

Centrica PLC

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Credit Suisse thinks British Gas owner Centrica will HALVE its dividend next month

Analysts at Credit Suisse have warned Centrica Plc (LON:CNA) shareholders to brace themselves for a massive dividend cut in next month's interim results statement.

The Swiss investment bank had previously expected Centrica to slash its dividend by a third, but they now think the British Gas owner will halve its payouts.

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According to their calculations, the number crunchers believe the divi will fall to around 6p per share, prompting them to trim their price target for the stock.

"Issues surrounding the pensions deficit and delays to asset sales will suppress the dividend in the near-term," Credit Suisse said in a note to clients.

"We think it is right to focus on dividend yield for valuation purposes, rather than just SOTP [sum of the parts], and this drives the reduction in our target price to 105p/share (from 145p)."

Cash flows under pressure

Given that Centrica currently boasts a whopping 13% dividend yield - anything over 6% usually raises eyebrows in the Square Mile - and costs it almost £700m every year, Credit Suisse's view that a cut is inevitable is unlikely to surprise many.

Chief executive Iain Conn said earlier this year that operating cash flow was "under some pressure", not helped by new limits on household energy bills.

Credit Suisse expects more clarity around the dividend in the half-year results, which are due to be published on 30 July.

Centrica shares were broadly flat at 88.1p on Friday afternoon.

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Price: 39.05

Market Cap: £22.8 m

1 Year Share Price Graph



Share Information

Code: CNA

Listing: LSE

| 52 week | High | Low |
|---------|-------|------|
| | 97.02 | 29.1 |

Sector: Energy

Website: www.centrica.com

Company Synopsis:

Centrica plc is an integrated energy company operating predominately in United Kingdom and North America. In the United Kingdom, it operates three segments: upstream, downstream and storage.

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