Payouts in a pandemic

Which firms should pay dividends?

Dividends are a healthy part of capitalism(资本主义（制度）). In the covid era, many firms should cut them

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OVER THE next month the toll that lockdowns are inflicting（打击） on businesses will become more visible（可见的） as big Western companies report their first-quarter results and start to give investors（投资者） a steer（指导） on what to expect for the rest of 2020. For some, bankruptcy（破产） beckons（召唤）—this week America’s banks warned of a surge（激增） in bad debts as（当） households and firms go bust（家庭和公司的破产） (see article). Most companies will remain going concerns（持续经营）, but face a collapse（崩溃） in profits. As a result a fraught debate（激烈的辩论） is taking place（发生） in boardrooms all over the world about whether firms should cut their dividends, the recurring（循环的） payments they make to their owners.

That may sound like a technicality but it is not（这听起来像是一个技术问题，但事实并非如此）. Dividends and share buy-backs（回购） (another way of returning money to a company’s owners) amounted to $2.2trn last year for listed firms（上市公司） worldwide. A necessary feature（必要的特征） of a market economy（市场经济）, they get a bad rap（口碑差；无理指责） from those who think plutocratic（富豪的） shareholders（股东） are the outsized（特大的） beneficiaries（受益人） of modern capitalism（资本主义）. But retirement schemes depend on a steady stream of income from dividends to honour（兑现） their commitments（承诺）; if dividends are cut they may instead have to sell shares at exactly（恰好的） the wrong time, during a stockmarket slump. And when mature or cash-rich（现金充裕） companies distribute excess cash（过剩现金） it can be recycled into funding young companies or to firms whose balance-sheets（资产负债表） need repair.

Companies are loth（不愿意的） to make sudden, big changes to their dividend payments. Yet analysts（分析师） reckon（测算） the total amount paid to shareholders（股东，投资者） could drop by 30% or more this year. The pressure to cut comes because lower profits make payouts less affordable（负担的起）; because governments, reasonably（合理的）, want some firms to preserve their cash and capital（资金缓冲） buffers; and because many bosses, haunted（使担忧） by the public backlash（强烈抵制） against bank bail-outs （救市）in 2008-10, worry about being seen to be paying out（支出） billions during a crisis.

What to do? The dividend debate can be solved by sorting companies into three buckets（桶）（通过将公司分成三部分来解决）. In the first are systemically important firms where cuts should be required by governments（政府应该要求它们进行削减）. Any firm that receives a bespoke or disproportionately large taxpayer bail-out should automatically fall into（自动归入） this category（分类）: airlines, for example. Taxpayers should be repaid（偿还） before investors（投资者） are entitled（享有） to a reward（报酬）. This does not mean, however, that companies that have taken advantage of（利用） stimulus measures（刺激措施） available to all firms—such as furlough（休假（工作量不足引起）） schemes or central-bank liquidity—should be made to cut payouts. There is no need to disrupt（破坏） the economy more than is already the case.

Banks also belong in the first category, because the money they pay out could instead be used to support more lending（贷款）. Regulators（监管者） in the euro area（欧元区） and Britain have already enforced dividend bans（股息禁令）. American banks have stopped share buy-backs（回购） but nearly all **are sticking with**（坚持） paying dividends, which amount to about $55bn a year. The Federal Reserve（美联储）, which regulates（管理） lenders（放款人）, should nip （掐）this corporate（公司的） bravado（冒险） in the bud（在萌芽期）. **Although** banks are a lot better capitalised（资本化价值） than in the past （但）the crisis will be a strain（压力）. One of the biggest American lenders（放款人）, Wells Fargo（国富银行）, has just reported that its profits dropped by 99% in the first quarter compared with a year earlier. Remember that taxpayers are on the hook（钩） should the financial system totter（摇摇欲坠）. （记住，如果金融体系摇摇欲坠，纳税人就会被套牢。）

In the second bucket are firms that are stretched （捉襟见肘）but feel that keeping up reliable （可靠的）dividends sends an important signal. The danger here is that they rack up（遭受） debts in order to do so. That strategy might sound mad（疯狂的） but could in fact become common. Roughly a quarter（四分之一） of big listed（上市的） European and American firms are forecast to make lower profits in the next quarter than needed to sustain（维持） their dividends. Several of the oil supermajors（石油巨头） may end up choosing to borrow in order to pay dividends. Boards should think twice（董事会应该三思而后行。）. The cash payments they promised their firms’owners were implicitly（绝对的） predicated（基于） on business-as-usual（正常营业，一切照旧）—and can surely wait until business does indeed（的确） return to usual.

In the third bucket are a group of businesses that have strong balance-sheets（资产负债表） and are operating（营运的） near full tilt（全速）, for example tech firms and other utilities（公共事业）. They should pay dividends, rather than hoard（储藏） cash, even if（即使） it provokes （引起）ill-judged（错误的判断） grumbles（抱怨） from some quarters. That money can help maintain（维持） the incomes of pensioners（领退休金者） and other savers（储蓄者）. And investors（投资者） can use the cash they receive to recapitalise（资本重组） companies whose finances have been shattered（打碎；削弱） by the covid-19 crisis. There will be a lot of them.