



A Close Look at Apple, Inc.'s Dividend — and Why It's a Solid Bet for Income Investors

Description

Along with its [second-quarter results](#), **Apple** ([NASDAQ:AAPL](#)) announced a \$50 billion expansion to its capital return program. While the bulk of this new program focused on planned share repurchases, the tech giant importantly increased its dividend, too. Here's a look at Apple's dividend, and what investors can expect from it.

Consistent increases

The first thing dividend investors interested in Apple stock should realize about the tech giant is that management seems set on paying out quarterly dividends on a consistent basis. Indeed, Apple has done exactly that since it initiated its dividend in 2012. Since 2012, Apple has increased its dividend every spring, boosting it a total of five times.

It's no surprise that Apple has increased its dividend every year. In 2014, Apple management specifically said in its press release about its capital return program that it planned to "increase its dividend on an annual basis."

Investors should also understand the narrow range of rates Apple has consistently increased its dividend by each year. Since it initiated its dividend in 2012, Apple's dividend has increased by anywhere between about 8% and 15% each year. Knowing this range of Apple's historical dividend increases, investors can set proper expectations for what to expect in the future. Of course, there's no guarantee Apple's annual dividend increases won't stray from this range in the coming years, but with five years of increases in a row behind it, Apple's dividend increases are starting to show a pattern.

Validating the consistency with which Apple is increasing its dividend, when management announced a dividend increase earlier this month, the increase was about in line with the company's average historical increases during the last five years. In its second-quarter earnings release, Apple's board of directors approved a 10.5% increase to the company's quarterly dividend, bringing it to \$0.63, or a total of \$2.52 on an annual basis. This isn't far from Apple's 11% average compound dividend growth during this period.

Plenty of room for growth

For now, there's no reason Apple can't keep increasing its dividend at similar rates in the coming years. A quick glance at Apple's finances reveals plenty of room for dividend growth. For instance, the company ended its most recent quarter with an impressive \$256.8 billion in cash. In addition, in Apple's trailing 12 months, the company paid out just \$12.4 billion of its \$53 billion of free cash flow in dividends. As long as Apple's business remains healthy, the company is poised for meaningful dividend increases for [years to come](#).

One potential catalyst for faster dividend growth

Beyond Apple's consistent dividend increases and the company's supportive balance sheet and cash flow, there's a possible bonus upside to Apple's dividend. If legislation is passed that enables Apple to bring its abroad cash to the U.S. at a lower tax rate, management may re-evaluate its dividend and pay out a larger chunk of cash. In the company's second-quarter earnings call (via a Reuters [transcript](#)), Apple CFO Luca Maestri seemed to hint at the possibility of a more aggressive capital return program if this were to happen.

It's difficult for us to speculate about what might or might not happen [with our excess cash]. The [capital return] program that we're announcing today reflects the current tax legislation in this country. And there's a lot that still needs to happen there, and we'll see. Obviously, we will reassess our situation if things change.

Investors shouldn't count on favorable legislation, but if a repatriation tax holiday does become a reality, it's possible that Apple could give its dividend an extra boost.

Combining a growing track record of consistent dividend increases, Apple's heady financial position, and a possible catalyst for even faster dividend growth, Apple is a dividend stock worthy of any income investor's portfolio. Sure, Apple's dividend yield of just 1.7% isn't exciting, but these other factors make up for this unimpressive yield.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AAPL (Apple Inc.)

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