# Did Shareholder Value *Weaken* Tiger Brands?

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Many stock market participants love shortcuts. The best investment shortcuts are like the best lies; they have a semblance of truth in them. In the course of the past 10 years or so, an investment mindset developed that one cannot possibly go wrong buying companies at any price, as long as they have consistently grown dividend payments. Particularly companies that had *never* cut a dividend are considered extra-special and bullet-proof.

Never shy of wrapping products around popular ideas, promoters invented the "**NOBL S&P500 Dividend Aristocrats ETF**", described as "*focusing on a rare breed of companies that have raised their dividends for at least 25 consecutive years*"

I agree the logic and the evidence is clear that great *businesses* can afford to pay regular dividends, should they choose to.

But neither the logic nor the evidence is as clear to me that great *investments* pay regular dividends, or in some cases any dividends at all. To present three outlier case studies to support my point, Berkshire Hathaway, Google and Amazon have *never* paid a dividend.

**Tiger Brands** has only cut its annual dividend *once* since 1979 and that was during the global financial crisis of 2008/9. However, upon closer evaluation, its dividend cover slowly but surely declined from over 3 times in the 1980's to just 1,35 times in 2018. As a direct result, its compound annual growth rate in dividends far outstripped its growth in earnings over the past 40 years.

It reported its 2019 annual results this morning, with operating margins, profits and cash flow declining. Dividend cover has been restored to 1.75 times and in combination this means the 2019 annual dividend has declined by a whopping 28% from the prior year.

However, my real question here is to what extent Tiger Brands *may* have been sacrificing critically important long-term investments in innovation in order to meet perceived shareholder expectations of ever-increasing dividend payments? This may be quite relevant, because it is quite clear the whole world of branded fast-moving consumer goods has evolved significantly in the past 10 years. Younger generations of consumers are increasingly not quite as willing to buy expensive products predominantly containing sugar, gluten, chemicals and pesticides.

Our work continues…

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