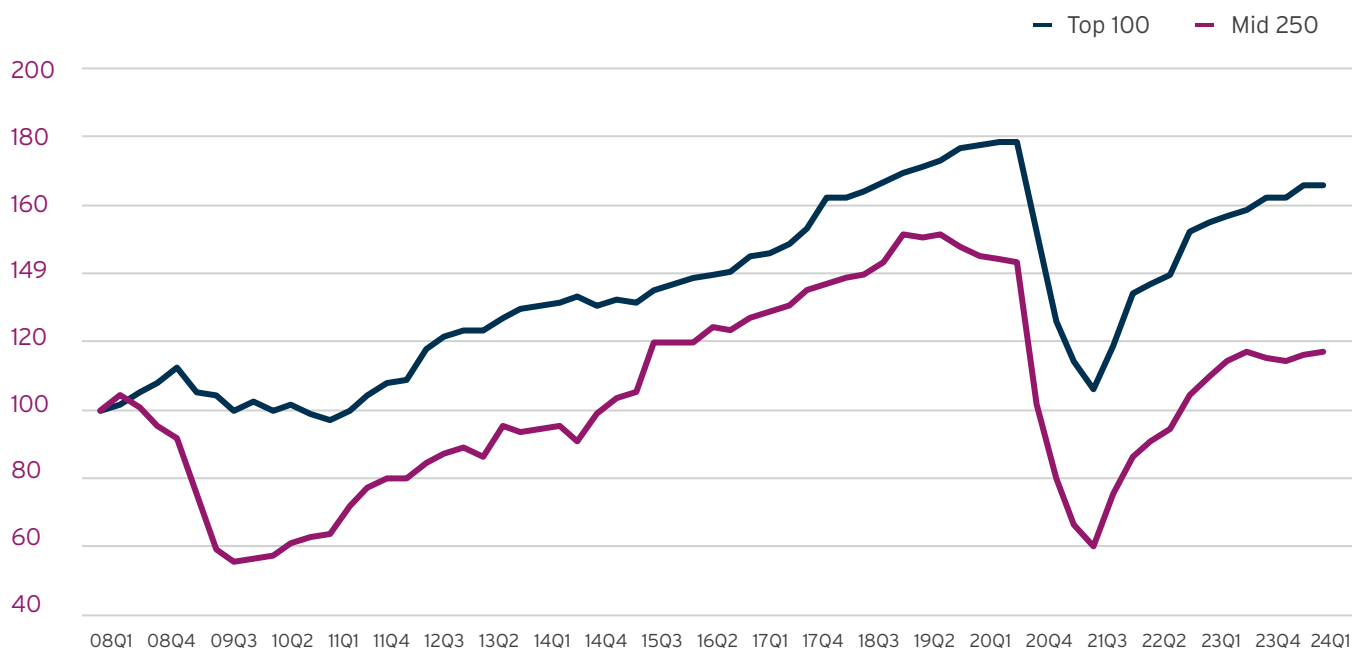
Top 5	£7.5bn	48.0%
Next 10	£5.1bn	33.0%
The rest	£3.0bn	19.0%

TOP 100 v MID 250

Top 100 dividends rose 5.7% on a headline basis in the first quarter thanks mainly to the special dividend from Mondi. Regular dividends were flat in sterling terms in Q1, but underlying growth was 2.0% once the effect of the higher value of the pound compared to Q1 2023 was taken into account. Among the 32 top 100 companies to make a payment in Q1, 94% either increased their per-share dividend or held it steady. Growth among the mid 250 was similar, equivalent to 1.9% on a headline and an underlying basis (which excludes special dividends and adjusts for exchange rates). 95% of mid-caps increased their per-share dividends or held them steady.

94% of top 100 and 95% of mid 250 companies paying in Q1 either increased dividends or held them steady.

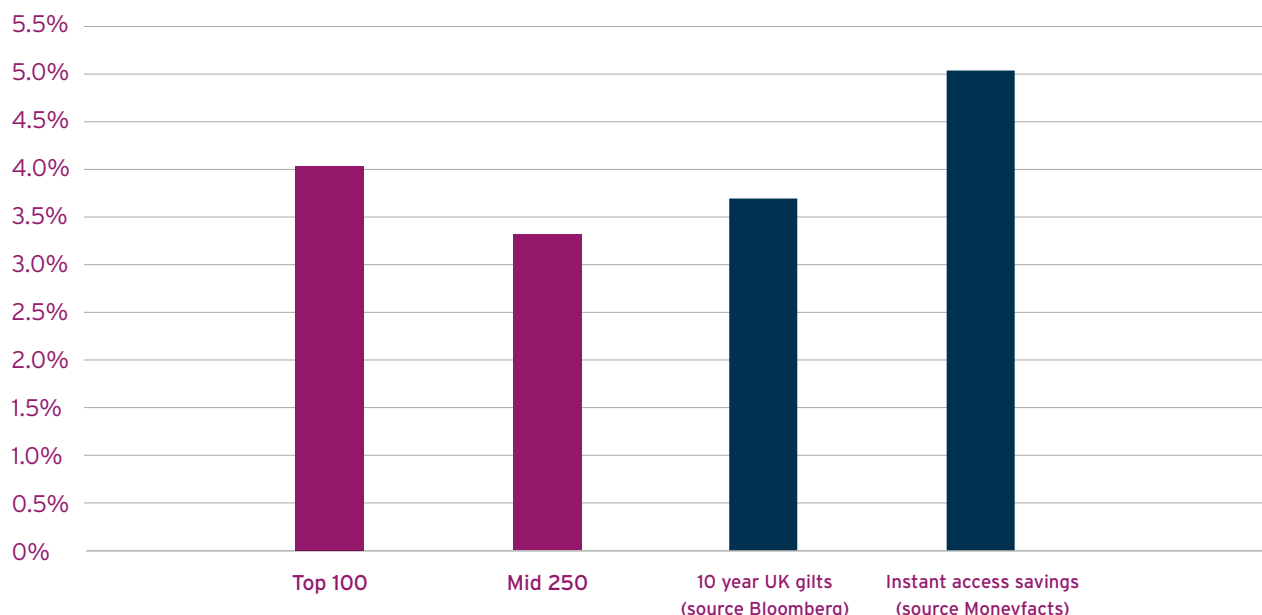
Top 100 v Mid 250 – Regular Dividends, Indexed



Top 100	86%
Mid 250	8%
The rest	6%

YIELD

UK Income²



The twelve-month prospective yield on UK equities currently stands at 4.0%, unchanged from its position three months ago on a like-for-like basis. This is simply because the increase in share prices over the quarter has roughly matched the run-rate of dividend growth. The top 100 is set to yield 4.0% and the mid-caps 3.4%.

The bond markets have had a rough start to the year. Yields have risen sharply as investors pushed out their expectations of rate cuts from the US Federal Reserve, whose officials, along with those at the Bank of England, have been keen to emphasise their continued determination to bring inflation sustainably down to their 2% target level. The UK's benchmark 10-year gilt yield has certainly fallen from its 4.22% high in early March to 4.10% in early April, but this is nevertheless significantly higher than the 3.73% in early January at the time of our last Dividend Monitor. Fixed income is therefore currently offering a similar level of income to equities.

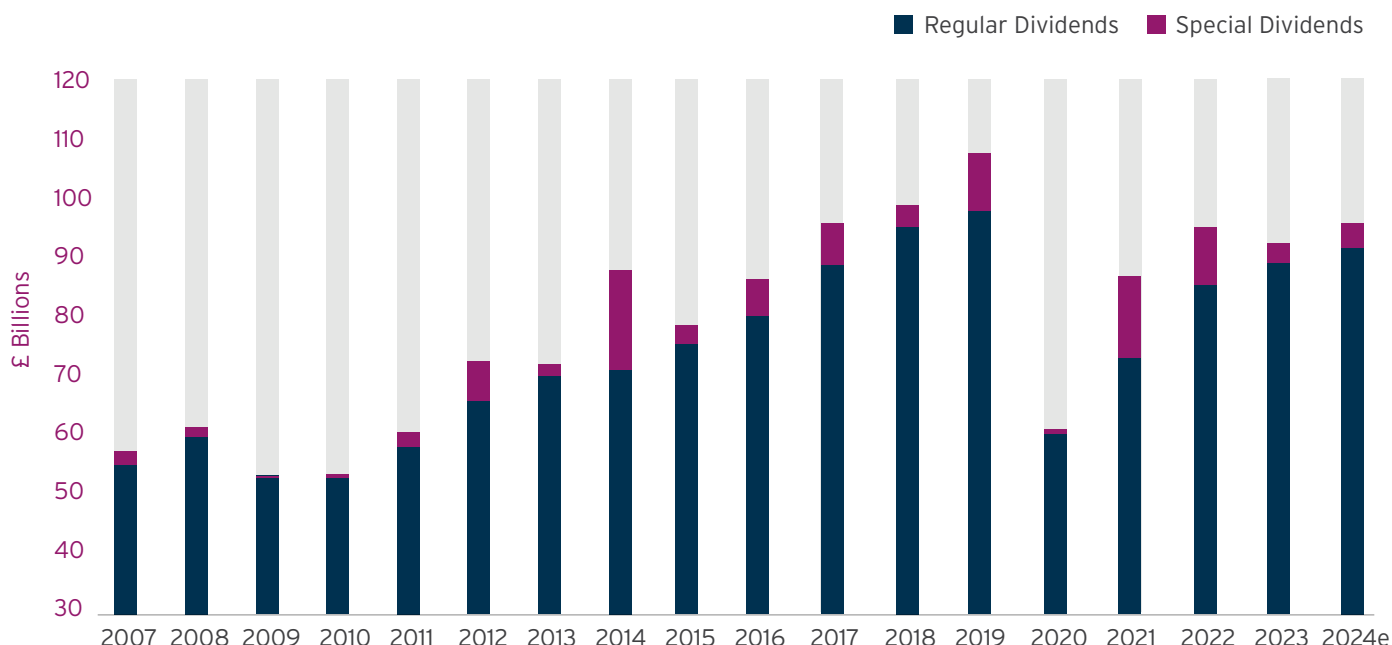
Cash savings accounts are still offering very competitive rates. The best buy tables show instant access accounts offering 5.06% at present. This is well above equity yields, but it is important to remember that dividends tend to grow over time, whereas cash savings have rarely beaten inflation over the long term. What's more, the market expects the Bank of England to cut rates which will quickly erode savings interest rates.

Equities set to yield 4.0% over the next twelve months, less than fixed income.

² April 2024

VIEWPOINT AND OUTLOOK

UK Dividends 2023



Calendar effects changed the balance of payouts between the first and second quarters but the total companies will hand to their shareholders in the first half of the year (one-offs notwithstanding) looks likely to come in in line with our expectations at the turn of 2024, although with a slightly changed sector mix. Banking dividends are proving stronger, while the mining sector is cutting more steeply than we had allowed for. Generally, the picture looks healthy but unexciting – almost every sector is delivering flat or slowly growing dividends. Only the banks, the recovering leisure and travel sector, and building materials, boosted by the phasing of CRH's switch to quarterly payouts, look likely to deliver double-digit growth this year. Only the mining sector seems set for double-digit declines.

This reflects the earnings picture. Cost pressures have eased for many businesses, but the cost of capital has risen sharply and economic growth in the UK and around most of the world is sluggish at best. This all makes it difficult for companies to build earnings momentum and in turn that influences how much boards decide to pay out to shareholders in dividends and share buybacks.

Stronger one-offs mean an upgrade to headline dividends – now forecast to be £94.5bn, up 4.3%.

One-off special dividends will be significantly larger in 2024 than they were in 2023, thanks to HSBC's promised Q2 payment. In addition, if the pound maintains its current level, then the negative exchange rate effect this year will be smaller than seemed likely three months ago. This all means headline growth is likely to be faster than we anticipated in January and faster than underlying growth too.

For the full year 2024 we have upgraded our headline forecast from £93.9bn to £94.5bn, an increase of 4.3% year-on-year (previously forecasting +3.7%). Excluding one-off special dividends, we anticipate slightly lower payouts for the year than we did three months ago as Glencore has reduced its dividend by more than we had anticipated. We now forecast regular dividends of £89.5bn up 1.5% year-on-year on a constant-currency basis.

Weaker mining dividends pull underlying growth down to 1.5% for the year.

Methodology

The Dividend Monitor analysed data on all the individual dividends payments made by UK companies listed on the main market of the London Stock Exchange, including those incorporated in the Channel Islands and other offshore British territories. Listed investment funds are excluded. All raw dividend data is supplied by Exchange Data International. Computershare supplemented raw data with reference to company announcements and financial statements. Dividends are calculated and included in the Dividend Monitor model based on the date they are paid, not declared, as this provides certainty that the cash actually moved from company to shareholder. Where a company produces its financial statements in a currency other than sterling, Computershare tracked the exchange rate impact on each dividend paid as part of the underlying growth calculation.

Disclaimer

The Dividend Monitor is a publication produced by Computershare Investor Services PLC in association with 5i Research UK. This publication is intended for general information purposes only. It is under no circumstances intended to be used or considered as financial or investment advice, a recommendation, or an offer to sell, or a solicitation of any offer to buy any securities or other form of financial asset or to be relied on by the reader in any way.

This publication is not to be considered as investment research and is not prepared in accordance with regulations regarding investment analysis. Computershare and its officers and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this publication to the full extent permitted by law. Computershare does not warrant the accuracy or reliability of any information contained in this publication and all views, commentary about potential future events and other information set out in the publication is for the purposes of discussion only.

About Computershare Limited (CPU)

Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialise in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers.

Computershare is represented in all major financial markets and has over 14,000 employees worldwide.

For more information, visit www.computershare.com