

NYSE & AMEX LISTED FIRMS THAT PAY NO DIVIDEND: A RECENT HISTORY

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Abstract

Using CRSP data, we retrieve, organize, and present in various contexts, for the years 1974 to 1993, data on NYSE and AMEX listed firms that paid no dividend. The findings show that across industries, equity capitalization, and to a lesser extent share price, the variety of firms that are choosing not to pay dividends has grown substantially.

INTRODUCTION

One of the most important financial decisions a firm faces is what dividend to pay. This paper profiles the firms listed on the NYSE and AMEX that pay no dividends. NYSE and AMEX listed firms were chosen because they are neither the newest, nor the smallest of firms. Newer and smaller firms are the archetypical no-dividend companies to many, while the larger, older firms of the national exchanges are often perceived as dividend payers.

The purpose of this paper is to chronicle how many NYSE and AMEX firms in recent times have not paid dividends and to categorize them by share price, equity capitalization and industry. This paper does not attempt to explain why some firms are not paying dividends, nor does it try to explain the changes in the number and composition of firms that do not pay dividends. That work is left to those who find the results reported here intriguing.

DATA

Data on dividends, share price, number of shares outstanding and SIC code for NYSE and AMEX firms are taken from CRSP tapes for the years 1974 to 1993. The data represent all CRSP reported NYSE and AMEX listed firms for which the number of shares and share price data were available in any given year.¹

THE PROPORTION OF NYSE & AMEX LISTED FIRMS PAYING NO DIVIDENDS

Exhibit 1 presents the year-by-year percentages of NYSE and AMEX listed firms that paid no dividend. The exhibit shows that since 1979, when only 2 of every 10 listed firms paid no dividend, the proportion of firms paying no dividend had nearly doubled by the early 1990's, when almost 4 of every 10 firms paid no dividend.

DIVIDENDS AND SHARE PRICES

Table 1 gives, year-by-year, for different levels of share price, the proportion of firms with that price from among all the firms that paid no dividend. Share price for each firm is found by averaging the beginning-of-year and end-of-year prices. The share price categories are in increments of \$10, an ad hoc scheme which covers the spectrum of possible prices in six convenient and simple steps.

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The data show that in the mid-1970's not paying a dividend was overwhelmingly the province of firms with a low price per share. Of the 878 firms that paid no dividend in 1974, 86% had share prices of \$10 or less. Moreover, the firms with stock prices of less than \$20 a share accounted for more than 96% of all firms not paying a dividend in 1974.

Of the 1058 firms that paid no dividend in 1993, the percentage with a share price of \$10 or less had declined to about 62%. In that year firms with a share price of \$20 or less made up approximately 85% of the firms not paying a dividend. Put another way, 15% of the firms not paying dividends had a share price of over \$20 in 1993. This is almost four times the proportion of 1974. So, while it may be said that most of the firms that don't pay dividends have a low share price, the proportion of firms with share prices over \$10 that don't pay dividends was up dramatically in the early nineties compared to the early seventies.

It may be argued, however, that stock prices in general went up, and that a rising tide lifts all boats, so to speak. In 1974 the median share price of NYSE and AMEX listed stocks was \$8.50. By 1993 the median price had become \$15.625. The question, then, is if there has been any shift toward higher priced stocks not paying dividends after taking into account the trend to higher prices. To answer that question, the share prices are adjusted for higher prices.

First, the median share price is found for each year. Then, for each year all individual share prices are divided by the median share price for that year. The resulting prices are called adjusted share prices and are labeled P/M. Table 2 presents the adjusted price data for 1974 to 1993.

The results reported in Table 2, although not directly comparable to those of Table 1, confirm the patterns observed in Table 1. In the mid-1970's firms with a share price of less than half the median made up from 65% to 72% of all firms that did not pay a dividend. By the early 1990's that figure had declined to less than 60%, with the 1993 figure at less than 53%. Similarly, in the mid 1970's firms with a share price of over twice the median made up only 3%-to-4% of the firms not paying a dividend. By the 1990's such firms made up more than 7% of those that did not pay a dividend. The figures in Table 2 show that more and more firms with higher priced shares are also choosing not to pay dividends.

DIVIDENDS AND THE MARKET VALUE OF EQUITY

Table 3 presents the data on the equity capitalization of firms that paid no dividend. The equity, or market, capitalization for a firm is found by multiplying the average number of shares outstanding by the average share price.² The categories of capitalization used to classify firms are *ad hoc*, formed to accommodate the distribution of capitalizations in 1974.

The data for 1974 show that as the market value of equity increases the share of firms paying no dividend monotonically decreases. Thus, using rounded numbers, of the 876 firms not paying a dividend in 1974, the percentages for each size category from smallest to largest are: 51%, 17%, 12%, 7%, 6%, 5%, and 2% respectively. In 1974 firms with smaller market values of equity clearly dominated among firms not paying dividends.

Although this pattern continues more or less through the second half of the 70's, by the early 1980's firms with larger equity values had become a larger proportion of the firms not paying dividends. By 1993 only the very largest firms are distinguishable for their small share of firms not paying dividends. Using rounded numbers, of the 1058 firms not paying a dividend in 1993, the percentages for each size category from smallest to largest are 15%, 13%, 15%, 17%, 15%, 18%, and 7%. A simple Chi-square test shows that the null hypothesis of an equal representation of equity values among firms not paying a dividend is rejected at the 1% for 1974, but is accepted at the 1% level for 1993.

DIVIDENDS AND INDUSTRY CLASSIFICATION

The final examination of firms not paying dividends involves determining how many industries have significant numbers of firms paying no dividends. All NYSE and AMEX listed firms have a 2 digit SIC code. There are 75 such 2 digit codes including the 00 code used by CRSP for firms not otherwise classified. For each year in the sample the industries with at least 10 member firms are examined for how many firms in these industries paid no dividend. An industry is counted as low yield if half or more of its member firms paid no dividend. The resulting tabulations are reported in Table 4 for every other year.

As seen in Table 4, the number of industries with 10 or more member firms remains fairly constant over the period analyzed, 46 to 49, the number of low-yield industries changes dramatically. Of the 48 qualifying industries

in 1974, 10 had half or more of the member firms with a 0% yield. By 1980 the low yield group had shrunk, with only 1 of 46 industries qualifying as low yield. In the mid-1980's the number of industries with a majority of their firms paying no dividend was on the rise into double digits. By 1992, of the 49 industries with 10 or more firms, 21 were in the low yield group.³

CONCLUSION

This paper presents evidence that dividend policy among NYSE and AMEX listed firms has undergone a significant realignment in the past twenty years. Where once only a small proportion of firms, mainly those with a very low stock price and small market capitalizations, did not pay dividends, in the 1990's nearly 4 of 10 NYSE and AMEX listed firms paid no dividend. And while the firms not paying a dividend in the 1990's do still tend to have lower share prices, the proportion of higher priced stocks paying \$0 has increased markedly. Moreover, by the 1990's small, medium and large firms are all represented among the firms that didn't pay dividends.

Finally, not long ago as few as 1 of the 46 industries with 10 or more firms were classified as low yield by the proportion of firms not paying any dividend. Recently, that figure has ballooned to 21 of 49 industries.

The data are clear. More and more firms, representing a broad spectrum of market capitalizations, representing many differing industries, and to a lesser extent representing differing prices per share, are not paying dividends.

ENDNOTES

1. The number of firms reported upon changes from year to year as firms are listed and delisted. Since this is not a longitudinal study, but a cross-sectional analysis, the changing number of listed firms is not material to the results.
2. The average is the same beginning-of-year and end-of-year average used previously.
3. The 2-digit SIC codes for the 21 industries in which half or more of the firms paid no dividend in 1992 are 10, 13, 15, 16, 17, 23, 35, 36, 38, 39, 45, 50, 54, 58, 65, 70, 73, 78, 80, 87, and 89.

TABLE 1
Share Price Distribution of NYSE & AMEX Firms Paying No Dividend
Of Firms Paying No Dividend, the Percentage with Stock Price P

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
P ≤ \$10	85.99	91.12	85.88	84.03	78.40	70.76	63.45	59.38	62.40	60.03
\$10 < P ≤ 20	10.36	6.43	10.07	10.23	13.27	16.20	19.29	23.09	24.00	23.71
\$20 < P ≤ 30	2.28	1.40	2.22	2.79	3.74	6.52	8.53	8.51	7.04	8.66
\$30 < P ≤ 40	0.91	0.58	0.65	1.24	1.87	2.61	4.27	4.86	3.52	4.56
\$40 < P ≤ 50	0.34	0.35	0.92	1.09	1.53	1.49	1.67	2.08	1.76	1.06
P > \$50	0.11	0.12	0.26	0.62	1.19	2.42	2.78	2.08	1.28	1.98
#firms Div=\$0	878	856	765	645	588	537	539	576	625	658
Total # firms	2725	2674	2625	2589	2542	2472	2405	2379	2363	2306

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
P ≤ \$10	62.74	64.54	62.18	67.53	70.81	68.41	71.24	73.58	67.05	62.10
\$10 < P ≤ 20	23.12	23.13	25.17	22.72	20.64	22.05	17.78	17.08	19.32	22.59
\$20 < P ≤ 30	7.51	6.79	7.32	6.05	4.88	4.66	5.71	4.97	6.47	7.84
\$30 < P ≤ 40	3.98	2.35	2.00	1.11	1.00	2.16	2.63	2.28	3.57	3.40
\$40 < P ≤ 50	1.03	1.66	0.80	0.62	1.22	1.02	0.88	0.60	1.45	2.27
P > \$50	1.62	1.52	2.53	1.98	1.44	1.70	1.76	1.49	2.13	1.80
#firms Div=\$0	679	722	751	810	901	880	911	1007	1035	1058
Total # firms	2319	2288	2275	2303	2512	2568	2567	2616	2735	2869

TABLE 2
Adjusted Share Price Distribution of NYSE & AMEX Firms Paying No Dividend
Of Firms Paying No Dividend, the Percentage with Adjusted Share Price P/M

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
P/M ≤ .5	65.26	72.31	69.67	70.54	68.88	62.57	60.30	57.47	56.32	59.73
.5 < P/M ≤ 1	17.43	15.30	19.22	19.07	18.03	20.48	19.11	22.05	26.08	24.01
1 < P/M ≤ 1.5	8.43	5.37	5.49	4.96	6.29	5.77	9.46	9.72	8.32	8.66
1.5 < P/M < 2	3.53	3.27	2.61	2.17	2.21	5.40	5.94	5.73	5.12	4.56
P/M > 2	5.35	3.74	3.01	3.26	4.59	5.77	5.19	5.03	4.16	3.04
#firms Div=\$0	878	856	765	645	588	537	539	576	625	658
Total # firms	2725	2674	2625	2589	2542	2472	2405	2379	2363	2306

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
P/M ≤ .5	60.68	60.80	60.59	60.12	58.49	57.84	57.30	61.37	57.29	52.93
.5 < P/M ≤ 1	24.89	25.48	25.30	25.06	25.97	25.23	22.72	19.07	21.16	24.48
1 < P/M ≤ 1.5	7.22	6.93	8.39	8.89	8.66	8.18	8.89	8.84	10.05	10.49
1.5 < P/M < 2	3.83	2.63	1.86	2.59	2.89	3.86	4.94	4.17	4.15	4.73
P/M > 2	3.39	4.16	3.86	3.33	4.00	4.89	6.15	6.55	7.34	7.37
#firms Div=\$0	679	722	751	810	901	880	911	1007	1035	1058
Total # firms	2319	2288	2275	2303	2512	2568	2567	2616	2735	2869

TABLE 3
Market Capitalization Distribution of NYSE & AMEX Firms Paying No Dividend
Of Firms Paying No Dividend, the Percentage with Market Cap C (in millions)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
C ≤ \$10	51.03	50.12	43.53	38.76	36.56	31.28	25.42	22.74	16.96	14.89
\$10 < C ≤ \$25	17.35	19.74	19.61	22.17	22.79	19.93	21.71	19.97	22.72	20.36
\$25 < C ≤ \$50	11.53	10.98	12.42	11.32	10.37	14.34	12.62	13.02	15.36	17.02
\$50 < C ≤ \$250	7.08	6.66	9.80	10.23	11.56	11.36	11.69	14.93	13.60	14.89
\$250 < C ≤ \$500	6.05	5.61	6.67	7.44	8.84	10.06	12.62	14.24	16.32	15.05
\$500 < C ≤ \$1000	4.57	4.56	5.49	6.98	6.29	8.19	9.46	9.72	9.92	12.31
C > \$1000	2.40	2.34	2.48	3.10	3.57	4.84	6.49	5.38	5.12	5.47
#firms Div=\$0	876	856	765	645	588	537	539	576	625	658
Total # firms	2723	2674	2625	2589	2542	2472	2405	2379	2363	2306

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
C ≤ \$10	12.39	16.92	16.96	16.09	18.41	19.30	23.46	25.51	20.65	14.74
\$10 < C ≤ \$25	21.39	20.80	17.09	17.57	19.55	18.14	15.38	17.41	15.04	13.33
\$25 < C ≤ \$50	18.29	14.84	15.35	15.97	14.66	13.60	13.47	12.35	12.68	14.46
\$50 < C ≤ \$250	14.45	14.84	14.95	16.46	14.20	15.23	13.69	11.34	12.39	17.01
\$250 < C ≤ \$500	17.40	15.95	16.15	16.34	15.45	15.81	14.70	14.88	16.81	15.22
\$500 < C ≤ \$1000	11.36	12.21	14.55	13.61	13.75	13.26	14.14	12.75	15.34	17.77
C > \$1000	4.72	4.44	4.94	3.96	3.98	4.65	5.16	5.77	7.08	7.47
#firms Div=\$0	678	721	749	808	901	860	891	988	1017	1058
Total # firms	2317	2286	2271	2299	2471	2529	2528	2579	2700	2869

* number of firms may not agree with previous tables because information on number of shares is not available for all firms previously used

TABLE 4
Number of Industries with a Majority of Member Firms Paying No Dividend

Year	The Number of Industries with 10 or More Member Firms	The Number of Industries with Over 50% of Member Firms Paying No Dividend
74	48	10
76	48	8
78	49	2
80	46	1
82	48	5
84	48	4
86	47	12
88	49	17
90	47	17
92	49	21

EXHIBIT 1
% NYSE & AMEX Firms Paying No Dividend

