

DANMARKS NATIONALBANK

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Dividends and share buy-backs for kr. 105 billion in 2018

In 2018, Danish listed companies disbursed kr. 105 billion to their shareholders through dividends and share buy-backs. The dividends amounted to kr. 63 billion and share buy-backs to kr. 42 billion. The payments equal those of 2017 but have increased substantially over the past 10 years, like the companies' profits in general.

While dividends and share buy-backs are equivalent economically speaking, the two ways of distributing profits differ. When companies pay out dividends,

the shareholder receives an amount of money directly. When buying back shares, the number of outstanding shares decreases, and other things being equal the price goes up. The individual investor can thus decide whether to receive the distributed profit as a capital gain (by keeping the shares) or as money in the pocket (by selling shares). The choice depends on the investor's preferences.

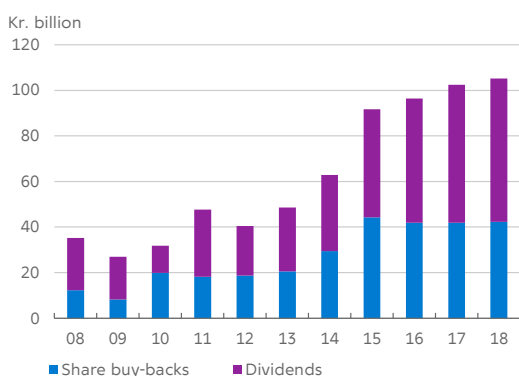
An alternative to distributing profits is to capitalise the company by increasing its equity. Additional equity could be invested for the benefit of shareholders in the longer term. This requires that the company has investment opportunities with higher expected return than the shareholders' alternatives.

The shares of the 25 most traded companies (C25) account for almost 90 per cent of the dividends and share buy-backs from Danish listed companies in 2018. Novo Nordisk and Danske Bank account for nearly half. In October, Danske Bank cancelled their share buy-backs. In total, the banks distributed kr. 23 billion to their shareholders in 2018.

Other things being equal, dividends and share buy-backs increase the return on shares. Despite the large disbursements, Danish listed stocks yielded a negative return in 2018. According to Danmarks Nationalbank's statistics, the return on Danish listed stocks was minus 7.7 per cent in 2018.

Danish listed companies have distributed profits amounting to kr. 105 billion in 2018

Chart



Note: Share buy-back is estimated through the companies' net transactions in their own shares. Note that employee shares can be part of the estimate and that buybacks in months with capital reductions can be missing. A 36.7 billion kr. dividend from A.P. Møller - Maersk in 2015 is excluded, since it is considered extraordinary.

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