TASE Initiates a Dividend Consistency Study

Dividend Monarchy and Aristocracy – Companies that Consistently Distribute Dividends Each Year

63 companies consistently distributed dividends each year over the past ten years

19 of which – "Dividend Monarchs" – distributed dividends each year in at least the past 20 years

14 of which – "Dividend Aristocrats" –distributed dividends in at least the past 15 (up to 19) years

And 30 of which – "Dividend Contenders" – distributed dividends in at least the last ten years (10-14 consecutive years)

The average dividend yield of the companies that regularly and consistently distribute dividends is significantly higher than the average yield of leading equity indices

_____

The average share yield of the companies that regularly and consistently distribute dividends in the last decade has significantly exceeded that of the TA-125 index

_____

About two-thirds of this companies are large, established profitable and financially robust companies

_____

Yuval Tsuk, Economist, Research Unit

Introduction

An article published in January this year reviewed TASE-listed companies that distributed dividends in 2023 and found that around 40% distributed dividends to their shareholders in 2023. About half of them have done so in each of the past five years[1].

For the first time, this article examines which TASE-listed companies have consistently distributed dividends each year over an extended period at least 10 years and up to 20 years and analyzes their characteristics.

Maintaining consistent dividend distributions over the years is a positive sign of a company's resilience and ability to sustain profitability during low tides, recession, and other crises. It also strengthen its position and perception with investors.

[1] "Companies continued to distribute high dividends in 2023, despite the events that had shaken the capital market". Yuval Tsuk, TASE website (January 22, 2024)

In the United States, there are various categories for companies that distribute dividends regularly and consistently: companies that distributed dividends consistently over a minimum of ten years (Dividend Achievers or Dividend Contenders), companies that distributed dividends consistently over a minimum of 25 years (Dividend Champions or Dividend Aristocrats, which includes only companies in the S&P 500 index), and , at the top, companies that distributed dividends consistently in each of the past 50 years (Dividend Kings or Dividend Monarchs).

Various indices are used as an underlying asset for tracking products, such as the S&P Global Dividend Aristocrats index (10 years in a row), the S&P 500 Dividend Aristocrats index (25 years in a row), and the S&P Dividend Monarchs index (50 years in a row).

This article classifies the TASE-listed companies into categories based on the number of years of consistent dividend distribution (by payments dates).

Companies that distributed dividends in at least ten consecutive years (10-14 consecutive years) are called "Dividend Contenders".
Companies that distributed dividends in at least 15 consecutive years (15-19 consecutive years) are called "Dividend Aristocrats".
Companies that distributed dividends in at least 20 consecutive years (20+ consecutive years) are called "Dividend Monarchs".

About 70% of consistent dividend distributors adopted a stated dividend distribution policy of paying a certain percentage of the company's annual net profit (Payout Ratio), and about 10% of the companies have a set policy of discussing and determining the payout amount each year. The remaining companies (close to 20%) have no stated policy.

About two-thirds of the companies announce the total payout amount, which is an approximate ratio of the company's net profit, as stipulated in the stated dividend distribution policy adopted by the company's Board of Directors, and close to one-third announce the amount per share.

While in the United States, the common practice is to announce the amount of dividend per share, and the inclusion in the aforementioned international dividend indices requires companies to annually increase (or maintain) the payout amount - only a small fraction of TASE-listed companies follow this practice and very few companies increase the amount per share year over year[2].

[2] While 75% of TASE-listed companies that announced a dividend provided a final amount per share, their dividend policy is derived from a percentage of profits, rather than the amount per share.

Summary of findings

1. Predominantly large, established and leading firms in their sectors

About two-thirds of the companies that regularly and consistently distribute dividends are large (market cap of more than NIS 1 billion at the end of 2023) profitable companies, which are financially robust and hold substantial retained earnings that allow them to continue paying out dividends even in weaker years.

36 of the 63 companies that distributed dividends at least 10 years in a row are companies whose shares are included in the TA-125 index, including 10 of the 18 "Dividend Monarchs" and 10 of the 15 "Dividend Aristocrats."

The rest are SMEs with stable profitability and low to medium leverage, with long-standing operating experience in their sector.

Some are long-established companies in the Basic Materials, Industrials or Consumer Sectors, such as Kafrit, Rimoni, Birman, Zanlakol and Brimag; some are holding companies, whose dividends are based on revenues (dividends, royalties, etc) received from the investee companies, such as F.I.B.I. Holdings (First International Bank), Export Investment (Bank of Jerusalem), Ram-On (Polyram), Atreyu Capital Markets (Yelin Lapidot) and Cohen Development (New-Med LP).

2. The average dividend yield of the companies that regularly and consistently distribute dividends is significantly higher than the average yield of leading equity indices

The average dividend yield of companies that regularly and consistently distribute dividends is significantly higher than the dividend yields of the flagship indices, TA-35 and TA-125, which ranges around 2%-3% in recent years.
The average dividend yield of "Dividend Monarchs" in the past decade is the highest, averaging 5.6%., followed by the "Dividend Aristocrats" (4.7%) and the "Contenders" (4.2%).

3. The average share yield of the companies that regularly and consistently distribute dividends in the last decade has significantly exceeded that of the TA-125 index

The yield of the 33 shares of "Dividend Monarchs" and "Dividend Aristocrats" in the past decade (2014-2023) averaged more than 300%, exponentially higher than the yield of the equity market (37%) and the TA-125 index (56%) in the same period.

24 of these shares achieved a triple-digit yield during that period, and only three shares underperformed the equity market.

The average yield of all 63 stocks (including the "Contenders") in the past decade is even higher, reaching almost 350%.

About 75% of those shares (47) achieved a triple-digit yield, and only five shares underperformed the equity market.

4. Predominantly companies with controlling shareholders

The majority of companies have a controlling shareholder, usually the founder, a family-owned company or companies owned by Kibbutzim / agricultural settlements.

The two companies without a controlling core are the two REITs (REIT 1 and Sela Capital Real Estate), which, as aforementioned, are obligated to distribute at least 90% of their taxable income each year.

Two additional companies – Alony Hetz and Amot, although without a controlling core, persevere with their long-standing policy prescribed by their founder and principal shareholder (Nathan Hetz, who serves as the CEO of the former and Chairman of the Board of the latter).

5. The most notable sectors – real estate, technology, commerce and services, and industry (GICS Classification: Real-Estate, Information Technology, Consumer Staples/Discretionary and Industrials)

Out of the 63 companies that regularly and consistently distributed dividends each year over the past decade, the most notable sectors are:

- **Real estate and construction**: Over a quarter of the companies (17) are real estate and construction companies – 12 are income producing real estate companies, which have a relatively stable cash flow, and 5 are construction companies.

- **Technology**: About 21% of companies (13) are technology companies, half of which (6) are information technology services companies.
  Over two-thirds of the technology companies that distribute dividends regularly and consistently (including 4 dual-listed companies) pay as is customary on the world's leading stock exchanges, by amount per share, rather than by announcing the total distribution amount.

- **Commerce and services**: About 17% of companies (11), mostly retail chains or importers of consumer products that have a firm demand for their products.

- **Industry**: About 14% (9) are long-standing and profitable manufacturing companies, almost all of them family-owned or owned by Kibbutzim/agricultural settlements.

- **Banks**: Although the banking sector has been, for many years, a leader in dividend amounts and dividend yields, no bank gained access to the "Dividend Monarchs" list and only the First International Bank is among the "Dividend Aristocrats". One reason for the banks' underrepresentation is their obligation to meet capital adequacy ratio requirements in order to pay out dividends– which prevented most of the banks from distributing dividends in certain years.

Sector	Total	Monarchs	Aristocrats	Contenders
Real Estate and Construction	**17**	2	7	8
Technology	**13**	7	2	4
Commerce and Services	**11**	5	2	4
Industry	**9**	3	1	5
Investment and Holdings	**4**	---	1	3
Banks	**3**	---	---	3
Financial Services	**3**	2	1	---
Energy, Gas and Oil	**2**	---	---	2
Insurance	**1**	---	---	1
BioMed	**---**	---	---	---
Total	**63**	**19**	**14**	**30**

Dividend Monarchy and Aristocracy lists

❖ "Dividend Monarchs"

19 companies paid dividends consistently over 20 years (in each of the years 2004-2023) at least.

The leading companies are:

- **Elbit Systems and Ormat Technologies Inc.** distributed quarterly dividends, increasing the amount per share over the years.

- **ICL** distributes dividends in accordance with its policy, at up to 50% of its profits, which are mainly affected by changes in potash prices. The company's average dividend yield over the past 10 years was 4.8%.

- **Alony Hetz** has been paying dividends in accordance with its policy since 2001 – the company announces at the beginning of each year the minimum dividend amount per share that it intends to pay that year (and an additional dividend for the previous year's profits). The company has increased the amount per share over the years.

- **Delek Automotive** has not adopted a dividend distribution policy, but customarily announces several times a year the amount per share that it will distribute to its shareholders. The company's dividend yield is significantly higher than the other distributors', at 12.6% on average over the past decade.

- **Ram-On,** whose main activity is its holdings in Polyram Plastic Industries, distributed profits that derived mainly from dividends that it had received from Polyram. The average dividend yield of the company's share over the past decade was 14.3%.

- **I.B.I. Investment House** also did not adopt a stated distribution policy, however the dividends distributed by the company have achieved a relatively high yield, compared to the average at TASE (6.3% on average over the past decade).

I.B.I. Underwriting, which is controlled by IBI Investment House, is also considered a "Dividend Monarch" thanks to its policy to distribute, each quarter, all of profits available for distribution. This policy has generated a dividend yield of more than 10% on average over the past decade.

Table 1 : "Dividend Monarchs" (by market cap at the end of 2023)

#	Company Name	Sector	Market Cap 31.12.2023 NIS Millions	Average Dividend Yield	
				Last 5 years	Last 10 years
1	ELBIT SYSTEMS	Technology	34,452	1.0%	1.4%
2	ICL GROUP	Industry	23,442	4.9%	4.8%
3	ORMAT TECHNO*	Technology	15,527	0.6%	0.7%
4	ALONY HETZ	Real Estate and Construction	5,435	3.6%	3.9%
5	MAYTRONICS	Technology	4,508	2.1%	2.9%
6	HILAN	Technology	4,405	0.8%	2.0%
7	ONE TECHNOLOGIES	Technology	3,326	2.9%	3.9%
8	FOX	Commerce and Services	3,314	4.4%	4.1%
9	DELEK AUTOMOTIVE	Commerce and Services	2,262	12.8%	12.6%
10	G CITY	Real Estate and Construction	2,252	5.0%	4.5%
11	DANEL	Commerce and Services	1,768	3.6%	5.1%
12	I.B.I. INVEST HOUSE	Financial Services	1,170	7.0%	6.3%
13	GOLD BOND	Commerce and Services	485	1.0%	1.6%
14	E&M COMPUTING	Technology	292	3.9%	4.5%
15	I.B.I. UNDERWRITING	Financial Services	205	9.0%	10.3%
16	RAM-ON	Industry	173	10.7%	14.3%
17	BIRMAN	Industry	117	7.6%	8.2%
18	AMANET	Commerce and Services	115	5.9%	6.9%
19	O.R.T.	Technology	70	5.7%	8.4%
	Average Dividend Yield			**4.9%**	**5.6%**

* Dividends paid by the company to its shareholders while traded in the U.S., prior to its listing on TASE, were also taken into account.

❖ "Dividend Aristocrats"

14 companies distributed dividends consistently in each of the years 2009-2023 (15-19 years consecutively).

- Half of these companies are in the real estate and construction sector:
  - **Amot** was listed in 2006 and has been distributing dividends for 17 consecutive years, in a similar format to its parent company, Alony Hetz, pursuant to which it announces at the beginning of each year the minimum dividend amount per share that it intends to pay, and increases that amount every year.
  - **Gav Yam** has not adopted a stated dividend distribution policy, but has steadily paid dividends for 19 out of the past 20 years.
  - **REIT 1** and **Sela Capital** – the REITs are obligated by law to distribute at least 90% of their taxable income. Both began distributing profits after being listed on TASE in 2006 and 2008, respectively.
  - The profitable real estate companies – **Dimri**, **Africa Israel Residences**, and **Z.M.H. Hammerman** consistently implement their policy of distributing a percentage of their profits.
- The most prominent dividend yield was achieved by **ATREYU Capital Markets**, whose sole activity is its 50% holdings of Yelin Lapidot Investment House. The company customarily distributes the dividends that it receives from Yelin Lapidot to its shareholders. The company was listed on TASE in 2006 (as "Leader Capital Markets") and thereafter has paid dividends for 18 consecutive years. In the last decade its share generated an average 8.3% annual dividend yield.

Table 2: "Dividend Aristocrats" (by market cap at the end of 2023)

#	Company Name	Sector	Market Cap 31.12.2023 NIS Millions	Average Dividend Yield		Number of Consecutive Years
				Last 5 years	Last 10 years	
1	**AMOT**	Real Estate and Construction	9,407	6.2%	6.0%	17
2	**GAV-YAM**	Real Estate and Construction	6,452	5.0%	5.2%	16
3	**ELECTRA**	Investment and Holdings	5,871	1.3%	2.4%	16
4	**DIMRI**	Real Estate and Construction	4,864	2.4%	3.2%	16
5	**MATRIX**	Technology	4,319	4.0%	4.4%	19
6	**REIT 1**	Real Estate and Construction	3,304	4.3%	4.4%	17
7	**RAMI LEVI**	Commerce and Services	2,784	5.0%	4.0%	17
8	**AFRICA RESIDENCES**	Real Estate and Construction	2,421	4.5%	5.6%	17
9	**SELLA CAPITAL RE**	Real Estate and Construction	1,885	5.8%	5.8%	15
10	**ARAD**	Technology	1,379	3.0%	3.5%	19
11	**ATREYU CAPITAL**	Financial Services	777	9.6%	8.3%	18
12	**ZMH HAMMERMAN**	Real Estate and Construction	555	4.3%	4.5%	15
13	**ZANLAKOL**	Industry	338	7.0%	5.8%	16
14	**AMIR MARKETING**	Commerce and Services	249	2.7%	2.7%	18
	Average Dividend Yield			**4.6%**	**4.7%**	

❖ "Dividend Contenders"

30 more companies distributed dividends in at least each of the past 10 years (but less than 15 consecutive years).

Among the **"Contenders"** are companies that listed after 2009, and were therefore unable to gain access into the "Aristocrats" list, such as Azrieli Group, Levinstein Properties, Carasso Motors, Victory and Inrom Construction.

The companies that stand out in terms of dividend yield that their share generated for investors are:

- **Computer Direct Group**, whose main revenue and profits are derived from its holdings in One Technologies (who is a "Dividend Monarch"), paid dividends that generated its shareholders an average yield of 9.4% over the past decade.

- The industrial family-owned company, **Rimoni**, persevered in its dividend distributions, even after FIMI Fund entered into a controlling partnership with it, with an average 8.4% annual dividend yield over the past decade.

- **Carasso Motors**, also a family-owned company, has distributed dividends annually since its listing on TASE in 2011, and achieved an average 8.3% annual dividend yield over the past decade.

- **Brimag** customarily distributes profits from its household electric appliances import and marketing business as dividends, which achieved an average 8.2% annual dividend yield over the past decade.

Table 3: "Dividend Contenders" (by market cap at the end of 2023)

#	Company Name	Sector	Market Cap 31.12.2023 NIS Millions	Average Dividend Yield		Number of Consecutive Years
				Last 5 years	Last 10 years	
1	AZRIELI GROUP	Real Estate and Construction	28,839	2.0%	2.0%	13
2	FIBI BANK	Banks	15,039	4.5%	4.3%	11
3	NEWMED ENERGY LP	Energy, Gas and Oil	12,208	6.6%	6.0%	10
4	FIBI HOLDINGS	Banks	5,672	5.5%	4.6%	10
5	DELTA GALIL	Industry	4,229	1.7%	1.8%	14
6	ISRAS INVESTMENT	Real Estate and Construction	3,987	4.8%	4.1%	14
7	FORMULA SYSTEMS	Technology	3,688	1.4%	1.9%	11
8	ELCO	Investment and Holdings	3,179	1.5%	1.6%	10
9	MEGA OR	Real Estate and Construction	3,129	1.8%	1.8%	10
10	BLUE SQUARE RE	Real Estate and Construction	2,900	4.5%	4.1%	11
11	TADIRAN GROUP	Commerce and Services	2,280	2.5%	3.7%	11
12	MAGIC SOFTWARE	Technology	1,725	3.2%	3.0%	12
13	PRASHKOVSKY	Real Estate and Construction	1,708	3.8%	4.0%	13
14	I.D.I. INSURANCE	Insurance	1,431	5.3%	5.5%	10
15	CARASSO MOTORS	Commerce and Services	1,429	10.0%	8.3%	13
16	INROM	Industry	1,331	2.3%	4.8%	10
17	DOR ALON ENERGY	Energy, Gas and Oil	1,126	5.6%	5.8%	11
18	LEVINSTEIN ENG	Real Estate and Construction	1,080	2.0%	3.3%	10
19	LEVINSTEIN PROP	Real Estate and Construction	1,046	2.2%	3.0%	14
20	PALRAM	Industry	981	5.3%	3.5%	14
21	HIRON	Investment and Holdings	928	1.5%	1.3%	13
22	JERUSALEM BANK	Banks	890	4.6%	3.8%	11
23	COMPUTER DIRECT	Technology	871	9.3%	9.4%	13
24	VICTORY	Commerce and Services	511	2.2%	2.4%	11
25	RIMONI	Industry	454	6.9%	8.4%	14
26	ASPEN GROUP	Real Estate and Construction	419	4.4%	4.2%	14
27	KAFRIT	Industry	356	3.3%	2.8%	14
28	ZUR SHAMIR	Investment and Holdings	351	3.3%	4.2%	14
29	TOP SYSTEMS	Technology	149	3.0%	4.8%	11
30	BRIMAG	Commerce and Services	129	7.5%	8.2%	11
	Average Dividend Yield			**4.1%**	**4.2%**	