



SHARE REPURCHASES: INSIGHTS AND IMPLICATIONS

Where Does Cash From Stock Buybacks Flow?

Share Repurchases: Insights and Implications

In March 2026, Dr. Byungwook Kim, Assistant Professor of Finance at the University of California Irvine (UCI) presented his Brandes Prize-finalist research, “Do Share Repurchases Increase the Value of Non-Repurchasing Firms?” to members of The Brandes Center’s Governance teams.

Bob Schmidt, Executive Director of The Brandes Center, moderated the online discussion.

Share Repurchases: An Overview and Kim’s Key Findings

Dr. Kim started by highlighting the surge of share repurchases among U.S. firms. Using data Dr. Kim collected between 1986 and 2023, share repurchases reached a peak of \$250 billion in the first quarter of 2022 and largely have outpaced dividend payments each quarter since 2009. See Exhibit 1 on the next page.

“In 2023, for example, the total amount of share repurchases was over \$1 trillion in the U.S. alone,” Kim said. “And the amount compared to dividends as a percentage of total stock market value was almost double the dividend amount.”

He also noted that issuance has remained typically much smaller vs. repurchases.

Dr. Byungwook Kim is an Assistant Professor of Finance at the Paul Merage School of Business at the University of California, Irvine. His research interests include asset pricing, investor behavior, asset management and fintech.

He and his work have been featured in the media, including Bloomberg, *The Economist*, *Financial Times*, Reuters and *The Wall Street Journal*. He earned his PhD in Finance from The Ohio State University, an MS in Statistics from the University of Chicago and a BBA from Yonsei University in Seoul.



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--Dr. Byungwook Kim

He added that “share repurchases are much more volatile and highly pro-cyclical. For example, from the early 2000s to right before the Global Financial Crisis, they went up sharply, then down, then up again and down during COVID.”

Kim said policymakers and the media have raised concerns about the surge in repurchases and whether it reflects the most efficient use of capital—or could the cash be better deployed in R&D, for example. In turn, perhaps the overall economy would benefit rather than simply existing shareholders. And what are shareholders doing with the cash they receive for participating in buyback programs?

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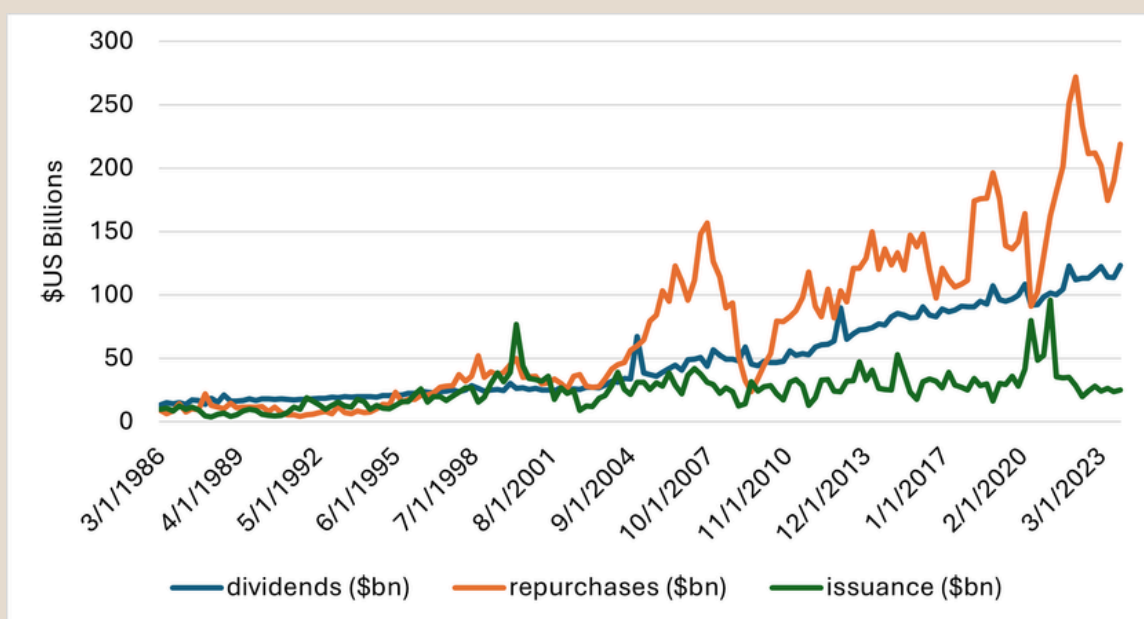
Kim added that it makes intuitive sense. Pension funds, for example, tend to have target asset allocations. If they receive cash from their equity holdings, they likely will reinvest it in other equities to maintain the allocation target.

“And if you believe that flows move prices, we could imagine the resulting flows can increase the aggregate value of non-repurchasing firms,” he added.

From page 2 of his paper, Kim finds, “In terms of economic magnitude, share repurchases amounting to 1% of total stock market value lead to 1% inflows into equity funds.”

Guest attendee JJ Milder asked about the motivation for repurchases. “I can think of somewhat devious [objectives] given the high level of executive ownership,” she said.

Exhibit 1 | U.S. Share Repurchases Have Outpaced Dividends Since 2009



Source: Kim, “Do Share Repurchases Increase the Value of Non-Repurchasing Firms?” Dates: 1986 to 2023

Kim couldn't pinpoint a motive for all firms, but said firms may not have other attractive investment alternatives for cash. But, he added that executive compensation could explain part of the trend, too.

"Compensation—for both executives and employees—may be tied to EPS (earnings per share)," he said. "And we know that there's a strong incentive to boost EPS[BK1] ." Of course, firms can do that by increasing earnings or reducing the number of shares outstanding. [Kim cited "The max EPS Paradigm for Corporate Finance" research study by Itzhak Ben-David and Alex Chinco. In it, the authors argue that executives tend to maximize short-term earnings over long-term value. In addition, dividend yield, as a measure of company value, has been fading from investor consciousness. Read the study [here](#).]

"Starting from the 2000s, there has been a rising share of stock compensation which has been diluting shares over time—and maybe that's one of the reasons why buybacks have become more popular than dividends," Kim said.

Brandes Center Advisory Board member Kim Shannon, CFA said she often does not support management decisions to repurchase shares because "they're often doing it when, in my mind, the stock is pricey. And I'm not sure that it, in the long run, really is additive." Like Dr. Kim, she wondered, "Is that the best use of their funds? Is a share repurchase in the long run more beneficial for investors than receiving a dividend?"

Kim said his research shows that managements "tend to announce buybacks

when the stock price is performing very poorly in the last year or so."

But, he added, "It is definitely possible that there is some misalignment of interests between executives and shareholders." He agreed that "shareholders may not always account for the tradeoffs involved, viewing share repurchases as always a good thing—and they just don't understand what's going on because management could have used the capital more efficiently, like you said, investing more in R&D or CapEx (capital expenditures)."

Kim said there is evidence that firms forego profitable future investment because they simply want to buy back their shares for option- and compensation-related reasons. "That is actually hurting long-term shareholder value[BK1]," he said.

[Kim also referenced "The Real Effects of Share Repurchases" by Heitor Almeida, Vyacheslav Fos and Mathias Kronlund. In this [study](#), the authors write, "Our evidence suggests that managers are willing to trade off investments and employment for stock repurchases that allow them to meet analyst EPS forecasts."]

Why Does This Market Condition Persist?

Given the evidence of share buybacks boosting prices for other firms, Advisory Board member Peter Branner asked why this phenomenon has not been arbitrated away by hedge funds, for example.

Kim said there aren't enough large hedge funds that trade across asset classes—and

research by academics Xavier Gabaix and Ralph Koijen supports this idea.

For more details, see “In Search Of The Origins Of Financial Fluctuations: The Inelastic Markets Hypothesis” by Gabaix and Koijen. On page 3 of that [report](#), the authors note, “it is hard to find investors who could act as macro arbitrageurs. For instance, hedge funds are relatively small (they hold less than 5% of the equity market).”

Later, in the same paper, they write, “hedge funds do not appear to arbitrage the aggregate stock market and amplify demand shocks during severe downturns, and flows between sectors are small.” (page 9) The authors also contend “...investing \$1 in the stock market increases the market's aggregate value by about \$5.”

Branner extended his question to dividends.

Kim noted research by Sam Hartzmark and David Solomon (H&S). In one H&S [paper](#), “Marketwide Predictable Price Pressure,” the duo assert, “Buying pressure from dividend payments (announced weeks prior) predicts higher value-weighted market returns, with returns for the top quintile of payment days four times higher than the lowest. This holds internationally, and increases when reinvestment is high and market liquidity is low. We estimate a market-level price multiplier of 1.9. These results suggest price pressure is a widespread result of flows, not an anomaly.”

H&S counter much of asset pricing theory, which contends “...prices move because of information, and assume away any direct role for trade.” (page 1).

In this context, “trade” could refer to dividends or share buybacks. Later in the H&S paper, the research team (who won a Brandes Prize for their “Dividend Disconnect” paper in 2017) also seems baffled that this dynamic hasn’t been countered: “The flows we examine are predictable and recurring, which means that a rational arbitrageur should recognize them as uninformed, but we do not know if they actually do so. If they do, it is puzzling under standard asset pricing models why prices move at all, and it is unclear what the friction is that means liquidity providers are unable to offset such flows.” (page 5)

Kim added that dividends tend to provide “a cleaner setting” than share repurchases as the dynamics for dividends tend to be more “observable and predictable.” He echoed the H&S findings, saying \$1 of dividends increase aggregate market value by \$2. “The magnitude is smaller than what I document [with share repurchases] and that makes sense. For [repurchases], it's not predictable. It's not really observable. So, I can argue that magnitude should be bigger than their setting [with dividends].”

Advisory Board member Rhonda Berger asked if the results were more prevalent or stronger in certain sectors.

“Buybacks have been driven by the tech sector and the pharma sector in the 2000s and 2010s,” Kim said. “And I will show you some interesting implications on the performance of value versus growth firms in that regard.”

Executive Director Bob Schmidt asked about “announced” buyback programs vs. “actual” repurchase amounts.

Kim shared two studies that suggest share repurchase programs have become “stickier” in recent years. Clifford Stephens and Michael Weisback reported only 74-82% of shares “announced as repurchase targets [were] actually acquired by the firm within three years of the repurchase announcement.” The team’s study was conducted on 450 programs between 1981 and 1990. Their study, “Actual Share Reacquisitions in Open-Market Repurchase Programs” is available [here](#).

More recently, Heitor Almeida, Ruidi Huang and Yuhai Xuan found, “For firms with repurchase programs in place, repurchases appear to be as (in)flexible as dividends.” Their study, “Are Share Repurchases Really Flexible?” is available [here](#).

Kim said, “What’s really interesting is investors don’t really seem to penalize it—unlike dividends. Investors are laser-focused on dividends.

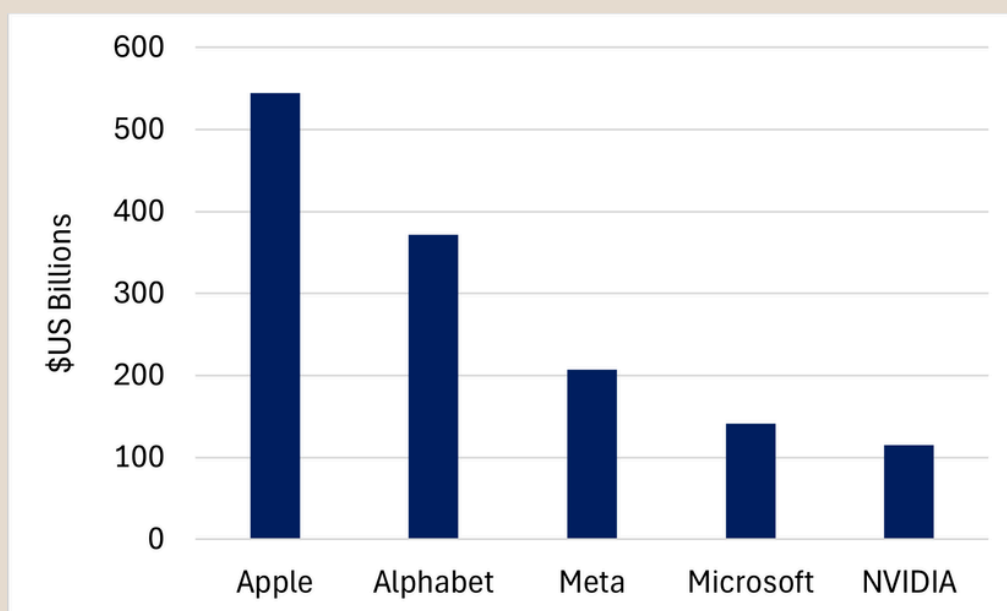
But they don’t seem to care if companies are buying back less than what was promised. That also speaks to the earlier question about why buybacks are becoming more important —maybe because of this feature. Firms can be more flexible.”

Share Buybacks and the Value Premium

Kim noted that more recently, buybacks have been driven by large, technology firms. Exhibit 2 lists the top five U.S. firms that repurchased shares (based on total dollar amount) between 2020 and 2025. Four of the five are large-cap firms in the technology sector.

Kim said such firms often are characterized as “growth” stocks. “If you think about the value firms’ buybacks, they used to be bigger in earlier periods, but they’re actually very tiny [more recently].”

Exhibit 2 | Total Buybacks: Top 5 U.S. Firms From 2020 to 2025



Source: Kim (author’s calculations, as of 2025)

In response to a question, Kim confirmed that he's using a traditional, Fama-French-inspired definition of "value stocks" in this context. And building on his earlier point—about non-repurchasing firms benefiting from flows, we see a similar dynamic with respect to style.

"When value firms buy back more shares, inflows to value firms are greater compared to those into growth firms," Kim said. "But when growth firms buy back a lot, it means relative outflows from value firms."

Schmidt asked, "So, it's less of a value influence and more of a tech influence?"

Kim agreed. "And I noticed that value is coming back in recent periods, And my buyback mechanism is not inconsistent with that." He added that he is seeing more value companies in fields such as energy and financials buying back shares, as well. "Maybe this buyback mechanism is also playing a role in recent periods, too and actually helping the performance of traditional value."

In Summary

Kim summarized his approach as a quarterly time-series regression from 1986 examining market returns and share repurchases. "This is a simple exercise, but I get very strong return predictability," he said. In short, Kim's work shows that \$1 of buybacks raises the aggregate stock market value by almost \$8 the following quarter.

Schmidt asked about the persistence of this effect.

"Surprisingly, the results are not reverting—even if we take a very long window," he said. He contrasted his results with other academic studies on the effects of dividends, which show price pressure reverts at a very high frequency—perhaps even at a daily interval.

The discussion reminded Kim of a key point. "At the aggregate, [buybacks] mean that capital gets reallocated from big, mature firms to smaller firms. This is actually helpful for the aggregate market because those younger and smaller firms often are financially constrained."

Schmidt asked about other parts of the world.

"Repurchases are more of a U.S.-specific thing," he said. "But that's changing over time. European firms have been relying on dividends much more than repurchases, but repurchases are gaining more popularity. I think that's also true in Japan. In some Asian-Pacific countries, dividends are much more popular than repurchases, but I think other countries are catching up."

Kim closed by recapping his thought process, starting with a simple question of where does the cash generated from share repurchases flow. "People think this could make wealthy shareholders consume more and they can maintain a more luxurious life. Or it could be used somewhere else. The only two findings I have: ultimately [the cash] gets recycled in the stock market, so we shouldn't be worried that much about cash flowing out of the financial markets as some people think."

He also pointed to a slide that said the resulting flows contribute to higher stock prices for non-repurchasing firms.

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