

UK's dividend champions to add £5bn by 2018

Despite a rough start to the year for yield focused investors, Markit has identified a group of 50 UK companies poised to defy the gloom and grow their payments by more than 10% in each of the next three years.

- Fresnillo's recovery places Mexican miner on track to grow dividends 95% by 2018
- 18 companies expected to post above 15% dividend growth per annum
- Home builder Crest Nicholson expected to see dividends soar two thirds by 2018

To view the full report outlining the top UK companies growing dividends over the next three years, please [contact us](#).

The UK's thrifty fifty dividend stocks

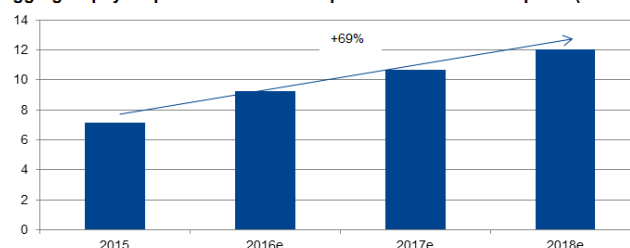
Overall momentum for the UK dividend outlook remains bearish due to recent large cuts by energy and resource firms. Overall aggregate dividends are expected to fall 1% across the FTSE 350 in the coming year.

However Markit **Dividend Forecasting** has identified 50 companies in the UK that are expected to deliver dividend growth of at least 10% in each of the next three fiscal years. 17 of the top 50 are FTSE 100 firms, and 18 are expected to grow above 15% per annum.

Almost a third of the 50 firms are made up of Travel & Leisure and Personal & Household Goods companies. Together with Industrial Goods & Services and Food and Beverage companies – the above four sectors represent over half of the top 50 companies growing dividends.

Overall, dividend payments by these 50 dividend champions are set to grow by £5bn in the coming three years to £12.1bn, 69% more than that paid in 2015.

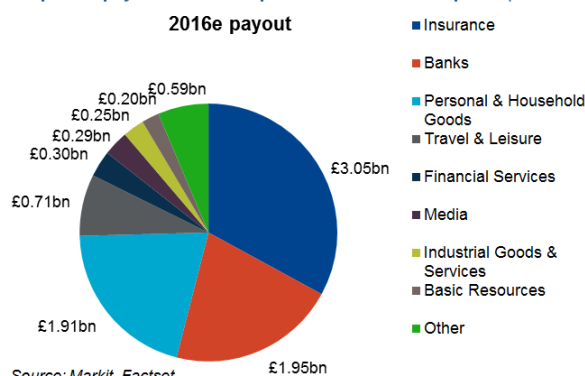
Aggregate payout predicted from our top 50 UK dividend champions (in £bn)



Source: Markit, Factset

Aggregate dividend growth however is heavily concentrated across seven companies, accounting for 71% of the increase expected between 2016 and 2018 of £3.5bn.

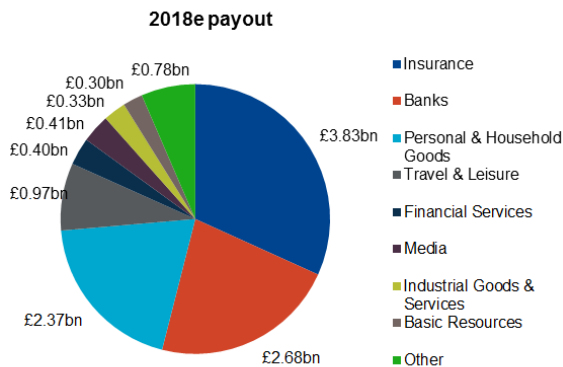
Expected payout from our top 50 UK dividend champions (in 2016 and 2018)



Source: Markit, Factset

Banks and Insurance firms represent only 12% of the 50 however they are responsible for 54% of total dividends expected in 2018.

Expected payout from our top 50 UK dividend champions (in 2016 and 2018)



Source: Markit, Factset

Top 5 dividend growers' silver lining

Top 5 dividend growth expected between 2016 and 2018

Name	Sector	YoY 2016 vs. 2015	YoY 2017 vs. 2016	YoY 2018 vs. 2017	YoY 2018 vs. 2016
Fresnillo	Basic Resources	66%	60%	22%	95%
Paddy Power Betfair	Travel & Leisure	41%	72%	10%	89%
Virgin Money	Banks	244%	40%	25%	75%
Auto Trader	Media	290%	28%	30%	67%
Crest Nicholson	Pers. & Household Gds	34%	35%	22%	64%

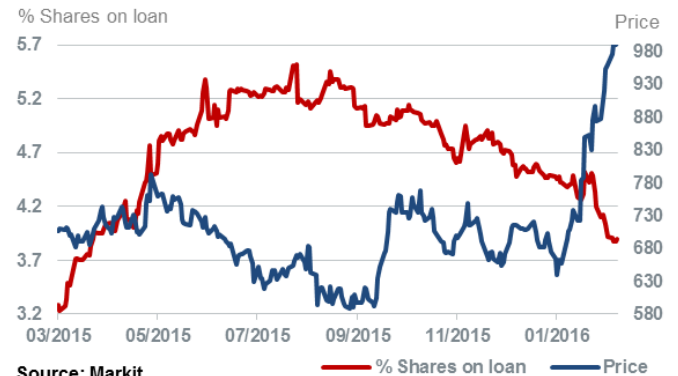
Source: Markit, Factset

Leading UK companies set to grow dividends is the world's largest silver miner and Mexico's second largest gold producer - Fresnillo. The company joins only two other Oil and Basic Resource companies expected to deliver above 10% dividend growth per year. Basic resource majors such as BHP, Rio Tinto and Anglos have slashed their dividend payments as demand for basic commodities continue to stagnate amid declining demand resulting in decade low prices.

A 12 month forward yield of less than 1% is forecast for Fresnillo as the company begins to grow its dividend off a small base, and is clearly no **yield trap**. Healthy growth of 95% in the dividend is forecast by 2018.

This reversal of fortunes for Fresnillo has also been supported by a stronger gold price and a positive **production report** released by the company in January. This has seen the share price rally 55% and short sellers have continued to cover positions.

Fresnillo Plc



Source: Markit

Other than Virgin Money, which features in the top 5 growers, the only major Bank expected to deliver robust dividend growth currently is Lloyds. Lloyds revealed a bumper £2bn dividend payment **last week** and is the largest payer on aggregate among the top 50 growers, expected to pay £2.6bn in 2018. However the top five names are expected to post above 65% growth by 2018.

Paddy Power Betfair is expected to grow dividends by almost 90% by 2018. Following the merger between Paddy Power and Betfair, the company aims to drive dividend growth due to larger scale, complementary products and cost synergies.

Virgin Money and Auto Trader have recently initiated dividends at low levels, which enable them to quickly raise payouts. Additionally Virgin Money is benefitting from good earnings momentum and capital ratios currently above peers.

Fifth fastest dividend grower and benefiting from continued strength in the demand for housing in the UK is Crest Nicholson which joins two other homebuilders expected to grow dividend payments; Galliford Try and Redrow. Crest Nicholson is expected to see dividends increase by over 20% annually, rising 64% by 2018.

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