Fujian Shengnong Development Dividend Distribution Study

Zelin Yuan, Jing Zhang

School of Finance and Accounting, Fuzhou University of International Studies and Trade, Fuzhou, 350202, China

Abstract: Fujian Shengnong Development Dividend Distribution Research Fujian Shengnong Development Co., Ltd. is a leading enterprise in the national agricultural products industry and a leading enterprise in the agricultural products industry, and it is named Shengnong Development under the stock code 002299. Ltd. has formed a series of important characteristics such as high degree of product standardization, good quality of chicken meat, relatively stable delivery assurance ability, and strong responsiveness, etc. Shengnong Development Co., Ltd. has developed into a strategic partner of Yum's chicken products, and it is an important source of suppliers to China's food and beverage companies. The effect of dividend distribution policy affects the operation of the whole company, which requires Shengnong Development Co. to make a scientific decision on dividend distribution. This case collects data on dividend distribution of Shengnong Development Co. during the six years of listing from 2016-2021, and analyzes the reasons for Shengnong Development Co.'s implementation of the dividend policy as well as the financial effects.

Keywords: Shengnong, Development Dividend Distribution, Policy Effect.

1. Introduction

Dividend distribution is the distribution of dividends of the company to the shareholders in a certain way and in a reasonable manner. Dividend policies are residual dividend policy, fixed or steadily increasing dividend policy, fixed dividend payout rate policy, and low normal dividend plus extra dividend policy. There are four forms of dividend payments: cash dividends, stock dividends, property dividends, and liability dividends. Cash dividends and stock dividends are common forms of dividend distribution for listed companies. Dividend distribution policy has a significant impact on the company's operation, which is directly related to the investment rights and interests of the company's major creditors and shareholders, social and public investors, and directly affects the company's own social and public image, the fluctuation of the company's stock price, the company's value and other aspects of the changes. This case describes the dividend distribution plan of Shengnong Development in recent years, and analyzes the effect of dividend policy implementation in terms of dividend per share, earnings per share, and dividend payout ratio.

2. Literature Review

2.1. Factors affecting dividend distribution policy

Akhmadi Akhmadi (2023) aimed to determine the effect of capital structure and profitability on dividend policy by including firm size as a moderating variable. The results showed that increasing firm size or increasing firm assets did not provide incentives to increase firm profitability as measured by return on net worth. Sidhu Anureet Virk et al. (2023) used static panel data regression technique to reveal an inverted U shaped nonlinear relationship between financial distress and bank dividend policy. In the initial stage of distressing situation, banks tend to adopt a liberal dividend policy. However, after reaching the stress point, banks begin to squeeze dividend distributions from stakeholders.

2.2. Relationship between dividend policy and financial related indicators

Bossman Ahmed et al. (2022) found that dividend capacity has a significant effect on return on assets and return on equity by using systematic dynamic GMM estimation method using data from 2015 - 2019. Free cash flow savings was found to have a direct and significant effect on return on assets and return on equity but indirectly related to both Tobin's Q and stock price. Mazouz Khelifa et al. (2022) found that firms that pay dividends exhibit lower systematic liquidity risk than those that do not pay dividends and also found a significant negative relationship. The improvement in liquidity associated with dividend payments translates into an economically meaningful reduction in the cost of equity capital. Hussain Ammar et al. (2022), using fixed and random effects models as an econometric technique, found that dividend payments limit managerial involvement in surplus management and that dividend payments by non-financially constrained firms inhibit managerial opportunistic behavior. Stereicicak Szymon et al. (2022) found a strong positive relationship between stock liquidity and dividend policy, which supports the hypothesis that stock liquidity reduces the information asymmetry between insiders and
outsiders, which in turn generates more incentives to pay dividends [8].

3. Case Study

3.1. Status of Dividend Distribution of Shengnong Development

As can be seen from Table 1, no cash dividends were paid to shareholders from 2012 to 2015. Since the listing, the number of shares in circulation shows a rising trend, the total number of shares in circulation from 410 million shares grew to 1,244 million shares, the annual report of Shengnong Development in 2010 shows that in 2010 Shengnong Development through the conversion of capital surplus way of the company's shares for each send ten shares or convert this ten shares, each send ten shares or convert the shares is mainly refers to the enterprise through the conversion of all of its capital stock reserve into the company's shares, and the company's shares, and the company's shares. To issue additional shares and other ways of gratuitous gift to the company, send shares and convert shares in essence for the company gratuitous legal indirectly acquired all the shares of the development of the sacred agriculture, only accounting and other financial methods of accounting accounting and processing procedures are different. Investors generally believe that this will be a good letter to the management of the development of sacred agriculture, meaning that the future of the development of the company's operating results will remain sustainable growth of sacred agriculture, in addition, if the company's market value of the high dividend through the conversion of the high dividend into a high share price, the price will be a significant discount, which leads to more funds may enter the market after the timely payment of the dividend. This will help to quickly realize future financing options such as corporate capital replenishment, pledge loans, and capital market expansion financing. The increase in capital turnover stimulates the growth of the stock in the secondary market. However, the dividend payout of San Ag Development is too uniform, mostly in cash.

3.2. Dividend per share analysis

Dividend per share reflects the size of the dividend received by San Ag Development. The larger the dividend per share, the greater the profitability of the equity capital of San Ag Development; the smaller the dividend per share, the weaker the profitability of the equity capital of San Ag Development. However, it should be noted that the amount of dividend per share paid by San Agri-Food Development is not only affected by the size of profitability of San Agri-Food Development, but also depends on the dividend policy of San Agri-Food Development. If San Ag Development increases the company's provident fund in order to enhance the company's development, the current dividend per share will definitely decrease; conversely, the current dividend per share will increase.

From Table 2, it can be seen that the dividend per share of Shengnong Development reaches 1 in 2018 to 2020, and even reaches 1.5. It shows that Shengnong Development distributes all the share capital as dividends to shareholders in these three years. It can be seen that Shengnong Development made good profits in these three years. The fast growth in profit in these two years, 2018 and 2019, is due to the increase in meat prices in these two years, thanks to capacity upgrades and expansion acquisitions. Decrease in 2021, according to the market analysis in 2021 can be seen, may be due to the recovery of meat prices. It is hoped that Shengnong Development will continue to optimize and upgrade, better protect shareholders' rights and interests, and promote healthy and sustainable development of the enterprise.

3.3. Earnings per share ratio analysis

![Table 3. Analysis of Earnings Per Share for San Ag Development](image)

If the profitability of the development of sacred agriculture is poor, it will lead to a reduction in the earnings per share of the development of sacred agriculture, the earnings per share rate will be reduced which may lead to a decline in the share price, the earnings per share rate is also an important measure of management personnel's operating performance, and an important basis for the enterprise to formulate the dividend distribution policy.

According to table 3, it can be seen that earnings per share is the size of the net profit of the enterprise that common shareholders can enjoy per share or the net loss of the enterprise that they need to bear. The larger the value, the
stronger the earning power, the more investors return per share. If the earnings per share is negative, on behalf of the company is a loss, there is a certain investment risk. The EPS of Shengnong Development from 2016-2021 is around 5% and drops to 1.16% in 2021, which indicates that Shengnong Development is not a good investment choice at the moment, and there may be some risks in the business situation, which requires the company's operators, to optimize the business plan, to promote the increase of EPS, and to signal to the market that the business situation is good. Currently investors may need to wait and see, and then consider whether to invest.

3.4. Dividend per share analysis

Table 4. Sanctuary Farm Development Dividend Payout Ratio

<table>
<thead>
<tr>
<th>year</th>
<th>Distribution (in billions of dollars)</th>
<th>Net profit (billions of dollars)</th>
<th>Dividend payout ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.74</td>
<td>2.01</td>
<td>36.83</td>
</tr>
<tr>
<td>2010</td>
<td>2.05</td>
<td>2.78</td>
<td>36.86</td>
</tr>
<tr>
<td>2011</td>
<td>3.00</td>
<td>4.68</td>
<td>64.17</td>
</tr>
<tr>
<td>2016</td>
<td>4.55</td>
<td>7.76</td>
<td>61.84</td>
</tr>
<tr>
<td>2018</td>
<td>12.39</td>
<td>15.51</td>
<td>82.33</td>
</tr>
<tr>
<td>2019</td>
<td>18.59</td>
<td>41.19</td>
<td>45.13</td>
</tr>
<tr>
<td>2020</td>
<td>12.44</td>
<td>20.42</td>
<td>60.96</td>
</tr>
<tr>
<td>2021</td>
<td>3.73</td>
<td>4.52</td>
<td>82.90</td>
</tr>
</tbody>
</table>

Source: Organized by the company's financial report

Dividend payout ratio refers to the proportion of dividends in net income. The formula for dividend payout ratio is dividend per share/net income per share x 100%, and according to Table 4, it can be visualized that Fujian Shengnong Development Co., Ltd., which digs deep into management improvement and strengthens cost control, has a certain advantage compared to its industry peers. Its dividend payment level and group earnings show the same trend, although Fujian Shengnong Development Co., Ltd.'s dividend payment level declined after 2019, net profit showed a substantial decline, but still paid 82.9% of dividends to shareholders, it has a large lead in dividend payout ratio compared to the same industry at the same stage. The dividend payout ratio of Shengnong Development is generally high, such as the highest dividend payout ratio of 82.52% in 2021, and the lowest dividend payout ratio will not be lower than 30%, which concludes that Shengnong Development tends to favor a fixed or stable growth dividend policy. In 8 times of dividend, only two times of dividend payout ratio of Shengnong Development is lower than 50%, these two times are in 2009 and 2019, and the dividend payout ratio in 2009 is 36.81%, in 2009, due to the enterprise to be listed in China A-share exchange need to carry out listing financing is more, so it will lead to the reduction of enterprise's cash flow, the rate of cash payout is lower. dividend payout ratio of 2019 is 45.13%, checking the dividend payout ratio of 2021 is 45.13%, the lowest dividend payout ratio is not less than 30%. The rate is 45.13%, checking the 2019 annual report shows that the fast growth of profit in these two years, 2018 and 2019, is due to the rise in meat prices in these two years, thanks to capacity upgrades and expansion acquisitions.

In summary, the development of Shengnong is based on the occurrence of major events in the design and selection of dividend policy, and then distribute profits in a certain proportion based on profits, so that the interests of shareholders and the company can be harmonized to create a good foundation for the development of the company. It also fosters shareholders' enthusiasm for the holding company's stock and plays a role in developing the company's future financing strategy.

4. Conclusion

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References


