

Stock Buy Backs

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What to do with all that money?

- Capital expenditures
- Acquire another company
- Pay cash dividends
- Repurchase shares

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Buy Back History

- 2018 Corporate tax cuts
- 2021 over 200 S&P 500 companies announced Buy Back plans
- Corporate profits in U.S. go for stock Buy Backs
- Dividends held steady

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Buy Back benefits

- Helps drive stock price higher
- Capital Gains tax efficient
- Reduced share numbers can increase EPS
- Indicates management's confidence in the company

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Pitfalls of Buy Backs

- Used instead of investing in new growth, maintenance, and other upkeep
- Could manipulate stock prices and other ratios
- May increase debt to boost dividends and increase Buy Backs
- May unduly benefit executives

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The Bottom Line

- Buy Backs work best when stocks are cheap
- Investors prefer money going for equipment and factories, etc.
- There is a political push to curtail buy backs, coming mainly from Democrat Progressives
- SEC has regulations and risks for companies to follow

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