

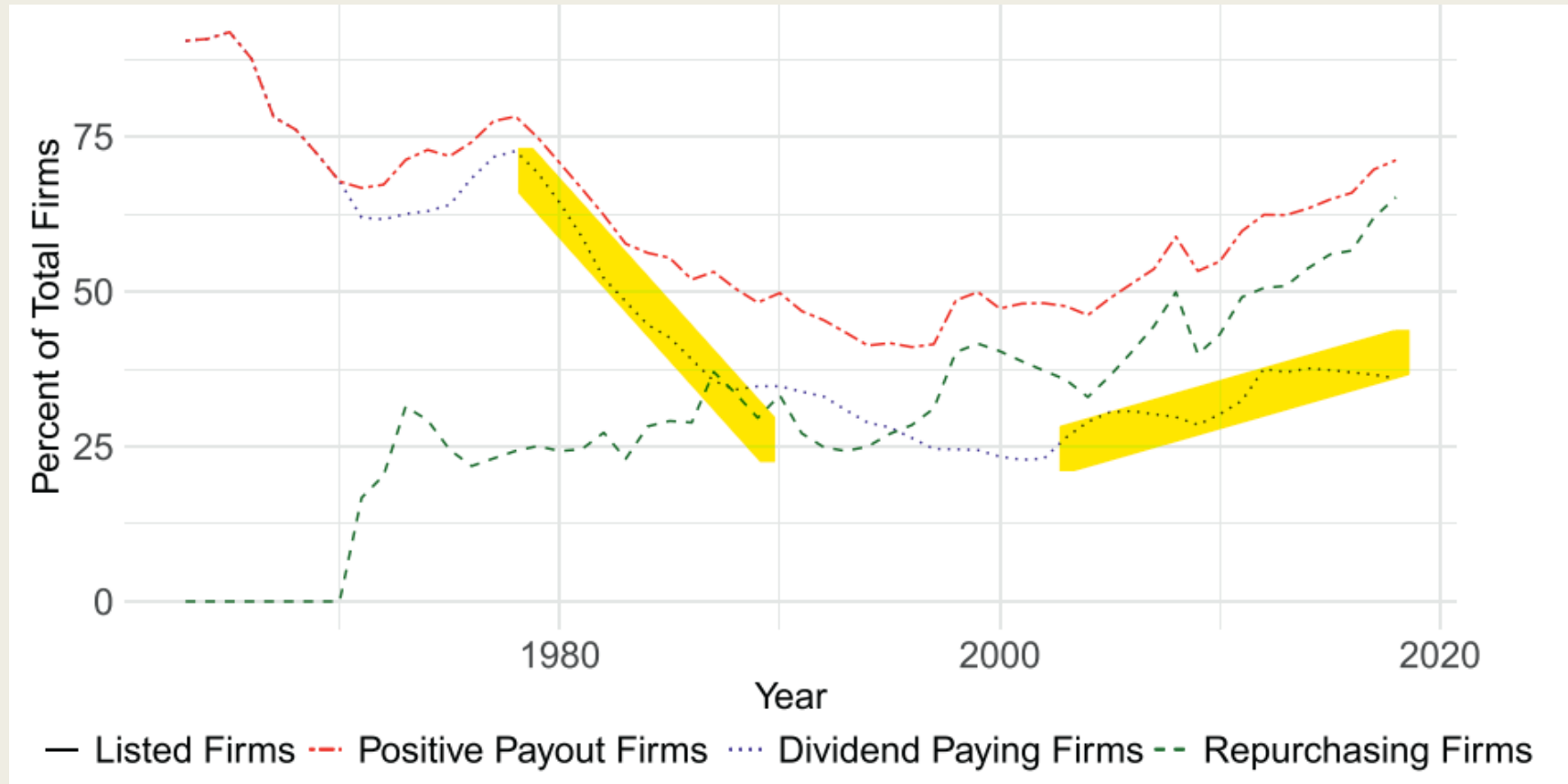


REAPPEARING DIVIDEND

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Disappearing & Reappearing dividend



Changes in Firm Characteristics & Proclivity Paying Divid

- Earnings volatility has the largest impact on firm characteristics disappearing-dividends period
- profitability contributes significantly to the dividend disappearance

Panel D: Change in probability of paying dividends		
	Profitability	Earnings volatility
Change in probability due to characteristic from 1978 to 2000	-51.11	-70.53
Change in probability due to characteristic from 2000 to 2018	-0.07	1.30

Changes in Firm Characteristics & Proclivity Paying Divid

- A Large shift in firm characteristics
- earnings volatility is the only characteristic that contributes materially to the reappearing dividends phenomenon

Panel D: Change in probability of paying dividends		
	Profitability	Earnings volatility
Change in probability due to characteristic from 1978 to 2000	-51.11	-70.53
Change in probability due to characteristic from 2000 to 2018	-0.07	1.30

Contribution to Div Policy of Firm Char & Proclivity

- In 2000's :

Firm Char : 52%

Proclivity : 47.38 %

- In 2018 :

Firm Char : 52%

Proclivity : 47.38 %

	(1)	(2)	(3)	(4)	(5)
Panel A: Changes since 1978					
Year	Total change since 1978	Expected change (from characteristics)	Unexpected change (from proclivity)	percentage attributable to changing characteristics	percentage attributable to changing proclivity
1980	-8.35 (-6.79)	-4.70 (-6.99)	-3.65 (-2.60)	56.32 (4.56)	43.68 (2.31)
1985	-30.11 (-25.02)	-21.20 (-29.52)	-8.91 (-6.36)	70.41 (18.99)	29.59 (6.140)
1990	-37.95 (-31.96)	-19.55 (-26.96)	-18.41 (-13.23)	51.50 (20.55)	48.50 (12.20)
1995	-44.60 (-40.33)	-26.61 (-39.10)	-17.98 (-13.85)	59.67 (28.02)	40.33 (13.08)
2000	-49.31 (-44.68)	-25.94 (-35.73)	-23.36 (-17.69)	52.62 (27.87)	47.38 (16.43)
2005	-42.13 (-34.84)	-25.28 (-32.91)	-16.86 (-11.77)	59.99 (23.87)	40.01 (11.13)
2010	-42.46 (-33.71)	-21.19 (-25.73)	-21.27 (-14.13)	49.91 (20.41)	50.09 (13.01)
2015	-35.35 (-26.73)	-24.20 (-27.64)	-11.15 (-7.03)	68.46 (19.14)	31.54 (6.78)
2018	-36.69 (-27.42)	-23.64 (-26.23)	-13.05 (-8.09)	64.43 (18.88)	35.57 (7.74)
Panel B: Changes since 2000					
Year	Total change since 2000	Expected change (from characteristics)	Unexpected change (from proclivity)	percentage attributable to changing characteristics	percentage attributable to changing proclivity
2005	7.17 (6.53)	0.67 (0.79)	6.51 (4.70)	9.29 (0.75)	90.71 (3.58)
2010	6.85 (5.94)	4.75 (5.32)	2.10 (1.44)	69.40 (3.64)	30.60 (1.31)
2015	13.96 (11.42)	1.75 (1.85)	12.21 (7.91)	12.51 (1.80)	87.49 (6.38)
2018	12.62 (10.18)	2.31 (2.39)	10.31 (6.56)	18.28 (2.280)	81.72 (5.38)

Relationship Between Regulatory structure & Pay Out

- Regulatory structure :

SEC rule 10b-18(1982) in making firms easier to repurchase shares instead of paying dividends

- Evidence :

The firms overall payout is gradually higher even while dividend reappear

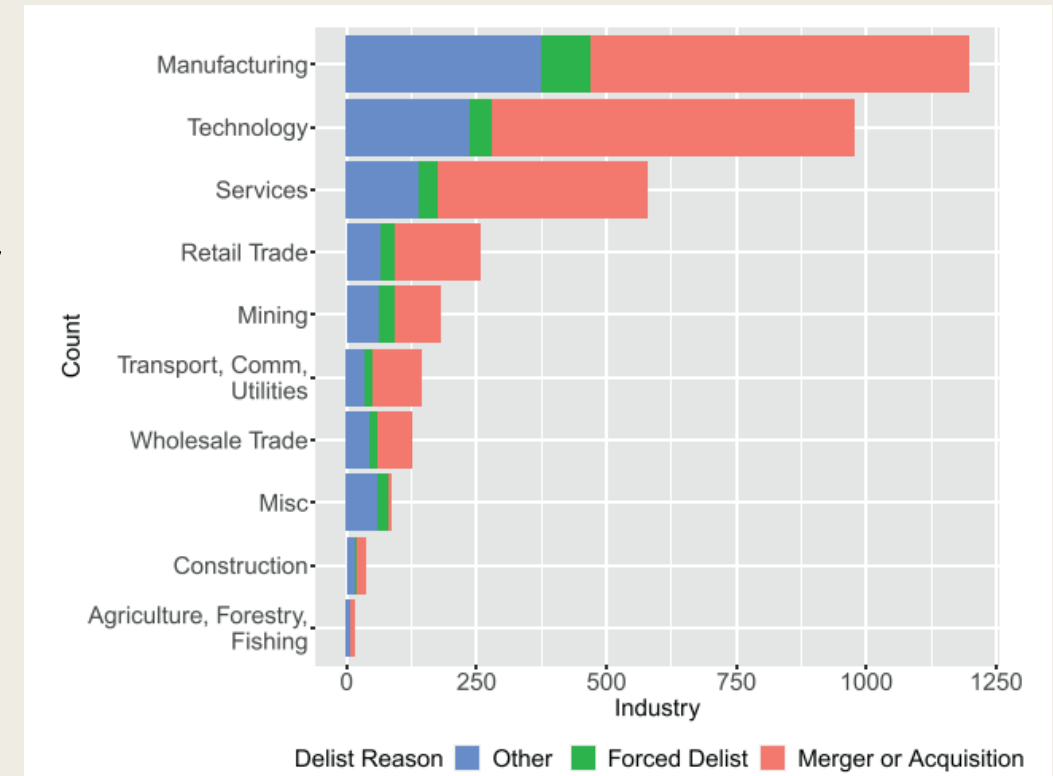


Likely Explanation of Reappearing Dividends (Proclivity)

- Firm delisting :

non-dividend paying firms Merging /
Forced Delist

	(1)	(2)	(3)
	Percentage of sample that pays dividends		
Year	Actual sample	Synthetic sample where no firms delist after 2000	Synthetic sample where no M&A occurs after 2000
2000	23.4	23.4	23.4
2001	22.9	21.2	22.5
2002	23.0	20.2	22.3
2003	26.4	21.6	24.7
2004	29.0	22.6	26.2
2005	30.5	23.2	27.1
2006	30.7	22.9	26.9
2007	30.2	22.6	26.7
2008	29.8	21.6	25.9
2009	28.5	20.3	24.7
2010	30.2	20.6	25.4
2011	32.4	21.1	26.2
2012	37.5	22.7	28.5
2013	37.0	22.3	28.1
2014	37.6	22.4	28.3
2015	37.3	22.2	28.1
2016	36.9	21.9	27.7
2017	36.6	21.7	27.5
2018	36.0	21.5	27.3



HIGH PAYOUT IN 2000

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