

THE BOTTOM LINE ON DIVIDENDS

Plato
INCOME MAXIMISER



NEWS

ANGELA COX

7NEWS PRESENTER


NEWS

11:31

LUXURY MELBOURNE HOMES HIT IN BURGLARY SPREE

WOMAN IN H

Are things that bad?

- Economy is at full employment
- Official overnight cash rate is still close to “normal” lows
- Inflation has peaked, trending down
- Corporate balance sheets are strong, debt levels generally low
- House prices still well above pre-COVID levels and rising
- Many borrowers are well ahead on repayments, offset accounts at record levels
- 2nd best financial year return for super funds in 20/21*, solid 22/23

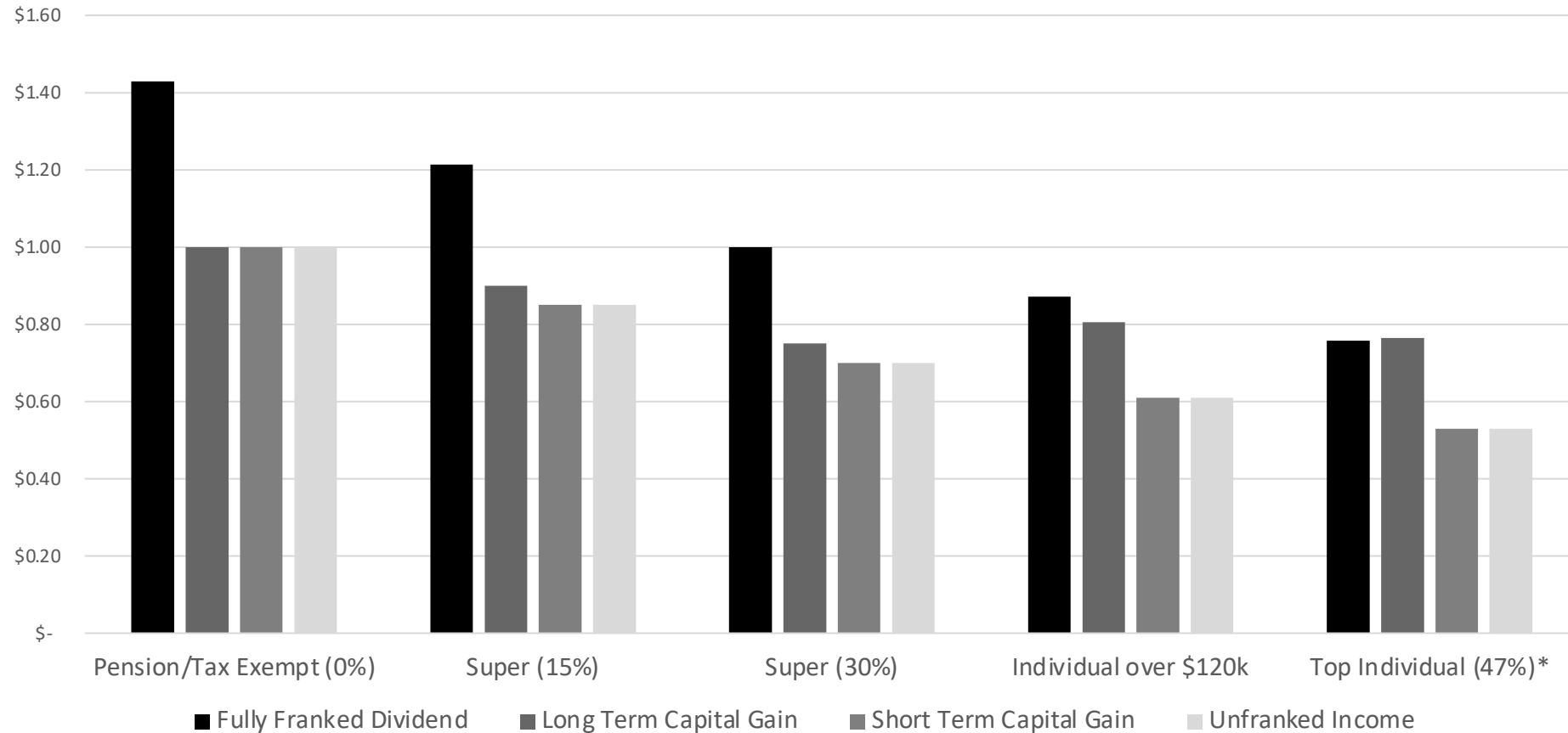
* Source: Investor Daily 7/7/22

Retirees are different

- Retirees are different to accumulators
- They need to live off the income from their investments:
 - Investment income replaces regular salary
- They are taxed differently:
 - The first \$1.9m in pension phase superannuation is tax free whereas accumulation superannuation is taxed at 15%
- They face longevity risk:
 - Risk of outliving your investments
 - Significant evidence that retirees prefer to live off income rather than significantly drawdown on capital

Source : Plato as at 31 July 2023

Pension phase super tax rates are different (what about that super cap?)

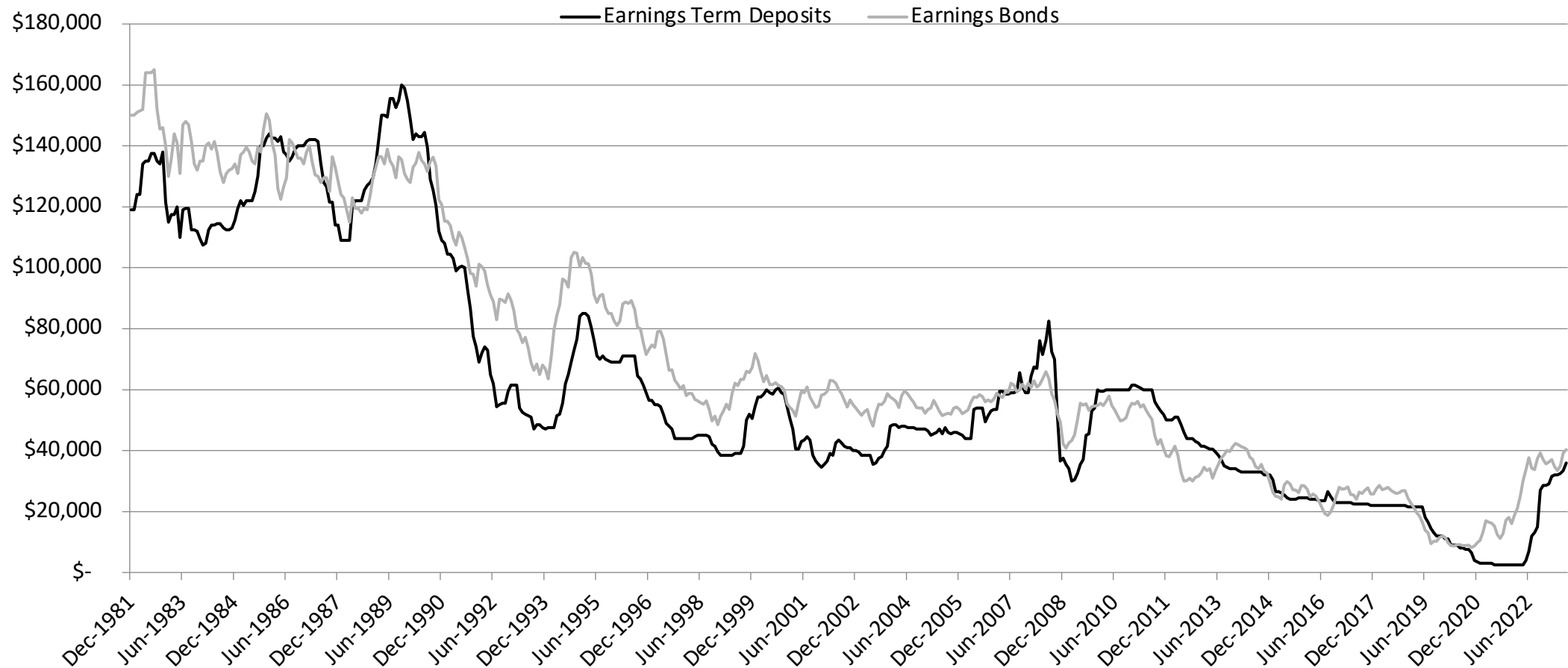


Tax effectiveness depends on your tax status!

Source : ATO, Plato using 1 July 2020 tax rates including Medicare levy. After tax value of \$1 of pre-tax return)*

Interest Rates are Rising...

NOMINAL EARNINGS ON \$1M

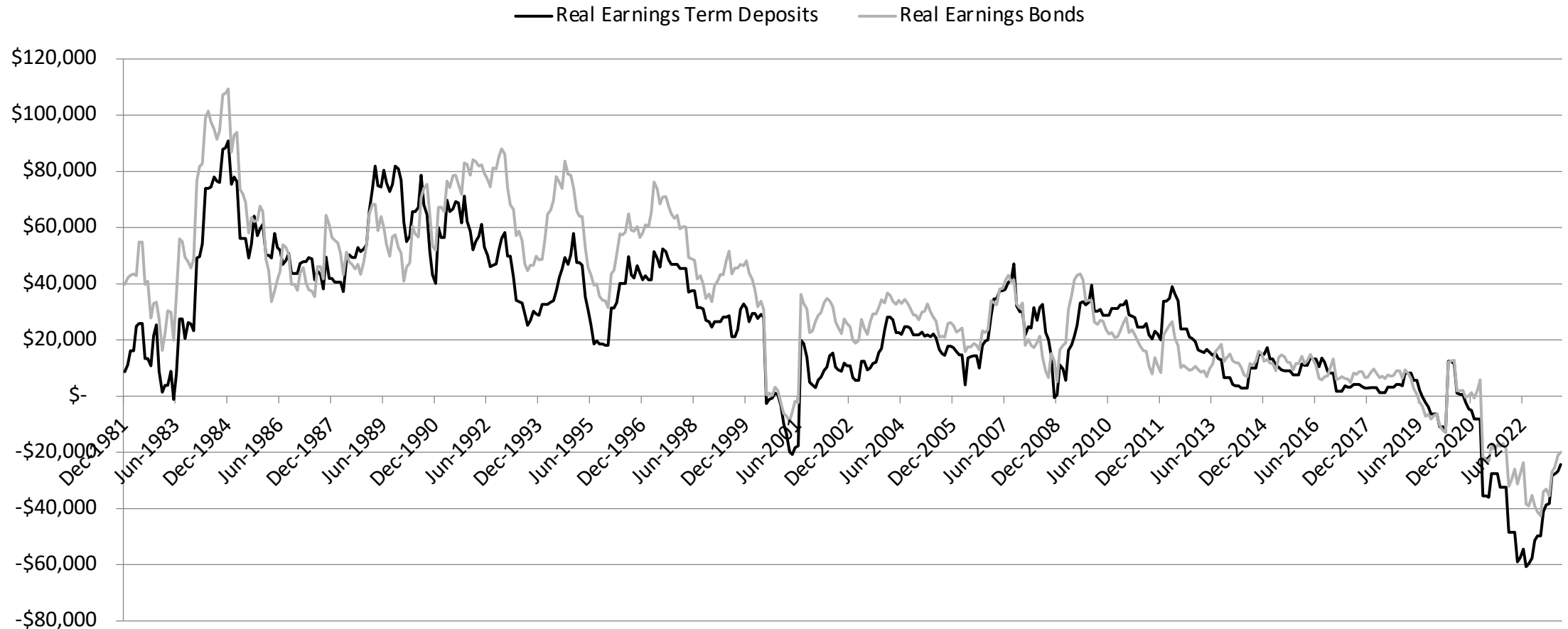


...but what about inflation?

• Source : Plato, RBA updated to 31/7/2023

Safe assets now losing you money

REAL AFTER INFLATION EARNINGS ON \$1M



Inflation hit 7.8% in 2022, still 6% in June quarter

Source: Plato, RBA, 31 July 2023.

Market Update

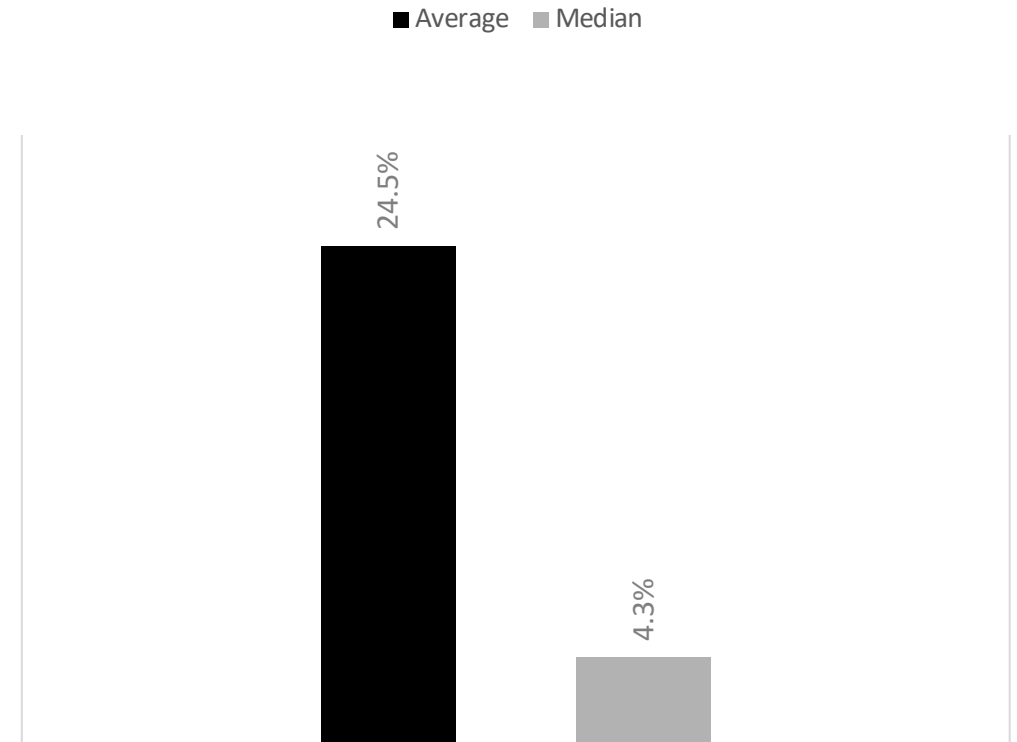


Results season August 2023 - Dividends

DIVIDENDS UP BUT SOME RETRACEMENT

- Over \$29bn in dividends have been declared, 21.2% less than last year.
- Strong dividend increases:
 - IAG (80%), QBE Insurance (56%), Suncorp (59%), Commonwealth Bank (14%) and Medibank Private (14%) in financials.
 - Super Retail (60%), Woolworths (9%) and CarSales (33%)
- 2 companies in ASX200 (Costa and Iress) omitted their dividend.
- Dividend Cuts:
 - South32 (81%), BHP (52%), Evolution (33%) and Rio Tinto (32%) in Resources.
 - Ramsay Healthcare (48%), Bega (45%), Dominoes (37%), Downer (33%) and Perpetual (33%).
- 57% of companies increased dividends, 13% had flat dividend and 29% reduced dividends.

AUG 2023 CHANGE IN DIVIDENDS PCP



Source: Plato, Bloomberg, S&P200

* Plato estimates

** Companies mentioned on this slide are illustrative only and not a recommendation to buy or sell any particular security

CBA



- Good result, FY23 Cash NPAT of \$10,164m, up 6% from PCP but down 3% vs 1H given peak in margins.
- Final Dividend 240c (up 14%). Equates to 6.5% annual gross yield.
- Payout Ratio 74% of FY23 Earnings

Source: Plato

Reporting Season Analysis

JB HI-FI



- FY23 sales up 4.3% (up 35.7% vs pre-Covid), EPS up 0.1% (up 120.7% vs pre-Covid).
- Final Dividend 115c (25% reduction). Equates to 9.6% annual gross yield. 65% payout ratio.
- July LFL sales slowed from the elevated levels seen in the first half of FY23

Source: Plato

Reporting Season Analysis



WOOLWORTHS



- Strong result with FY23 NPAT of \$1,721m, 13.7% above pcp with sales up 5.7%.
- Final dividend 58c (9% increase). Equates to 4.0% annual gross yield.
- Food sales up 6.5% in first 8wks of FY24.

Source: Plato

Reporting Season Analysis

BHP

BHP



- FY23 NPAT of US\$13.4b down 37% vs pcp.
- Dividend declared was US80c, 54% lower than last year which equates to an annual gross dividend yield of 8.6%. Payout ratio is 59%.
- Commodity demand expected to be buoyant from India but China's demand contingent on effectiveness of recent policy measures.

Source: Plato

Reporting Season Analysis

WOODSIDE ENERGY

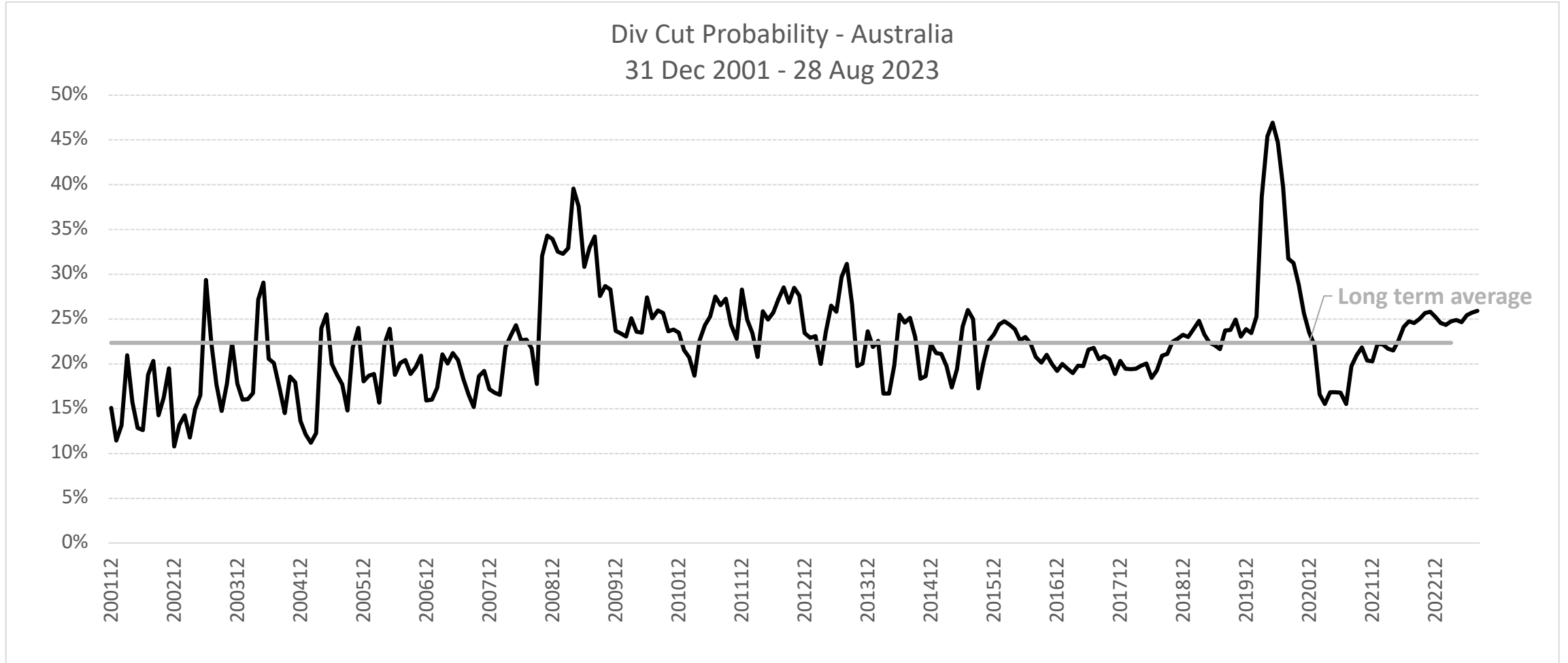


- Underlying Profit US\$1,896m, up 4% on last year.
- Interim dividend of US\$0.80, down 27% (last year's div boosted by BHP merger completion payment, up 5% otherwise). Equates to 12.8% annual yield. 80% payout ratio.
- New energy opportunities in solar and hydrogen.

Source: Plato

Dividend cut risk rising but still within normal range

AVERAGE % CHANCE OF DIVIDEND CUTS FOR AUSTRALIAN MARKET



Source: Plato, based on MSCI World IMI (Australian portion)

Don't buy into negativity bias...



— **Caution: Interest rates risen rapidly but still yielding negative real returns**

- rising interest rates have challenged asset prices



— **Optimism: Dividends are still good.**

- Plato dividend cut model still fairly benign
- Balance sheets are strong
- Active management critical in avoiding dividend traps as uncertainty rises

Disclaimer

Note: Past performance is not a reliable indicator of future performance.

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