Market Commentary Blog

Cash Flow *and Carey*

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S&P 500 Index Dividend Payout Profile

S&P 500 Index Dividend Payout Breakdown (As of 4/6/23)

Indices	Constituents	# of Constituents that Pay a Dividend	Dividend Payout Contribution	Index Yield
Comm. Services	24	12	4.55%	0.92%
Cons. Disc.	53	34	5.77%	0.98%
Cons. Staples	37	35	11.05%	2.53%
Energy	23	23	10.42%	3.67%
Financials	73	67	15.23%	1.99%
Health Care	65	40	14.69%	1.68%
Industrials	73	64	9.07%	1.81%
Info. Tech.	66	35	14.78%	0.96%
Materials	29	29	3.24%	2.08%
Real Estate	30	29	5.65%	3.72%
Utilities	30	29	5.55%	3.14%
S&P 500	503	397	100.00%	1.67%

Source: S&P Dow Jones Indices. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Companies often return capital to their shareholders through dividend distributions. The practice is so common that as of 4/6/23, 397 of the constituents in the S&P 500 Index ("the Index") distributed a cash dividend to shareholders. There are currently 503 stocks in the index. In addition to acting as a conduit for return of capital, dividend distributions account for a significant portion of the Index's total return. According to data from Bloomberg, dividends contributed to over 38% of the total return of the Index over the 95-year period between December 30, 1927, and December 30, 2022.

- Data from Bloomberg indicates that the dividend payments from the constituents in the Index totaled $67.57 per share (record high) in 2022, up from $60.54 (previous record high) in 2021. As of 4/26/23, the estimates for 2023 and 2024 were $70.09 and $74.81, respectively.
- Of the 11 major sectors that comprise the S&P 500 Index, eight of them had yields above the 1.67% generated by the Index over the period captured by the table. Financials, Information Technology, and Health Care contributed the most to the Index's dividend payout at 15.23%, 14.78% and 14.69%, respectively.
- A dividend payout ratio of 60% or less is typically a good sign that a dividend distribution is sustainable, according to The Motley Fool. A dividend payout ratio reflects the amount of money paid out as a dividend relative to a dollar's worth of earnings. In Q4'23, the payout ratio on the S&P 500 Index was 35.25%.
- Many investors view changes in dividend distributions as an indication of strength and or weakness in the underlying company. For that reason, companies will often avoid decreasing or suspending their dividend payout. Year-to-date through 4/6/23 a total of six companies in the Index decreased their dividend distribution, and two companies suspended their payouts. For comparative purposes, not a single company in the Index suspended their dividend in 2022, and only five dividend reductions were recorded over the period.
- Click here to access our last dividend profile post on 11/29/22.

Takeaway

Dividend distributions continue to be one of the most efficient methods by which companies can return capital to their shareholders. In 2022, the companies that comprise the S&P 500 Index distributed a record $67.57 per share to their equity owners. Additionally, dividend distributions have contributed meaningfully to the performance of the S&P 500 Index, over time. In the 95-year period between December 30, 1927, and December 30, 2022, more than 38% of the total return of the Index came from dividend distributions, according to data from Bloomberg. That said, investors may want to watch dividend sustainability over time. In our view, the recent uptick in dividend reductions and suspensions, while not severe, is a signal that certain areas of the Index may be coming under pressure as revenues contract and margins decline.