

## VIDEO - Do Buybacks Matter Now?



**Buybacks in aggregate have been a waste of capital:** There is ample evidence that management teams of most companies should be questioning the value of large share buybacks. On average, among mega-/large-cap stocks they were not rewarded, as share reductions over a 12-month period of 0.5% to 2.05% resulted in similar subsequent volatility-adjusted performance compared to those companies increasing their net share counts by 0.5% to 2.5%. This means deploying the capital elsewhere - on average - would have been more prudent. Among small caps, overall efficacy is weaker than for mega/large caps, and we don't broadly conclude buying stocks with large net share reductions is better than those with material dilution.

**It's different for growth vs. value:** There does appear to be a penalty for growth companies that massively dilute their share count compared to those who do not, but less between those with modest net buybacks vs. large ones. We would have guessed that buybacks would be a good strategy for value stocks, as it can often be a meaningful source of EPS growth for that cohort. However, there is virtually no subsequent performance differentiation among value stocks for big decreases or no change to shares outstanding over a 12-month period, and only modest outperformance vs. large dilution. It is clear that buybacks drive subsequent performance more for growth than value stocks.

[Read the full research note here.](#)

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