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CFO Survey:

One-fourth of Dividend-Paying Companies May Increase Payments

DURHAM, N.C. and MORRISTOWN, N.J., March 25, 2003 — If President Bush's proposed tax cuts pass the Senate, a significant minority of companies may make a change to their dividend policies, according to a survey of CFOs conducted by Financial Executives International (FEI) and Duke University's Fuqua School of Business.

One-Quarter May Increase Dividends

Among companies that currently pay dividends, 27% say they definitely or probably will increase dividends if the Bush dividend tax proposal passes (8%, definitely; 19%, probably). The remaining 73% won't likely make a change: 50% definitely won't increase dividends and 23% probably won't.

Fewer Will Initiate Dividends

Among companies that currently do not pay dividends, almost one in five plan to begin paying dividends if the tax cut proposal passes. Eighteen percent of CFOs say that their firms are likely to initiate dividend payments in response to the Bush proposal (4.4% say they would definitely initiate and 13.2% say the probably would initiate). Of the remaining 82% that have no plans on initiating dividends, 29.7% probably will not and 52.7% definitely will not.

"This is an important issue," said Dr. John Graham, finance professor at Fuqua and director of the survey. "Only about one in four public companies currently pay dividends, in sharp contrast to 20 or 30 years ago when nearly three-fourths paid dividends. Many investors have wondered when non-dividend-paying firms will eventually initiate dividends. The answer for many firms is ‘not soon,’ and ‘not in response the elimination of dividend taxes.’ However, a significant minority is initiating change.”

Editor’s note: For earlier in-depth research about dividends and share repurchase policy conducted by Duke University and Financial Executives International, go to http://ssrn.com/abstract_id=358582.

About the Survey

The CFO Outlook Survey, conducted by Financial Executives International and Duke University’s Fuqua School of Business, interviewed the CFOs of U.S. companies electronically the third week of March. 205 CFOs from both public and private companies from a broad range of industries, geographic areas and revenues responded. Among the industries represented are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, and banking/finance/insurance. Revenue-weighted means were provided for earnings, capital spending, technology spending, advertising spending, inventory and prices of products. Employee-weighted means were used for productivity (output per hours worked), wages, number of employees and overtime.

FEI and Fuqua have conducted surveys gauging the country’s economic outlook from the perspective of corporate CFOs for the past seven years. Detailed results of this survey as well as other “CFO Outlook” surveys are available at http://www.duke.edu/~jgraham/fei.html or www.duke.edu/%7ejgraham.

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special reports and research. Members participate in the activities of 86 chapters, 75 of which are in the United States and 11 in Canada. For more information about FEI, visit www.fei.org.

The Fuqua School of Business at Duke University was founded in 1970. Fuqua’s mission is to educate thoughtful business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

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