

Microsoft raises dividend 25 pct to support stock

September 21 2011, By MICHAEL LIEDTKE , AP Technology Writer

(AP) -- Microsoft Corp. is trying to lift its stock price by boosting its dividend 25 percent, the largest increase since the world's largest software maker started the quarterly payments seven years ago.

The change announced Tuesday will boost Microsoft's dividend to 20 cents per share from 16 cents per share. That topped a 23 percent, or 3 cents per share, increase made on the dividend a year ago.

It's the sixth time Microsoft has raised its dividend since it introduced an 8 cents-per share payment to shareholders in 2004.

The decision to start paying a regular [quarterly dividend](#) signaled that Microsoft's board of directors realized the company's growth rate by itself would no longer be enough to attract investors. That wasn't the case during Microsoft's first 14 years as public company as its [Windows operating system](#) and other products became personal computer staples. From Microsoft's stock market debut in 1986 to the peak of the dot-com boom in early 2000, the company's shares rose by about 500-fold.

That allowed Microsoft to hold on to its cash instead of using it to entice investors to its stock.

But things have changed. The rise of the Internet and the advent of cellphones and computer tablets have made Microsoft's products look less essential, and given rise to concerns that the company might be heading toward technological obsolescence.

Microsoft has been trying to change that perception by pouring billions into its Bing search engine in an effort to counter Google Inc.'s dominance. More recently, it has been focusing on a sweeping overhaul of its Windows operating system so it can run on touch-screen tablets as well as traditional PCs. The redesigned system, Windows 8, is expected to go on sale next year.

In the meantime, Microsoft has been escalating the size of its dividend increases. Despite those actions, Microsoft's [stock performance](#) has been lagging two other technology bellwethers that rank among its biggest rivals.

Microsoft's stock is stuck at roughly the same level it was five years ago while [Google](#) shares have risen 27 percent and Apple Inc. shares have surged to a more than five-fold increase.

Microsoft's past dividend increases haven't done much for the company's stock, according to FBR Capital Markets analyst David Hilal. He found the stock's gains on the day following the five previous announced dividend increases have never exceeded 2 percent. In 2005 and 2010, the stock dipped in the first of day of trading after Microsoft announced a dividend increase.

The shares gained 17 cents, or less than 1 percent, to \$27.15 after Tuesday's announcement. At that price, Microsoft's dividend would translate into an annual yield of about 3 percent.

The new [dividend](#) is payable on Dec. 8 to shareholders of record on Nov. 17.

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