

# TASE-listed Companies Distributed NIS 26.3 Billion Dividends in 2017 – the Highest Amount Since 2010, of which NIS 14 Billion to the Public

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**Dividend yield came to 3.3%, the highest since 2011**

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**A record 44% of TASE-listed companies distributed dividends**

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**Oil & gas exploration companies stood out this year with distributions of NIS 6 billion and a dividend yield of 18%**

## ----- Yuval Tsuk, Research Department

Companies with shares traded on the Tel Aviv Stock Exchange (TASE) distributed dividends equaling NIS 26.3 billion in 2017 – the highest amount distributed since 2010, when NIS 27.4 were distributed. **The total amount of dividends distributed in 2017 was more than 50% higher than 2016 distributions.**

Approximately NIS 14 billion, some 54% of the amount distributed, were paid out to the public, while the remainder was paid to principal shareholders.

The distributions were made throughout the year by 201 TASE-listed companies. The number of distributors comes to 44% of the total number of TASE equity listings, setting an all-time record in the proportion of TASE-traded dividend-distributing companies.

**The share of companies which consistently distribute dividends** in 2017 rose relative to the previous two years, with a 70% of the distributors (139 companies) distributing dividends three years in a row, and a 51% of the distributors (102 companies) distributing dividends four years in a row.

2017 dividend yield put an end to the downward trend of average dividend yields posted over the previous seven years, in which average yields retreated from 3.6% in 2010 to 2.0% in 2016. The average dividend yield in 2017 came to 3.3%, the highest since 2011.

**Table 1: Select Data Regarding Dividend Distributions, 2011-2017**

	2011	2012	2013	2014	2015	2016	2017
<b>Number of distributing companies</b>	<b>211</b>	<b>156</b>	<b>177</b>	<b>169</b>	<b>182</b>	<b>181</b>	<b>201</b>
<b>% of distributing companies relative to total TASE equity listings</b>	37%	29%	35%	36%	39.5%	40.1%	44.0%
<b>Amount distributed (billion NIS)</b>	<b>23.9</b>	<b>18.0</b>	<b>18.7</b>	<b>18.8</b>	<b>19.6</b>	<b>17.4</b>	<b>26.3</b>
<b>Average dividend yield</b>	<b>3.4%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>3.3%</b>
<b>Average annual market cap of TASE-listed companies (billion NIS)</b>	692	594	649	739	907	871	806

### **Dividend distribution – by key TASE share indices**

#### TA-35 index

In 2017, 26 of the 35 TA-35 index constituents (as of the end of 2017) distributed dividends, totaling NIS 17.3 billion (66% of all dividends). This is in comparison to the NIS 12.1 billion distributed by the same companies in the previous year (a 43% increase). Approximately 90% of the cash dividends distributed in 2017 were distributed by companies, which were constituents of the TA-25 index prior to the implementation of TASE's

index reform, which went into effect in February 2017. (All of which were also TA-35 constituents at the end of 2017, except for Avner which merged with another index constituent, Delek Drilling).

The percentage of dividends distributed by the constituents of the former TA-25 index came to 59% of total distributions, as opposed to 65% in 2016. This is the lowest proportion distributed by the index companies for more than a decade, **reflecting the decrease in dividend distribution concentration by large-cap companies.**

The dividend yield of TA-35 index shares came to 3.1% in 2017.

The most prominent dividend yields among TA-35 constituents belong to the oil and gas partnerships, **Isramco** (22.3%) and **Delek Drilling** (17.8%), as well as **Harel Investments** (10.3%), **Delek Group** (9.2%) and **Bezeq** (8.4%).

#### TA-90 index

68 of the 98 TA-90 index constituents (at the end of 2017) distributed dividends totaling NIS 5.5 billion (21% of total distributions) in 2017.

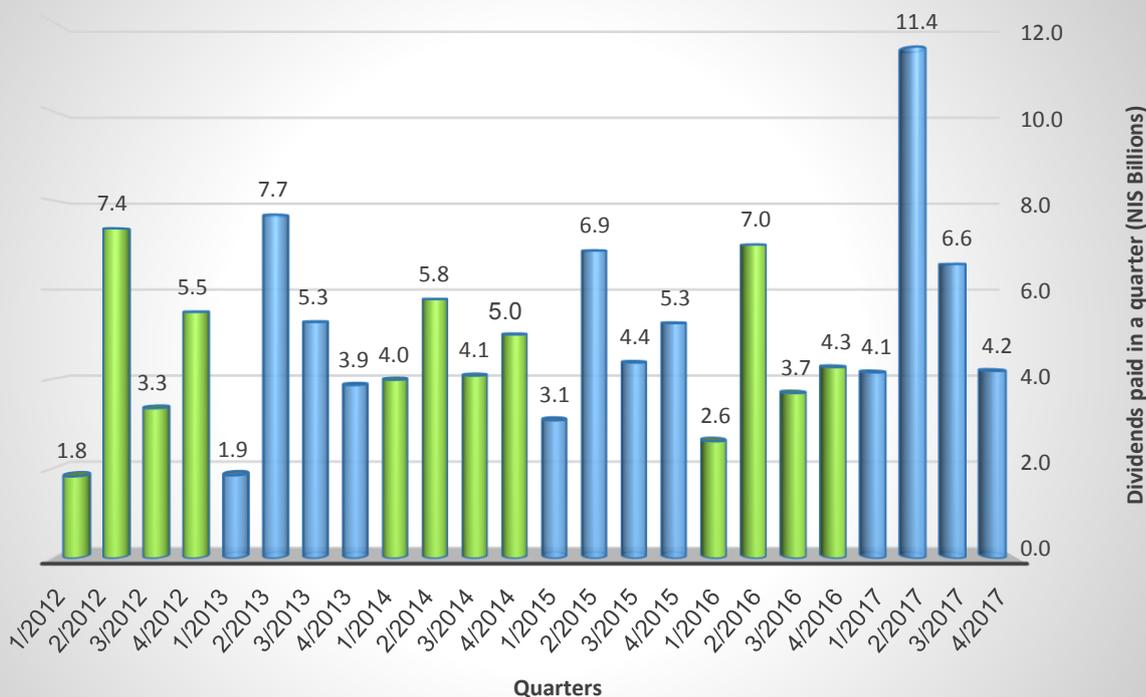
The 2017 dividend yield for TA-90 companies came to 3.5%.

The highest dividend yield among TA-90 index constituents belongs to **Discount Investment** (27.7%), to car importers **Delek Automotive** (14.4%) and **Carasso Motors** (13.0%), and to **Naphtha** (12.3%).

#### Tel-Div index

The shares comprising the Tel-Div index at the end of 2017 posted a 5.5% dividend yield, the highest since 2013.

**Figure 1: Dividend Distribution by Quarter (in billion NIS)**



#### **Major Dividend Distributors**

- 2017 was not an easy year for **Teva**, and for the first time, it had to reduce dividends on its ordinary shares. Starting from the second half of 2017, Teva cut its dividend per share by 75% relative to the previous ten quarters. Despite this, Teva again topped the list of dividend distributors, for the fifth year running, paying out NIS 4.1 billion – of which NIS 3.2 billion to ordinary shares holders and NIS 0.9 billion

to preferred shares holders. This compares with the NIS 5.3 billion in 2016 (NIS 5.1 to ordinary shares holders and NIS 253 million to preferred shares holders), and NIS 4.5 billion in 2015 (ordinary shares).

Teva's dividend yield rose from 2.2% in 2015 to 2.8% in 2016 and 3.3% in 2017. The primary reason for the yield increase is the sharp drop in Teva share prices of 44% in 2016 and 51% in 2017 (the cumulative two-year loss comes to approximately 73%).

- Second, third and fourth place on the list goes to the oil and gas partnerships, **Delek Drilling** and **Isramco**, as well as to **Delek Energy**, which distributed an unusually large portion of their earnings in 2017.

**Delek Drilling** distributed NIS 2.2 billion (together with **Avner**, which distributed NIS 0.6 billion prior to their merger in May, 2017 – NIS 2.8 billion), and posted a dividend yield of 17.8%. One of the primary sources for dividend distribution in 2017 was the receipts from the **Tamar Petroleum** offering, which raised NIS 2.3 in a public bond offering and a private placement of shares to institutional investors of approximately NIS 700 million.

**Delek Energy**, which received NIS 1.5 billion dividends from its subsidiary partnerships, **Delek Drilling** and **Avner**, distributed dividends, for the first time in its history, of NIS 1.3 billion and posted a 14% dividend yield.

**Isramco** distributed dividends totaling NIS 2.1 billion, of which NIS 1.8 billion in June, which constituted all the partnership's distributable earnings and was financed by a debt offering of NIS 1.6 billion immediately following the completion of the merger with the **I.N.O.C Dead Sea** and **Naphtha Explorations** partnerships. Due to the extraordinarily large distribution, Isramco's dividend yield came to 22.3%.

- **Bezeq** distributed dividends of NIS 1.3 billion in 2017, as opposed to NIS 1.4 billion and NIS 1.8 in 2016 and 2015 respectively. In wake of the difficulties in which Eurocom, a principal shareholder, is in and the investigation and arrests carried out against controlling shareholders and corporate officers, Bezeq changed its dividend policy, and beginning in 2018 it is expected to distribute dividends equaling 70% of net earnings (as opposed to 100% under the previous policy) semi-annually.
- **Israel Chemicals** distributed NIS 872 million cash dividends in 2017 as opposed to NIS 620 million in 2016. The company's board of directors decided to update its dividend policy in May 2016, such that dividends will be payable up to 50% of annual net earnings (as opposed to 70% under the previous policy), in order to strengthen the company's financial position and in light of the continuing volatility and uncertainty in the agricultural commodities market.
- **Bank Hapoalim** continued raising the percentage of its distributed earnings, in light of the sustained improvement of its capital adequacy, setting a new dividend policy of distributing 40% of net quarterly earnings starting in 2017 (instead of 30% of net earnings prior to this). The bank increased total distributions gradually each year, from NIS 277 million in 2013 to NIS 861 million in 2017.
- **Discount Investment**, which has not distributed dividends since 2014, paid out NIS 678 this year, generating an unusually high dividend yield of 27.7%. I.D.B. Holdings, Discount Investment's controlling shareholder until November 2017, received 73% of the dividends, which helped it redeem debt to its bondholders.
- **Bank Leumi** started to distribute quarterly dividends in 2017, for the first time since 2011, after adopting a dividend policy in the first quarter of distributing 20% of net earnings quarterly, which by the fourth quarter rose to 40% of net earnings following the bank's ability to meet capital adequacy targets. In total, the bank distributed dividends of NIS 628 million this year.

## Dividend distribution – by sectors

The highest sectoral dividend yield this year belongs to the energy, oil and gas sector (14.0%), due primarily to the high dividends distributed by the oil and gas partnerships, **Delek Drilling** and **Isramco**, as well as by the **Delek Energy**. This follows the previous year in which the sector had the lowest dividend yield of all TASE sectors. The dividend yield of oil and gas exploration companies and partnerships alone came to 18.1% in 2017.

**Oil Refineries**, which has not distributed dividends since 2010, despite its adoption of an annual dividend distribution policy, paid dividends of NIS 325 million in 2017.

- The second highest sectoral dividend yield (5.1%) goes to two sectors: commerce & services and investments & holdings.

In commerce and services, **Bezeq** can be credited for the above-average yield, following its NIS 1.3 billion distribution, as can **Delek Automotive** (NIS 424 million) and **Carasso Motors** (NIS 355 million).

In the investment and holdings sector, the favorable dividend yield can be attributed primarily to the **Delek Group** (NIS 780 million) and **Discount Investment** (NIS 678 million).

- The financial services sector maintained a relatively high sectoral dividend yield (4.2%), given that 12 of the 15 companies comprising the sector distributed dividends this year.
- Banks distributed dividends of NIS 2.3 billion in 2017, bringing the sectoral dividend yield to 2.4%, the highest percentage since 2007 (4.7%). This yield results from the fact that most banks met their regulatory capital adequacy requirements, as reflected in the increase in distributions by **Bank Hapoalim**, **Bank Mizrahi-Tefahot**, **the First International Bank of Israel** and **F.I.B.I.**, as well as **Bank Leumi**, which resumed its distributions after a six-year hiatus.

**Bank Discount**, which has not distributed dividends since 2008, adopted a quarterly dividend policy towards the end of 2017 of 15% net earnings starting in the first quarter of 2018. Despite the new policy, Discount did not distribute dividends in this quarter.

**Table 2: Sectoral comparison of dividend distributions, 2016-2017**  
(NIS million)

<u>Sector</u>	2016			2017			
	<u>No. Distributors</u>	<u>Amount Distributed</u>	<u>Sectoral Dividend Yield</u>	<u>No. Companies in Sector</u>	<u>No. Distributors</u>	<u>Amount Distributed</u>	<u>Sectoral Dividend Yield</u>
<b>Banks</b>	5	1,180	1.5%	9	7	2,327	2.4%
<b>Insurance</b>	2	271	1.6%	7	4	761	3.5%
<b>Financial Services</b>	10	219	6.1%	15	12	270	4.2%
<b>Biomed</b>	3	5,699	1.5%	55	3	4,420	1.7%
<i>excluding Teva</i>	2	379	0.2%	54	2	330	0.1%
<b>Technology</b>	23	1,047	1.5%	74	24	1,093	1.3%
<b>Commerce &amp; Services</b>	33	3,004	5.2%	66	34	3,004	5.1%
<b>Real Estate</b>	43	2,744	3.0%	96	50	3,336	2.9%
<b>Manuf.</b>	42	1,844	2.7%	65	40	2,514	3.3%
<b>Investment &amp; Holdings</b>	14	840	2.6%	46	17	1,856	5.1%
<b>Energy, Oil &amp; Gas Explor.</b>	6	690	1.3%	24	10	6,750	14.0%
<b>TASE total</b>	<b>181</b>	<b>17,537</b>	<b>2.0%</b>	<b>457</b>	<b>201</b>	<b>26,330</b>	<b>3.3%</b>

**Table 3: Highest Dividend Yields among TA-125 index constituents in 2017  
(NIS million)**

<u>Company Name</u>	<u>Sector</u>	<u>Total Dividend 2017</u>	<u>Dividend Yield</u>
Discount Investment	Investments & Holdings	678	27.7%
Isramco	Energy, Oil & Gas	2,062	22.3%
Delek Drilling	Energy, Oil & Gas	2,245	17.8%
Delek Automotive	Commerce & Services	424	14.4%
Carasso	Commerce & Services	355	13.0%

**Table 4: Dividends Paid by TA-35 Index Constituents\*  
(NIS million)**

<u>Company Name</u>	<u>Dividend NIS 2015</u>	<u>Dividend Yield 2015</u>	<u>Dividend NIS 2016</u>	<u>Dividend Yield 2016</u>	<u>Dividend NIS 2017</u>	<u>Dividend Yield 2017</u>
Teva	4,504	2.2%	5,321	2.8%	4,090	3.3%
Delek Drilling	193	3.0%	94	1.6%	2,245	17.8%
Isramco	518	5.3%	231	2.7%	2,062	22.3%
Bezeq	1,777	8.8%	1,441	6.7%	1,286	8.4%
Israel Chemicals	1,356	4.4%	620	3.0%	872	4.4%
Bank Hapoalim	569	2.1%	685	2.4%	861	2.7%
Delek Group	500	4.1%	460	5.0%	780	9.2%
Bank Leumi	0	0%	0	0%	628	2.2%
Azrieli	320	1.6%	400	2.2%	480	2.0%
Harel	235	6.5%	171	5.6%	461	10.3%
Amot	187	5.4%	221	5.0%	373	6.4%
Bank Mizrahi Tefahot	86	0.8%	186	1.7%	334	2.3%
Perrigo	282	0.2%	322	0.5%	327	0.7%
Oil Refineries	0	0%	0	0%	325	7.3%
First International Bank	130	2.6%	200	3.8%	310	4.7%
Paz Oil	250	4.2%	170	2.8%	300	4.9%
Alony Hetz	137	3.1%	228	4.8%	286	5.1%
Meliron	195	3.1%	215	3.1%	236	2.9%
Elbit Systems	240	1.8%	266	1.6%	269	1.4%
Gazit Globe	328	4.3%	295	4.3%	205	2.9%
Strauss	100	1.6%	150	2.2%	160	2.1%
Shufersal	0	0%	100	3.8%	160	4.3%
Big	50	2.0%	63	2.3%	82	2.3%
Ormat	49	0.7%	99	1.2%	74	0.7%
Nice	150	1.0%	147	1.0%	35	0.2%
Frutarom	22	0.3%	24	0.2%	26	0.2%
Israel Corp	1,180	9.6%	0	0%	0	0%
Mylan	0	0%	0	0%	0	0%

Tower	0	0%	0	0%	0	0%
Opko	0	0%	0	0%	0	0%
Sodastream	0	0%	0	0%	0	0%
Partner	0	0%	0	0%	0	0%
Cellcom	0	0%	0	0%	0	0%
Discount Investment	0	0%	0	0%	0	0%
Airport City	0	0%	0	0%	0	0%
<b>Total TA-35</b>	<b>13,359</b>	<b>1.9%</b>	<b>12,110</b>	<b>1.8%</b>	<b>17,265</b>	<b>3.1%</b>
No. distributing companies	24		24		26	
<b>Total TA-90</b>	<b>4,272</b>	<b>3.8%</b>	<b>3,724</b>	<b>2.9%</b>	<b>5,536</b>	<b>3.4%</b>
No. distributing companies	61		63		68	
<b>Total TA-125</b>	<b>17,631</b>	<b>2.2%</b>	<b>15,834</b>	<b>2.0%</b>	<b>22,801</b>	<b>3.15%</b>
No. distributing companies	85		87		94	

\* The data reflects index constituency on 31.12.2017

## **Methodology**

The data in this review is drawn from the cash dividend distribution filings submitted by TASE-listed companies and posted on TASE's "Maya" website, and were calculated according to the date of actual payment in each one of the years reviewed.

The data for each year do not include dividends distributed by companies that have **delisted** their shares during the course of that year. In 2017, the data does not include earnings distributions by **Avner** of NIS 610 million that were made prior to its merger with **Delek Drilling**.

In addition, the data does not include dividends in kind distributed by TASE-listed companies.

In 2017:

- Distribution of Kardan shares by Kardan Israel, valued at NIS 63 million.
- Distribution of Rapac shares by Inter-Gama, valued at NIS 79 million.
- Distribution of Netz Hotels shares by the Netz Group, valued at NIS 46 million.

In 2016:

- Distribution of Shagrir shares by Pointer, valued at NIS 50 million

Total and sectoral dividend yields are calculated according to average market cap at the beginning and end of the year.

Dividend yields of individual companies are calculated according to the ex-dividend share price.