

GLOBAL SHARE BUYBACKS

Trend to continue despite higher interest rates & the emergence of Asia & Japan in global share buybacks.

Share buybacks plunged during the Covid-19 pandemic. However, with cash balances rising since 2020, share buybacks hit record highs in 2022. Janus Henderson estimates that repurchases from the world's top 1,200 companies increased by 22% from 2021, Oil companies were the largest contributor to growth in share buybacks. 2023 has also resulted in further increases in the value of share buybacks globally.

North America was responsible for 76% of global share buyback value. Technology companies were the biggest contributor, at 21%. Buybacks were incredibly top-heavy: just 10 companies contributed to almost 25% of the global total value of share buybacks. Apple was the world's largest buyer of its own shares in FY2022, purchasing an astonishing \$89bn, it made up 7% of the global total.

Overall, between 2012 and 2022, there was a c.200% increase in the total global value of buybacks, compared to just 54% for dividends.

In 2023, buy backs have fallen for two reasons. Firstly, higher rates have affected cash balances. Secondly, buyback programs are often financed by debt for companies which are not as cash-rich. Debt is now more costly, reducing buybacks.

Japanese buybacks showed positive momentum in 2022 and are set to reach record levels again in 2023. Many Japanese companies have traded at a Price/Book (P/B) ratio of less than 1; essentially meaning that investors value the company at less than its assets are worth. To improve P/B ratios, companies must boost stock prices. This is done not only through higher capital efficiency, but also through buyback programs. In 2023, Mitsubishi, Honda and KDDI have carried out particularly aggressive buyback programs.

With Chinese indices showing lacklustre returns, attempts to boost investor confidence have meant Chinese companies committed over \$1bn to buyback programs in 2023. With a potential economic recovery in 2024 combined with cheap valuations, could fuel a larger buyback program in China in 2024.

Overall with interest rates expected to fall and the balance sheets of larger companies remaining in good health, we expect the buyback trend to resume in 2024 and with Asian & Japanese corporates now adding to the global totals.

Higher rates and banking worries hit buybacks

Quarterly share repurchases by S&P 500 companies (\$bn)

