FocusRisparmio
L'Informazione sul Gestito

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Sheet 1

Investments

EVEN IN ITALY DIVIDEND OPPORTUNITIES ARE NOT LACKING

Banor believes it is better to focus on defensive securities, stable banks and high-quality industrials, while remembering that dividend yield is not case a performance guarantee

Sofia Franchini

Dividend opportunities will not be lacking in Italy. The remuneration of shareholders is more in vogue than buybacks, which are popular on the other side of the Atlantic. Taking into account just the first half of the year, an average yield of 4% is forecast, up from 3.8% last year. There are various stocks to choose from among the big names in Piazza Affari. Banor Sim deems safer "the dividends of securities linked to more defensive sectors such as Utilities (Enel, Snam, Terna), stable banks (Intesa, Mediobanca) and quality industrials (Pirelli and Prysmian). Sectors with negative ESG values (oil companies like Eni and Tenaris, tobacco and gaming companies) have high dividends in the 6-7% area, but it is unlikely that they will see them grow significantly". In any case, investing on the basis of dividends pays off. "Coupons," recalls Angelo Meda, head of Equities at Banor SIM, "are the main income for the shareholder, and they make the difference in the overall long-term return, the so-called compounding effect". Suffice it to consider that, over the last decade, a stock such as Intesa Sanpaolo yielded -1.32% on the basis of price (data from 1/1/2009 to 31/12/2019), while reinvesting dividends, the total return is a robust +62.68%.

"However, a high dividend yield," warned Meda, "is not a performance guarantee. Moreover, a strategy based on the purchase of securities with the best dividend/price ratio, the so-called Dogs of the Dow, as they are known in the US, did not pay off in recent years". As the table demonstrates, securities with the highest dividend yield are not always the best investment. For example, out of the 40 securities in the FTSE MIB, in 2019, ENI and Tenaris were the top two in the dividend ranking, but they ended up among the worst. "An investor must focus on the sustainability of a dividend and on its growth, in addition to its current value. For such reasons, the market may place a greater premium on a stock with a 3% dividend that is expected to grow at a constant rate over time than on a stock with an 8% yield but with a high debt or in a structurally declining sector". Only at that point will it be possible to analyse the absolute level of the dividend yield, as Meda explains, "by ordering companies that go beyond the first two filters to identify the best investment opportunities". Looking at the table however, the companies which are expected to be above 5% with a positive total return are Unicredit, Mediobanca, Intesa Sanpaolo, Azimut.

Angelo Meda
Head of Equities
at Banor SIM

CHART	The stocks with the highest expected dividend yield	
	EPS	EXPECTED DIVIDEND YIELD
Intesa Sanpaolo	0.19	7.64%
ENI	0.83	6.38%
Mediobanca	0.47	5.44%
Generali	0.90	5.38%
Unipol	0.18	5.20%
Unicredit	0.27	5.17%
Azimut	1.47	5.01%
Banca Generali	1.25	4.96%
FCA	0.00	4.95%
Snam Rete Gas	0.23	4.89%