

Quantitative Screening

Dividend/Earnings Guidance Update

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Twenty two companies have provided dividend guidance to date (be it a cancellation, deferral or reduction), highlighting the need for capital preservation due to the national/global effects from COVID-19 and the adoption of Alert Levels 1-4 in New Zealand. Of the 21 companies (of which 11 are members of the benchmark S&P/NZX 50 index) that have made announcements thus far, 17 companies have cancelled (or expect to cancel) near-term dividends, three have deferred payments and two have signalled a reduction (or have removed guidance).

Acts of prudence

The containment measures introduced by the Government to eliminate COVID-19 have had a significant impact on business. Many companies (see *Equity Strategy: The Dividend Hit has Only Just Started, 4 April 2020*) have reacted prudently by cancelling, deferring or reducing dividends for the near future. The effect of the cancelled dividends to date, for companies in the benchmark S&P/NZX 50 index, amounts to ~NZ\$642m for the March - June 2020 period. This equates to a -30% reduction to dividends when compared to the ~NZ\$2,040m paid during March - June 2019.

Sectors which have seen the largest number of announcements include Consumer Discretionary (6) and Real Estate (4), while Communication Services and Utilities remain relatively unscathed.

Our 12-month forward dividend estimates imply a median cash yield of 3.36% (Jan 2020: 3.70%) and weighted average yield of 2.63% (previously 3.20%). Median and weighted average pay-out ratios are now 70.82% (previously 79.70%) and 56.7% (previously 71.71%). Furthermore, across our coverage of 61 companies, we have made cuts on average of -16% and -11% to FY22 and FY23 dividends. We provide a summary of the company announcements to date, along with, where provided, dividend and earnings guidance commentary.

Figure 1. Company dividend guidance summary

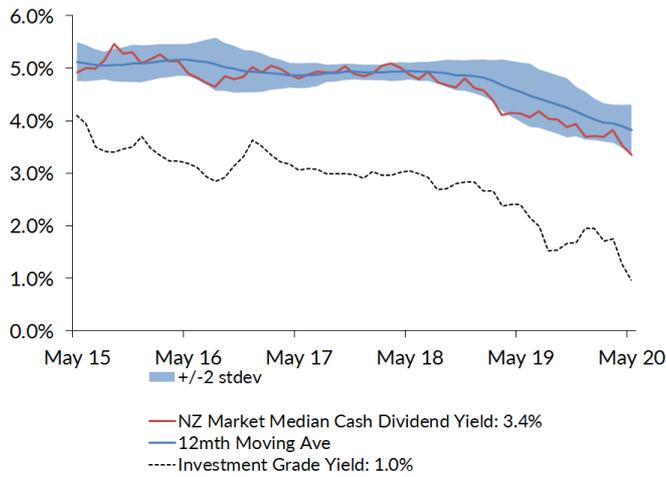
Code	Type	Cash (cps)	Ex date^	Dividend guidance	Code	Type	Cash (cps)	Ex date^	Dividend guidance
ABA	Final	TBA	TBA	Cancellation expected	KMD	Interim	4.0 (est)	5/06/2020 (est)	Cancelled
AIA	Interim	11.0	19/03/2020	Cancelled	KPG	Final	3.6 (est)	5/06/2020 (est)	Cancelled
AIR	Interim	11.0	12/03/2020	Cancelled	MHJ	Interim	1.5	12/03/2020	Deferred
ANZ	Interim	83.79 (est)	13/05/2020	Deferred	PFI	Interim	1.8	14/05/2020	Removed guidance
APL	Final	0.9 (est)	12/06/2020 (est)	Cancelled	SCT	Interim	4.0 (est)	06/05/2020 (est)	Cancelled
AUG	Final	1.625 (est)	07/06/2020 (est)	Cancelled	SEK	Final	12.0	19/03/2020	Cancelled
BGP	Final	12.5	20/03/2020 (est)	Cancelled	STU	Interim	1.5	12/03/2020	Cancelled
CMO	Interim	15.0	8/04/2020	Cancelled	VGL	Final	2.1	12/03/2020	Cancelled
FBU	Interim	11.0	19/03/2020	Cancelled	WBC	Interim	98.43 (est)	15/05/2020	Deferred
HLG	Interim	20 (est)	10/04/2020	Cancelled	WHS	Interim	10.0	1/04/2020	Cancelled
IFT	Final	11.0	22/06/2020 (est)	Reduction signalled	ZEL	Final	23.5 (est)	15/05/2020	Cancelled

Source: Forsyth Barr analysis, Company announcements

^Where an ex-date had not been announced, the date of the same dividend in the preceding FY has been used.

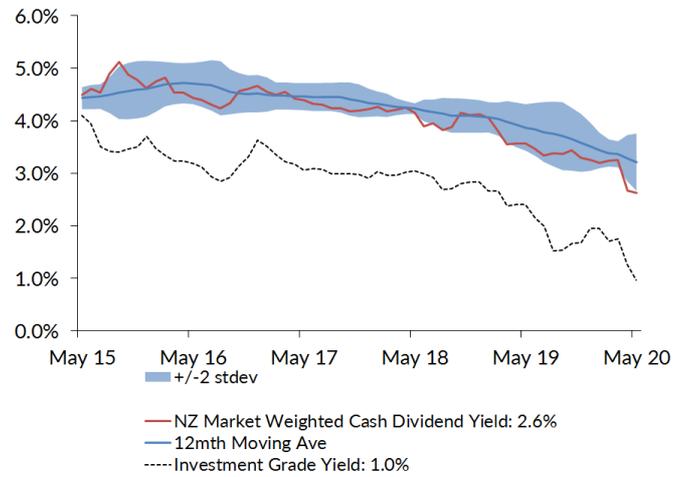
Where a dividend amount has not been announced it has been estimated using the amount paid in the prior FY or has been calculated using Forsyth Barr estimates less the amount already paid.

Figure 2. 12mth forward median cash dividend yield



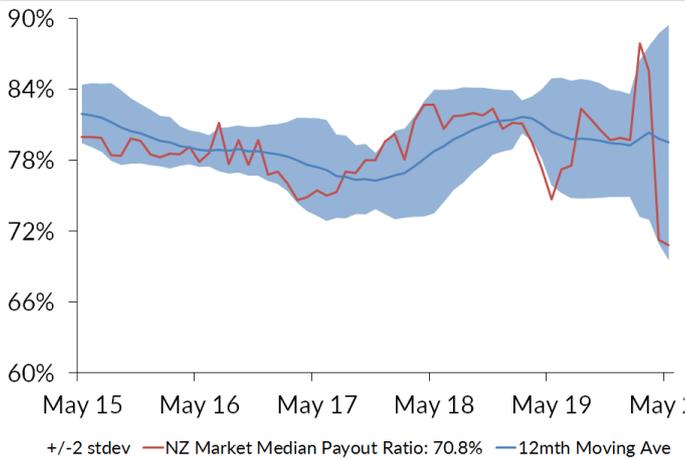
Source: Forsyth Barr analysis

Figure 3. 12mth forward weighted average cash dividend yield



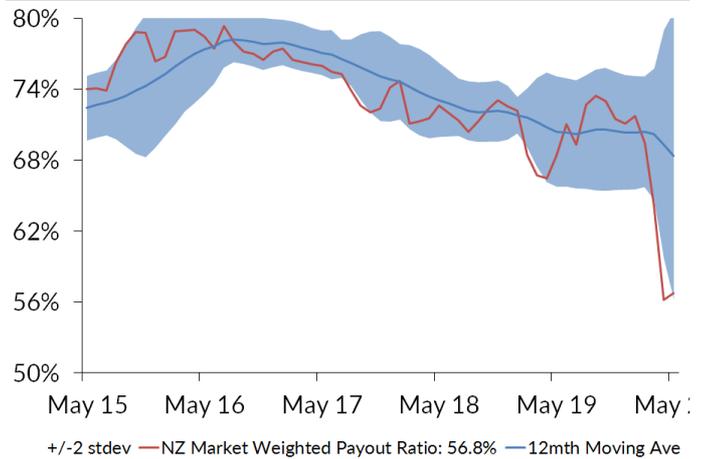
Source: Forsyth Barr analysis

Figure 4. 12mth forward median payout ratio



Source: Forsyth Barr analysis

Figure 5. 12mth forward weighted average payout ratio



Source: Forsyth Barr analysis

Figure 6. Company dividend and earnings guidance: table 1 of 3

Code	Company	Type	Cash (cps)	Ex date [^]	Imputation (cps)	Date of announcement	Dividend guidance	Earnings guidance
ABA	Abano Healthcare Group	Final	TBA	TBA	TBA	20/04/2020	Cancellation expected	n/a (no prior FY20 guidance)
	Dividend commentary * Cancellation expected. While there has been no change to dividend policy, given the expected impact of COVID-19 on financial performance, it is unlikely a dividend will be paid in FY20 or FY21.							
	Earnings commentary With the impact of COVID 19 on Abano's revenue since mid-March, and the likely closure of practices into May 2020, Abano's Underlying EBITDA for FY20 is now expected to be approximately \$17m (pre-IFRS 16). Given the uncertainty, the company is unable to provide guidance for FY21. However, it notes that FY21 financial performance will be materially impacted by COVID-19. The extent of the impact will depend on when the restrictions are lifted and the timing of a recovery in patient demand. The business is expected to make a full recovery, however, clarity cannot be provided on how long this will take.							
AIA	Auckland Airport	Interim	11.0	19/03/2020	4.28	17/03/2020	Cancelled	Withdrawn
	Dividend commentary * Cancelled. AIA has announced the cancellation of its interim dividend payment following recent developments in the outbreak of COVID-19.							
	Earnings commentary AIA announced it had suspended earnings guidance for the year to 30 June 2020.							
AIR	Air New Zealand	Interim	11.0	12/03/2020	4.28	20/03/2020	Cancelled	Withdrawn
	Dividend commentary * Cancelled after ex-date. In order to access the government loan facility, AIR must cancel the 2020 interim dividend of 11 cents per share (which equates to a total of \$123 million) that was announced to the market on 27 February 2020 and was due to be paid to all shareholders, including the Government, on 25 March 2020.							
	Earnings commentary Due to increased uncertainty surrounding the duration and scale of the Covid-19 outbreak, AIR announced that it will be withdrawing the full year 2020 earnings guidance it issued to the market on 24 February 2020 and reconfirmed at its interim results announcement on 27 February 2020.							
ANZ	Australia and New Zealand Bank	Interim	83.79 (est)	13/05/2020	9.03 (est)	30/04/2020	Deferred	n/a
	Dividend commentary * Deferred. Consistent with other New Zealand banks, ANZ will not pay dividends on ordinary shares or redeem non-Common Equity Tier 1 capital instruments until the Reserve Bank of New Zealand (RBNZ) considers New Zealand's economic outlook sufficiently recovered following Covid-19.							
	Earnings commentary n/a							
APL	Asset Plus	Final	0.9 (est)	12/06/2020 (est)	0.12 (est)	16/04/2020	Cancelled	Unable to provide
	Dividend commentary * Cancelled. The Board has resolved not to pay a final quarter dividend for the year ended 31 March 2020. Dividends for the 2021 financial year will be considered on a quarterly basis.							
	Earnings commentary Following the commencement of the Covid-19 lockdown, APL has received a number of rent relief requests from tenants alongside claims for rental abatement in accordance with lease terms. Given the uncertainty regarding the length of the lockdown and ongoing conditions for the various alert levels, APL is unable to currently quantify the impact of the lockdown for the 2021 financial year.							
AUG	Augusta Capital	Final	1.625 (est)	07/06/2020 (est)	0.64 (est)	5/05/2020	Cancelled	Lowered
	Dividend commentary * Cancelled. The AUG board believes it is prudent that no Q4 dividend be paid, with future dividends to be determined by the Board having regard to a sustained recovery in profitability.							
	Earnings commentary AUG now expects an FY20 NPAT loss of approximately NZ\$27m, and AFFO is expected to be near breakeven.							
BGP	Briscoe Group	Final	12.5	20/03/2020 (est)	4.86	23/03/2020	Cancelled	Unable to provide
	Dividend commentary * Cancelled. BGP advises that in light of the uncertainty surrounding the potential impact of COVID-19, the final dividend of 12.5 cents per share has been cancelled. This dividend was to be paid on 31 March 2020 to all shareholders on the register as at 5pm, 23 March 2020.							
	Earnings commentary There remains uncertainty around the length of time store closures will continue as well as the ongoing economic and social implications as a result of COVID-19. For these reasons it is difficult to accurately forecast the full financial impact on the Group at this time, however the effect on first half revenue will be significant which currently is expected to result in only a modest profit to be reported for the first half.							

Source: Forsyth Barr analysis, Company announcements

[^]Where an ex-date had not been announced, the date of the same dividend in the preceding FY has been used.

*A comment regarding dividends, direct from a company announcement or Forsyth Barr Research

Where a dividend amount has not been announced it has been estimated using the amount paid in the prior FY or has been calculated using Forsyth Barr estimates less the amount already paid.

Figure 7. Company dividend and earnings guidance: table 2 of 3

Code	Company	Type	Cash (cps)	Ex date [^]	Imputation (cps)	Date of announcement	Dividend guidance	Earnings guidance
CMO	Colonial Motor Company	Interim	15.0	8/04/2020	5.83	25/03/2020	Cancelled	n/a
	Dividend commentary * Cancelled. The interim dividend of 15 cents per share that has been declared to be paid on 20 April has been cancelled.							
	Earnings commentary n/a							
FBU	Fletcher Building	Interim	11.0	19/03/2020	n/a	25/03/2020	Cancelled	Withdrawn
	Dividend commentary * Cancelled after ex-date. In addition to a range of other cash protection measures to be taken across all the Group's businesses, the Board has decided to cancel the FY20 interim dividend which was due to have been paid on 9 April 2020, and to suspend the on-market share buyback programme.							
	Earnings commentary Since the FY20 Half Year Results announcement in mid-February, FBU businesses have continued to trade largely in line with expectations. However, it is now clear that COVID-19 and the significant escalation of government protection measures in New Zealand and Australia will have a material impact on its operations and its FY20 financial results. For this reason, the Board has decided to withdraw FBU's FY20 EBIT guidance.							
HLG	Hallenstein Glasson Holdings	Interim	20.0 (est)	10/04/2020	7.78 (est)	30/03/2020	Cancelled	n/a
	Dividend commentary * Cancelled. Due the uncertainty around the impact of Covid-19 and New Zealand moving to Alert level 4 the Board has decided not to pay an interim dividend. This will be reassessed at the end of financial year, August 2020, when the Board will consider whether to pay a dividend at that time.							
	Earnings commentary n/a							
IFT	Infratil	Final	11.0	22/06/2020 (est)	TBA	8/04/2020	Reduction signalled	Lowered
	Dividend commentary * Reduction signalled. IFT has indicated that it is likely to moderate its 11cps final dividend, but that it will still pay a substantial proportion of the 11cps.							
	Earnings commentary FY2020 underlying EBITDAF Guidance revised to NZ\$550 million - NZ\$560 million. Prior guidance was NZ\$575 million - NZ\$615 million.							
KMD	Kathmandu Holdings	Interim	4.0 (est)	5/06/2020 (est)	n/a	27/03/2020	Cancelled	n/a
	Dividend commentary * Cancelled. The Board has also taken the decision to suspend dividend payments until after such time as more normal trading conditions resume.							
	Earnings commentary While COVID 19 had minimal impact on earnings for the six months ending 31 January 2020, there is likely to be a material adverse impact to earnings in the second half of this fiscal year.							
KPG	Kiwi Property Group	Final	3.6 (est)	5/06/2020 (est)	1.11 (est)	6/04/2020	Cancelled	Unable to provide
	Dividend commentary * Cancelled. Given the inherent uncertainty surrounding COVID-19's duration, the Board has adopted a prudent approach to capital management and made the decision not to proceed with the final dividend for the year ended 31 March 2020.							
	Earnings commentary While KPG's operating performance was in-line with expectations prior to COVID-19, it is clear the pandemic will have a material impact on the company's forward-looking performance and rental receipts. It is too early to quantify the impact of the ongoing period of disruption on future income, asset values and cash flows.							
MHJ	Michael Hill Intl	Interim	1.5	12/03/2020	n/a	24/03/2020	Deferred	n/a
	Dividend commentary * Deferred. The MHJ Board believes it is in the best interests of the Company and shareholders to defer the interim dividend previously scheduled for payment on 27 March 2020 to 30 September 2020.							
	Earnings commentary n/a							
PFI	Property For Industry	Interim	1.8	14/05/2020	0.62	15/04/2020	Removed guidance	Withdrawn
	Dividend commentary * Removed guidance. PFI has announced that it is pulling its FY20 dividend guidance of 7.65 to 7.7cps given the near-term operating uncertainties and also because it is only a quarter through FY20. PFI updated the market on 8 May and announced a 1Q20 dividend of 1.8cps. In this update PFI noted its intention to still pay quarterly dividends, although dividend guidance is still withdrawn.							
	Earnings commentary PFI announced its 2019 annual result on 17 February 2020. In that announcement, PFI provided 2020 full year earnings and dividend guidance, and up until the New Zealand Government enforced lock-down, PFI's operations performed consistent with expectations. However, due to the ongoing uncertainty around the impact and duration of the COVID-19 virus on the operating environment - including the assistance that PFI may need to provide to its tenant base to ensure the portfolio is well placed to perform when this event passes - PFI now considers it prudent to withdraw all forward-looking statements, including its 2020 full year earnings and dividend guidance.							

Source: Forsyth Barr analysis, Company announcements

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*A comment regarding dividends, direct from a company announcement or Forsyth Barr Research

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Figure 8. Company dividend and earnings guidance: table 3 of 3

Code	Company	Type	Cash (cps)	Ex date [^]	Imputation (cps)	Date of announcement	Dividend guidance	Earnings guidance
SCT	Scott Technology	Interim	4.0 (est)	06/05/2020 (est)	1.6 (est)	8/05/2020	Cancelled	n/a
	Dividend commentary * Cancelled. The SCT board has resolved not to pay an interim dividend for the year ended 31 August 2020.							
	Earnings commentary n/a							
SEK	Seeka	Final	12.0	19/03/2020	4.67	19/03/2020	Cancelled	n/a
	Dividend commentary * Cancelled. SEK advises that it has reviewed the current environment and, with the uncertainty of Covid19, that it had decided to defer the payment of the current declared dividend of \$0.12 per share. The current dividend is cancelled and will be reconsidered by the Board at its meeting in June.							
	Earnings commentary The company will provide current year earnings guidance at half year (once harvest is completed) and will update shareholders on key events as and when they occur.							
STU	Steel & Tube Holdings	Interim	1.5	12/03/2020	0.58	20/03/2020	Cancelled	Unable to provide
	Dividend commentary * Cancelled after ex-date. STU has announced the cancellation of its FY20 interim dividend payment in light of the uncertainty around the potential impact of the COVID-19 virus on customer activities.							
	Earnings commentary The shut-down will have an adverse impact on earnings for the year ending 30 June 2020. However due to the uncertainty around the extent of the shutdown on business operations STU is unable to forecast its impact at this time.							
VGL	Vista Group	Final	2.1	12/03/2020	0.82	17/03/2020	Cancelled	Withdrawn
	Dividend commentary * Cancelled after ex-date. In light of the uncertainty surrounding the impact of the COVID-19 outbreak on the global film industry, VGL has today announced that it has cancelled the FY2019 final dividend of 2.1 cents per share announced on 27 February 2020. No payment will be made by Vista Group by reference to the record date for that dividend.							
	Earnings commentary In light of the uncertainty surrounding the impact of the COVID-19 outbreak on the global film industry, Vista Group has today announced that it is withdrawing its full year 2020 revenue and EBITDA guidance.							
WBC	Westpac Banking Corporation	Interim	98.43 (est)	15/05/2020	7.0 (est)	4/05/2020	Deferred	n/a
	Dividend commentary * Deferred. The Board has deferred the decision on determining an interim dividend and no dividend will be paid in June 2020.							
	Earnings commentary n/a							
WHS	The Warehouse Group	Interim	10.0	1/04/2020	3.89	26/03/2020	Cancelled	Withdrawn
	Dividend commentary * Cancelled. Considering the circumstances and uncertainty around the impact of COVID-19, the Board of the Group has decided that it is in the best interest of the company to cancel the interim dividend for H1 FY20 of 10 cents, which was due to have been paid on 17 April 2020.							
	Earnings commentary The Board is withdrawing the financial guidance on the FY20 result which was given on 17 March.							
ZEL	Z Energy	Final	23.5 (est)	15/05/2020	9.13 (est)	3/04/2020	Cancelled	Unable to provide
	Dividend commentary * Cancelled. The Z Board has determined to not pay a final dividend for FY20. Z will not pay dividends in respect of FY21 and no dividends can be paid until after 30 September 2021. Z anticipates shareholder distributions will resume in FY22 consistent with Z's distribution policy.							
	Earnings commentary As a result of the uncertainty arising from Covid-19 trading conditions ZEL will not provide earnings guidance for FY21.							

Source: Forsyth Barr analysis, Company announcements

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