

# Can Billion Dollar Buybacks Boost Stock Prices

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Stock buybacks, also known as share repurchases, have been a hot topic in recent years, as more and more companies are choosing to use this financial strategy as a way to deploy capital.

A stock buyback occurs when a company buys back its shares from the open market, reducing the number of outstanding shares. By doing so, the company is effectively removing some of the supply of its stock, which can drive up demand and increase the stock price.

In addition, reducing the number of outstanding shares can also increase the earnings per share (EPS), as the company's earnings are now spread out over a smaller number of shares.

## Billion Dollar Buybacks

According to data from S&P Capital IQ, public companies bought back \$675.9 billion of their stock in 2022. A big percentage comes from 15 companies that made up 50% of the dollar value of stock buybacks in 2022, including the top five – Apple Inc. (NASDAQ: AAPL), Alphabet Inc. (NASDAQ: GOOGL), Meta Platforms, Inc. (NASDAQ: META), Microsoft Corporation (NASDAQ :MSFT), and Shell plc (LSE: SHEL).

In January, Chevron Corporation (NYSE: CVX) announced a \$75 billion share buyback, which could reduce the number of shares outstanding by as much as 20% and Exxon Mobil Corporation (NYSE: XOM) announced it and authorized another \$35 billion stock buyback plan over the next two years.

# White House's Reactions

After these buyback announcements, President Joe Biden criticized the oil companies for not helping to restrain the price of gasoline by investing in oil production and refining. Last summer, he signed into law a new 1% tax on share repurchases that politicians thought might help to reduce buybacks and divert money back to investment into capital goods, research, and employees. In the State of the Union address last night, President Biden called for a quadrupling of the tax to 4% on corporate stock buybacks.

## Buyback Benefits and Drawbacks

Buybacks can also be a way for companies to return excess cash to shareholders, as they can provide an alternative to dividends. Instead of paying out cash to shareholders, the company can use the cash to buy back its stock, which can then be sold by the shareholders for a profit.

Buybacks are a more tax-efficient way to return capital to shareholders than dividends because the investor does not incur any tax on the buyback sale process if they do not sell their shares. Tax is only applicable on the actual sale of shares and dividends also are taxable.

While buybacks can have some benefits, they can also be a source of controversy. Some critics argue that buybacks prioritize short-term gains for investors over long-term investments in the company. By using cash to buy back stock, companies are effectively taking money away from potential investments in research and development, capital expenditures, or employee salaries and benefits.

Furthermore, some have argued that buybacks can lead to income

inequality, as the majority of stock ownership is concentrated among a small group of wealthy individuals and investment funds. As such, buybacks can serve to further enrich these groups at the expense of ordinary workers.

Despite these criticisms, many companies continue to use buybacks as a financial strategy. One of the main reasons is that they can be an effective way to boost stock prices in the short term, which can have a positive impact on the company's financial performance. Additionally, buybacks can also be a way for companies to signal to the market that they have confidence in their stock, as they are essentially saying that they believe the stock is undervalued and that they are willing to buy it back at current prices.

## 10 Stocks with the Largest Buybacks in the Last Quarter

For our list of 10 Stocks, we used data from S&P Capital IQ for the company's latest quarter, primarily Q4/2022 financial information.

Company Name	Stock Repurchase in Latest Quarter (US\$ B)	Year-over-Year Stock Price Gain
<a href="#">Apple Inc. (NASDAQ:AAPL)</a>	21.79	-9.9%
<a href="#">Alphabet Inc. (NASDAQ:GOOGL)</a>	15.41	-22.7%
<a href="#">Meta Platforms, Inc. (NASDAQ:META)</a>	7.52	-14.8%
<a href="#">Microsoft Corporation (NASDAQ:MSFT)</a>	5.46	-11.1%

<a href="#"><u>Shell plc (LSE:SHEL)</u></a>	5.02	19.1%
<a href="#"><u>Exxon Mobil Corporation (NYSE:XOM)</u></a>	4.68	39.5%
<a href="#"><u>Lockheed Martin Corporation (NYSE:LMT)</u></a>	4.21	19.4%
<a href="#"><u>Lowe's Companies, Inc. (NYSE:LOW)</u></a>	4.00	-5.4%
<a href="#"><u>Chevron Corporation (NYSE:CVX)</u></a>	3.80	25.7%
<a href="#"><u>NVIDIA Corporation (NASDAQ:NVDA)</u></a>	3.78	-10.3%

Source: S&P Capital IQ

## Final Thoughts

As an investor, it is important to understand the potential benefits and drawbacks of stock buybacks, as well as the larger implications for the company and the wider economy. When considering whether to invest in a company that is using buybacks, it is important to look at the underlying financial health of the company and to assess whether the buybacks are being used as a way to mask underlying problems, such as weak earnings or a lack of investment in the future of the business.

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## Biden's defense plan and some stocks set to benefit

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Yesterday marked a turning point in US history as President Joe

Biden was inaugurated as the 46th President of the United States. Much of the focus has been on Biden's policies regarding an American Rescue Plan and Biden's [\\$2 trillion green infrastructure and jobs plan](#); however today I take a look at Biden's defense plan and what it means for the sector, including the defense metals companies.

Biden was a member of the Senate Foreign Relations Committee for [12 years](#). In that time Biden helped shape U.S. foreign policy on terrorism, weapons of mass destruction, the Middle East, Southwest Asia, and the end of apartheid. Biden favors nuclear de-escalation and has promised to [renew New START](#), the New Strategic Arms Reduction Treaty. A key summary of what Biden will do is [stated](#) by Defense News:

**"To affordably deter Russia and China, Biden said he would shift investments from "legacy systems that won't be relevant" to "smart investments in technologies and innovations – including in cyber, space, unmanned systems and artificial intelligence."**

### ***US cybersecurity***

The leading cybersecurity ETF is the ETFMG Prime Cyber Security ETF (NYSE Arca: HACK). Top holdings of interest include CrowdStrike Holdings (NASDAQ: CRWD), Zscaler (NASDAQ: ZS), and FireEye (NASDAQ: FEYE).

### ***Space***

The iShares U.S. Aerospace & Defense ETF (CB0E: ITA), SPDR S&P Aerospace & Defense ETF (NYSE Arca: XAR), Procure Space ETF (NASDAQ: UFO) and the SPDR S&P Kensho Final Frontiers ETF (NYSE Arca: ROKT) are four ETFs that broadly cover aerospace and some defense stocks. Maxar Technologies (NYSE: MAXR) is a key holding in three of these ETFs. Maxar specializes in manufacturing communication, earth observation, radar, and on-orbit servicing

satellites, satellite products, and related services. Some other key aerospace and defense stocks include Northrop Grumman (NYSE: NOC), Lockheed Martin Corporation (NYSE: LMT), and Boeing (NYSE: BA).

### **The Procure Space ETF (UF0) summary of exposure to space related industries**



[Source](#)

### ***Unmanned systems (including unmanned aerial vehicles (UAVs))***

UAVs are increasingly being used by the military for surveillance and other operations such as border patrolling, combating terrorism, and intelligence gathering ('spying'). The largest UAV companies by market share include Northrop Grumman Corporation, General Atomics Technologies Corp. (private), Boeing, Textron Inc. (NYSE: TXT) and AeroVironment Inc. (NASDAQ: AVAV). Boeing is growing in military drones/UAVs with several US Defense contracts including the Airpower Teaming System ("Loyal Wingman") military UAV. It will use artificial intelligence to fly alone or with other aircraft.

### **An unmanned Aerial Vehicle (UAV) patrolling the earth**



Source: iStock

### **Artificial intelligence (AI)**

AI stocks involved in security (facial and voice recognition etc), UAVs/drones, autonomous vehicles, space technology, and the defense sector in general stand to be the winners. Elon Musk's SpaceX and Tesla (NASDAQ: TSLA) are rapidly becoming global leaders in AI.

## ***Defense metals stocks***

Generally speaking the [rare earth magnet metals](#), [uranium](#) (for nuclear weapons etc), and key [critical materials companies](#) (cobalt for jet engines, scandium for lightweighting) have potential to do well.

Defense Metals Corp. (TSXV: DEFN | OTCQB: DFMTF) is an advanced mineral exploration company focused on metals and elements (including rare earths) commonly used in the electric vehicle (EV) market, military, national security and in green energy technologies; such as high strength alloys and rare earth magnets.

IBC Advanced Alloys Corp. (TSXV: IB | OTCQB: IAALF) makes mission-critical metal alloys and produces parts for use in U.S. defense systems, such as the F-35 jet and next-generation nuclear submarines, as well as in multiple commercial applications.

[Neo Performance Materials Inc.](#) (TSX: NEO) manufactures advanced industrial materials with a focus on magnetic powders and magnets, specialty chemicals, metals, and alloys. You can read more on them [here](#).

## **Closing remarks**

It is always good to have some defense stocks in your portfolio just in case we get a terrorist event or a deterioration in relations between the USA and some recent adversaries such as China, Russia, Iran, or North Korea.

Under President Biden defense spending will move towards smarter high tech methods of protecting US security. This means cybersecurity, space (satellites etc), unmanned systems (UAVs) and greater use of AI.

While global tensions are calm it may be the right time to buy into some new economy defense sector names or defense metals suppliers. What's your favorite Biden defense stock?