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Decisions Affecting Dividend Distribution Policies in Publicly Listed Companies in Finland

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This Bachelor's thesis investigates decisions affecting dividend distribution policies in publicly listed companies in Finland. The purpose of the thesis is to provide insights for investors about various ratios and reasoning of how policies are determined.

The research was conducted by sending quantitative webropol questionnaire to 75 publicly listed companies's management or finance department. In second phase desktop research was performed to 13 companies where financial statements were analysed for 3 year review period from 2019 to 2021. Main emphasis was in dividend policy statements and financial ratio analysis.

The findings of the questionnaire were that most dividend policy among respondents was constant dividend policy where annual dividend payments follow company's performance. Board of directors is decision-making body and dividend amount is approved by annual general meeting. Majority of the respondents thought that change in dividend distribution is effective method to provide company information to shareholders. According to responses the most important factor was level and stability of free cash flow, level of current and expected future earnings and maintaining target capital structure.

Research on financial statements discovered that companies explanation for decisions behind dividend policy used is concise. Most used explanation was that dividends were pre determined percentage of group's earnings per share as long as dividend distribution did not affect on capital structure and growth targets.

Dividend distribution followed company's financial performance. Trend analysis showed how changes in profit for the period and free cash flow affects to distributed dividends. Change in performance was caused by various factors e.g. increased amount of debt, significant investments and market situation. Ratios assisting to understand dividend payments were dividend payout-ratio and dividend yield ratio. Other used performance indicators were current ratio what indicates liquidity and possibility to cover short-term obligations, net profit ratio, debt to equity ratio and return on equity ratio.

Keywords: Dividend policy, Dividend distribution, Free cash flow, Return on Equity

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1 Introduction

This research provides insights for annual trending question among investors. How companies decide their dividend distribution policies? From what distributed amount consists of and is there formal policy behind decisions? In introduction chapter the background of the thesis topic is explained, research question is defined. Chapter clarifies demarcation, benefits of the research and risks. Final subchapter 1.7 explains definitions of the key concepts aiding reader to understand phenomena related to research. Theoretical framework is reviewed based on literature and theories of the theme in chapter 2. In the same chapter financial measurement ratios what assists decision making are defined. In the third chapter investigative questions are investigated through empirical research where quantitative questionnaire was sent to publicly listed companies in the Nasdaq Helsinki (formerly Helsinki Stock Exchange) and First North Market places. In following phase, a desktop research was conducted on 13 companies. Financial data was gathered from companies' annual reports and financial statements for three-year review period from 2019 to 2021. Last chapter, Discussion reviews the results of the study and overview of the whole thesis process is made.

1.1 Background

Dividends are distributed to shareholders by using dividend policy. It is important factor to notice in stock-selection process. Dividends have major impacts in various stakeholders. It is huge cash outflow for companies and important reason to invest for shareholders. (Saravanan 2015.)

Stock return is one of the most important factors for investors. It consists of share price increase and dividend. (Aho 2017.) Even though company dividend payment does not mean directly how organization is performing it gives an image to investors what kind of financial strength company has. When company publish its increasing dividend payment policy it gives image of profitability in near future. (Valtonen 2015.)
Dividend payment can be sign of the maturity of the company. Company has established stable foothold in the market and is able to generate free cashflow. (Basu 2019.)

Thesis topic is relevant among investors since dividend payment is annual phenomena and it provides company insights what could help various stakeholders to understand what reasons behind dividend payment decision-making are.

1.2 Research Question

This thesis aims to increase understanding among various stakeholders what effects on the decision-making in the small and medium-sized organizations. Based on what criteria decisions are conducted.

Research question (RQ) What criteria are used for SMEs listed in Nasdaq Helsinki and First North Market places to make decisions about dividend distribution?

Investigative question 1. (IQ1) To what extent do firms manage earnings to meet dividend-related rather than profitability-related objectives?

Investigative question 2. (IQ2) What effects on decisions concerning company's annual dividend

Table 1 below presents the theoretical framework, research methods and outcomes for investigative questions.

Table 1. Overlay Matrix

Investigative question	Theoretical Framework*	Research Methods	Results (chapter)
IQ 1. To what extent do firms manage earnings to meet dividend-related rather than profitability-related objectives	Dividend policy	Quantitative survey analysis Qualitative desktop research	3
IQ 2. What effects on decisions concerning company's annual dividend	Dividend pay-out ratio Dividend yield	Quantitative survey analysis Qualitative desktop research	3

1.3 Demarcation

Since these phenomena effect on all companies, population is narrowed down by their size and focus on small and medium-sized companies. In order to make research material easier to achieve research is demarcated by organization type to only publicly listed companies in Nasdaq Helsinki (formerly known as Helsinki Stock Exchange) and First North Marketplace. Review period is chosen to be 3-year period from 2019 to 2021 consequently period covers different phases in the markets. Because company performance is related to dividend payout, but performance consists of many different themes as well, other factors having impact on performance are demarcated.

1.4 International Aspect

Research population consists of organizations operating in global markets. Majority of companies involved have subsidiaries abroad. Globally operating companies use International Financing Reporting Standards what can have impact on presentation of financial statements.

1.5 Benefits

Research on the topic is beneficial for professionals practicing in the industry because it could help to understand why some decisions are made and how they reflect through dividend policy. Peer organization decision-makers and companies involved would mirror their own policies through the research. Topic has current interest value since research is finished in autumn 2022 and first quarter (January to March) is time when publicly listed companies pay their dividends. it adds value since understanding facts behind decisions have an effect on investments decisions of the investors.

Topic raises interest among wider audience since dividend decisions have impact on common private investors, organizations and companies' decision-making bodies. Topic would have many stakeholder and re-search results would help them to understand why certain kind of decisions are made and what ratios could assist on interpretation of financial statements.

1.6 Key Concepts

Dividend is a reward that company distributes to its shareholders. Dividends have forms of cash payments and stocks. (The Economic Times 2019.)

Dividend pay-out ratio is a percentage ratio what describes dividend payment compared to profit for the period. It can be calculated in share level or company level. High ratio can signal that company trust its future and is capable distribute dividends generously. (Alma Talent 2022.)

Dividend policy is company's self-defined policy which states how much dividends are paid to shareholders and with what frequency they are paid out. Company can keep earned profits in the organization as retained earnings or it can distribute profits as dividends to shareholders of the company. (Corporate Finance Institute a 2019.)

Dividend yield ratio is calculated by dividing dividend amount by market price and multiplying by 100 (Morningstar 2022).

Free Cash Flow represents cash what is left to company records after important investments and maintenance investments. It is money to spend in debt management and dividend distribution. (Pankkiasiat.fi 2022.)

Discounted cash flow model is a valuation model that is based on expected future cash flows. According to model present value of the firm is same than the whole amount of all future cash flows discounted by using relevant discount rate. (Wang 2022.)

Return on Equity (ROE) is a performance indicator what indicates company's capability to generate profit on shareholders equity (Nordnet 2022).

Share repurchase is situation when company buys like any other investor its own stocks from market and in this way, it can decrease number of shares outstanding and increase shareholders stock value (Knüpfer & Puttonen 2018, 210).

SME is abbreviation for small and medium-sized enterprises (Tilastokeskus 2019).

2 Theories Behind Dividend distribution policy

This chapter introduces theories what are basis for company dividend distribution decisions. Chapter elaborates phenomena and ratios that determinates how dividend is formed. Theory framework presents first concepts and ratios of dividend related. For second it introduces theories about research methods that are chosen in this thesis.

2.1 Dividend Policies

Dividend is a reward that company distributes to its shareholders. Dividends have forms of cash payments and stocks. Company's Board of Directors decide about dividend distribution. (The Economic Times 2019.)

Company can increase shareholders share value by share repurchase. In share repurchase company acquires its own shares from market like any other investor. Decreasing number of shares outstanding, value of the remaining shares increases. (Knüpfer & Puttonen 2018.)

Research topics' central phenomena is dividend policy. Dividend policy is company's self-defined policy which states how much dividends are paid to shareholders and with what frequency they are paid out. Company can keep earned profits in the organization as retained earnings or it can distribute profits as dividends to shareholders of the company. (Corporate Finance Institute a 2019.)

There are three kind of policies where dividends can be categorized. Company which use Dividend Stability Policy distributes its dividends steadily annually with predictable payouts. Companies set their dividends as a percentage of their earnings by using long term growth. It gives certain information for shareholder about timing and amount of the dividend. Constant Dividend Policy follows company's performance. Dividends are also paid annually as a percentage of its earnings. When firm's earnings increase also dividends increase but also when earnings fall shareholder might not get any dividends. a Residual Dividend policy company pays dividends after it has used earnings to pay capital expenditures and working capital. Fourth policy the Hybrid Dividend Policy is mix of stability and residual policies. (Miller 2019.)

2.2 Evolution of dividend policies

first way of dividend distributing was company liquidation and after that the leftovers were distributed to owners. When managers realized that functioning company was more efficient than total liquidation they began to distribute dividends from profits company made. Next step was to keep part of profits as retained earnings which were used to fund company's investments. Significance of dividend distribution was recognized in the early stages already and because dividends were distributed only from accumulated profits companies were able to continue operating and dodge bankruptcy. (Frankfurter & Wood 2003.)

Since post-second world war the amount of dividend payments had been decreased and other ways of distribution e.g. stock repurchase were invented. Even though amount of dividend is relatively small compared to the price of the share there is still symbolic mean. It can be mark of good faith from managers to company owners. Shareholders and analysts use it as a base when valuing firms. Dividend policy is studied issue since 1950's, regardless it there is not one common rule or theory that corresponds to measurable facts. (Frankfurter and Wood 2003.)

Dividend policy theories can be divided in to three main categories according to how they effect on share price. One way thinks that dividend has positive influence on stock price. According to another, dividend policy correlates negatively in stock price and the third option is that dividend policy has neutral influence and it is irrelevant to share price. First theories and early stage thinking about dividend policy was based on presumptions that dividends were paid only if there were revenues after funded investments. Idea raised discussion among economists and according to debate corporation's main objective was to pay dividends to its shareholders. Cash dividends had significant impact on share price. Dollar dividend paid in cash had four-time bigger impact on share price than dollar retained. (Frankfurter and Wood 2003.)

Walter (1956), Gordon (1959) and Solomon (1963) invented first theoretical model that supported positive correlation thinking. Logic was that over the long term, share price is the present value of expected dividends. This model is referred as bird in the hand theory which can be explained that dividends are more certain than capital gains and that it is better to have cash in the hand today than bare the risky promise. Theory has assumption

of two opportunity rates. One for company's point of view and another for investors. Firm should either retain or pay all earnings as dividends depending which point of view has greater opportunity rate. If both opportunity rates are equal, then dividend pay-out is not relevant. (Frankfurter and Wood 2003.)

Contemporary mindset about dividend policy is based on irrelevance theory by Miller and Modigliani (1961). Theory suggests that when assumptions of perfect markets, rational behaviour and perfect certainty applies then value of company is not affected by dividend pay-out. Proposition states that payout is residual between earnings and investments. Theory assumes that:

1. Information is costless and equally available to everyone
2. There are no taxes
3. There are no transaction costs associated with purchasing or selling securities
4. There are no contracting agency costs
5. No investor of firm individually can influence the price of securities

(Miller and Modigliani 1961.)

In negative correlation point of view low dividends increase stock value based on the impact of market imperfections and taxes. Since investors pay income taxes they try to maximize the after-tax return by minimizing the effective tax rate of income or even deferring the tax payments. Studies are divided in two groups. One assumes symmetric information and another that presume asymmetric information. (Keown, Martin & Petty 2011.)

2.3 Symmetric information group

Symmetric information group can be divided in to tax-avoidance and tax-adjusted groups. Tax-adjusted group demands higher rates of return on shares that pays dividends due tax liability of dividends whilst tax-avoidance group strive to avoid shares that pays dividends or they use tax shelters. (Frankfurter and Wood 2003.)

Clientele model was created based on tax-adjusted group. According to model investors who have different tax liabilities have also different preferences compared to company's ideal dividend policy. When tax liability on dividend arise the amount of dividend decreases what increases earnings reinvestments in the company. (Masulis & Trueman

1988.) There are natural clienteles for shares with different dividend pay-out rate. One who prefers steady and high income invests in shares with high and steady dividend yield. Another type of clientele seeks companies with good growth potential and invest in companies who does not pay high dividends but invests in projects with positive net present value in the company. (Arnold 2007.)

Another model represents that investor maximizes after-tax income. Investors can choose from dividends or capital gains how they want corporate income to be distributed. Rational investors choose option which has least tax-liability. (Farrah & Selwyn 1967.) Miller and Scholes (1978) created strategy for tax-avoidance. Investors can buy shares of dividend paying stocks and receive income as dividends when they same time borrow funds to invest in tax-free securities. Then they can use interest charges of the loan to offset tax-liability of the dividend income. (Miller & Scholes 1978.) Later studies debate that interest-based tax shelters are not sufficient enough to create positive dividend payment. The level of dividend payment depends country-specific tax law and the efficiency of markets for tax-shelters.

2.4 Asymmetric information group

According to Miller and Modigliani (1961) dividend payment can be a way of communicating information from managers to investors. Difference in stock price because of change in dividend payment due informational content can be seen as difference in private information and publicly available information. When assumption of perfect markets apply only unexpected changes in dividend payments and additional information should impact on stock price.

Company managers usually know private information concerning the company's future value. If managers decide to communicate information to investors they have to do it subtle in order to prevent competing firms profiting from it. Managers can release information indirectly by making unexpected changes in dividend policy. (Myers & Majluf 1984 a.) Several studies have tried to explain information content of dividend hypothesis, but conclusion remain indistinct (Frankfurter and Wood 2003).

2.4.1 Signalling model

Bhattacharya (1979) invented the dividend-signalling model. According to that model higher dividend payment per share tells about higher company value. Unexpected increase implies managers private information concerning firms future cash flows. John and Williams (1985) developed further the signalling theory. It tells that dividend increase also increase share-price consistently with main goal of maximization of shareholder's value.

Miller and Rock (1985) added net dividend concept in the model. It means that when external financing is subtracted from dividend paid you get current earnings information and that indicates future earnings. Model states that cost of using dividends as signal is not optimal policy instead company should use cash needed to other investment opportunities. Ambarish (1987) introduced model where dividend payments are not effective way to communicate insider information to markets. Investment policies, share repurchases and issuing new stocks are more effective and company should use more than one corporate policy decisions to minimize costs of signalling. (Ambarish, John and Williams 1987).
Kumar (1988) writes that even dividend chances signal important information they are not reliable predictors of corporate earnings due managers dividend smoothing processes.

2.4.2 Agency cost theory

Adam Smith (1937) recognized that managers and shareholders had differences in priorities. Costs concerning the separation of management and ownership is well studied matter. Modern financial agency theory studies corporate capital structure and how it can reduce agency costs of separation of company ownership and managers (Jensen & Meckling 1976). Agency costs are lower when company have higher managerial ownership due owners and managers priorities are better aligned. Agency costs decrease when firms have large block shareholders who can monitor managerial activities better. (Shleifer & Vishney 1986).

Rozeff (1982) found common trends about corporate policy. Dividend payments are lower in growing firms because excess funds are invested in company growth. Companies that have high leverage ratios and firm-specific risks pay lower dividends. For third companies with little insider ownership and many outside shareholders pay higher dividends. (Rozeff

1982). Dividend policy reduces agency costs because increase in dividend payment requires more interactions with capital markets what increases monitoring about company actions. (Johnson 1995).

2.4.3 Pecking order theory

Pecking order theory suggests that companies prefer internal funding. Dividend payments are adjusted to company's investment opportunities. When dividend payments are sticky, and markets have fluctuation company might end up in situation where internally-generated cash flow can be less than costs of investment opportunities. According to model firms prefer to use first cash balance or marketable securities portfolio. If external funding is needed, then firm prefers debt and issuing equity is the final option. (Myers & Majluf 1984 b.)

2.4.4 The free cash flow hypothesis

The free cash flow hypothesis is improved version on agency cost theory. It combines agency theory with market asymmetries. Funds that are left after financing investment projects cause conflict of interest between shareholders and managers because dividend and debt interest payments decrease free cash flow available for managers to spend in projects. (Jensen 1986.) Signalling and free cash flow theories both have some support but test results better support free cash flow theory. Theories complement each other. (Frankfurter & Wood 2003.)

2.5 Regulative requirements in Finland regarding dividend amount and distribution

According to Finnish Limited Liability Companies Act 624/2006 company can distribute profits as dividends if it does not jeopardize company's solvency. Dividend distribution shall be based on the latest adopted and audited financial statement if company requires auditor under the articles of association or law. Decision of distributed dividends are made in Annual General Meeting. Shareholders in Annual General Meeting can decide to distribute dividends according to Board of Directors proposed amount. With consent of the shareholders Board of Directors can be authorized to make decision about dividend distribution. (Finlex 2022.)

2.6 Dividend determinants

Studies shows that dividend payments rely significantly to earnings, beta ratio, firm size, industry classification and free cash flow. Consistency of past dividend payments influences on current dividend payments substantially. (Frankfurter & Wood 2003.) Dividend policy in Nordic listed firms follows the same trail (Brunzell, Liljeblom, Löflund and Vaihekoski 2013).

Dividend behavioural model suggests that companies are reluctant to increase dividend payments although earnings increase. Firms set dividends-to-earnings ratio following the amount of net present value of the firm. Managers make changes in dividend payments when they think new earnings level is sustainable. Most important determinants of dividend policy are level of current profit and future expected earnings when making decisions about dividend policy. (Lintner 1956.)

Firms pay dividends based on profit and earnings. Company with high portion of equity consists of retained earnings pays more dividends than company whose earnings are contributed. There is positive correlation between dividend payment and net income. (DeAngelo, DeAngelo & Stulz 2006.)

2.6.1 Measurement ratios for decision making

Dividend payout ratio gives insight for investor of with what amount of money company returns compared to the money it keeps for reinvesting in company growth. It is calculated by dividing dividend paid with net income from income statement. Dividend payout ratio can be calculated also in share basis with dividend per share divided by earnings per share. (Investopedia 2019.)

$$Dividend\ payout\ ratio = \frac{Dividend\ per\ share}{Earnings\ per\ share} x100$$

Dividend yield is ratio which demonstrates how much firm pays dividends related to its share price. Ratio is calculated by monetary value of one dividend divided by the market price of the share. Dividend yield ratio is percentage and it shows how much money investor gets for invested dollar. (Little 2018.)

$$Dividend\ yield\ ratio = \frac{Dividend\ per\ share}{Market\ value\ per\ share} x100$$

Current ratio is a liquidity ratio that measures company's ability to pay short-term liabilities within one year. It compares firm's current assets to current liabilities. If ratio is less than 1 it means that company has more liabilities than its assets can cover. Higher ratio indicates how many times firm's assets are able to cover debts. High ratio can also indicate that firm is not using its current assets effectively. (Kenton 2020.)

$$Current\ ratio = \frac{Current\ assets}{Current\ liabilities}$$

Net profit ratio is profitability ratio which indicates the efficiency of the business. It shows relationship between net profit and net revenue multiplied by 100. (Accounting capital 2020.) Higher net profit ratio means that investor can expect higher dividends since dividends are distributed from net profit.

$$Net\ profit\ ratio = \frac{Net\ profit}{Net\ sales} x100$$

Debt to equity ratio indicates degree of debt financed funds versus shareholder equity. It measures firm's financial leverage. Higher ratio express higher risk to shareholders. Debt to equity ratio among industries because some industries demand more debt to be able to operate. High amount of debt can be used to finance growth what can generate more earnings. If cost of debt is greater than generated income, then share value decreases. (Hayes 2020.)

$$Debt - to - equity\ ratio = \frac{Total\ liabilities}{Total\ shareholder's\ equity}$$

Net worth ratio also known as return on equity expresses the level of return to shareholders if all profit earned were distributed directly to shareholders. Ratio measures how well firm makes use of shareholder's investments to create return. It demonstrates firm's ability to create profit. (Bragg 2020.)

$$Net\ worth\ ratio = \frac{Net\ after\ tax\ profits}{(Shareholder\ capital + Retained\ earnings)}$$

Free cash flow shows the cash firm generates after paying all costs to support operations in order to remain in business. It measures profitability without non-cash expenses. Free cash flow includes changes in working capital and spending on assets and equipment. Free cash flow indicates firm's cash available to repay creditors and to pay dividends to investors. (Jagerson 2020.) Free cash flow provides information to managers about firm's current value and assist them to monitor and measure company's ability to grow and dodge failure (King 2018).

$$Free\ cash\ flow = Net\ income + Non\ cash\ expenses - increase\ in\ working\ capital - Capital\ expenses$$

Weighted average cost of capital describes all cost of capital factors. Cost of capital factor is weighted according to its part of the capital and then cost of all factors are summed together. WACC is used as discount rate when calculating net present value of the company. (Corporate Finance Institute b 2022.)

$$WACC = \left(\frac{E}{V} x\ Re\right) + \left(\left(\frac{D}{V} x\ Rd\right)\ x\ (1 - T)\right)$$

E= Market value of the firm's equity

D= Market value of the firm's debt

V= Total value of capital (equity + debt)

Re= Cost of equity (required rate of return)

Rd= Cost of debt (yield to maturity on existing debt)

T= Tax rate

In weighted average cost of capital each factor has own cost to the company. For debt it is fixed rate of interest and for equity cost is the fixed yield on its preferred stocks and dividends payments. WACC can be calculated in two parts. Cost of equity in calculated by using Capital asset pricing model

$$Re = Rf + \beta \times (Rm - Rf)$$

Rf= Risk free rate

β = Equity beta (describes riskiness of the stock relative to all other stocks in the market)

Rm= Annual return of the market

Cost of debt is yield to maturity on company's debt and cost of preferred stock is yield to maturity on preferred stock. Because interest payments are tax-deductible, the cost of debt is multiplied by (1-tax rate). (Corporate Finance Institute b 2022.) Factors of weighted average cost of capital model are presented below in figure 1.

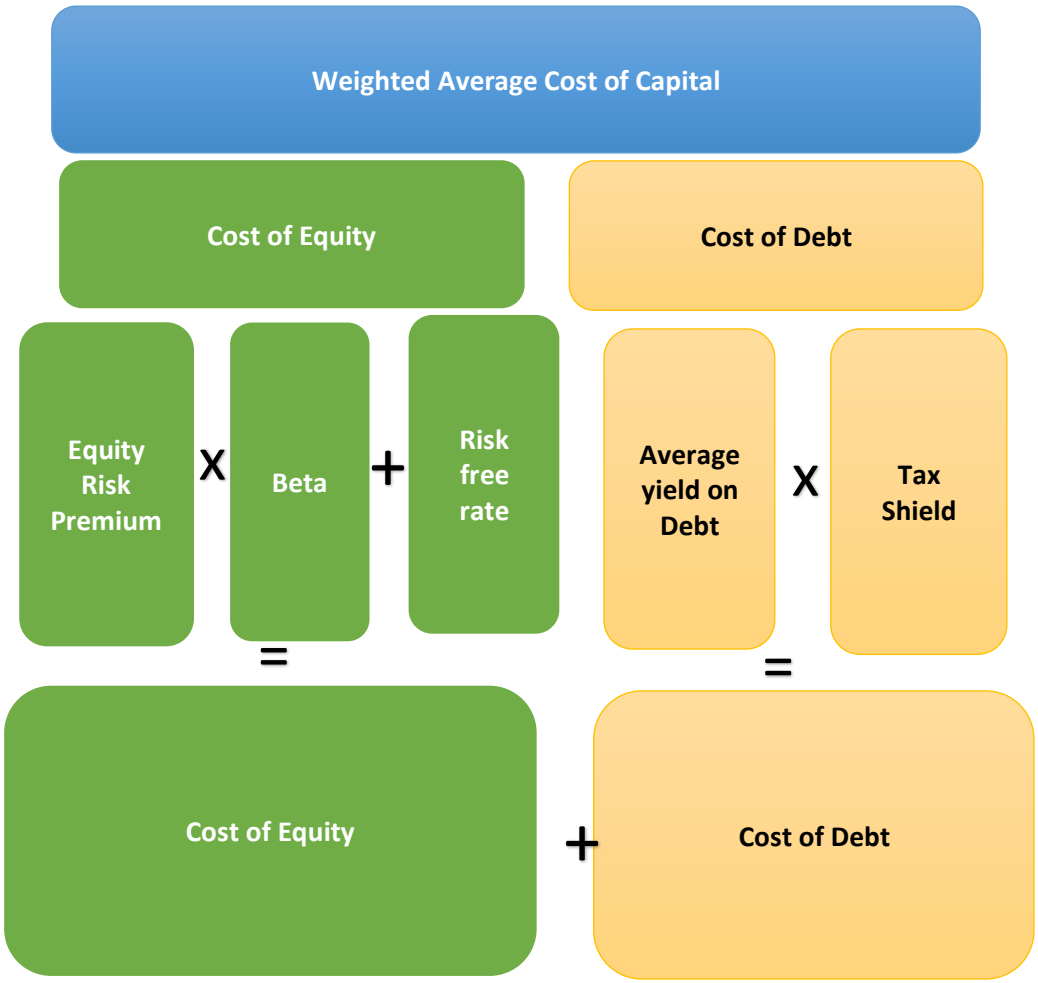

Figure 1 Weighted average cost of capital structure

2.7 Micro, small, medium and large cap enterprises in Finland

Companies are classified as small and medium-sized enterprises when they have fewer than 250 employees and their turnover does not exceed 50 million euros annually or their annual balance-sheet total is less than 43 million euros. Small company is defined as

company with fewer than 50 employees and whose annual turnover or balance sheet total are not more than 10 million euros. SME needs to fill criterion on independence what states that company is independent if its equity or voting stock 25 per cent or more are not held by one enterprise which the definition of SME cannot be applied. (Tilastokeskus 2019.)

According to 2020 statistics there are 16632 small and 3109 medium sized enterprises in Finland (Yrittäjät 2020). According to size categorization of Kauppalehti there was 44 medium sized and 52 small size publicly listed enterprises what are traded in Nasdaq Helsinki in the beginning of august 2020 (Kauppalehti 2020).

Table 2 Definition for company according to key figures

Size	Number of employees	Turnover EUR	Balance sheet Total EUR
Micro	< 10	< 2 million	< 2 million
Small	< 50	< 10 million	< 10 million
Medium	< 250	< 50 million	< 43 million
Large	> 250	> 50 million	> 43 million

2.8 Quantitative and Qualitative Research Methods

Quantitative method is a data collection technique that generates and uses numerical data which is collected from surveys and are analysed using graphical figures and statistical analysis. Qualitative method collects non-numerical data. Collection method can be interviews and data analysis procedure is categorising data. Researcher can use multiple methods research design what means that research uses both research methods for example conducts survey and based on that use thematic interviews. (Saunders, Lewis & Thornhill 2012, 161.)

Questionnaires perform well in descriptive research. Method is used to find out organizational practises and it provides tools for studying variability of certain phenomena. Researcher can use questionnaires with in-depth interviews in order to establish profound results. (Saunders, Lewis & Thornhill 2012, 419.)

Denscombe (2010) writes that most popular versions of surveys are questionnaires, interviews and documentation review. According to him, questionnaire is effective way to gather large size of data in short timeframe. It is good way to keep respondents anonymous and it is cheaper method than others for example observation method. Denscombe discuss also about challenges of the questionnaire method. It can be difficult to obtain deeper information about phenomena through questionnaires and there can be temptations among respondents to just tick the first answer box. (Denscombe 2010.)

3 Decisions behind dividend payments

This is the empirical part of the research what investigates decisions behind the dividend payments. What dividend policy models are used in SME public limited companies in Finland? In the first part of the chapter questionnaire results are analyzed. In the following part desktop research is conducted to provide more insights in addition to survey results.

3.1 Research methods

Research question (RQ) was what criteria are used for SMEs listed in Nasdaq Helsinki and First North Market places to make decisions about dividend distribution. Answers for the research question was obtained by using mixed methods of quantitative research and desktop study. The first investigative question is “what extent do firms manage earnings to meet dividend-related rather than profitability-related objectives?”. To look for the answer a quantitative survey was performed. Inquiries to questionnaire was sent to 75 SME companies which constituted 78% of the SME companies listed in the time of the survey. Survey consisted of structured multiple-choice questions. Question 10 was structured by using Likert scale. Likert scale is five- or seven-point scale which gives respondents option to express how much to agree or disagree certain statement (McLeod 2019).

Second investigative question was “What effects on decisions concerning company’s annual dividend?”. For gathering results for the question desktop research was performed. In this phase screening analysis was performed to listed companies’ investor websites. Annual reports including financial statements were obtained. Statements regarding dividend policy and proposed dividends were gathered from corporate governance statement. Financial figures were extracted from group’s income statement and balance sheet. Based on figures ratio analysis was conducted.

Research was statistical data analysis and results were presented by using various assisting figures and tables. Study was theory-driven research due theme phenomena was explained by using existing theories. Study had longitudinal aspect since desktop research material was reviewed in 3-year timeline from 2019 to 2021. Deviation in the financial figures and ratios were noticed and reasons were inspected.

3.2 Survey results

Questionnaire was sent to 75 companies that are listed in Nasdaq Helsinki or First North marketplace. Inquiries were addressed to Chief financial officers (CFO) or Chief executive officers (CEO). Contact information was obtained from company's investor relations web pages. Questionnaire consists of 12 structured questions. Answer percentage of the survey was 23%

Respondents defined the industry their companies operate in first question. Figure 2 below shows deviation among industries. Most of the responses were received from technology 24%, industrial products and services 23% and financial services 23%.

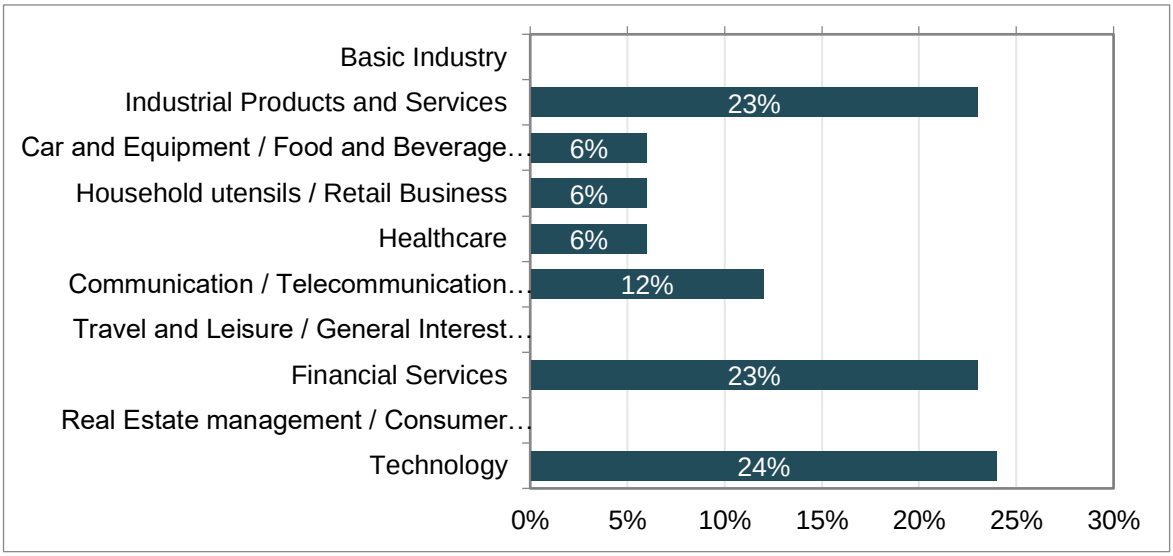

Figure 2. Company operating industry

Respondents were asked which opinion reflects their company's dividend policy in second question. According to figure 3 below majority opinion was constant dividend policy where dividend payments follow company's performance. 12% of respondents prefer annually distributed predictable pay-out and another 12% use hybrid model where residual and stability policies are mixed.

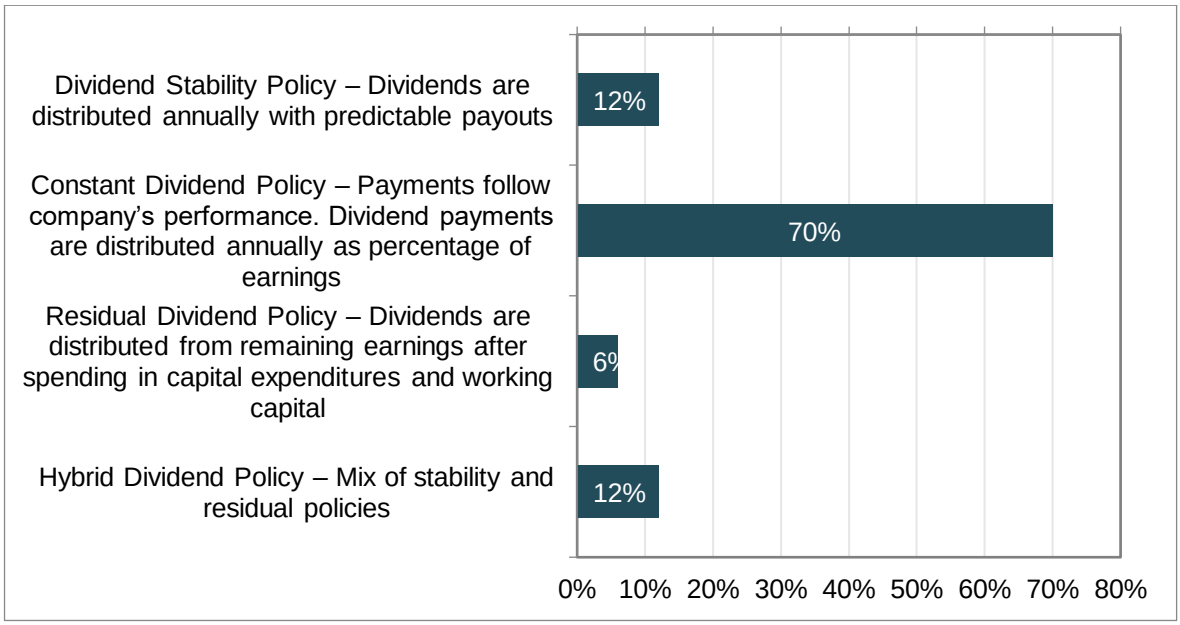

Figure 3. Dividend policy models

Third question handled the pattern of the dividend distribution. Figure 4 below summarizes that 65% of the responses stated dividends were distributed annually what follows the response pattern of the previous question. 17% responded to distributing dividends less than annually and 6% was not distributed dividends yet. Only 12% responded to distributing dividends several times a year.

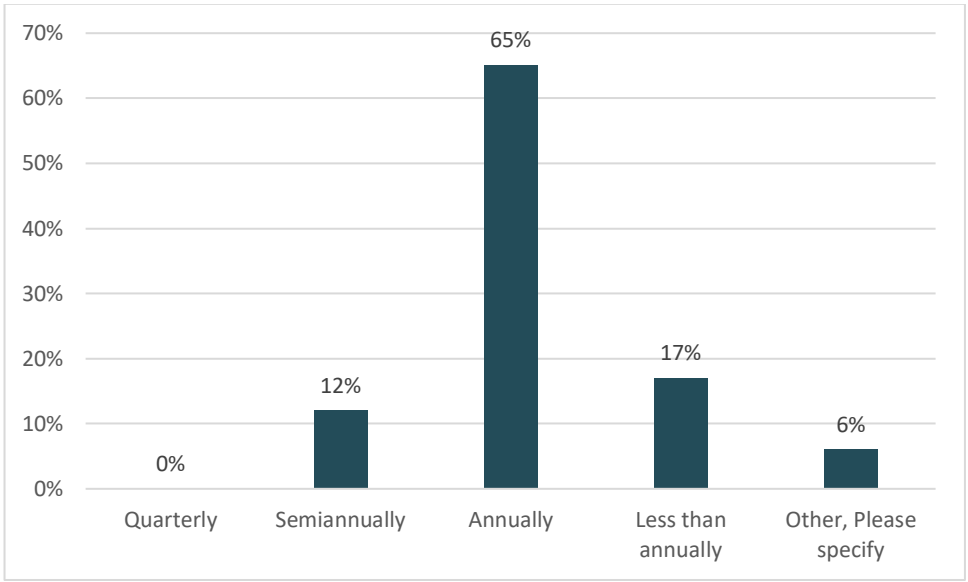

Figure 4. How often dividends are distributed?

In fourth question respondents were requested to explain how often their dividend policy is reviewed. According to table 4 below 53% of respondents' organizations dividend policy

was reviewed annually. 47% responded other and they specified that they had long-term policy maybe every 5 years, every 3-5 years by strategy periods, during long-term goal updates, irregularly and when needed. No one answered multiple times per year since dividend policy is long-term decision.

Table 3. How often your company's dividend policy is reviewed

Quarterly	0 %
Semi-annually	0 %
Annually	53 %
Other	47 %

Dividend payment decisions usually are agreed in the Board and General Meetings. Figure 5 below responses to fifth question “who influences the most in decision making of the dividend policy?” 65% of respondents stated that the board of directors influenced the most. 29% answered that general meeting had the biggest influence. 6% thought that chief executive officer had biggest impact in decision making what can be true especially in the smaller companies where decisions are discussed in smaller circles. Answers show that dividend policy is result of discussion of different management bodies and no single management position had significant influence over decision making.

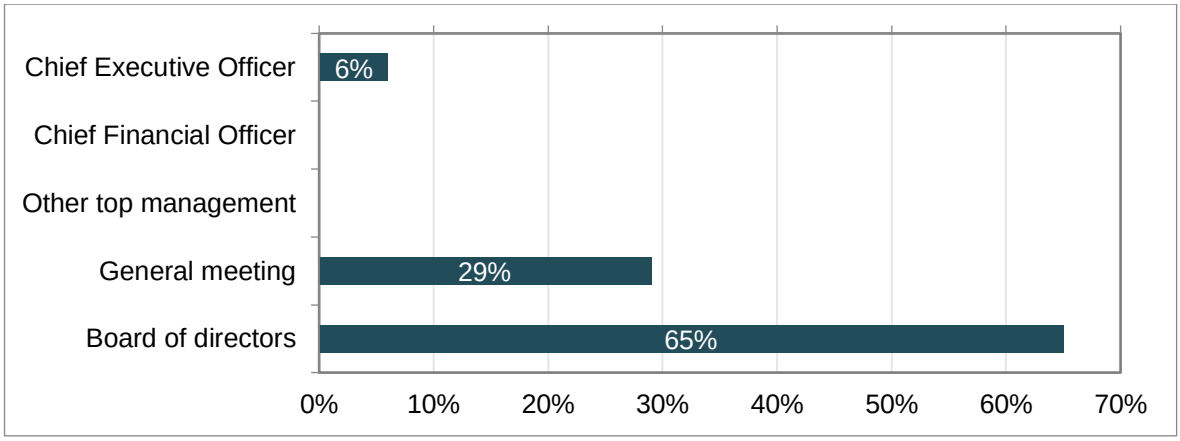

Figure 5. Who influences the most in decision making of the dividend policy?

Questionnaire was conducted during spring 2021 when Covid-19 pandemic had impact in daily business environment. On question 6, respondents were asked if Covid-19 had negative impact in their dividend distribution. As figure 6 below shows, answers varied from strongly agree with 6% to strongly disagree 18%. 12 percent did not yet know what kind of impact pandemic would have and 17% agreed with the question. Almost half of the respondents 47% disagreed that pandemic had negative impact in dividend distribution.

This result was in line with expectations since most of the respondents distributed dividends once in the year and dividend policy is a long-term discussion. Variation in the responses could were caused by industries where companies operate. Unfortunately, questionnaire did not received responses from travel and leisure industry where impact was more severe.

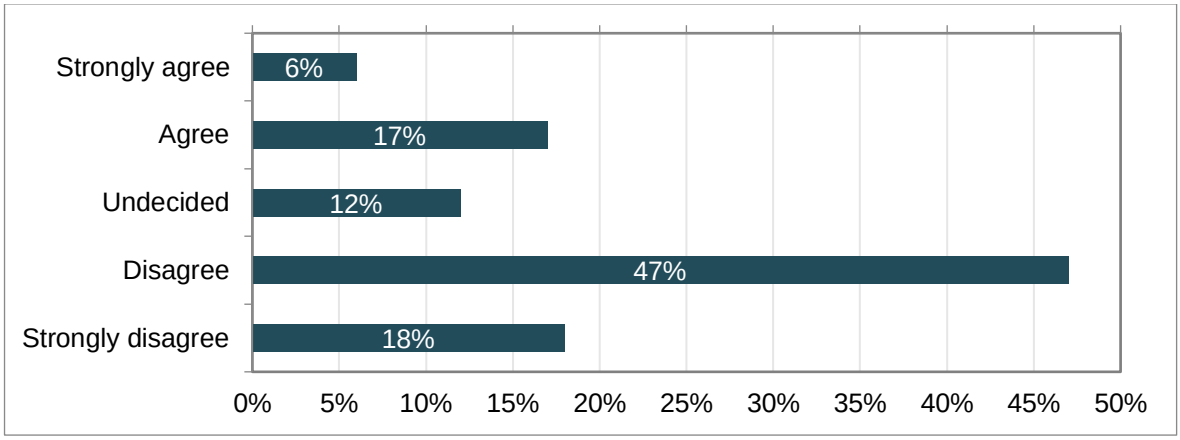

Figure 6. Has Covid-19 negatively affected in the distributed dividends?

Question 7 follows Signalling model theory mentioned above in section 2.4.1, Respondents were asked if changes in dividend payments, is effective way to signal information to shareholders. Results in figure 7 below explains that 82 percent of respondents agrees or strongly agrees to proposition. 6% have not decided and according to 12% other ways are more effective.

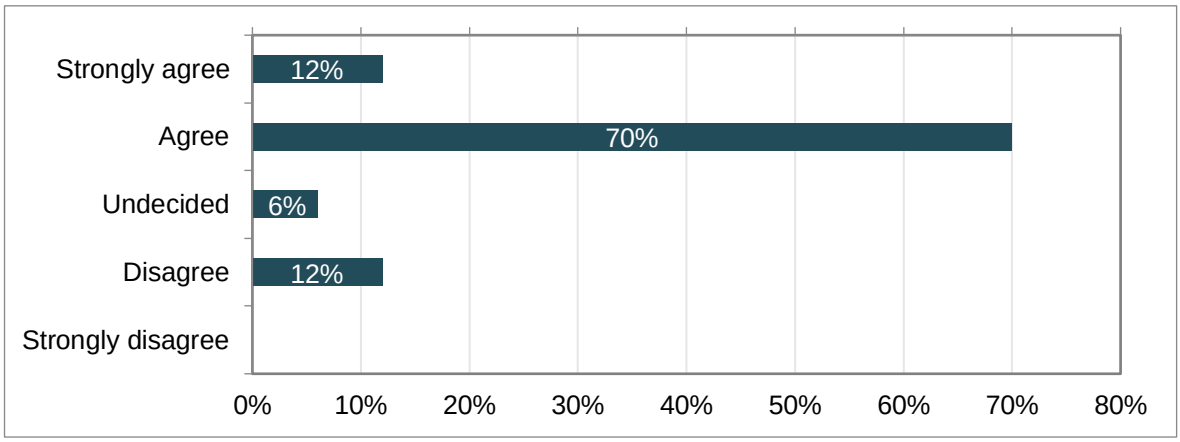

Figure 7. Changes in dividend payments are effective way to signal information to shareholders?

Question 8 is related to prior mentioned theory. It explains do they use dividend distribution changes in the company to convey information to shareholders. According to

figure 8 below 53 percent of respondents use this tool to communicate. 35 percent use other modes of operation. 12 percent of the respondents are not sure if they use it.

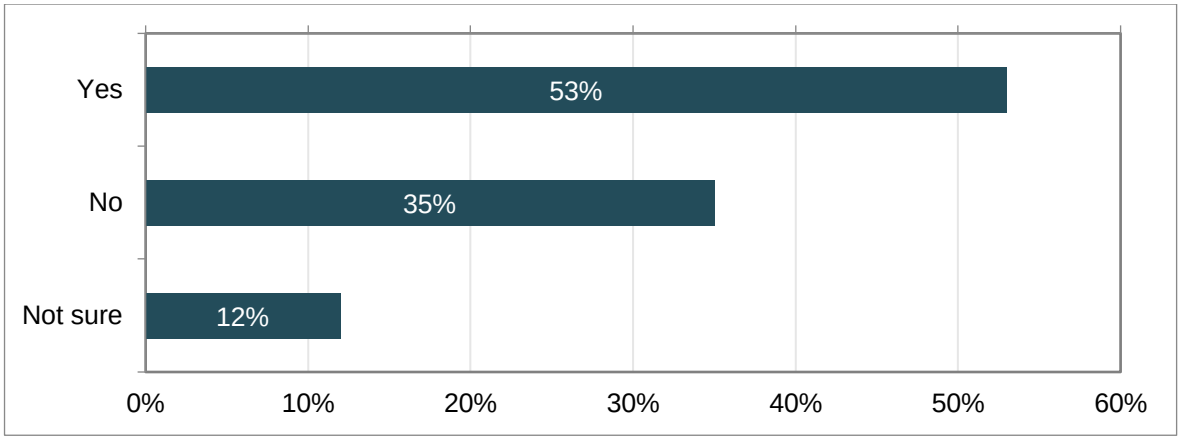

Figure 8. Does your company use changes in distributed dividends as a way to signal information to shareholders?

In question 9, respondents were asked if they have preset payout ratio used in their organizations. As figure 9 below shows, 35% of respondents used it whereas rest of the population used other methods. Results are in line with third question. Majority of respondents used constant dividend policy where paid dividend follows company's performance.

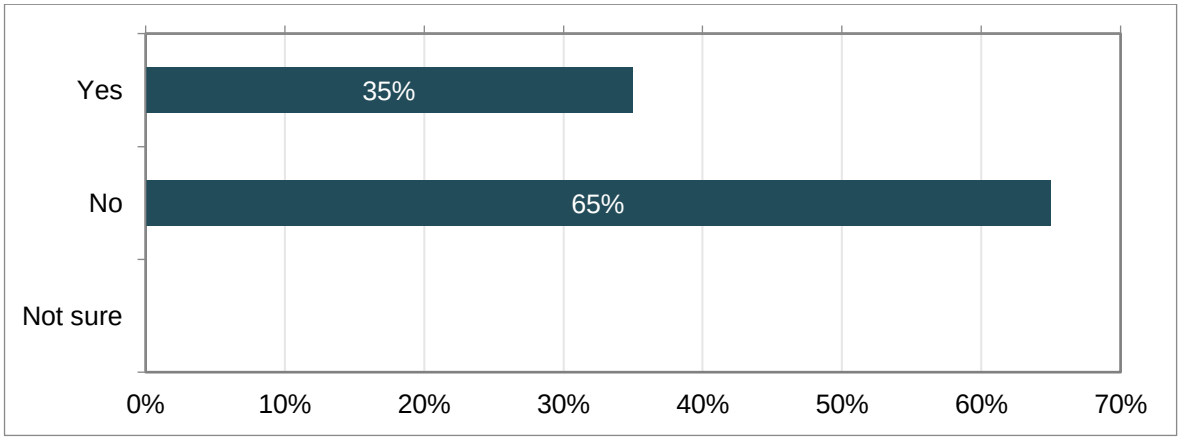

Figure 9. Does your organization have preset target payout ratio (dividend-to-earnings ratio)?

In question 10 respondents were requested to define how statements listed in table 5 below influence in dividend policy. Likert scale was used in scaling response options according to importance of the cause. Scale used was 1= unimportant, 2=slightly

important, 3= moderately important, 4= important and 5= very important. The same data is displayed in figure 10 after table 5 as listed according to response values on average in chart for clarity reasons.

Responses in table 5 below represents that the most important factor what influences dividend policy is level and stability of free cash flow. Insight is in line with theories presented earlier in the research. Dividends cannot be distributed if there is no free cash flow available in the company. The second important statement was the level of current and expected future earnings. This is important because level of earnings influences straight to free cash flow. Other influencing factors included pattern and consistency of recent dividends, liquidity constraints and maintaining target capital structure.

Pattern and consistency of recent dividends is important factor due significant changes in dividend payments can signal information to shareholders like in positive and negative manner. Fact that respondents kept it as important is in line with the responses to questions 7 and 8 presented above. Liquidity constraints are related to free cash flow. In this sentence it stands for situation when major part of company's balance sheet consists of assets that are not easily liquidated, and free cash flow is not available.

Maintaining capital structure is important because it optimizes stock's market price. Preferred capital structure is state where debt and equity is mixed in way that minimizes the weighted average cost of capital (explained in measurement ratios part 2.6.1) and maximizing company's present value by influencing in discounted free cash flow.

According to results of the question respondents thought that level of dividend pay-out in the rival companies was less important. Other less important statements were concern on financing costs and worry about how dividend pay-out affects to stock price.

Table 4. How statements mentioned below influence dividend policy according to level of importance?

Importance scale	**1**	**2**	**3**	**4**	**5**
Pattern and consistency of recent dividends	17,7%	0 %	11,8%	52,9%	17,6%
Concern that dividend policy changes presents false information to shareholders	23,5%	11,8%	35,3%	29,4%	0 %
Level of current and expected future earnings	5,9%	11,8%	17,6%	29,4%	35,3%
Level and stability of free cash flow	0 %	11,7%	11,8%	41,2%	35,3%
Financial ratios (dividend payout ratio, dividend yield ratio)	11,8%	29,4%	23,5%	35,3%	0 %
Liquidity constraints, availability of free cash	0 %	23,6%	23,5%	29,4%	23,5%
Level of rate of return on assets	17,6%	35,3%	35,3%	11,8%	0 %
Availability of profitable investment opportunities	17,7%	29,4%	5,9%	29,4%	17,6%
Maintaining target capital structure	0 %	18,7%	31,3%	25 %	25 %
Concern of financing costs (external funds)	17,7%	52,9%	23,5%	0 %	5,9%
Concern how dividend payout affects stock price	17,7%	52,9%	17,6%	11,8%	0 %
Dividend income expectations of current shareholders	5,9%	29,4%	41,2%	23,5%	0 %
General level of dividend payout in same industry and rivals	35,3%	41,2%	17,6%	5,9%	0 %
Scenario of the future state of economy in general	0 %	29,4%	29,4%	35,3%	5,9%

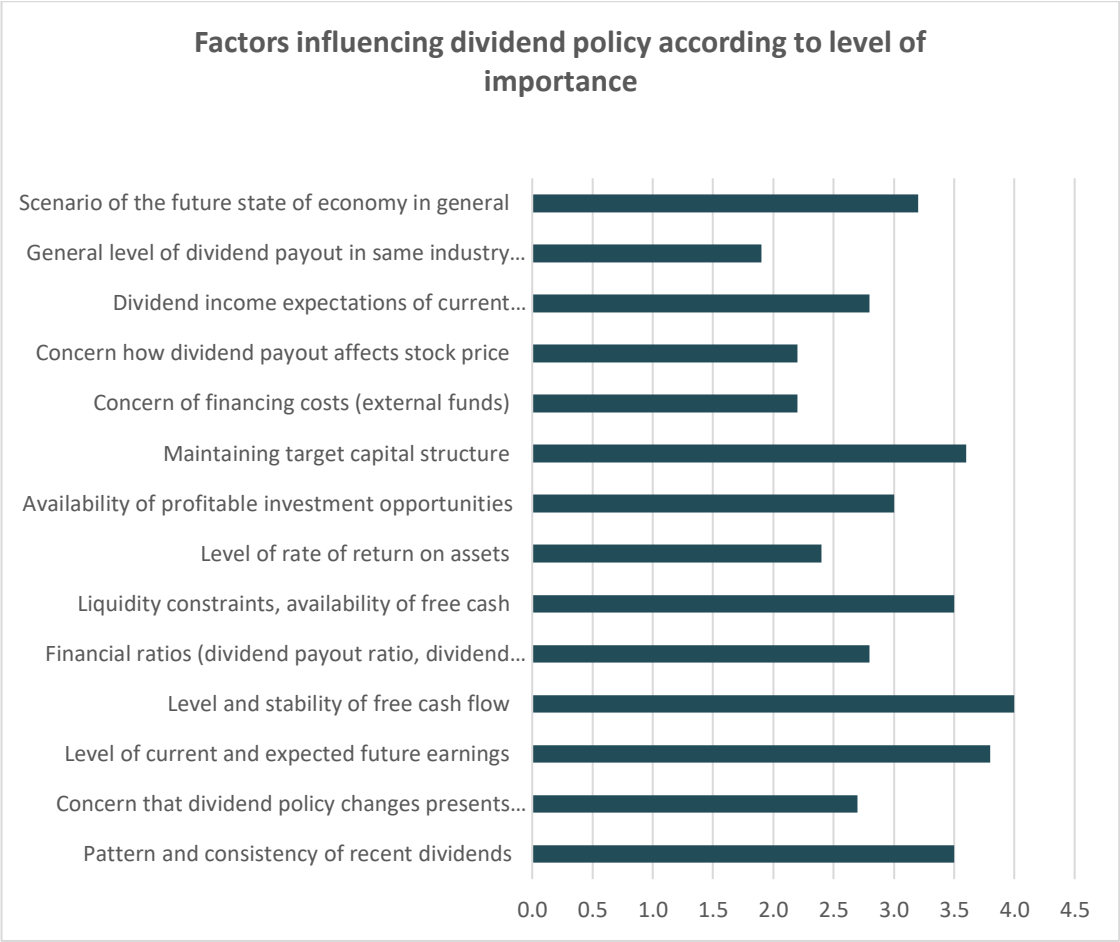

Figure 10. Factors influencing dividend policy according level of importance.

In question 11 respondents were asked how their company would prefer to use earnings. Answer options were to distribute earnings as dividends to shareholders or make reinvestments in the company. According to figure 11 below 75% preferred to invest in the company and growth. 25% of the respondents preferred to distribute earnings as dividends.

There can be multiple factors affecting to results of the question for example phase of the company's life cycle and growth strategies.

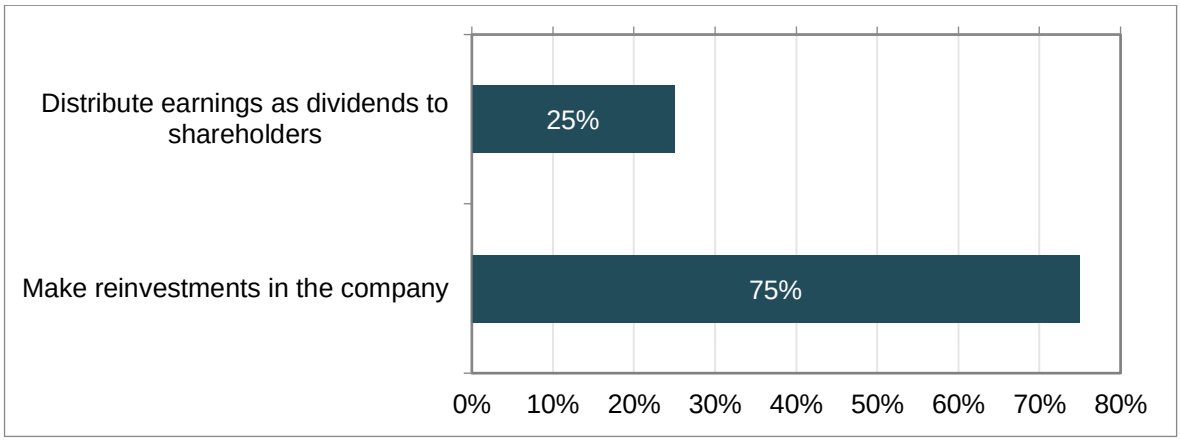

Figure 11. How your company would prefer to spend earnings

Question 12 is related to prior question. How much dividend pressure coming from outside of the company affects to dividend pay-out and if reinvestment opportunities were lost. Figure 12 below illustrates that 76% of the respondents thought that investment opportunities were not compromised due dividend pressure. 18% felt that some opportunities were lost and only 6% felt that investment opportunities were lost often. Results are in line with the results of the prior question. If companies have opportunity to invest in the company growth, they do not have dividend pay-out pressure from shareholders or they do not let it affect in decision making. Important thing to notice is that company growth affects to future distributable funds. In that way shareholders also get benefits of the company growth.

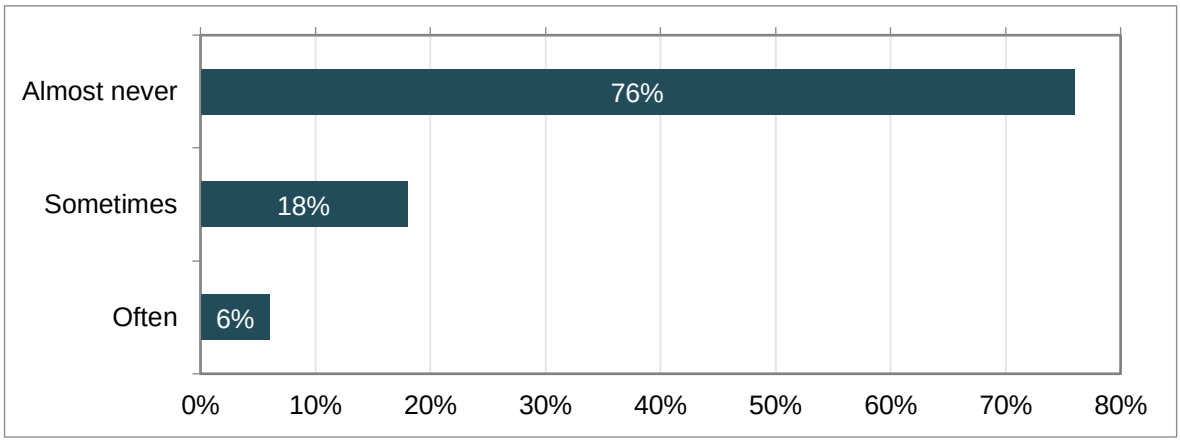

Figure 12. Do you believe that your company has lost opportunities to reinvest in company because of pressure coming from dividend payments to shareholders?

3.3 Desktop research of published financial statements

Desktop research was performed by reviewing 13 companies' financial statements 3-year time period from 2019 to 2021. Companies are traded in First north and The Nasdaq Helsinki market places. In section 2.6.1 mentioned financial ratios were recalculated by using figures in the financial statements in the companies' websites.

Table 5. Aallon Group Plc Financial Figures

	Aallon Group Plc (Consolidated figures)			Aallon Group Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,2	0,19	0,18	0,2	0,19	0,18
Share amount	3 791 734	3 626 203	3 626 203	3 791 734	3 626 203	3 626 203,00
profit for the period	928 748,98	960 189,75	383 181	1 436 953,20	1 032 938,17	779 877,48
Earnings per share	0,24	0,26	0,11	0,38	0,28	0,22
Dividend payout ratio	**82 %**	**72 %**	**170 %**	**53 %**	**67 %**	**84 %**
Market value	45 227 996	36 116 981,88	38 619 061,95	45 227 996	36 116 981,88	38 619 061,95
Market value per share	11,80	9,96	10,65	11,80	9,96	10,65
Dividend yield ratio	**1,7 %**	**1,9 %**	**1,7 %**	**1,7 %**	**1,9 %**	**1,7 %**
Current assets	6 706 273,18	8 584 149,75	9 250 829,69	9 239 350,55	9 314 058,27	7 589 301,26
Current liabilities	5 386 585,25	3 775 089,80	3 074 632,88	2 701 292,55	1 595 062,21	223 449,73
Current ratio	**1,24**	**2,27**	**3,01**	**3,42**	**5,84**	**33,96**
Net profit	928 748,98	960 189,75	383 181,19	1 436 953,20	1 032 938,17	779 877,48
Net sales	24 536 707,18	18 342 718,30	13 516 667,24	1 616 328,55	1 255 432,96	998 899,15
Net profit ratio	**4 %**	**5 %**	**3 %**	**89 %**	**82 %**	**78 %**
Total liabilities	6 186 585,25	3 981 224,68	3 074 632,88	3 501 292,55	1 595 062,21	223 449,73
Total shareholder's equity	11 277 305,68	8 859 696,35	8 552 221,97	12 254 953,44	9 329 139,89	8 948 918,26
Debt - to - equity ratio	**55 %**	**45 %**	**36 %**	**29 %**	**17 %**	**2 %**
Shareholder's equity on average	10 068 501,02	8 705 959,16	4 484 584,20	10 792 046,67	9 139 029,08	4 682 932,34
Net worth ratio (Return on Equity)	**9,2 %**	**11,0 %**	**8,5 %**	**13,3 %**	**11,3 %**	**16,7 %**

Aallon group provides financial management and accounting services from day-to-day to high-value added services (Aallon Group a 2020). From the table 6 above it can be seen that Aallon Group's profit for the period increased substantially from 2019 to 2020. The busy season in accounting services is January to March. Aallon Group was formed in March 2019 what is why busy season sales was excluded from the group's official financial figures what explains difference in the profit for the period (Aallon Group b 2020).

From the table 6 we can see that dividend per share has moderately increased. Group's dividend pay-out policy states that Aallon Group aim is to distribute at least 50% of group's earnings per share (Aallon Group b 2020). Group's liquidity solvency is in good

state with moderate decrease from 2019 to 2021 due increased amount of current liabilities. Key points regarding dividend pay-out that Aallon Group informed in the financial statement were that dividend amount depends on group's profit for the period and they use pre-set minimum percentage unless distributed payments do not compromise group's solvency.

Table 6. Admicom Plc Financial Figures

	Admicom Plc (Consolidated figures)			Admicom Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	1,5	0,91	0,72	1,5	0,91	0,72
Share amount	4 927 698,00	4 920 711,00	4 865 462,00	4 927 698,00	4 920 711,00	4 865 462,00
profit for the period	8 054 221,44	6 699 481,23	5 291 038,83	7 775 059,53	2 743 057,91	5 412 892,85
Earnings per share	1,63	1,36	1,09	1,58	0,56	1,11
Dividend payout ratio	**92 %**	**67 %**	**66 %**	**95 %**	**163 %**	**65 %**
Market value	416 390 481,00	665 239 230,00	314 643 910,00	416 390 481	665 239 230,00	314 643 910,00
Market value per share	84,50	135,00	64,40	84,50	135,00	64,40
Dividend yield ratio	**1,8 %**	**0,7 %**	**1,1 %**	**1,8 %**	**0,7 %**	**1,1 %**
Current assets	20 882 673,32	16 076 912,52	18 882 045,81	8 531 256,72	5 302 830,43	13 849 628,74
Current liabilities	6 426 636,52	3 824 678,36	3 820 551,07	3 307 296,84	3 169 225,15	3 484 119,65
Current ratio	**3,25**	**4,20**	**4,94**	**2,58**	**1,67**	**3,98**
Net profit	8 054 221,44	6 699 481,23	5 291 038,83	7 775 059,53	2 743 057,91	5 412 892,85
Net sales	24 857 313,18	21 916 697,41	15 641 059,45	451 168,00	1 270 970,44	1 165 700,00
Net profit ratio	**32 %**	**31 %**	**34 %**	**1723 %**	**216 %**	**464 %**
Total liabilities	6 426 636,52	3 824 678,36	3 820 551,07	3 307 296,84	3 169 225,15	3 484 119,65
Total shareholder's equity	31 507 319,53	22 510 364,22	16 326 816,70	25 837 600,87	17 233 782,12	15 008 472,33
Debt - to - equity ratio	**20 %**	**17 %**	**23 %**	**13 %**	**18 %**	**23 %**
Shareholder's equity on average	27 008 841,88	19 418 590,46	13 833 762,72	21 535 691,50	16 121 127,23	12 455 096,13
Net worth ratio (Return on Equity)	**29,8 %**	**34,5 %**	**38,2 %**	**36,1 %**	**17,0 %**	**43,5 %**

Admicom Plc provides system development, accounting and software services for medium and small-sized companies. Group offers also ERP solutions for its customers for worksite and production automation. Admicom Plc is founded in 2004. (Admicom 2021.) Group's dividend policy is to distribute more than 50 percent of its earnings as dividends as long as dividend distribution does not compromise pre-set growth targets (Admicom 2022).

According to table 7 above dividend per share has increased following increase of profit for the period. From the dividend payout ratio it can be seen that dividend distribution follows group's above-mentioned dividend policy. Dividend yield ratio had significant drop in 2020 due increased market price of the share. Market value per share is the last day's market price in the financial year. Dividend yield ratio for financial year 2021 is 1,8%.

Group made an additional equity repayment of 0,5€ per share due what the dividend yield ratio increased to 2,4 percent (Admicom 2021).

Table 7. Avidly Plc Financial Figures

	Avidly Plc (Consolidated figures)			Avidly Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0	0	0,08	0	0	0,08
Share amount	5 279 531	3 943 550,00	2 395 337,00	5 279 531	3 943 550,00	2 395 337,00
profit for the period	-218 000,00	-342 000,00	-2 478 000,00	368 232	-279980,91	- 411 157,05
Earnings per share	-0,04	-0,09	-1,03	0,07	-0,07	-0,17
Dividend payout ratio	**0 %**	**0 %**	**-8 %**	**0 %**	**0 %**	**-47 %**
Market value	27 347 970,58	21 012 533,38	12 487 260,04	27 347 970,58	21 012 533,38	12 487 260,04
Market value per share	5,18	3,98	5,02	5,18	3,98	5,02
Dividend yield ratio	**0,0 %**	**0,0 %**	**1,6 %**	**0,0 %**	**0,0 %**	**1,6 %**
Current assets	10493000	11 498 000,00	5 621 000,00	10 389 398,34	11 324 850,92	4 897 068,12
Current liabilities	8 386 000,00	9 618 000,00	7 692 000,00	7 694 902,10	6 108 531,72	3 461 052,65
Current ratio	**1,25**	**1,20**	**0,73**	**1,35**	**1,85**	**1,41**
Net profit	- 218 000,00	- 342 000,00	- 2 478 000,00	368 232,36	- 279 980,91	- 411 157,05
Net sales	29 972 000,00	24 970 000,00	22 131 000,00	19 454 264,87	9 314 298,97	7 843 299,48
Net profit ratio	**-0,7 %**	**-1,4 %**	**-11 %**	**2 %**	**-3 %**	**-5 %**
Total liabilities	11 464 000,00	14 143 000,00	11 224 000,00	9 248 472,66	8 340 674,00	4 457 736,88
Total shareholder's equity	10 641 000,00	9 792 000,00	7 034 000,00	13 229 658,46	12 861 426,10	9 898 593,69
Debt - to - equity ratio	**108 %**	**144 %**	**160 %**	**70 %**	**65 %**	**45 %**
Shareholder's equity on average	10 216 500,00	8 413 000,00	7 694 500,00	13 045 542,28	11 380 009,90	9 489 554,62
Net worth ratio (Return on Equity)	**-2,1 %**	**-4,1 %**	**-32,2 %**	**2,8 %**	**-2,5 %**	**-4,3 %**

Avidly Plc is a branding agency who provides growth to their customers by improving company strategy, commercialization, customer experience and market growth (Avidly 2022). In 2019 group's dividend policy stated that company can distribute not more than 50 percent of its annual net result as dividends to shareholders as long as it does not jeopardize growth targets (Avidly 2019). Group updated their dividend policy again in 2021. According to their dividend policy no dividends are distributed until further notice.

Net profit is aimed to use in the company growth. (Avidly b 2022.) Avidly Plc's dividend payout ratio follows group's guidelines. As seen in table 8 above dividend per share was 0,08€ in 2019 and since then it has been 0€ per share. Table 8 shows that profit for the period has been negative for whole review period what can be also why dividends were not distributed. From the negative net profit ratio, it can be noticed that there are more expenses than generated revenue. One significant change was because of increased employee benefit expenses from 13 558 000 € to 16 600 000 € in the review period 2020 to 2021 (Avidly 2021).

From the table 8 it can also be seen that debt-to-equity ratio has decreased from 160% to 108% during the review period of 2019 to 2021. It means that major of the group's capital was funded with debt in 2019 whereas 2021 balance was almost 50/50. Return on equity was negative because of loss for the periods. Significant difference between from 2019 to 2020 relates to major decrease of loss for the period.

Table 8. Detection technology Plc Financial Figures

	Detection technology Plc (Consolidated figures)			Detection technology Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,35	0,28	0,38	0,35	0,28	0,38
Share amount	14 655 930,00	14 375 430,00	14 375 430,00	14 655 930,00	14 375 430,00	14 375 430,00
profit for the period	9 308 625,00	6 735 055,00	12 475 054,00	8 069 574,00	7 544 799,00	6 195 910
Earnings per share	0,64	0,47	0,87	0,55	0,52	0,43
Dividend payout ratio	**55 %**	**60 %**	**44 %**	**64 %**	**53 %**	**88 %**
Market value	429 418 749,00	343 572 777,00	368 011 008,00	429 418 749,00	343 572 777,00	368 011 008,00
Market value per share	29,30	23,90	25,60	29,30	23,90	25,60
Dividend yield ratio	**1,2 %**	**1,2 %**	**1,5 %**	**1,2 %**	**1,2 %**	**1,5 %**
Current assets	83 322 317,00	65 660 849,00	66 650 615,00	42 055 458	30 850 595	29 557 770
Current liabilities	18 610 849,00	17 338 615,00	18 568 563,00	3 916 384	2 702 017	3 668 515
Current ratio	**4,48**	**3,79**	**3,59**	**10,74**	**11,42**	**8,06**
Net profit	9 308 625,00	6 735 055,00	12 475 054,00	8 069 574,00	7 544 799,00	6 195 910,00
Net sales	89 813 298,00	81 561 340,00	102 480 113,00	23 871 689,00	26 241 022	28 962 606
Net profit ratio	**10 %**	**8 %**	**12 %**	**34 %**	**29 %**	**21 %**
Total liabilities	18 610 849,00	17 338 615,00	18 568 563,00	3 916 384	2 702 017	3 668 515
Total shareholder's equity	73 546 697,00	58 459 969,00	58 354 555,00	47 391 492	37 394 828	35 312 692
Debt - to - equity ratio	**25 %**	**30 %**	**32 %**	**8 %**	**7 %**	**10 %**
Shareholder's equity on average	66 003 333,00	58 407 262,00	54 869 063,50	42 393 160,00	36 353 760,00	34 946 068,50
Net worth ratio (Return on Equity)	**14,1 %**	**11,5 %**	**22,7 %**	**19,0 %**	**20,8 %**	**17,7 %**

Detection technology Plc manufactures, develops, markets and sells systems and components for x-ray imaging equipment for industrial, medical and security applications. Group was established in 1991 and it has customers in over 40 countries. (Detection technology 2022.) Group aims to grow sales at least 10% annually in the long term and achieve 15% operating profit margin. Group's dividend policy stated that 30-60% of the annual earnings per share was to be distributed to shareholders either as dividends or returned capital. (Detection technology 2021.)

Table 9 above presents that dividend payout ratio has varied from 44% to 60% in the review period of 2019 to 2021. Dividend payout ratio has followed the company policy guidelines. Significant increase in dividend payout ratio from 2019 to 2020 happened because when profit for the period decreased 46% dividend per share decreased only

26%. Current ratio states that the group had a multiple amount of current assets compared to current liabilities what indicates that group's liquidity is in good state. Debt-to-equity ratio presents that majority of group's funds are financed with own equity. Above mentioned figures and ratios affects to return on equity (ROE) what indicates that Detection technology Plc is well capable to generate profit.

Decrease in the profit for the period from 2019 to 2020 happened because COVID-19 pandemic impact on demand in security applications (Detection technology 2020).

Table 9. Efecte Plc Financial Figures

	Efecte Plc (Consolidated figures)			Efecte Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0	0	0	0	0	0
Share amount	6 219 469,00	6 032 334,00	5 921 355,00	6 219 469	6 032 334	5 921 355
profit for the period	411 664	-367 528	-1 373 026	110 442,42	-766 422,76	-702 433,22
Earnings per share	0,07	-0,06	-0,23	0,02	-0,13	-0,12
Dividend payout ratio	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**
Market value	81 475 043,90	65 149 207,20	31 975 317,00	81 475 043,90	65 149 207,20	31 975 317,00
Market value per share	13,10	10,80	5,40	13,10	10,80	5,40
Dividend yield ratio	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**
Current assets	9 054 142	7 328 297	6 168 002	2 218 042,42	1 077 154,44	1 979 445,92
Current liabilities	7 232 849	6 712 775	5 298 761	887 206,33	807 935,84	583 633,55
Current ratio	**1,25**	**1,09**	**1,16**	**2,50**	**1,33**	**3,39**
Net profit	411 663,87	- 367 527,81	- 1 373 026,10	110 442,42	- 766 422,76	- 702 433,22
Net sales	17 764 452	14 887 948	13 838 949	2 713 512,00	2 208 753,00	1 892 734,00
Net profit ratio	**2 %**	**-2 %**	**-10 %**	**4 %**	**-35 %**	**-37 %**
Total liabilities	7 232 849	6 712 775	5 298 761	887 206,33	807 935,84	583 633,55
Total shareholder's equity	3 308 479	1 998 844	2 165 109	8 199 330,33	7 182 545,41	7 761 779,87
Debt - to - equity ratio	**219 %**	**336 %**	**245 %**	**11 %**	**11 %**	**8 %**
Shareholder's equity on average	2 653 661,35	2 081 976,47	2 791 853,49	7 690 937,87	7 472 162,64	8 052 946,48
Net worth ratio (Return on Equity)	**15,5 %**	**-17,7 %**	**-49,2 %**	**1,4 %**	**-10,3 %**	**-8,7 %**

Efecte Plc provides IT management services, Enterprise management services and Identity and asset management services. It offers solutions for IT service digitalization. (Efecte 2022.) Group invests to company growth substantially according to their strategy. They state that group would not pay dividends for foreseeable future. (Efecte 2021.)

Efecte Plc has not paid dividends during review period from 2019 to 2021 what follows group's dividend policy. According to table 10 above their profit for the period has increased from loss of 1.4 million euros to profit of 411 thousand euros during the review period. Net sales increased from 13,8 million euros to 17,7 million euros. Net sales

increase relates to the decrease of service net sales and perpetual licenses sale and increase of more profitable cloud-based net sales and SaaS (software as a service) services (Efecte 2020).

As table 10 above presents group's performance has followed its strategy. Current assets have increased 47%, net sales have increased 28% and market value has increased substantial 155%. Group have managed to turn its net profit ratio from -10% to 2%. Total liabilities have increased in line with other performance.

Table 10. Fondia Plc Financial Figures

	Fondia Plc (Consolidated figures)			Fondia Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,28	0,28	0,26	0,28	0,28	0,26
Share amount	3 936 975,00	3 946 771	3935971	3 936 975,00	3 946 771	3935971
profit for the period	259 284,28	827 176,90	356 734,91	395 558,92	1 667 056,05	967 904
Earnings per share	0,07	0,21	0,09	0,10	0,42	0,25
Dividend payout ratio	**425 %**	**134 %**	**287 %**	**279 %**	**66 %**	**106 %**
Market value	28 067 251,40	31 574 168,00	40 934 098,40	28 067 251,40	31 574 168,00	40 934 098,40
Market value per share	7,10	8,00	10,40	7,10	8,00	10,40
Dividend yield ratio	**3,9 %**	**3,5 %**	**2,5 %**	**3,9 %**	**3,5 %**	**2,5 %**
Current assets	6 734 069,30	7 778 729,51	8 377 172,71	5 671 320	7 330 100,97	7 568 675
Current liabilities	4 107 933,13	4 167 868,51	4 346 337,27	3 352 613	3 534 048,04	3 471 305
Current ratio	**1,64**	**1,87**	**1,93**	**1,69**	**2,07**	**2,18**
Net profit	259 284,28	827 176,90	356 734,91	395 558,92	1 667 056,05	967 904,14
Net sales	21 106 618,86	19 643 357,67	20 165 506,79	16 730 014,12	16 421 275,44	16 447 208
Net profit ratio	**1,2 %**	**4 %**	**2 %**	**2 %**	**10 %**	**6 %**
Total liabilities	4 107 933,13	4 167 868,51	4 346 337,27	3 352 613	3 534 048,04	3 471 305
Total shareholder's equity	5 083 440,40	5 994 360,92	6 103 148,08	8 572 975	9 342 641,49	8 616 246
Debt - to - equity ratio	**81 %**	**70 %**	**71 %**	**39 %**	**38 %**	**40 %**
Shareholder's equity on average	5 538 900,66	6 048 754,50	6 615 536,21	8 957 808,09	8 979 443,64	8 821 033,32
Net worth ratio (Return on Equity)	**4,7 %**	**13,7 %**	**5,4 %**	**4,4 %**	**18,6 %**	**11,0 %**

Fondia Plc provides legal and professional services. It has 115 lawyers in Finland, Sweden, Lithuania and Estonia. Tailored services can be chosen from ongoing adaptive services and more traditional case-based legal services. (Fondia 2022.) Group aims to distribute at least 2/3 of the earnings per share as dividends to shareholders. Also, group performance and investing needs affects to dividend distribution. (Fondia 2021.)

According to table 11 above, group's dividend distribution has increased from 0,26€ to 0,28€ during the review period. Dividend payout ratio has changed due fluctuation in group's performance. Dividend distribution has followed group's dividend distribution

policy. In financial year 2020 dividend per share was almost the same as earnings per share what was due increase in profit for the period what is the reason for decrease in dividend payout ratio. Increase in net profit ratio and return on equity in financial year 2020 is explained by increased profit for the period.

Dividend yield ratio increased from 2,5% to 3,9% because when market value per share decreased -32% amount of dividend per share remained quite stable with increase of 8% from financial year 2020 to 2021.

Table 11. Aspocomp Plc Financial Figures

	Aspocomp Plc (Consolidated figures)			Aspocomp Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,15	0,07	0,15	0,15	0,07	0,15
Share amount	6 841 440,00	6 841 440	6 704 505	6 841 440,00	6 841 440	6 704 505
profit for the period	2 106 000	-98 000	3 940 000	652 267,47	-1 848 453,35	1 888 680
Earnings per share	0,31	-0,01	0,59	0,10	-0,27	0,28
Dividend payout ratio	**49 %**	**negative**	**26 %**	**157 %**	**-26 %**	**53 %**
Market value	41 048 640,00	26 818 444,80	35 265 696,30	41 048 640,00	26 818 444,80	35 265 696,30
Market value per share	6,00	3,92	5,26	6,00	3,92	5,26
Dividend yield ratio	**2,5 %**	**1,8 %**	**2,9 %**	**2,5 %**	**1,8 %**	**2,9 %**
Current assets	17 008 000	11 623 000	14 639 000	15 980 035,48	11 033 907,19	14 101 087,23
Current liabilities	8 922 000	5 201 000	6725000	12 374 454,45	8 856 096,25	10 377 711,36
Current ratio	**1,91**	**2,23**	**2,18**	**1,29**	**1,25**	**1,36**
Net profit	2 106 000,00	- 98 000,00	3 940 000	652 267,47	- 1 848 453,35	1 888 679,89
Net sales	33 154 000	25 635 000	31 189 000	32 511 904,58	25 362 960,69	31 572 306,35
Net profit ratio	**6 %**	**0 %**	**13 %**	**2 %**	**-7 %**	**6 %**
Total liabilities	12 353 000	9 806 000	11 431 000	15 292 292,17	13 080 666,62	14 703 667,27
Total shareholder's equity	19 155 000	17 148 000	18 096 000	8 286 660,81	7 602 810,28	10 306 756,97
Debt - to - equity ratio	**64 %**	**57 %**	**63 %**	**185 %**	**172 %**	**143 %**
Shareholder's equity on average	18 151 500,00	17 622 000,00	16 492 000,00	7 944 735,55	8 954 783,63	9 747 669,33
Net worth ratio (Return on Equity)	**11,6 %**	**-0,6 %**	**23,9 %**	**8,2 %**	**-20,6 %**	**19,4 %**

Aspocomp Plc is specialized in printed circuit board technology. Company provides manufacturing, selling and product design services. Their clientele consists of companies who manufacture telecom systems, industrial electronics, semiconductor testing systems, automotive and security systems. (Aspocomp a 2022.)

The most recent update to group's dividend policy is from 2017. It states that Aspocomp's goal is to pay annual dividend to its shareholders. Group's target is to distribute at least 1/3 of the group's profit as dividends to shareholders. (Aspocomp b 2022.)

Group's profit for the period has fluctuated from 3,9 million euros in 2019 to 2,1 million euros in 2021. Year 2020 group had loss of 98 thousand euros as table 12 above presents. Loss for the period in 2020 relates to 18% decrease in net sales from 31 million euros to 25,6 million euros. Decrease in net sales was due decreased demand in Telecommunication and Automotive segments because of Covid-19 pandemic and weakened market situation in European automotive industry (Aspocomp 2020). Significant net profit decrease in 2020 affects in return on equity ratio which is why ROE decreased from 23,9% to -0,6% from 2019 to 2020.

Table 12. Trainers House Plc Financial Figures

	Trainers House Plc (Consolidated figures)			Trainers House Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,7	0,02	0,01	0,7	0,02	0,01
Share amount	21 471 412	21 471 412	21 471 412	21 471 412	21 471 412	21 471 412
profit for the period	1 291 005,06	-2 972 465,08	589 731,04	641 306,45	473 941,92	-52 720,94
Earnings per share	0,06	-0,14	0,03	0,03	0,02	0,00
Dividend payout ratio	**1164 %**	**-14 %**	**36 %**	**2344 %**	**91 %**	**-407 %**
Market value	16 747 701,36	8 373 850,68	8 373 850,68	16 747 701,36	8 373 850,68	8 373 850,68
Market value per share	0,78	0,39	0,39	0,78	0,39	0,39
Dividend yield ratio	**89,7 %**	**5,1 %**	**2,6 %**	**89,7 %**	**5,1 %**	**2,6 %**
Current assets	4 423 627,20	4 706 684,94	3 558 250,98	5 962 016,38	5 772 586,39	4 942 057,42
Current liabilities	2 288 276,13	2 714 741,37	1 982 458,23	4 645 053,52	4 457 824,01	4 047 673,04
Current ratio	**1,93**	**1,73**	**1,79**	**1,28**	**1,29**	**1,22**
Net profit	1 291 005,06	- 2 972 465,08	589 731,04	641 306,45	473 941,92	- 52 720,94
Net sales	10 340 467,42	9 399 826,73	10 489 881,65	6 096 651,91	5 424 214,83	7 023 958,04
Net profit ratio	**12 %**	**-32 %**	**6 %**	**11 %**	**9 %**	**-1 %**
Total liabilities	2 925 489,96	3 571 847,28	4 076 485,30	4 645 053,52	4 457 824,01	4 047 673,04
Total shareholder's equity	5 961 174,26	5 743 739,80	8 716 204,88	5 194 267,94	5 626 532,09	5 152 590,17
Debt - to - equity ratio	**49 %**	**62 %**	**47 %**	**89 %**	**79 %**	**79 %**
Shareholder's equity on average	5 852 457,03	7 229 972,34	8 529 587,56	5 410 400,02	5 389 561,13	5 286 307,70
Net worth ratio (Return on Equity)	**22,1 %**	**-41,1 %**	**6,9 %**	**11,9 %**	**8,8 %**	**-1,0 %**

Trainers House provides management consulting services with main goal of electrify management and provide results with human oriented approach (Trainers House 2022).

Group's dividend policy goal is to be an investment what provides predictable and recurring returns. Profit sharing decisions are based on board resolution for general meeting and general meeting's decisions. Frame conditions for profit sharing are profitable business, ability to invest in company growth, strong cashflow and stable future vision. Financial year 2021 dividends are distributed in two phases. 0,6 euros in 14.4.2022 and 0,1 euros in 22.12.2022. (Trainers House 2021.)

Table 13 above presents that in financial year 2020 profit for the period decreased to loss of 2,9 million euros. This change affects directly to net profit ratio with -32% and return on equity of -41,1%.

Financial year 2020 was exceptional due Covid-19 pandemic. Company had significant financial operating environment change and changes in face to face meeting habits brought difficulties in the company's operating. Company had to cut back on spending by laying off and dismissing its personnel. (Trainers House 2020.)

Table 13. Siili Solutions Plc Financial Figures

	Siili Solutions Plc (Consolidated figures)			Siili Solutions Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,18	0,28	0,36	0,18	0,28	0,36
Share amount	7 020 459	7 000 316	7 000 316	7 020 459	7 000 316	7 000 316
profit for the period	5 136 000	4 401 000	2 553 000,00	2 411 832,51	5 220 117,39	896 786,81
Earnings per share	0,73	0,63	0,36	0,34	0,75	0,13
Dividend payout ratio	**25 %**	**45 %**	**99 %**	**52 %**	**38 %**	**281 %**
Market value	102 498 701,40	92 754 187,00	63 842 881,92	102 498 701,40	92 754 187,00	63 842 881,92
Market value per share	14,6	13,25	9,12	14,6	13,25	9,12
Dividend yield ratio	**1,2 %**	**2,1 %**	**3,9 %**	**1,2 %**	**2,1 %**	**3,9 %**
Current assets	40 421 000	34 851 000	26 346 000	30 674 542,94	28 948 196,54	19 318 281,19
Current liabilities	27 564 000	26 544 000	19 530 000	28 533 801,53	21 373 310,19	14 324 306,94
Current ratio	**1,47**	**1,31**	**1,35**	**1,08**	**1,35**	**1,35**
Net profit	5 136 000,00	4 401 000,00	2 553 000,00	2 411 832,51	5 220 117,39	896 786,81
Net sales	99 282 000	83 307 000	80 544 000	68 670 177,88	69 257 669,35	72 831 706,06
Net profit ratio	**5 %**	**5 %**	**3 %**	**4 %**	**8 %**	**1 %**
Total liabilities	56 614 000	39 788 000	35 328 000	39 789 802,21	25 480 224,49	20 952 201,00
Total shareholder's equity	24 866 000	21 575 000	20 562 000	18 484 751,45	17 862 799,07	14 462 763,81
Debt - to - equity ratio	**228 %**	**184 %**	**172 %**	**215 %**	**143 %**	**145 %**
Shareholder's equity on average	23 220 500,00	21 068 500,00	20 104 500,00	18 173 775,26	16162781,44	14 819 406,74
Net worth ratio (Return on Equity)	**22,1 %**	**20,9 %**	**12,7 %**	**13,3 %**	**32,3 %**	**6,1 %**

Siili Solutions Plc is It-services management company who provides digital strategy services, transforms data to insights. They create competitive advantages to customers by digital transformation. (Siili Solutions a 2022.)

Group's dividend distribution policy is approved by the Board of Directors. Group goal is to distribute 30% - 70% of the result for the financial year. Group can also distribute additional profit. (Siili Solutions b 2022.)

In 2019 group distributed ordinary dividend of 0,26 euros per share and additional dividend of 0,10 euros with total amount of 0,36 euros per share. Ordinary dividend is 71% of the Group's result and with additional dividend it is 99% of the Group's result for the financial year 2019. (Siili Solutions 2019.)

Table 14 above presents that dividend payout ratio has been according to dividend policy in financial years 2019 and 2020. Dividend yield ratio has decreased from 3,9% to 1,2% because market value of the share price has increased whereas dividend per share has decreased from 0,36 euros to 0,18 euros in the review period of 2019 to 2021. Dividend yield ratio and return on equity ratio demonstrates that company is capable to generate profit for its shareholders.

Table 14. Punamusta Media Plc Financial Figures

	Punamusta media Plc (Consolidated figures)			Punamusta media Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,18	0,15	0,25	0,18	0,15	0,25
Share amount	12 517 360	12 517 360	12 517 360	12 517 360	12 517 360	12 517 360
profit for the period	4 519 000,00	-701 000,00	2 309 539,12	4 084 000,00	3 088 000,00	1 400 018,49
Earnings per share	0,36	-0,06	0,18	0,33	0,25	0,11
Dividend payout ratio	**50 %**	**-268 %**	**135 %**	**55 %**	**61 %**	**224 %**
Market value	68 845 480,00	69 471 348,00	81 362 840,00	68 845 480,00	69 471 348,00	81 362 840,00
Market value per share	5,5	5,55	6,5	5,5	5,55	6,5
Dividend yield ratio	**3,3 %**	**2,7 %**	**3,8 %**	**3,3 %**	**2,7 %**	**3,8 %**
Current assets	43 399 000,00	38 189 000,00	40 739 427,72	24 084 000,00	20 512 000,00	21 111 180,06
Current liabilities	40 446 000,00	35 221 000,00	35 331 889,55	26 329 000,00	22 123 000,00	24 373 070,90
Current ratio	**1,07**	**1,08**	**1,15**	**0,91**	**0,93**	**0,87**
Net profit	4 519 000,00	- 701 000,00	2 309 539,12	4 084 000,00	3 088 000,00	1 400 018,49
Net sales	106 038 000,00	102 835 000,00	107 353 365,82	5 333 000,00	3 129 000,00	5 450 109,39
Net profit ratio	**4 %**	**-1 %**	**2 %**	**77 %**	**99 %**	**26 %**
Total liabilities	66 050 000,00	59 071 000,00	60 293 673,53	38 829 000,00	34 356 000,00	37 673 070,90
Total shareholder's equity	45 683 000,00	44 309 000,00	48 416 891,18	37 262 000,00	35 046 000,00	35 076 625,86
Debt - to - equity ratio	**145 %**	**133 %**	**125 %**	**104 %**	**98 %**	**107 %**
Shareholder's equity on average	44 996 000,00	46 362 945,59	48 877 121,09	36 154 000,00	35 061 312,93	35 961 639,86
Net worth ratio (Return on Equity)	**10,0 %**	**-1,5 %**	**4,7 %**	**11,3 %**	**8,8 %**	**3,9 %**

Punamusta Media Plc provides services in media, media exposure and printing sectors. Group's media business covers Karjalainen newspaper and other local newspapers and radio channel. Punamusta Llc operates in printing business providing newspaper, advertisements, communication materials designing and printing services. (Punamusta Media 2022.)

Table 15 above presents that group's net sales decreased 4,2% and profit for the period decreased 130,4% from 2019 to 2020. Group had negative dividend payout ratio in financial year 2020 what means that group pays dividend even earnings per share is negative. Net sales decreased round 14 million euros because of Covid-19 pandemic which affected services demand (Punamusta Media 2020).

From table 15 above it can be seen that in financial year 2021 business was more profitable. Net sales increased 3,1% compared to previous year and profit for the period increased substantially. Group distributed 50% of the earnings per share as dividends to the shareholders. Better performance can be seen in return on equity 10% compared to -1,5% in year 2021.

Table 15. Honka Plc Financial Figures

	Honkarakenne Plc (Consolidated figures)			Honkarakenne Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0	0	0	0	0	0
Share amount	5 872 000	5 856 000	5 847 000	5 872 000	5 856 000	5 847 000
profit for the period	3 303 000	2 814 000	2 321 000	3 149 000	2 834 000	3 527 000
Earnings per share	0,56	0,48	0,40	0,54	0,48	0,60
Dividend payout ratio	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**
Market value	43 019 640,00	25 089 360,00	24 557 400,0	43 019 640,00	25 089 360,00	24 557 400,0
Market value per share	7,32	4,28	4,20	7,32	4,28	4,20
Dividend yield ratio	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**
Current assets	23 871 000	16 334 000	13 947 000	26 757 000	18 406 000	15 028 000
Current liabilities	18 530 000	14 634 000	10 702 000	20 875 000	15 532 000	10 421 000
Current ratio	**1,29**	**1,12**	**1,30**	**1,28**	**1,19**	**1,44**
Net profit	3 303 000,00	2 814 000,00	2 321 000,00	3 149 000,00	2 834 000,00	3 527 000,00
Net sales	69 652 000	52 896 000	47 549 000	67 738 000	49 942 000	44 645 000
Net profit ratio	**5 %**	**5 %**	**5 %**	**5 %**	**6 %**	**8 %**
Total liabilities	21 723 000	18 008 000	15 375 000	22 795 000	17 867 000	14 514 000
Total shareholder's equity	16 899 000	14 623 000	12 539 000	16 624 000	14 582 000	12 486 000
Debt - to - equity ratio	**129 %**	**123 %**	**123 %**	**137 %**	**123 %**	**116 %**
Shareholder's equity on average	15761000	13 581 000,00	11 335 000,00	15603000	13 534 000,00	10 722 500,00
Net worth ratio (Return on Equity)	**21,0 %**	**20,7 %**	**20,5 %**	**20,2 %**	**20,9 %**	**32,9 %**

Honkarakenne Plc is family business what has been operating for over 60 years and has gained expertise in manufacturing log houses. Business operates in three segments: town houses, leisure houses and B2B projects. (Honka a 2022.)

Group has not distributed dividends during review period 2019 to 2021. Instead group has distributed capital from the invested unrestricted equity fund return of 0,25 euros per share in 2021 and 0,18 euros in 2020. In 2019 no capital was distributed. (Honka b 2021.)

Table 16 above shows that group's performance has been steady during the review period. Earnings per share has increased in line with increase in profit for the period. Current ratio decreased in 2020 when group had relatively more current debt to current assets compared to financial years 2019 and 2021. Net profit ratio remained in 5% during the review period. Return on equity has stayed in excellent stage over 20% for the review period. It has steadily increased in line with groups performance.

Table 16. Altia Plc Financial Figures

	Altia Plc (Consolidated figures)			Altia Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,45	0,35	0,42	0,45	0,35	0,42
Share amount	46 611 531	36 140 485	36 140 485	46 611 531	36 140 485	36 140 485
profit for the period	31 000 000	17 800 000	18 400 000,00	6 564 235,73	5 873 094,86	38 600 000,00
Earnings per share	0,67	0,49	0,51	0,14	0,16	1,07
Dividend payout ratio	**68 %**	**71 %**	**82 %**	**320 %**	**215 %**	**39 %**
Market value	733 632 356,64	360 682 040,30	295 629 167,30	733 632 356,64	360 682 040,30	295 629 167,30
Market value per share	10,86	9,98	8,18	10,86	9,98	8,18
Dividend yield ratio	**4,1 %**	**3,5 %**	**5,1 %**	**4,1 %**	**3,5 %**	**5,1 %**
Current assets	543 000 000	272 300 000	212 400 000	214 000 000,00	209 400 000,00	257 600 000,00
Current liabilities	415 700 000	204 800 000	147 600 000	256 600 000,00	238 700 000,00	283 000 000,00
Current ratio	**1,31**	**1,33**	**1,44**	**0,83**	**0,88**	**0,91**
Net profit	31 000 000,00	17 800 000,00	18 400 000,00	6 564 235,73	5 873 094,86	38 600 000,00
Net sales	478 200 000	342 400 000	359 600 000	210 400 000,00	197 400 000,00	208 700 000,00
Net profit ratio	**6 %**	**5 %**	**5 %**	**3 %**	**3 %**	**18 %**
Total liabilities	725 400 000	299 200 000	249 000 000	325 200 000,00	313 300 000,00	366 200 000,00
Total shareholder's equity	507 900 000	156 300 000	151 200 000	181 100 000,00	147 500 000,00	156 600 000,00
Debt - to - equity ratio	**143 %**	**191 %**	**165 %**	**180 %**	**212 %**	**234 %**
Shareholder's equity on average	332 100 000,00	153 750 000,00	150 650 000,00	164 300 000,00	152 050 000,00	144 600 000,00
Net worth ratio (Return on Equity)	**9,3 %**	**11,6 %**	**12,2 %**	**4,0 %**	**3,9 %**	**26,7 %**

In September 2021 Altia and Arcus joined together and formed Anora Plc. Anora is market leader in the wine and spirit beverages industry. Group's portfolio consists of brands like Koskenkorva, Linien and Larsen. Group exports products in over 30 markets abroad. (Anora 2022.)

Altia's strategy in dividend distribution was to distribute remaining profit for the period to shareholders after capital needed for company growth and development. Group's dividend

distribution policy states that dividend payout ratio was 60% or more of the profit for the period in financial year 2020. (Altia 2020.) After mergering group kept following Altia's predetermined dividend distribution policy with aiming to distribute at least 60% of the profit for the period for shareholders as dividends (Anora 2021). It can be seen from table 17 above that group's dividend payout ratio was according to group's policy with variety from 82% in 2019 to 68% in financial year 2021.

Net profit ratio increased in moderation from 5% in 2019 to 6% in 2021. Net sales increased 39,7% from 2020 to 2021 as a partly result of consolidation of Arcus to Anora what had positive impact of 115,8 million euros in sales (Anora 2021). Return on equity decreased 2,2% from 11,6% in 2020 to 9,3% in 2021 due increased amount of shareholder equity what is explained with consolidation of companies.

Table 17. Alma Media Plc Financial Figures

	Alma Media Plc (Consolidated figures)			Alma Media Plc (Parent company's figures)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Dividend per share	0,35	0,3	0,4	0,35	0,3	0,4
Share amount	82 213 000	82 262 000	82 283 000	82 213 000	82 383 000	82 283 000
profit for the period	43 600 000,00	93 300 000,00	42 200 000,00	32 068 266,00	22 796 477,00	23 972 492,00
Earnings per share	0,53	1,13	0,51	0,39	0,28	0,29
Dividend payout ratio	**66 %**	**26,5 %**	**78 %**	**90 %**	**108 %**	**137 %**
Market value	891 384 060,00	734 856 360,00	655 770 128,72	891 384 060,00	734 856 360,00	655 770 128,72
Market value per share	10,82	8,92	7,96	10,82	8,92	7,96
Dividend yield ratio	**3,2 %**	**3,4 %**	**5,0 %**	**3,2 %**	**3,4 %**	**5,0 %**
Current assets	86 100 000,00	76 700 000,00	78 600 000,00	49 354 417,00	51 257 590,00	79 699 633,00
Current liabilities	89 100 000,00	71 600 000,00	74 700 000,00	67 030 830,00	51 673 174,00	95 094 929,00
Current ratio	**0,97**	**1,07**	**1,05**	**0,74**	**0,99**	**0,84**
Net profit	44 300 000	99 100 000	48 700 000	32 068 266	22 796 477	23 972 492
Net sales	275 400 000	230 200 000	250 200 000	22 680 291	26 468 657	30 991 666
Net profit ratio	**16 %**	**43 %**	**19 %**	**141 %**	**86 %**	**77 %**
Total liabilities	351 900 000	129 400 000	198 400 000	267 641 071	52 250 342	97 726 758
Total shareholder's equity	166 500 000	204 600 000	202 500 000	314 984 104	308 206 717	318 764 365
Debt - to - equity ratio	**211 %**	**63 %**	**98 %**	**85 %**	**17 %**	**31 %**
Shareholder's equity on average	185 550 000,00	203 550 000,00	194 650 000,00	311 595 410,50	313 485 541,00	320 732 182,50
Net worth ratio (Return on Equity)	**23,9 %**	**48,7 %**	**25,0 %**	**10,3 %**	**7,3 %**	**7,5 %**

Alma Media is digital media service provider. Most recognizable brands in Finland are Kauppalehti, Talouselämä, Iltalehti, Etuovi.com and Nettiauto. Group's business includes e.g. leading housing and motoring market places, national consumer media, finance and professional medias. Alma Media operates in 11 European countries. Group's dividend

distribution policy states that group's goal is to distribute at least 50% of earnings per share as dividends to shareholders. (Alma Media 2022.)

In table 18 above is depicted that dividend payout ratio has followed group's dividend distribution policy except in 2020 when particular ratio was 26,5% and decreased 51,5% from year 2019. There have not been significant changes in amounts of dividend per share. It has varied between 0,4 euros and 0,3 euros during review period from 2019 to 2021.

The significant change was increase in profit for the period of 121% from year 2019 to 2020. Profit increase can be explained with sale of regional newspaper and printing operations to Sanoma Media Finland in 11.2.2020. Profit from the discontinued operations was 65,8 million euros in financial year 2020. (Alma Media 2020.)

Profit from the discontinued operations explains the net profit ratio increase of 24% and return on equity increase of 23,7% in financial year 2020.

4 Discussion

The main goal of this research was to provide insights to external stakeholders of how dividends are decided in listed organizations. Research results were gathered from wide spread of different industries. Most used dividend policy was Constant Dividend Policy where dividends follow company's' performance. In this way distributed amount can be adjusted in timely manner instead that amount is based on historical figures. According to major part of responses dividends were payed annually and dividend policies were reviewed in same frequency.

It is regulated in the Limited Liability Company law that profit distribution is decided by Annual General Meeting's shareholder vote. General Meeting is usually arranged once in financial year whereas Board of Directors meet several times a year. This might part reason why annual review and distribution was most used option. Responses indicated that Covid pandemic did not have substantial impact in distributed dividends. On the other hand, desktop research shows that in most of the company analyses 2020 dividend amount slightly decreased from 2019. Of course, there can be other reasons behind the change.

Dividend distribution is main function in profit sharing in the company. Dividends are also used to provide current status information of the company's performance for shareholders. Important factors are level and stability of free cash flow, level of earnings and maintaining target capital structure. These results can be derived to desktop research analysis. Based on responses companies will of state is making investments in company growth rather than profit distribution. Small and medium-sized companies can be in the stage of the life cycle where company strategy is investing in the growth.

Listed companies present decision of the Annual General Meeting regarding dividend distribution in the Annual Report. If dividend distribution follows certain model it is presented in the dividend policy clause. Key performance figures and ratios are presented also in the annual report for external stakeholders to be able to easily understand and use figures in question as a base for their investment decision. Often used ratios are earnings per share and return on equity what are recalculated in the desktop research phase. Other measuring ratios are dividend payout ratio and dividend yield ratio what illustrates proportion of the distributed profits to earnings and market price. If company distributes

dividend it usually follows changes in the profit for the period. Guidelines are set in the dividend policy and distributed amount can fluctuate in the limits. Changes in the profit for the period can be caused by e.g. changes in sales and market situation, significant investments, changes in debt-to-equity levels. Return on equity ratio is essential tool for company management since it indicates how well company looks after investors invested equity.

The thesis process itself turned out to be quite time-consuming and challenging while working full time as an auditor during the process which caused delay in the project. In hectic periods I had to prioritize workload and proceed with new schedule. Thesis process was beneficial and provided new insights what I can use in work life. Process taught me about history and theories behind the dividend policies what helped me to obtain profound knowledge of the topic. It was interesting to see how challenging response acquiring can be, compared to work situation where discussion with company representative is quite active.

The thesis process was very educational in multiple ways. In addition to theme topic it taught time management skills, working under pressure, prioritization and information gathering. In retrospect it can be noticed that new profession with mandatory trainings and industry characteristic rush peak time periods were quite challenging. I would design the approach of the research in the way where completing tasks does not depend on external responses. Nonetheless I have managed to perform commendably in my auditor job and I am satisfied with the thesis outcome.

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5 Appendices

Dividend Policy Questionnaire

1. What is the industry where your company operates?

- ◯ Basic Industry
- ◯ Industrial Products and Services
- ◯ Car and Equipment / Food and Beverage Industry
- ◯ Household utensils / Retail Business
- ◯ Healthcare
- ◯ Communication / Telecommunication Services
- ◯ Travel and Leisure / General Interest Services
- ◯ Financial Services
- ◯ Real Estate management / Consumer Goods and Grocery
- ◯ Technology

2. Which opinion reflects your company's dividend policy?

- ◯ Dividend Stability Policy – Dividends are distributed annually with predictable payouts
- ◯ Constant Dividend Policy – Payments follow company's performance. Dividend payments are distributed annually as percentage of earnings
- ◯ Residual Dividend Policy – Dividends are distributed from remaining earnings after spending in capital expenditures and working capital
- ◯ Hybrid Dividend Policy – Mix of stability and residual policies

3. How often your company distribute dividends?

- ◯ Quarterly
- ◯ Semiannually
- ◯ Annually
- ◯ Less than annually
- ◯ Other, Please specify _____

4. How often your company's dividend policy is reexamined?

- ◯ Quarterly
- ◯ Semiannually
- ◯ Annually
- ◯ Other _____

5. Who influences the most in decision making of the dividend policy?

- ◯ Chief Executive Officer
- ◯ Chief Financial Officer
- ◯ Other top management
- ◯ General meeting
- ◯ Board of directors

6. Has covid-19 pandemic negatively affected the distributed dividends in your company?

- ◯ Strongly agree
- ◯ Agree
- ◯ Undecided
- ◯ Disagree
- ◯ Strongly disagree

Dividend signaling is a theory where declare of increased dividend payments gives strong positive signals about the future state of the company (The Economic Times 2020).

7. Changes in dividend payments are effective way to signal information to shareholders

- ◯ Strongly agree
- ◯ Agree
- ◯ Undecided
- ◯ Disagree
- ◯ Strongly disagree

8. Does your company use changes in distributed dividends as a way to signal information to shareholders?

- ◯ Yes
- ◯ No
- ◯ Not sure

9. Does your organization have preset target payout ratio (Dividend-to-earnings ratio)

- ◯ Yes
- ◯ No
- ◯ Not sure

Source: The Economic Times. 2020. Definition of Dividend Signaling.
URL: https://economictimes.indiatimes.com/definition/dividend-signaling.

10. Please answer how statements below influence dividend policy according to level of importance

	Unimportant	Slightly important	Moderately important	Important	Very important
Pattern and consistency of recent dividends	○	○	○	○	○
Concern that dividend policy changes presents false information to shareholders	○	○	○	○	○
Level of current and expected future earnings	○	○	○	○	○
Level and stability of free cash flow	○	○	○	○	○
Financial ratios (dividend payout ratio, dividend yield ratio)	○	○	○	○	○
Liquidity constraints, availability of free cash	○	○	○	○	○
Level of rate of return on assets	○	○	○	○	○
Availability of profitable investment opportunities	○	○	○	○	○
Maintaining target capital structure	○	○	○	○	○
Concern of financing costs (external funds)	○	○	○	○	○
Concern how dividend payout affects stock price	○	○	○	○	○
Dividend income expectations of current shareholders	○	○	○	○	○
General level of dividend payout in same industry and rivals	○	○	○	○	○
Scenario of the future state of economy in general	○	○	○	○	○

11. How your company would prefer to spend earnings

○ Distribute earnings as dividends to shareholders

○ Make reinvestments in the company

12. Do you believe that your company has lost opportunities to reinvest in company because of pressure coming from dividend payments to shareholders?

- ◯ Almost never
- ◯ Sometimes
- ◯ Often