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Impact of Stock Repurchase Decision on Firm Performance: An Analysis of Pakistani Firms

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Abstract

This study examined the long-term performance of the firm and the factors that influence a company's decision to engage in stock repurchase. The intricate relationship between stock repurchase decisions and their impact on firm performance focuses on several key factors: financial position, stock price, shareholders pressure, EPS growth, investment opportunities, and financial position. Stock repurchases have become a common financial strategy, aiming to optimize their capital structure and enhance shareholders' value. The outcome of this study provides valuable insight for corporate decision-makers, investors, and regulators, helping them better understand the intricate relationship between stock repurchase decisions and the financial health and strategic positioning of firms in a dynamic and competitive market environment.

Keywords: EPS Growth, Firm's performance, Capital Structure, Shareholders Pressure

Introduction

Stock repurchasing has become increasingly popular and widely used in the world stock market. This technique has a great impact on a firm's financial situation and strategies such as distributing cash to shareholders, improving earnings per share, or increasing stock prices. Moreover, stock repurchase also influences the securities market, including rival firms in the same industry. In 2019 alone, S&P 500 companies repurchased around $700 billion worth of shares, marking the tenth consecutive year where share buybacks surpassed dividends in terms of total expenditure (Yardeni Research's Corporate Finance Briefing, 2021).

Operational performance is associated with share repurchases; however, share repurchases may crowd out necessary capital investments. Financial flexibility can reduce the impact of investment crowding and positively affect the operational

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performance of firms after repurchases (Chao & Huang, 2022). To investigate the effect of stock repurchases on firms in the same industry, specific objectives are focused: to assess how share repurchase decisions affect firms' valuation, Earning per share, ROI, ROE, and Net profit. Furthermore, the analysis of stock Repurchase Decision indicators provides information about its immediate success and its movement direction in the future. All the stakeholders consider these factors when they decide to buy back their share from the market. The probability of share repurchases that increase earnings per share (EPS) is significantly higher for companies that would have missed EPS estimates in the absence of repurchases, compared to companies that "just beat" EPS estimates (Almeida, et al., 2016) A decrease in free cash flow and systematic risk are sources of positive market reaction to the repurchase announcement. Market reaction to share repurchase announcements is stronger in firms that invest more (Gustavo Grullon, The Information Content of Share Repurchase Programs, 2004). Stock price performance after actual share repurchases. On average, repurchasing firms do not exhibit strong superior abnormal performance either initially or over the long horizon when they repurchase actual shares (Zhang, 2005).

Repurchase companies continue to earn additional returns for several months after the announcement. The announcements are known to have an inter-industry impact and significantly reduce the value of competing insurers. Changes in the competitive position of repurchase firms occur at the expense of rival firms and dominate any indication of favorable industry conditions (Miller & Shankar, 2005). Foreign ownership raises the frequency of stock repurchases among finished firms (Liljeblom & Pasternack, 2006). Managers did not reveal the reasons publicly for stock repurchase programs, they mostly wanted insider trading. If insiders believe the objective of the announcement is to convey favorable information to outsiders about the future profitability of the firm, they increase their equity holdings before the announcement. Consequently, the market expects the announcement to be positive and it receives the signal as more credible. However, the market receives the signal as less credible if it observes abnormal insider selling activities before the announcement.

Factors Affecting Stock Repurchase Decision by Firm

Financial Position

One of the most important factors that affect share purchase is a company's financial position. Companies with strong financial positions, such as high cash reserves or low debt levels, are more likely to engage in share repurchases. These companies have the financial resources to buy back their shares and are often looking for ways to return excess cash to their shareholders. Management motives to repurchase shares affect the company’s financial position. Management’s motives to achieve a cash reserve improves the company’s financial position (Al Sharawi, 2022).

Stock Price

Share repurchases are often used as a way to support a company’s stock price. If a company’s stock price is under-valued, it may be a good time to buy back shares to support the stock price and increase shareholder value. The main reason companies engage in stock repurchases is to capitalize on undervaluation in their stock prices. When stocks are undervalued, firms see an opportunity to buy back their own shares at a price lower than their perceived true value. This strategy allows them to take advantage of market mispricing and potentially benefit from future price increases. By timing the market through share repurchases, companies aim to acquire their stock at a price below the prevailing market price, thus maximizing the value for their shareholders (Brav, et al., 2005). On average, companies tend to pay a price for their shares during the repurchase month that is significantly notably lower than the average market price (Dittmar & Field, 2015).

EPS Growth Target

Many companies have EPS (earning per share) growth targets that they aim to meet or exceed to demonstrate their financial strength and attract investors. The earnings per share (EPS) are often used as the indicator of a firm’s financial performance (Seetharaman & Raj, 2011). Share buybacks may align with or occur after periods of temporary increases in earnings. These transient shifts in earnings contribute to greater volatility in earnings (Di & Marciukaityte, 2015). Repurchasing shares can be a way to boost EPS and help the company meet its targets. However, it's important to note that stock repurchases alone may not be enough to achieve sustained EPS growth, as other factors such as revenue growth and cost management also play a role.

Investment Opportunities

Companies may choose to engage in share repurchases instead of investing in new projects or acquisitions. If a company doesn’t see attractive investment opportunities, it may choose to buy back shares instead. When a company has excess cash on hand, it has a few different options for what to do with that cash. One option is to invest in new projects or acquisitions that could help the company grow and increase shareholder value. However, these opportunities may not always be available or attractive. In these scenarios, stock repurchases may be seen as a more attractive option than investing in new projects or acquisitions. By repurchasing shares, the company can return excess cash to shareholders, which may help increase the stock price and improve investor sentiment. This can be particularly appealing if the company’s stock is undervalued or if the company has a large amount of excess cash that is not generating a good return on investment.

Shareholders Pressure

Shareholders may put pressure on a company to engage in share repurchases to increase shareholder value. This pressure may come from activist investors or large situational shareholders. Companies may face conflicting pressures from different shareholders, who may have different investment horizons and objectives. For example, some shareholders may be focused on short-term gains and may push for stock repurchases, while others may be focused on long-term growth and may push for investments in new projects or acquisitions. Companies may need to consider the impact of stock repurchases on other stakeholders. For example, if a company engages in stock repurchases instead of investing in new projects or acquisitions, it may be seen as prioritizing shareholder value over the need to fit the stakeholders. This could potentially harm the company’s reputation or lead to negative effects on employee morale or customer loyalty.

Companies should carefully consider the potential benefits and drawbacks of stock repurchases before making any decisions.

Literature Review

Stock Repurchases

There is an extensive literature exploring the motives behind share repurchases by corporations. Undervaluation, as a motive for stock repurchases, suggests that companies perceive their stock prices to be trading below their intrinsic or fair values. The “free cash flow hypothesis,” where companies with excess cash may use repurchases as a mechanism to signal that their shares are undervalued and to deploy available resources in an efficient manner (Jensen, 1986). Companies are more likely to buy back their shares to boost EPS when they would have narrowly missed meeting the EPS forecast without the repurchase. This probability is significantly higher than for companies that barely exceeded the EPS forecast (Almeida, et al., 2016). This study looks at two main questions: First, it explores whether the rising popularity and scale of accretive share buybacks are behind the increasing trend of companies reporting positive street earnings surprises. This is an issue that has been examined in earlier research (Griffin & Lont, 2024). When a company's current stock price drops compared to the price at which it previously bought its shares, the likelihood of engaging in share repurchase activities goes up. To explain this behavior, this study demonstrates that this relationship becomes less pronounced during stock splits, behaves differently during gains and losses, and becomes more significant when the prices at which shares were previously repurchased are more noticeable (Clarke, et al., 2024).

The primary reason companies buy back their stock is to distribute cash to shareholders, aligning to maximize stockholder wealth. Another motive for stock repurchases is related to investment; when a company has extra cash but lacks profitable investment opportunities, it may choose to repurchase its own shares. Additionally, companies may engage in stock repurchases to increase their leverage ratio. If a company's leverage ratio falls below the target, it might opt to repurchase its stock to adjust and bring it closer to the desired level. These reasons reflect various strategies companies employ to manage their finances and optimize their capital structure (Purba, 2023). This notion aligns with the signal in theory, which suggests that companies repurchase shares to communicate their optimistic outlook to the market (Vermaelen, 1981). Repurchase announcements tend to generate positive abnormal returns, especially when repurchases are conducted during periods when stock prices are perceived to be undervalued (Baker & Wurgler, 2002).

Companies may view stock repurchases as an opportunity to close the gap between the market price and their intrinsic value, thereby enhancing shareholder value. Tax considerations play a crucial role in shaping companies’ preferences for stock repurchases (Brav, et al., 2005). Highlight the tax efficiency of repurchases compared to dividends. Repurchases can provide shareholders with the option to defer capital gains taxes until they sell their shares, potentially resulting in more favorable after-tax returns compared to immediate taxation on dividend income. This tax advantage can make repurchases an attractive method of distributing capital to shareholders. The preferential tax treatment associated with repurchases becomes especially relevant for investors subject to higher tax rates on dividends. This creates an incentive for investors to view repurchases as a tax-efficient means of realizing returns on the investment.

Shareholders’ Wealth and Abnormal Return

One of the primary impacts of stock repurchases is on shareholder wealth. Repurchase announcements often lead to market reactions, reflected in abnormal returns. Share repurchase announcements tend to generate positive abnormal returns, particularly when repurchases are conducted during periods of undervaluation. These abnormal returns suggest that investors perceive repurchases as a positive signal of the company's prospects and future cash flows (Grullon & Michaely, 2004). Repurchases can also enhance shareholder value by reducing the number of outstanding shares, leading to an increase in earnings per share (EPS). Companies engaging in repurchase experience higher subsequent EPS growth. This increase in EPS can potentially attract investors seeking companies with strong earnings growth potential (Ikenberry, et al., 1995).

Stock repurchases can mitigate the dilutive effects of stock-based compensation programs, such as employee stock options. Companies issuing stock options increase the number of outstanding shares when those options are exercised. Repurchases offset this dilution by reducing the overall number of shares outstanding. This effect can be particularly important for companies aiming to align management and shareholder interests by maintaining or increasing EPS (Mikkelson & Partch, 1986).

That companies experience more favorable returns in the short run following share repurchase. It contributes valuable insights into the market dynamics of companies engaging in share repurchases. By emphasizing both short-term and long-term perspectives through the lens of earnings per share and abnormal returns, we gain a clearer understanding of the varied effects of these financial decisions on overall company performance (Kuntluru & Chacko, 2019). Significant abnormal returns were observed in the period leading up to trading, influenced by market reactions, increased liquidity, and reduced volatility during the actual transaction window (Wang, et al., 2021).

The impact of stock repurchases on market perception extends beyond immediate stock price reactions. Repurchases can serve as a signaling mechanism, providing information to the market about management's assessment of the firm's intrinsic value. Share repurchases can be interpreted as a positive signal when managers believe that the stock is undervalued. Conversely, repurchases executed during periods of overvaluation may indicate that management views the stock as overpriced (Baker & Wurgler, 2000).

Firm's Performance

A multitude of factors shape companies' decisions to engage in stock repurchases. A firm's financial position is a crucial determinant, as companies with robust cash reserves and manageable debt levels are better equipped to fund repurchase programs. Shareholder pressure, particularly from activist investors, has significantly influenced repurchase decisions.

However, not all repurchase decisions align with the long-term interests of shareholders, as managers might prioritize short-term stock price gains (Lie, 2005). Stock repurchases also intersect with corporate governance considerations. Repurchases can impact executive compensation structures, influencing managers' incentives and performance matrices (Mikkelson & Partch, 1986). The decision to repurchase shares might also reflect managerial attitudes toward risk management and capital allocation strategies (Hackbarth, 2008). Companies that buy back their stock often have several characteristics: more cash on hand than they seem to need, lower debt levels, and stock option programs for employees. Interestingly, their boards of directors tend to be larger, but with a smaller portion being independent outsiders. Our study found a connection between these repurchases and companies having a lot of extra cash, which aligns with the idea that firms do stock buybacks when they have more money than they can invest elsewhere (Wållberg & Anglemier, 2021). A clear link between a company's profitability and how much money it pays out to shareholders in dividends. The more profitable a company is, the more likely it is to share those profits with its shareholders through dividends (Firer, et al., 2008). When a company makes a lot of money, they have more breathing room. This allows them to invest some of that profit back into the business for future growth. At the same time, they can also use some of those profits to reward the people who own pieces of the company with regular payments called dividends (Forti & Peixoto, 2015).

Return on asset is a substitution for profitability because Return on Asset (ROA) detains the accounting profits that are available for distribution to shareholders (Fama & French, 2001). Some studies identify various motives for share buyback and not just the dominance of a single motive. There are multiple reasons for buybacks, including share price appreciation, achieving optimal capital structure, preventing earnings dilution, replacing dividends, and returning excess cash to Shareholders (Stonham, 2002)-both traditional and strategic reasons for the management of share repurchase with accounting methods for treasury stock. Traditional reasons are cited as the distribution of shares for compensation schemes, increased EPS, and signals to shareholders. Strategic goals include having excess cash and maintenance of capital structure (Reimers & Singleton, 2010).

However, the current study believes it is necessary to investigate the effect of earnings management on long-term performance to determine whether the accounting judgment through earnings management used by corporate players is a cost or a benefit to a firm and its shareholders. Hence firm performance will be used as the yardstick in ascertaining whether earnings management is a cost or a benefit to firms and shareholders.

Objectives

- To determine the financial effect on the Pakistani firms due to stock repurchase
- To determine which factors, influence Pakistani firms for stock repurchase

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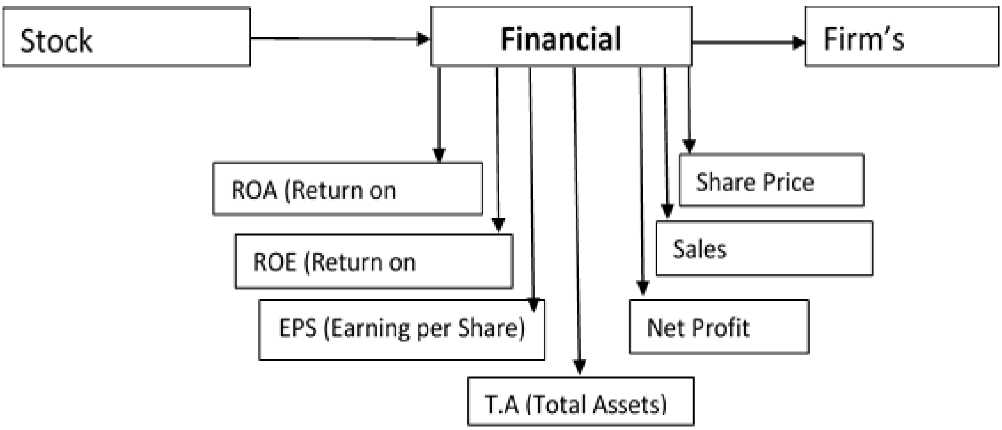
Hypothesis

Ho_1: There is no relationship between stock repurchase and a firm's performance with an accounting-based measurement.
Ha_1: There is a relationship between stock repurchase and a firm's performance with an accounting-based measurement.

Model

A theoretical framework is proposed in this study. As shown in Figure 1, the framework is specifically formatted for testing the mediating factor of financial position on the relationship between stock repurchase (independent variable) and the firm's performance (dependent variable).



Source: Researcher's compilation

Methodology

This quantitative research explains the phenomenon of financial position (as a mediating factor) along with Stock Repurchase (independent variable) and the Firm's Performance (dependent variable). Financial position (mediating factor) and its effect on a firm's performance are tested through the following factors:

- ROA (Return on Asset)
- ROE (Return on Equity)
- EPS (Earning per Share)
- T.A (Total Assets)
- Share Price of the Firms
- Sales
- Net Profit

The sample of the study consisted of five different Pakistani companies including, Lucky Cement, Maple Leaf Cement, Kohinoor Textile Mills, JWD Sugar, and Engro Corporation Limited. These five companies were selected because these different companies buy back their shares. This study is focused on share buyback Pakistani firms that meet or beat the expected Firm's performance based on mediating factors. Data collected from secondary sources, and analyzed based on analysis conclusions were drawn. For analyzing the data, the data collected from the financial statements of five various companies and check the effect before or after share repurchasing. The researchers check the variability of the mediating factor and the factors that affect the mediating factor.

Data Analysis and Discussion

Lucky Cement

Table 1. Data Chart - Lucky Cement

DATA	Before Stock Repurchase	After Stock Repurchase
ROE	2.9	8.22
ROA	5.4	19.02
EPS	11.91	12.66
Total Assets	PRs 202,046,639,000	PRs 204,449,822,000
Net Profit	PRs 3,852,000,000	PRs 11,134,000,000
Sale	PRs 19,743,334,000	PRs 25,014,580,000
Share Price	435	550

Before Stock Repurchase

ROA before the stock repurchase was 5.4, indicating that the company was generating 5.4 cents of profit for every rupee of assets. This suggests a moderate level of asset efficiency.

ROE stood at 2.90, which indicates that Lucky Cement was delivering a return of 2.90 cents on every rupee of shareholders' equity. This level of return signifies a relatively low return on equity investment.

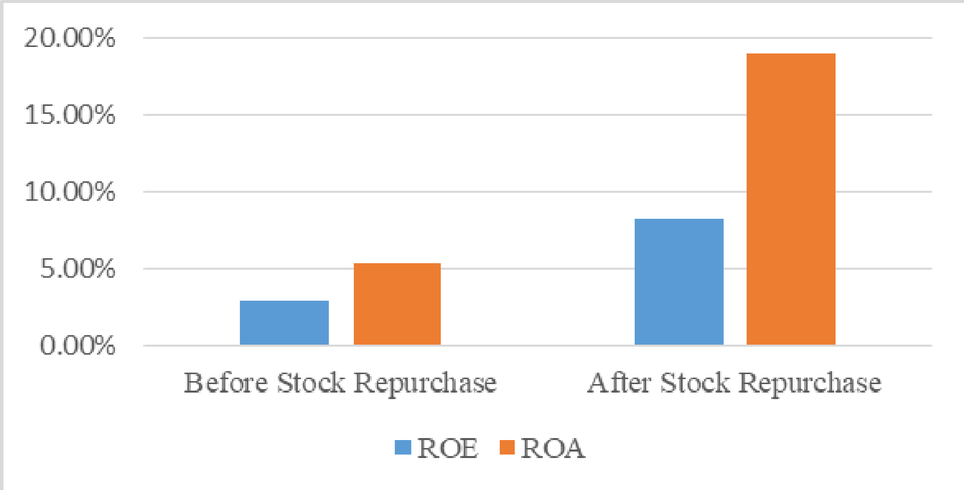


Figure 1. Effect of ROE and ROA

EPS was 11.91, reflecting the company's earnings allocated to each outstanding share. This figure provides insights into the profitability of each shareholder's investment.

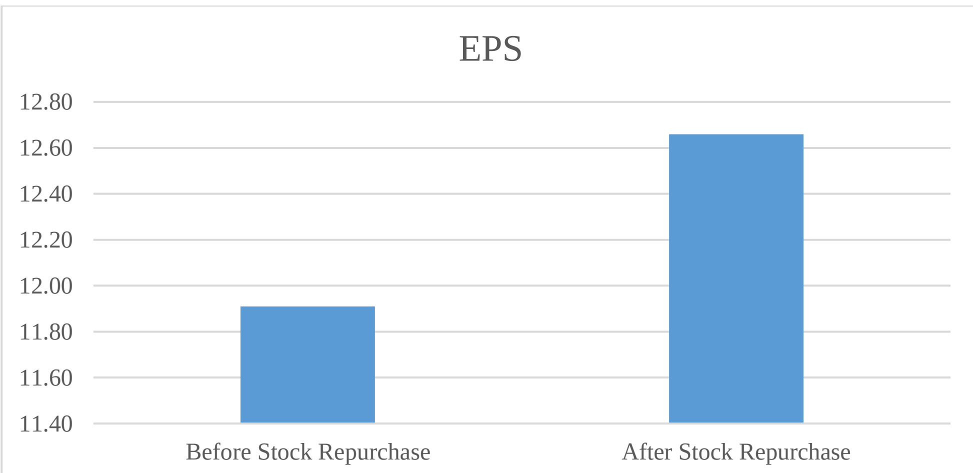


Figure 2. EPS - Before and After Stock Repurchase

Total assets amounted to PRs 202,046,639,000, illustrating the scale of Lucky Cement's asset base before the stock repurchase.

Net profit was Rs 3,852,000,000, indicating the company's total earnings after expenses and taxes.

Sales revenue amounted to Rs 19,743,334,000, showing the total revenue generated from the company's operations.

After Stock Repurchase

ROA surged to 19.04% after the stock repurchase, indicating a substantial improvement in asset efficiency. The company was now generating 19.04 cents of profit for each rupee of assets, signifying a more productive use of its assets.

ROE also saw a remarkable increase, reaching 8.22%. This signifies that the stock repurchases positively impacted the returns to shareholders, with the company delivering 8.22 cents on every rupee of equity.

Although the increase in EPS was relatively modest (from 11.91 to 12.66), it suggests that the stock repurchase contributed to a slight improvement in earnings available to each shareholder on a per-share basis.

Total assets increased to Rs 204,449,822,000, indicating that the stock repurchase did not result in a reduction of assets. This suggests that the company may have strategically deployed its resources or experienced asset growth.

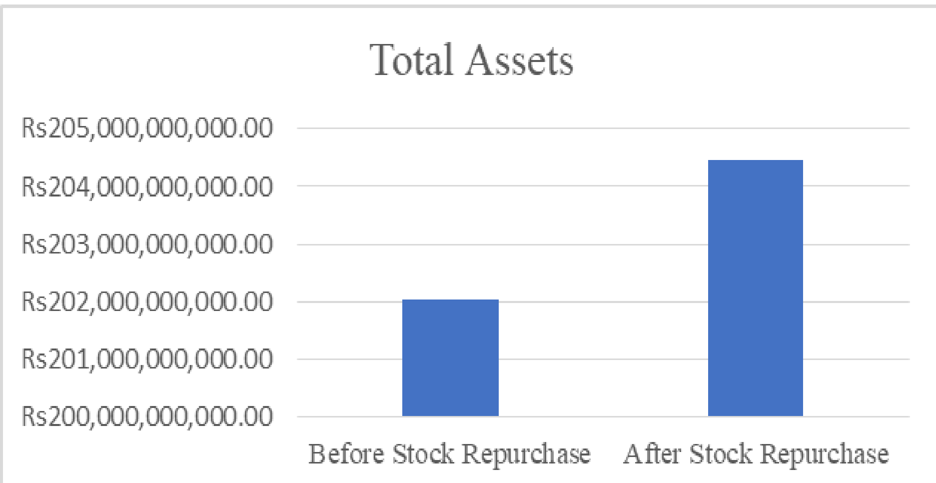


Figure 3. Total Assets - Before and After Stock Repurchase

Net profit saw a substantial increase, reaching Rs 11,134,000,000. This profitability surge reflects the stock repurchases' positive impact on the company's bottom line.

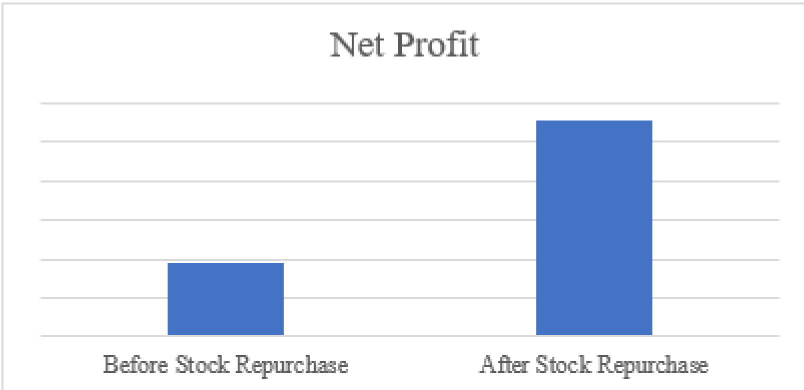


Figure 4. Net Profit - Before or After Stock Repurchase

Sales also increased to Rs 25,014,580,000, indicating potential revenue growth during or after the stock repurchase period. This growth in sales revenue is a positive sign for the company's top-line performance.

Figure 5. Sale - Before or After Stock Repurchase

Analysis

The significant improvement in ROA and ROE indicates that the stock repurchases had a substantial positive impact on the company's profitability and efficiency in utilizing assets and equity. The modest increase in EPS suggests that the stock repurchase contributed to improving earnings per share, although the impact was not dramatic. The increase in total assets indicates that the company may have effectively deployed its resources or experienced asset growth alongside the stock repurchase. The substantial surge in net profit reflects the success of the stock repurchase in enhancing the company's profitability. Sales growth is positive indicating potential revenue expansion, which may have contributed to the improved financial performance.

In summary, the stock repurchases had a profound impact on Lucky Cement's financial metrics, notably improving efficiency, profitability, and returns to shareholders. The company's ability to generate profit from assets and equity significantly increased, reflecting a successful strategic move. This data provides a deeper understanding of how the stock repurchase positively influenced the company's financial health and shareholder value.

Maple Leaf Cement

Before Stock Repurchase

ROA before the stock repurchase was 1.38%, indicating that the company was generating 1.38 cents of profit for every rupee of assets. This suggests a relatively low level of asset efficiency.

Table 2. Data Chart - Maple Leaf Cement

DATA	Before Stock Repurchase	After Stock Repurchase
ROE	2.90%	5.33%
ROA	1.38%	2.66%
EPS	1.13	2.18
Total Assets	PRs 87,076,972,000	PRs 88,114,154,000
Net Profit	PRs 1,188,273,000	PRs 2,345,646,000
Sale	PRs 12,827,344,000	PRs 17,224,025,000
Share Price	26	28

ROE stood at 2.19%, which indicates that Maple Leaf Cement was delivering a return of 2.19 cents on every rupee of shareholder equity. This level of return signifies a relatively low return on equity investment.

EPS was 1.13, reflecting the company's earnings allocated to each outstanding share. This figure provides insights into the profitability of each shareholder's investment. Total assets amounted to PRs 87,076,972,000, illustrating the scale of Maple Leaf Cement's asset base before the stock repurchase.

Net Profit: The net profit was Rs 1,188,273,000, indicating the company's total earnings after expenses and taxes. Sales revenue amounted to PRs 12,827,344,000, showing the total revenue generated from the company's operations. The average share price was Rs 26.

After Stock Repurchase

ROA increased to 2.66% after the stock repurchase, indicating an improvement in asset efficiency. The company was now generating 2.66 cents of profit for each rupee of assets. ROE also saw a notable increase, reaching 5.33%. This signifies that the stock repurchases positively impacted the returns to shareholders, with the company delivering 5.33 cents on every rupee of equity.

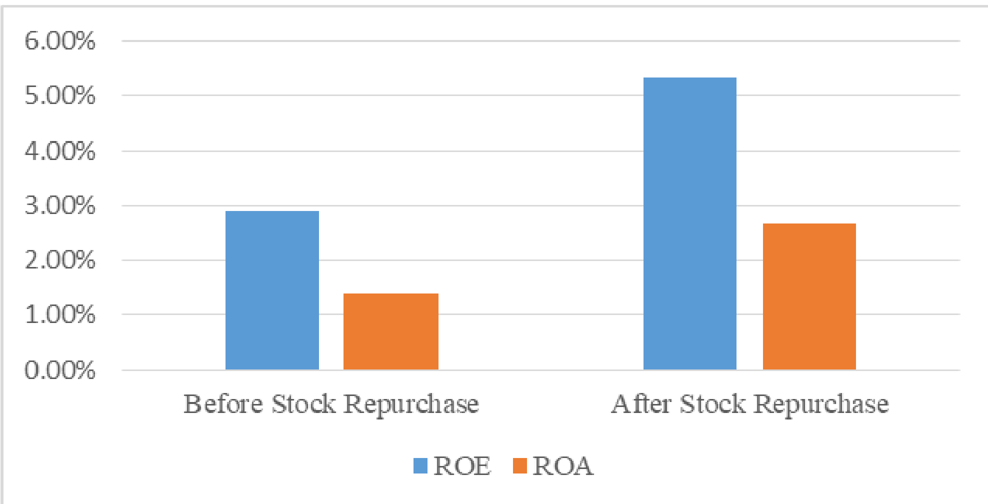


Figure 6. Effect of ROA and ROE

EPS increased to 2.18, reflecting an improvement in earnings available to each shareholder on a per-share basis.

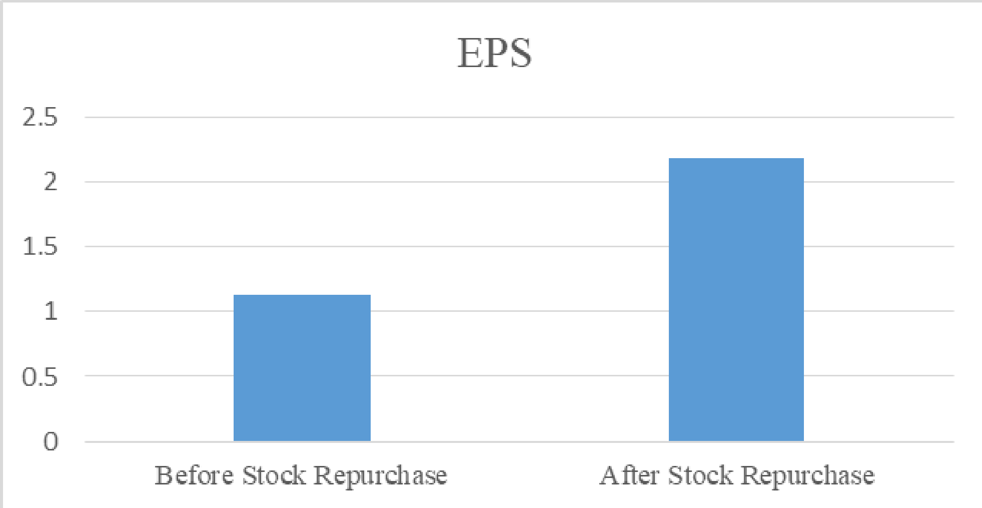


Figure 7.EPS - Before and After Stock Repurchase

Total assets increased to Rs 88,114,154,000 after the stock repurchase. Net profit showed a significant increase, reaching PRs 2,345,646,000. This profitability surge reflects the stock repurchases positive impact on the company's bottom line.

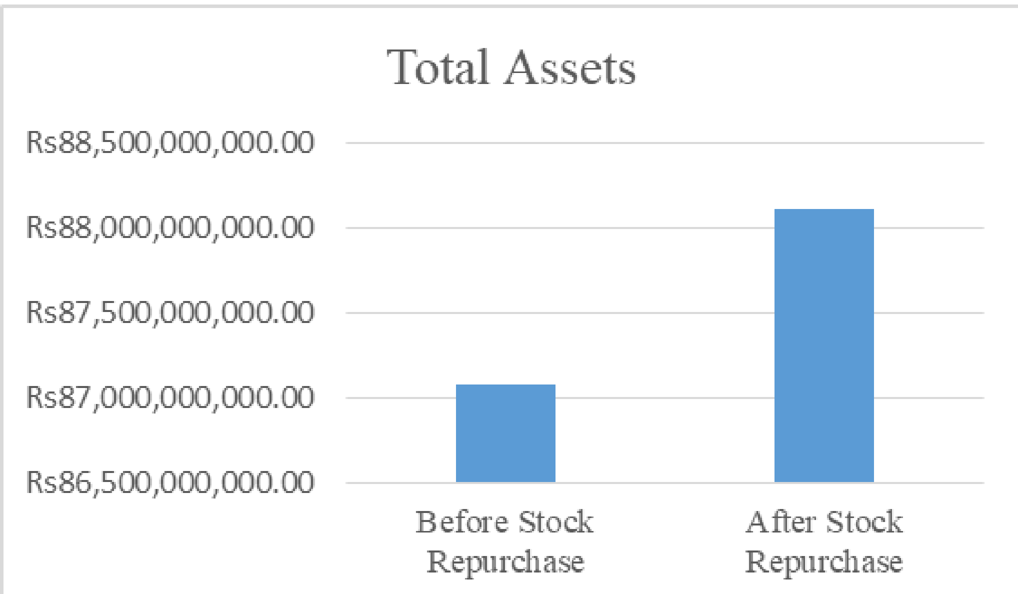


Figure 8. Total Assets - Before and After Stock Repurchase

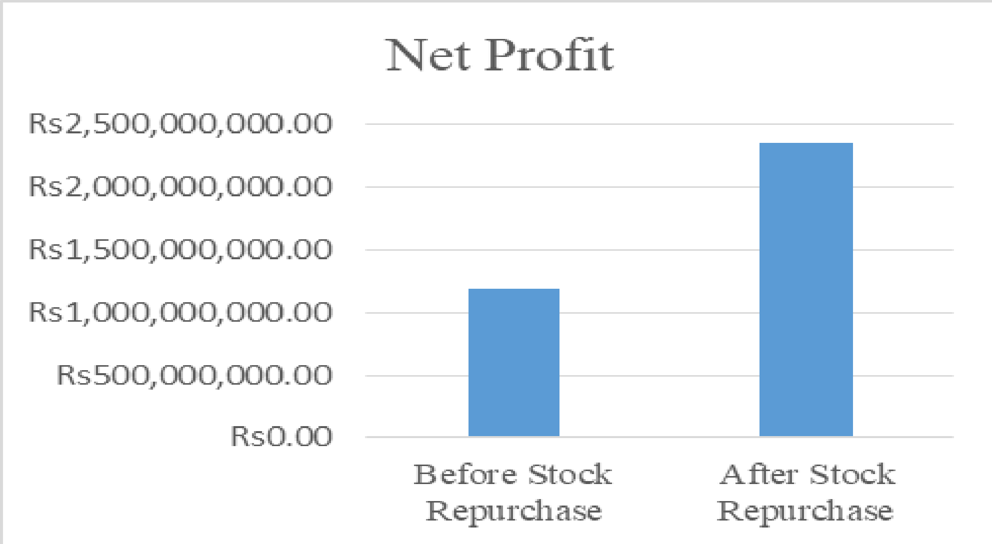


Figure 9. Effect on Net Profit

Sales also increased to Rs 17,224,025,000, indicating potential revenue growth during or after the stock repurchase period. This growth in sales revenue is a positive sign for the company's top-line performance. Average Share Price: The average share price increased to 28.

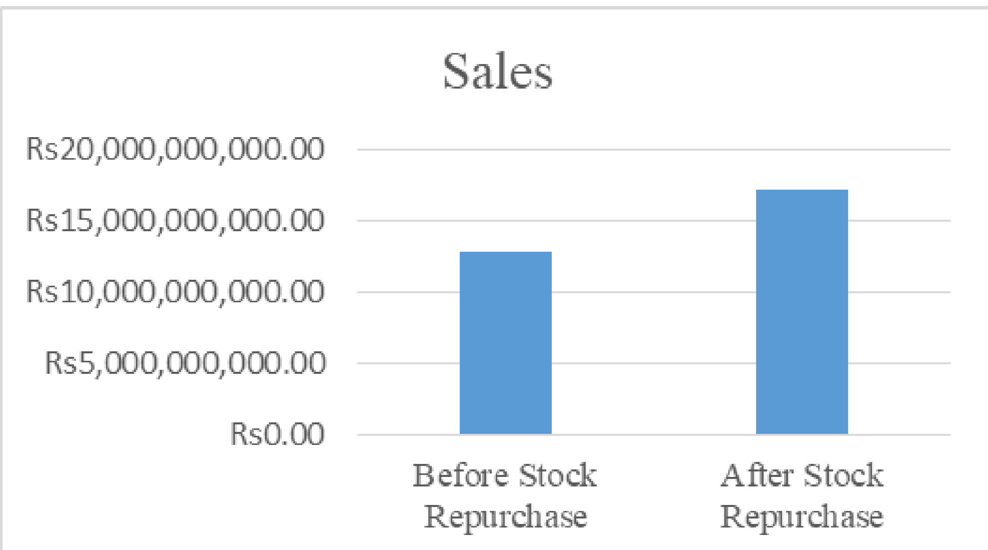


Figure 10.Effect on sales

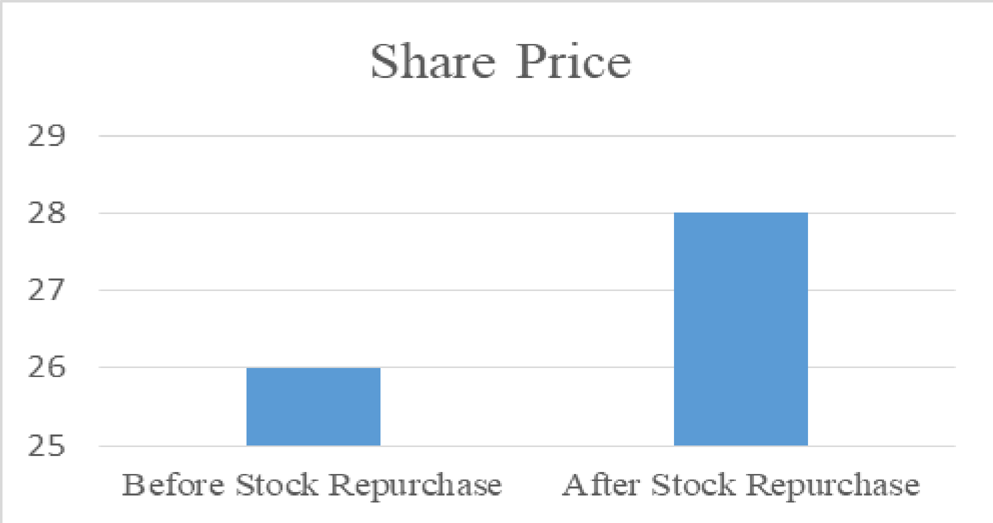


Figure 11.Effect on share price

Analysis

The improvement in ROA and ROE indicates that the stock repurchases have a positive impact on the company's efficiency in utilizing assets and equity, resulting in higher returns. The increase in EPS suggests that the stock repurchase contributed to higher earnings available to shareholders on a per-share basis, which indicates a positive sign for investors. The growth in total assets indicates that the company has effectively deployed its resources or experienced asset growth alongside the stock repurchases. The substantial surge in net profit reflects the success of the stock repurchase in enhancing the company's profitability. The increase in sales revenue is a positive sign, indicating potential revenue expansion, which contributed to improved financial performance. The increase in average share price suggests that the market responded positively to the stock repurchase, potentially indicating investor confidence in the company's strategic decision.

In a nutshell, the stock repurchases had a positive impact on Maple Leaf Cement's financial metrics, notably improving efficiency, profitability, and returns to shareholders. The company's ability to generate profit from assets and equity increased, reflecting a successful strategic move. This data provides a deeper understanding of how the stock repurchase positively influenced the company's financial health and shareholder value.

Kohinoor Textiles Mills

Table 3. Data Chart - Kohinoor Textiles Mills

DATA	Before Stock Repurchase	After Stock Repurchase
ROE	4.43%	9.31%
ROA	1.47%	3.11%
EPS	5.74	13.3
Total Assets	PRs 19,873,811,636	PRs 21,798,683,605
Net Profit	PRs 2,92,452,576	PRs 6,77,280,828
Sale	PRs 6,411,813,627	PRs 7,015,313,879
Share Price	35	40

Before Stock Repurchase

The return on assets before stock repurchase was 1.47%. It means the company was generating 1.47 cents of profits of average total assets. Kohinoor Textiles Mills Limited is generating a net income of 1.47 cents.

ROE stood at 4.43%. This percentage indicates the company’s ability to generate a return of 4.43% on the equity invested by shareholders. EPS was Rs 5.74, reflecting the company’s earnings allocated to each outstanding share. This figure provides insights into the profitability of each shareholder’s investment.

Total assets amounted to Rs 19,873,811,636 illustrating the scale of Kohinoor Textile Mills' asset base before the stock repurchase. Net profit was Rs 292, 452,576 indicating the company's total earnings after expenses and taxes. The sales revenue amounted to Rs 6,411,813,627 showing the total revenue generated from the company's operations. The average share price before the stock repurchase was 35.

After Stock Repurchase

After stock repurchases the return on assets is 9.31%. This indicates that the company was generating an impressive 9.31 cents of profit at average total assets. The ROE also increased and stood at 3.11%. This percentage indicates that Kohinoor Textiles Mills Limited was delivering a return of 3.11 cents of every rupee of shareholders’ equity. This level of return signifies a favorable return on equity investment.

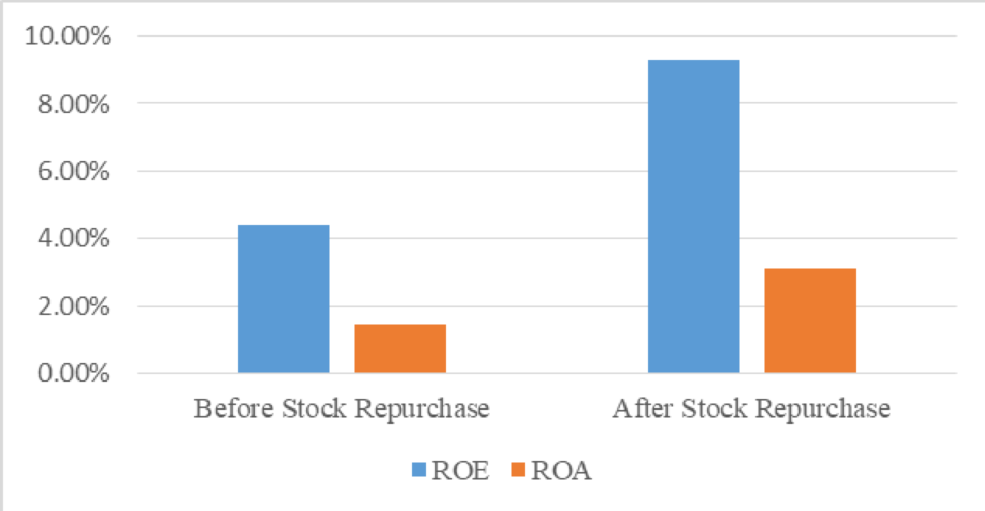


Figure 12.Effect of ROE and ROA

EPS increased significantly to Rs 13.30, reflecting an exceptional improvement in earnings available to each shareholder on a per-share basis.

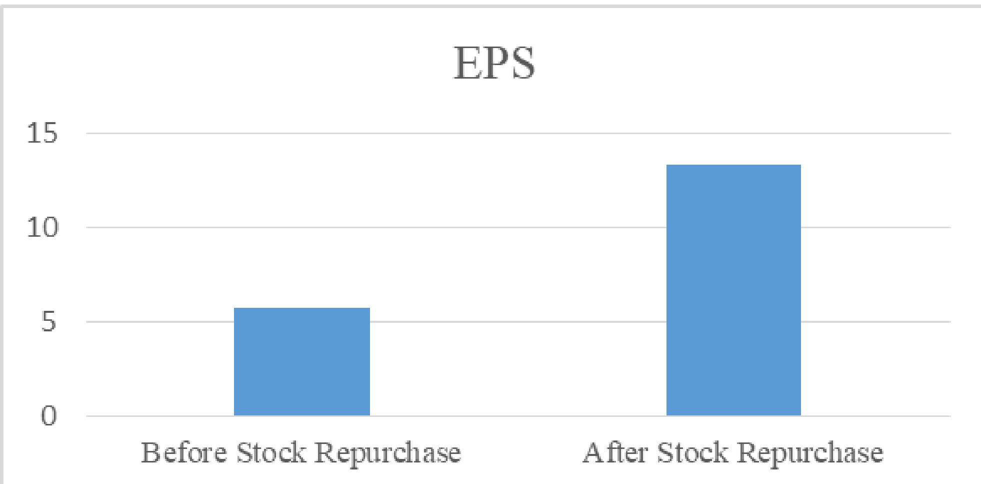


Figure 13. EPS - Before and After Stock Repurchase

Total assets increased to Rs 21,798,683,605 after the stock repurchase. The net profit saw a substantial increase, reaching Rs 677,280,828. This profitability surge reflects the stock repurchases' positive impact on the company's bottom line.

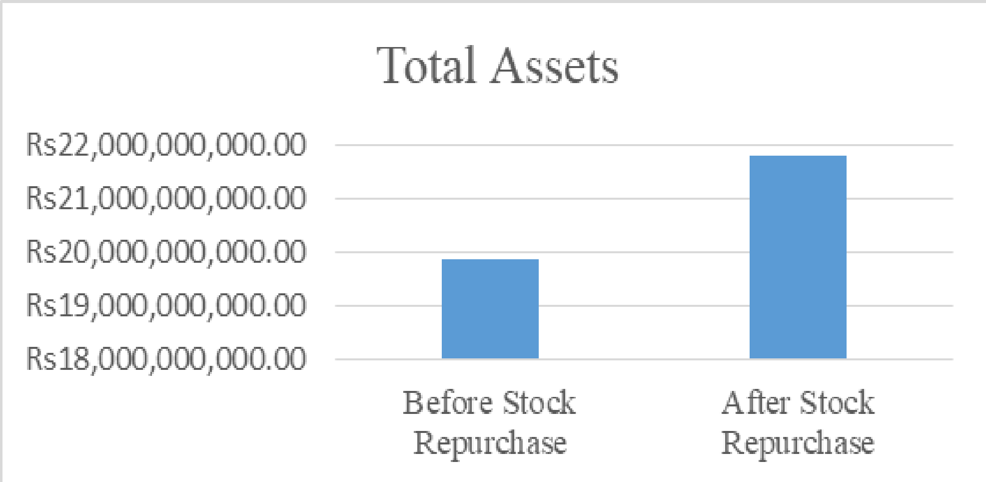


Figure 14.Effect on Total Assets

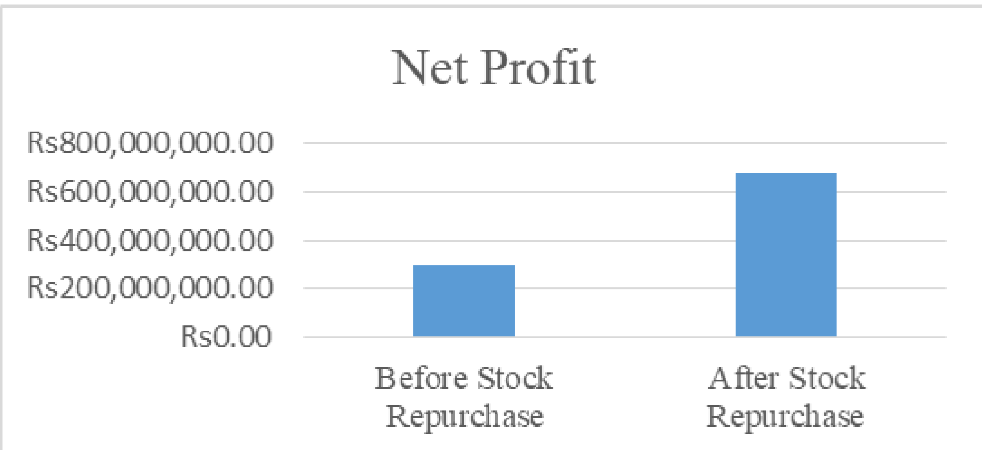


Figure 15.Effect on Net Profit

Sales also increased to Rs 7,015,313,879 indicating potential revenue growth during or after the stock repurchase period. This growth in sales revenue is a positive sign for the company's top-line performance.

Average Share Price: The average share price increased to Rs 40.

Analysis

The consistently high ROA and ROE indicate that the stock repurchase did not negatively impact the company's efficiency in utilizing assets and equity. It maintained an exceptional level of returns. The significant increase in EPS suggests

Volume 4, No. 1 / Jan-June 2024

that the stock repurchase contributed to a substantial improvement in earnings available to each shareholder on a per-share basis. This is a very positive sign for investors. The growth in total assets indicates that the company may have effectively deployed its resources or experienced asset growth alongside the stock repurchase. The substantial surge in net profit reflects the success of the stock repurchase in enhancing the company's profitability. The increase in sales revenue is a positive sign, indicating potential revenue expansion, which may have contributed to the improved financial performance. The increase in average share price suggests that the market responded positively to the stock repurchase, potentially indicating investor confidence in the company's strategic decision.

The stock repurchases had a consistently positive impact on Kohinoor Textile Mills' financial metrics, maintaining high efficiency, profitability, and returns to shareholders. The company's ability to generate profit from assets and equity remained exceptional. This data provides a deeper understanding of how the stock repurchase continued to positively influence the company's financial health and shareholder value.

JWD Sugar Mills Ltd

Table 4. JWD Kohinoor Textile Mills Ltd

DATA	Before Stock Repurchase	After Stock Repurchase
ROE	2.02%	4.26%
ROA	0.81%	0.90%
EPS	7.61	12.11
Total Asset	PRs 56,137,917,246	PRs 77,783,618,058
Net Profit	PRs 454,851,672	PRs 699,989,901
Sales	PRs 14,680,211,965	PRs 21,766,199,545
Share Price	240	320

Before Stock Repurchase

The ROE stood at 2.02%, indicating that JWD Sugar Mill was delivering a return of 2.02 cents on every rupee of shareholder equity. This level of return signifies a high return on equity investment.

The ROA before the stock repurchase was 0.81%, indicating that the company was generating 0.81 cents of profit for every rupee of assets. The EPS was Rs 7.61, reflecting the company's earnings allocated to each outstanding share. This figure provides insights into the profitability of each shareholder's investment.

Total assets amounted to Rs 56,137,917,246, illustrating the scale of JWD Sugar Mill's asset base before the stock repurchase. Net profit was Rs 454,851,672 indicating the company's total earnings after expenses and taxes. Sales revenue amounted to Rs 14,680,211,965 showing the total revenue generated from the company's operations. The average share price was Rs 240.

After Stock Repurchase

The ROE saw a notable increase, reaching 4.26%. This signifies that the stock repurchases had a significant positive impact on the returns to shareholders, with the company delivering 4.26 cents on every rupee of equity. The ROA increased slightly to 0.90% after the stock repurchase, indicating that the company maintained and slightly improved its efficiency in generating profit from its assets.

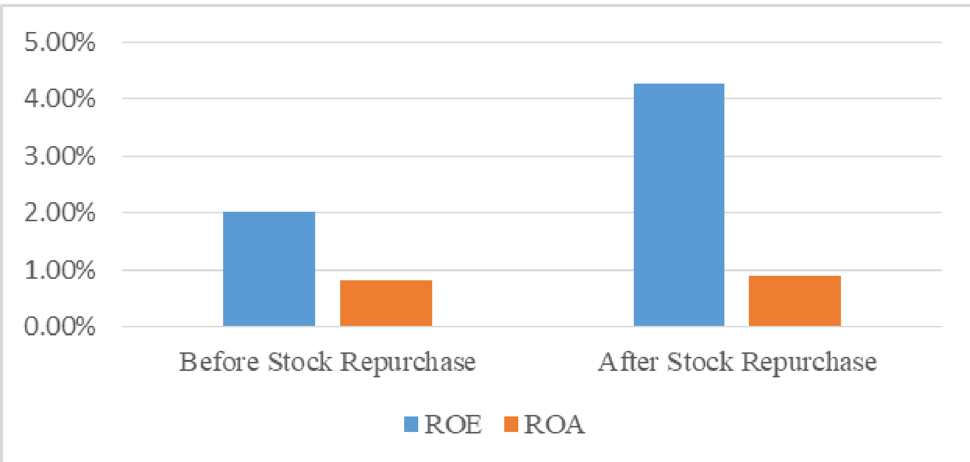


Figure 16. Effect on ROE and ROA

EPS increased significantly to Rs 12.11, reflecting a substantial improvement in earnings available to each shareholder on a per-share basis. Total assets increased significantly to Rs 77,783,618,058 after the stock repurchase. Net profit saw a substantial increase, reaching Rs 2,345,646,000. This surge in profitability reflects the success of the stock repurchase in enhancing the company's bottom line.

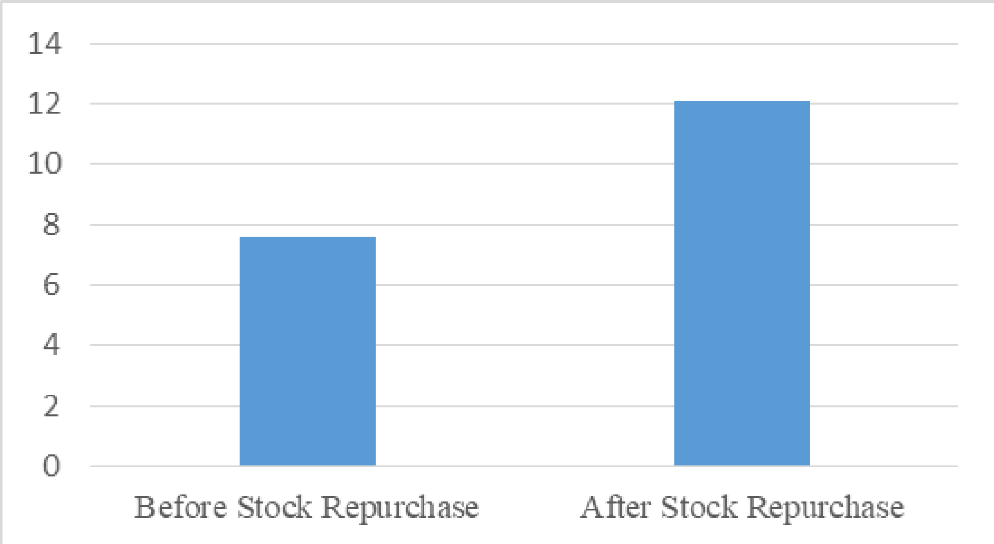


Figure 17. EPS- Before and After Stock Repurchases

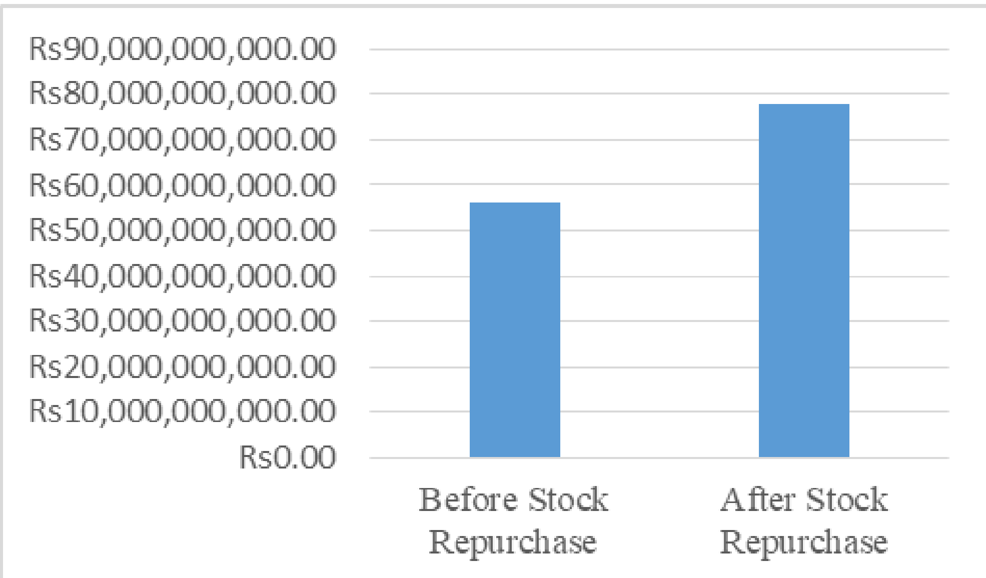


Figure 18. Effect on Total Assets

Sales also increased to Rs 21,766,199,545, indicating potential revenue growth during or after the stock repurchase period. This growth in sales revenue is a positive sign for the company's top-line performance. The average share price increased to Rs 320.

Analysis

The slight improvement in return on assets indicates that the stock repurchases maintained the company's asset efficiency. The increase in ROE suggests that the stock repurchase had a substantial positive impact on the shareholder's returns. The substantial increase in EPS is a strong indicator that the stock repurchases contributed significantly better earnings available to each shareholder on a per-share basis. The significant growth in total assets indicates that the company' experienced significant asset growth alongside the stock repurchases. The substantial surge in net profit reflects the success of the stock repurchase in enhancing the company's profitability. The stock repurchases had a notably positive impact on JWD Sugar Mill's financial metrics, particularly in terms of efficiency, profitability, and returns to shareholders. The company's ability to generate profit from assets and equity remained strong, and the stock repurchase significantly improved earnings per share. This data provides a deeper understanding of how the stock repurchase positively influenced the company's financial health and shareholder value.

Engro Corporation Limited

Table 5. Data chart Engro Corporation Limited

DATA	Before Stock Repurchase	After Stock Repurchase
ROE	5.63%	9.33%
ROA	1.90%	2.76%
EPS	13.91	22.68
Total Asset	Rs730,024,378,000.00	Rs811,323,383,000.00
Net Profit	Rs13,896,924,000.00	Rs22,393,187,000.00
Sales	Rs91,285,050,000.00	Rs136,816,615,000.00
Share Price	250	255

Before Stock Repurchase

ROE stood at 5.63%, which indicates that Engro Corporation was delivering a return of 5.63 cents on every rupee of shareholder equity. ROA before the stock repurchase was 1.90%, indicating that the company was generating 1.90 cents of profit for every rupee of assets. This suggests a moderate level of asset efficiency.

Total Assets: The total assets amounted to Rs 730,024,378,000, illustrating the scale of Engro Corporation's asset base before the stock repurchase. Net profit was Rs 13,896,924,000, indicating the company's total earnings after expenses and taxes. Sales revenue amounted to Rs 91,285,050,000, showing the total revenue generated from the company's operations. The average share price was PRs 250.

After Stock Repurchase

ROE also saw a remarkable increase, rising from 5.63% to 9.33%. This signifies that the stock repurchases positively affected the company's ability to generate returns for its shareholders relative to their equity investment. ROA surged to 2.76% after the stock repurchase, indicating a significant improvement in asset efficiency. The company was now generating 2.76 cents of profit for each rupee of assets, signifying a more productive use of its assets.

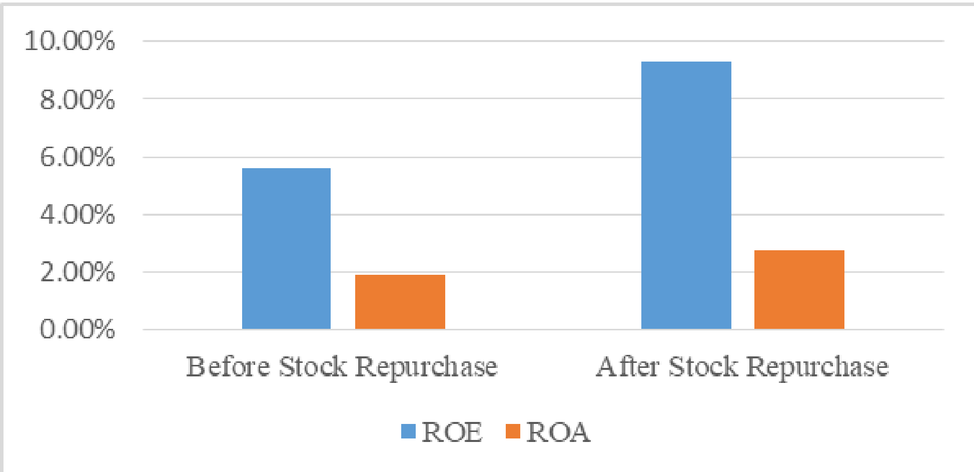


Figure 19. Effect on ROE and ROA

EPS increased significantly from Rs 13.91 to Rs 22.68. This indicates that the stock repurchases had a positive impact on the company's earnings available to shareholders on a per-share basis.

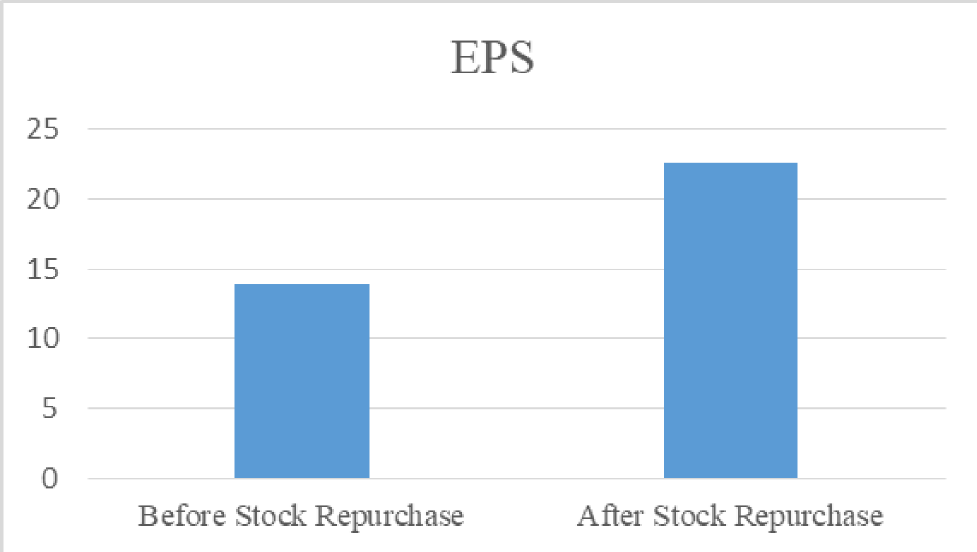


Figure 20. Effect on EPS

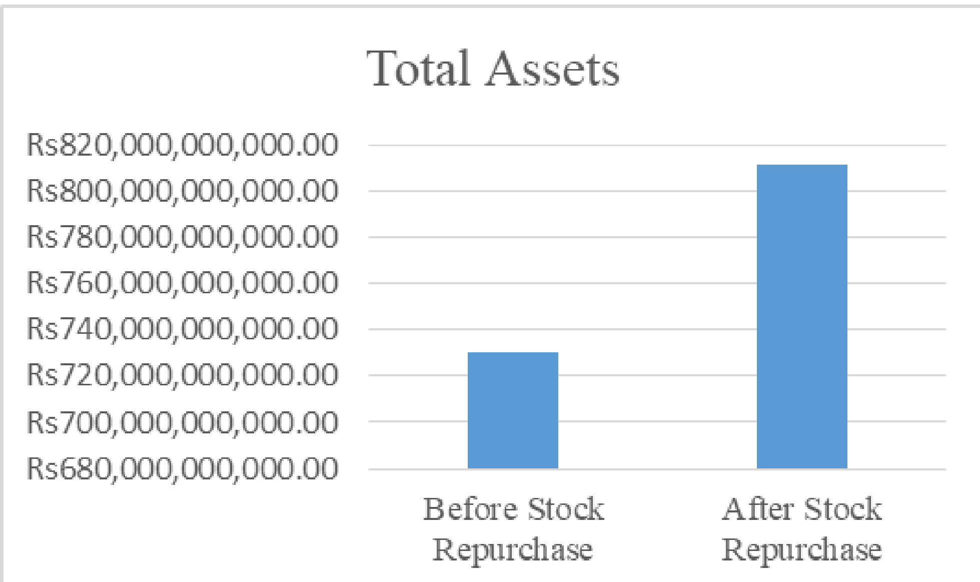


Figure 21. Effect on Total Assets

Total assets increased substantially to Rs 811,323,383,000 after the stock repurchase. This indicates that the company utilized the repurchase to deploy excess cash or enhance its asset base. Net profit surged significantly from Rs 13,896,924,000 to Rs 22,393,187,000. This substantial increase in profitability is a strong indicator of the

MINHAJ Journal of Economics and ORGANIZATION Sciences
Volume 4, No. 1 / Jan-June 2024
positive impact of the stock repurchase on the company's bottom line. Sales also increased from Rs 91,285,050,000 to Rs 136,615,816,000. The rise in sales indicates potential revenue growth during or after the stock repurchase period. The average share price increased to Rs 255.

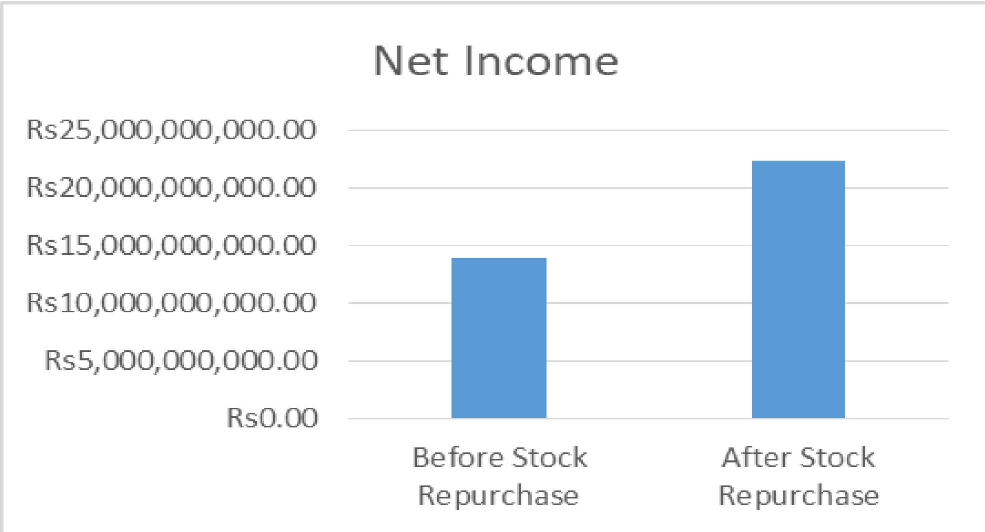


Figure 22. Effect on Net Income

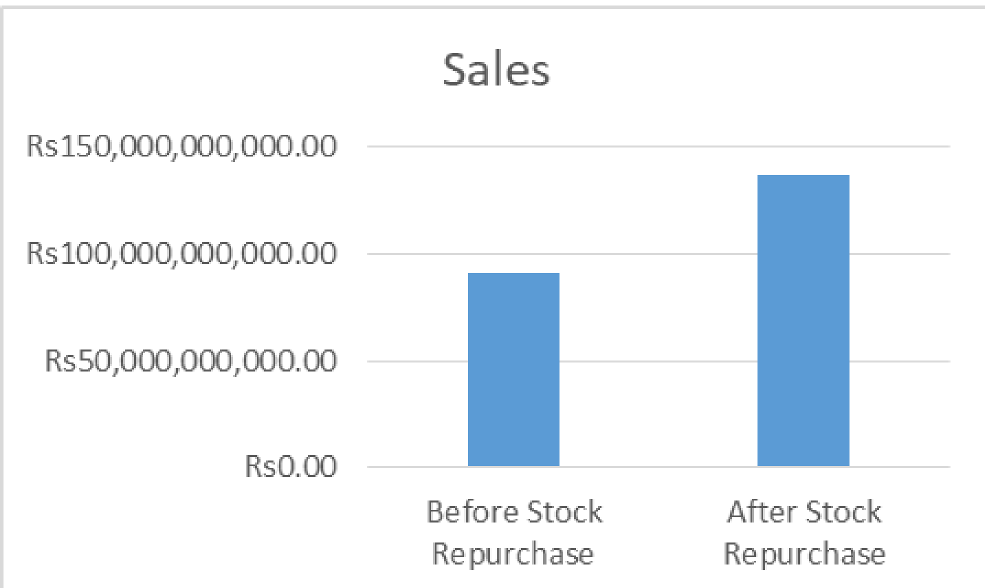


Figure 23. Effect on Sales

Analysis

The significant improvement in ROA and ROE indicates that the stock repurchases had a substantial positive impact on the company's profitability and efficiency in utilizing assets and equity. The substantial increase in EPS suggests that the stock repurchase contributed to improving earnings per share, which is a positive sign for investors. The increase in total assets indicates that the company may have effectively deployed its resources or experienced asset growth alongside the stock repurchase. The substantial surge in net profit reflects the success of the stock repurchase in enhancing the company's profitability. Sales growth is a positive sign, indicating potential revenue expansion, which may have contributed to the improved financial performance. The increase in average share price suggests that the market responded positively to the stock repurchase, potentially indicating investor confidence in the company's strategic decision. The stock repurchases had a profound impact on Engro Corporation's financial metrics, notably improving efficiency, profitability, and returns to shareholders. The company's ability to generate profit from assets and equity significantly increased, reflecting a successful strategic move. This data provides a deeper understanding of how the stock repurchase positively influenced the company's financial health and shareholder value.

Conclusion

Future positive firm performance is an indication of firm value maximization that ensures shareholder wealth. Corporate players sacrifice long-term objectives to meet the short-run objectives. This is due to unwarranted business pressure that leads to the practice of earning management to evade share price penalization by investors (Brav, et al., 2005). Earnings management has an unfavorable effect on the long-term performance of a firm due to managers' short-sighted behaviors to achieve earnings targets (Bhojraj, et al., 2009). The results of the current study support Hypothesis namely that there is a relationship between stock repurchase decisions and a firm's performance with an accounting base measurement (Graham, et al., 2005).

The analysis of the data reveals that stock repurchases had a substantial positive impact on the financial performance of the companies studied. Across the board, there were notable improvements in metrics such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), net profit, and sales. The data underscores the positive effects of stock repurchases on the financial performance of the companies studied. By approaching share repurchases strategically and maintaining transparency with shareholders, companies can continue to enhance shareholder value and strengthen their financial position. Companies repurchase shares for various reasons, and these reasons can impact the company's financial performance. The most common motive, boosting EPS, seemed to have the strongest effect on financial results (Al Sharawi, 2022).

The studies show that Companies should continue to adopt a strategic approach when considering share repurchases. It's crucial to ensure that repurchases are accretive, adding value to shareholders and enhancing key financial metrics. Companies should maintain transparency in their communication regarding share repurchases. Clear explanations should be provided to shareholders regarding the rationale behind the repurchase and its expected impact on financial performance. However, post-repurchase, companies should closely monitor the impact on financial metrics and shareholder value. This will allow for timely adjustments to strategies and ensure that the desired outcomes are achieved. While the immediate impact of share repurchases is positive, companies should also consider the long-term implications. Building strong investor relations is crucial. Engaging with shareholders and addressing their concerns or inquiries regarding share repurchases can help build trust and confidence in the company's strategic decisions. Companies should be mindful of market conditions when planning share repurchases.

Limitations of the Study

i. The study is based on a specific set of companies, and the findings may not be representative of the broader market. The conclusions drawn are specific to the companies (only those included in share buyback) analyzed and may not apply universally.
ii. The analysis relies on historical data, and market conditions, regulatory environments, and company strategies may have changed since the data was collected. This could impact the relevance of the findings for current decision-making.
iii. The analysis does not account for external factors such as changes in industry trends, economic conditions, or geopolitical events, which could have influenced the companies' performance and share repurchase decisions.
iv. The study may be limited to a specific period for the analysis of stock repurchases. This may exclude consideration of longer-term trends or changes in market dynamics.

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