GUZMAN&COMPANY

Do Outsized Buyback Programs Payoff? A Look Into Aggressive Share Repurchases Today vs Historical Precedents

While technology giants' large-dollar buybacks capture media attention, the highest intensity repurchasers are often mature, cash-generative, and strategically motivated companies aggressively returning capital to shareholders through buybacks. Their nuanced approach to capital allocation and market signaling is beyond simple headline numbers. Historical record of whether these outsized buybacks can create value is somewhat mixed. In our experience, a double-digit buyback yield is a *capital allocation amplifier* and, if done correctly, can enable strong value creation or, if executed in the wrong way, can erase value just as quickly. In this report, we examine the most aggressive share repurchase programs in the market today and compare them to the market precedent from previous years.

Guzman & Company

Ruslan Magdeev
rmagdeev@guzman.com
203-451-2375

Bill Robertson
wrobertson@guzman.com
516-768-6475

Guilherme Jacob
gjacob@guzman.com
413-379-8888

While technology giants' large-dollar buybacks capture media attention, the highest intensity repurchasers are often mature, cash-generative, and strategically motivated companies aggressively returning capital to shareholders through buybacks. Their nuanced approach to capital allocation and market signaling is beyond simple headline numbers. Historical record of whether these outsized buybacks can create value is somewhat mixed. In our experience, a double-digit buyback yield is a *capital allocation amplifier* and, if done correctly, can enable strong value creation or, if executed in the wrong way, can erase value just as quickly. In this report, we examine the most aggressive share repurchase programs in the market today and compare them to the market precedent from previous years.

Google, Apple, and Meta frequently dominate headlines with eye-catching stock buyback figures, spending over $190 billion combined in 2024 alone. Despite these enormous absolute amounts, their buybacks represent only about 3% of their massive market capitalizations. When examining buybacks relative to market capitalization and free cash flow, a very different set of companies tops the league tables. Several companies stand out for their significantly more aggressive buyback strategies. Here is our list of the top (most aggressive) share repurchasers in the market today:

- **Marathon Petroleum (MPC)**: Approximately 16% of its market capitalization, equating to a $9.2 billion buyback program. MPC's buybacks notably surpass its annual free cash flow, supported largely by strong refining margins and cash flow generated from previous strong market conditions.

- **General Motors (GM)**: Around 15% of its market capitalization, with a $7 billion buyback program, utilizing roughly half of its annual free cash flow. GM's aggressive buyback approach follows significant operational restructuring and a strategic pivot towards electric vehicles, signaling confidence in its valuation.

- **HP Inc. (HPQ)**: About 10% of market capitalization, with a $2.1 billion buyback program, nearly matching its annual free cash flow. HP continues to prioritize buybacks due to limited attractive growth opportunities and strong cash flow from its mature PC and printing segments.

- **American International Group (AIG)**: Roughly 15% of market capitalization, with a $7 billion buyback program, substantially funded through proceeds from asset sales. AIG's buybacks reflect a strategic decision to return capital to shareholders after successfully divesting non-core operations.

- **Twilio (TWLO)**: Approximately 13% of its market capitalization, with a $2.3 billion buyback program, far exceeding its free cash flow by approximately 300%. Twilio's buyback program demonstrates management's strong belief that its stock is undervalued, despite leveraging debt to finance repurchases.

- **State Street (STT)**: About 10% of market capitalization, with a $3.0 billion buyback program, despite recent negative free cash flow. State Street's aggressive buybacks illustrate management's conviction in a valuation rebound, even amid challenging financial performance.

- **Kroger (KR)**: Around 12% of its market capitalization, with a $5.2 billion buyback program, significantly above its annual free cash flow. Kroger has utilized accelerated share repurchase programs, indicating its commitment to shareholder returns despite ongoing industry pressures and pending mergers.

- **Builders FirstSource (BLDR)**: Approximately 13% of market capitalization, with a $1.5 billion buyback program, equating to 100% annual free cash flow. Builders FirstSource's buyback activity underscores its cash-rich operations and perceived undervaluation, driven by robust performance in the housing market.

- **Expedia (EXPE)**: Around 9% of its market capitalization, with a $1.8 billion buyback program, approximately two-thirds of its annual free cash flow. Expedia continues significant repurchases driven by strong recovery and cash generation in the travel sector, demonstrating confidence in its valuation.

These aggressive repurchasers are usually temporary endeavors and share several common traits:

- **Mature or Maturing Businesses**: Limited opportunities for reinvestment at high returns push companies toward buybacks as the optimal use of cash.

- **Significant Free Cash Flow or Asset Sales**: Firms like MPC, AIG, and GM use substantial asset sales or cash windfalls to fund aggressive buybacks.

- **Management Confidence and Undervaluation Signaling**: Companies like Twilio and State Street repurchase aggressively to signal confidence and perceived undervaluation of their stock.

- **EPS Growth Strategy**: Buybacks can mechanically boost earnings per share (EPS), especially appealing in slower growth or mature industries.

Historical Precedents (2019–2024): Did Big Buybacks Pay Off?

Company (Year)	Buyback Size / Mkt Cap	Funding Source	12-mo TSR vs S&P	24-mo TSR vs S&P	Quick Verdict
AutoZone (2021)	10%	OCF + modest debt	+51 bps	+88 bps	Sustained program + steady earnings drove structural outperformance.
eBay (2020)	15%	StubHub sale	+2 bps	–13 bps	Short-term bump faded; core growth lagged.
Bed Bath & Beyond (2021)	14%	Debt & cash	–96 bps	–100 bps	Capital incineration; filed for Chapter 11 in 2023.

Patterns From the Past

- **Timing & Fundamentals Matter More Than Size**. Large repurchases paired with improving fundamentals, generated hefty excess returns. When fundamentals deteriorated, buybacks could not rescue shareholders.

- **Sustainable Funding Is Critical**. Asset sale cash or surplus FCF is benign; leverage driven buybacks add risk and rarely pay off unless future cash generation is rock solid.

- **Market Gaps Close Quickly**. Firms that strike when valuations are compressed reap the largest benefit before multiples revert.

Three Tests to Evaluate Buybacks: when evaluating buyback three filters should be considered - valuation, funding source, and capital-discipline impact. In our experience, two or more red flags almost always point to shareholder value destruction and heightened balance-sheet risk.

Test	Green Light	Yellow	Red Light
Valuation	Buyback price < intrinsic value (FCF yield > cost of equity)	Market-fair pricing	Overvalued multiples
Funding Source	Surplus FCF or one-off asset sale	Moderate leverage	Debt-heavy with weak cash flow
Capital Discipline	Core cap-ex & R&D fully funded post-buyback	Minor trade-offs	Buybacks crowd out investment or de-risking

If 2 or more tests flash yellow/red, odds favor value destruction.

Bottom Line:

- Outsized buybacks generally reflect temporary or opportunistic conditions, often lasting one to two years. Frequently, large buybacks follow asset sales, strong earnings windfalls, or operational restructuring. Once the surplus capital is deployed, companies typically revert to a normalized repurchase pace aligned with their regular free cash flow. Some mature, highly cash-generative firms (e.g., consumer staples, mature tech) sustain elevated buybacks for several years, provided stable, predictable cash flows.

- These programs create value primarily when well-timed, sustainably financed, and executed at or below intrinsic value.

- Conversely, value destructive cases are typically "financial cosmetics" masking eroding fundamentals or executed near peak multiples.

From Guzman & Company's multi-decade experience in this market, an aggressive buyback is neither a solution nor a poison pill. It is a capital allocation amplifier. Executed at the right price and funded prudently, it can enable excess return for years to come; executed at the wrong price or with shaky funding, it can wipe out equity value just as fast. Scrutinize each program against the characteristics above before counting on buybacks to do the heavy lifting for shareholder returns.

DISCLAIMER

Information in this document is prepared for our institutional clients and is for information purposes only and may not be communicated, reproduced, distributed, or disclosed to any unauthorized person. The material contained herein has not been based on a consideration of any individual circumstances and as such should not be considered to be a personal recommendation. Unless otherwise indicated, any opinions expressed herein are the views of the authors as of the date hereof and may differ or conflict with those of other Guzman & Company ("Guzman") personnel. Guzman undertakes no obligation to update information in this publication. Without limiting any of the foregoing and to the extent permitted by law, Guzman accepts no liability whatsoever for any consequential losses arising from the use of this document or reliance on the information contained herein. Guzman and others associated with it may currently or in the future enter into proprietary positions (long or short) and effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking, brokerage or other services for those companies. We may at any time modify or liquidate all or a portion of such positions and we are under no obligation to contact you to disclose any modification or liquidation. Nothing herein shall be deemed to constitute investment, legal, tax, financial, accounting or other advice. No services offered may be misconstrued as to characterize Guzman as a fiduciary or advisor.

This communication has been prepared by sales, trading, or other non-research personnel of Guzman. It is not a Research Report and the information contained herein is insufficient to form an investment opinion. The foregoing materials have been provided by Guzman to certain persons in their capacity as agent for the corporate entity. Any prices shown are indicative and Guzman is not offering to buy or sell or soliciting offers to buy and sell any financial instrument. The material contained herein has not been based on a consideration of any individual circumstances and as such should not be considered to be a personal recommendation. Unless otherwise indicated, any opinions expressed herein are the views of the authors as of the date hereof and may differ or conflict with those of other Guzman personnel. We undertake no obligation to update the opinions or the information in this publication. Other than disclosures relating to Guzman, the information contained in this communication has been obtained from publicly available information and sources that Guzman believes to be reliable, but Guzman does not represent or warrant that it is accurate or complete. Guzman makes no express warranties with respect to any data included in this communication, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use. Without limiting any of the foregoing and to the extent permitted by law, Guzman accepts no liability whatsoever for any consequential losses arising from the use of this document or reliance on the information contained herein. Unless stated otherwise, any performance data quoted represents past performance. Neither such data nor any modeling or back-testing contained herein is an indication as to future performance. Guzman & Company is a registered broker dealer in Coral Gables, FL, Member FINRA, SIPC.