FOR PROFESSIONAL INVESTORS ONLY
Marketing communication

Capital Group Global Equity Study

Buyback Watch

March 2026

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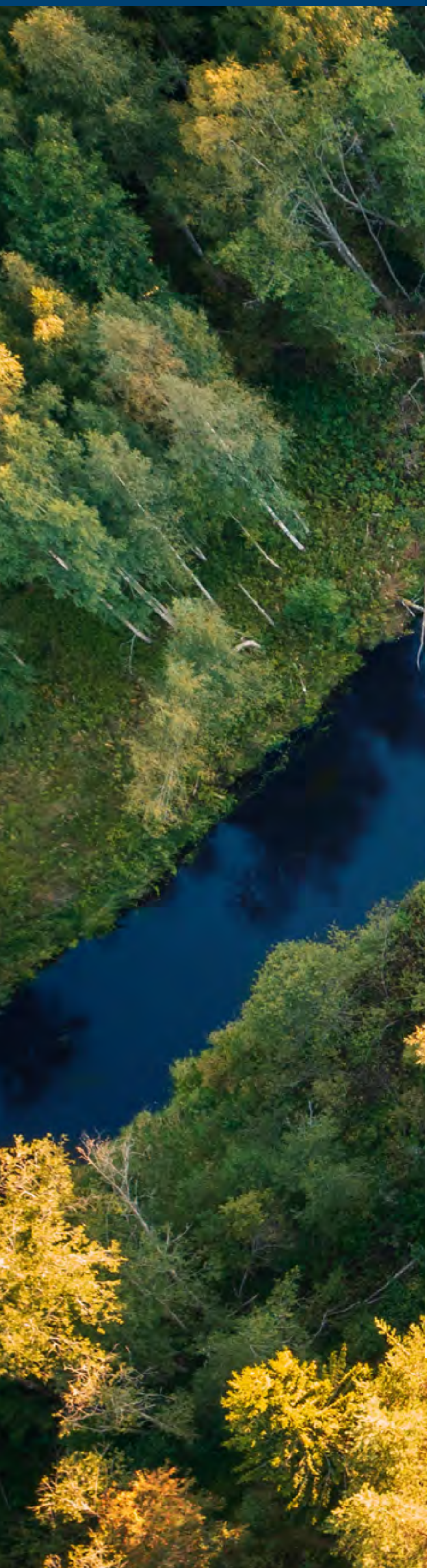
Introduction



About the study

The Capital Group Global Equity Study is a comprehensive exploration of the world's major equity markets, examining how companies generate, grow, and return value to shareholders.

The Buyback Watch is published annually and tracks how much the world's largest 1,600 companies are spending buying back their own shares, and shows developments since 2015.

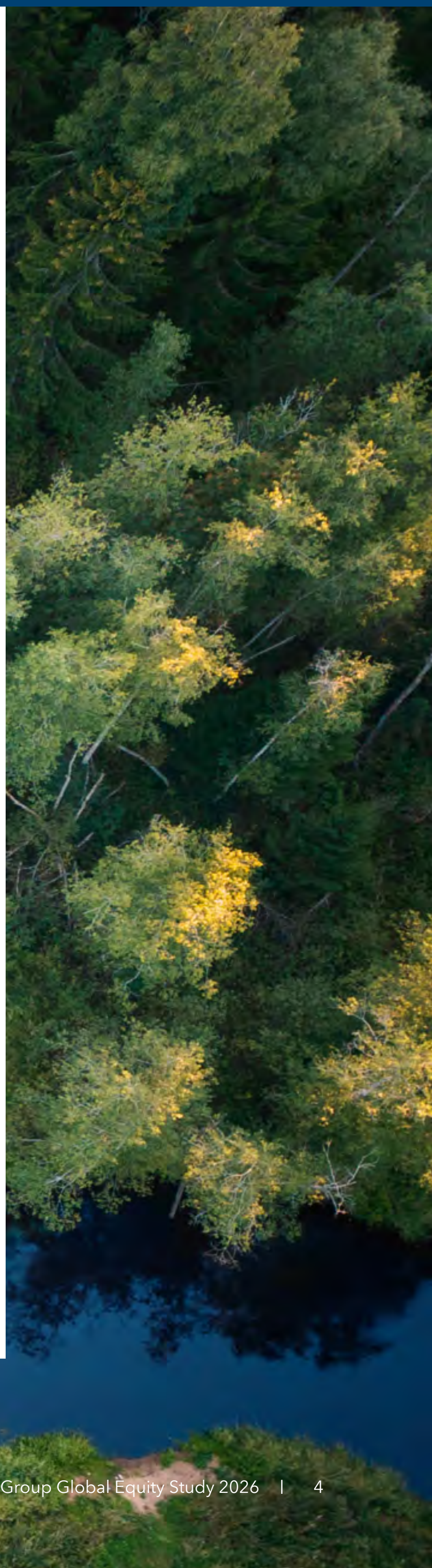
We present the total value of share buybacks in US dollars and show geographic and sector trends. Our research reveals how buyback patterns diverge from dividend patterns, reflecting diverse corporate cultures around the world and varying sector norms. It also shows that buybacks are spreading as US capital discipline is exported around the world.

Investors differ in how they view share buybacks and dividends as ways of returning capital. This document examines the role each plays and the factors influencing corporate decisions between the two. Although often treated as interchangeable, buybacks and dividends are not equivalent in practice, and understanding the differences is essential to assessing how companies allocate capital and how investors ultimately receive value.

The Buyback Watch is just one part of our Global Equity Study series that will analyse a range of data metrics for the world's largest companies, including the profits and cash they make as they develop and grow, how they are valued and how they return the cash they make to shareholders via dividends, which we will publish regularly throughout the year.

About Capital Group

Capital Group is one of the oldest and largest investment management companies in the world, managing multi-asset, equity and fixed income investment strategies for different types of investors. Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high conviction portfolios, rigorous research and individual accountability. Today, Capital Group works with financial intermediaries and institutions to manage more than $3 trillion in long-term assets for investors around the world.



Methodology

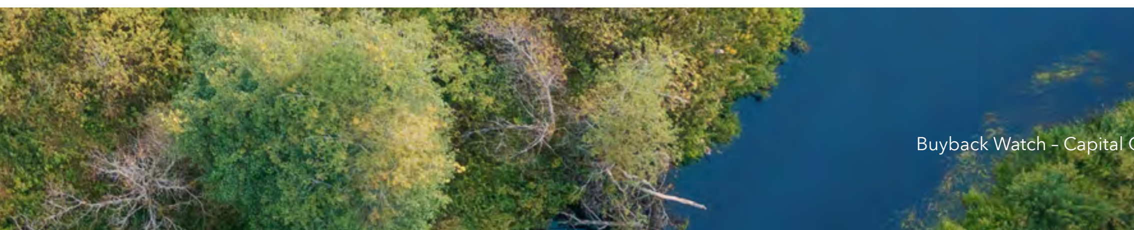
Capital Group analysed the financial statements of the world's largest 1,600 companies (measured by market capitalisation as at 31 March 2025) to measure the value of shares repurchased during 2025. The figures, derived from Factset, include ordinary/common shares and preference shares and are converted to US dollars.

The data was acquired on 20 February 2026. Annual, quarterly and semi-annual data is prioritised where it is available to build the total for the calendar year. Where quarterly or semi-annual data is not published and the financial year end falls other than at 31 December (as with many companies in Australia, for example) the model includes reported data for the company's financial year.

For companies that had not reported annual or Q4 results by the data cut-off date, estimates were derived from recent average quarterly and semi-annual figures or figures taken/inferred from company announcements on the progress of any buyback programmes undertaken in 2025. Buyback programmes often do not line up with calendar years so there is an element of judgement where figures were not available in financial statements. Around 10% of the 2025 total global buy-back value was derived in one of these ways.

Some companies use share buybacks solely to neutralise dilution from shares issued as part of employee incentive programmes or scrip dividends. Equity issuance of this kind and rights issues/secondary equity issuance were not netted off against share buybacks.

$ refers to US dollars throughout the report unless otherwise indicated.



Key highlights

Overview

- Global share buybacks rose 8.4% to a record $1.46 trillion in 2025[1], equivalent to growth of 7.7% on a constant-currency basis
- Buybacks rose faster than dividends, which were up 6.0% in dollar terms for the year
- Globally, the value of buybacks equalled 75% of dividends paid, but there are very large regional and sector differences
- Buybacks have spread – 52% of companies had an active programme in 2025, compared to 36% in 2015
- Buybacks have risen 123% since 2015 compared to 98% for dividends
- Buybacks are concentrated – 20 companies account for one-third of the global total

Sector trends

- Financials undertook the biggest buybacks in 2025 – $386 billion, +23.1% year-on-year; banks account for the largest share, but growth was faster among general financials and insurance
- Media includes big internet companies and the sector's buybacks fell 10.0% as cash was diverted to AI capex
- IT hardware buybacks rose only 3.1% as Apple, the world's largest share repurchaser, cut its repurchases owing to global trade disruption, but growth was strong in the software and semiconductor sectors
- Energy buybacks fell on lower oil prices

1. Top 1,600 companies only.

All growth rates quoted in the text are year-on-year unless otherwise stated.

Regional trends

- **US:** accounted for 71% of global buybacks in 2025 (compared to 38% of dividends) and saw repurchases grow 8.5% to a record $1.04 trillion
- **Europe:** buybacks have grown in significance in recent years and rose 9.7% in 2025 (boosted by foreign exchange movements) to a new record; the Netherlands (+54%) and France (+44%) saw the strongest growth, but Switzerland and Italy were among those to see declines
- **Japan:** buybacks were up 15.3% to a record $78 billion – a buyback culture has spread among Japanese companies
- **Pacific:** Singapore and Korea saw strong growth, but Australia saw a decline
- **UK:** buybacks rose just 1.4% to $62 billion as major programmes were trimmed
- **China & Hong Kong:** buybacks fell sharply year-on-year
- **Emerging markets:** buybacks are rare (one in six companies) and at $14 billion were worth less than one-twelfth of 2025 dividends

All growth rates quoted in the text are year-on-year unless otherwise stated.

Overview

Share buybacks rose to a **new record** in 2025, up 8.4% to **$1.46 trillion**

Record 2025: Share buybacks rose to a new record in 2025, up 8.4% to $1.46 trillion. This meant the world's largest 1,600 companies raised their share buyback expenditure by $113 billion year-on-year. We estimate that exchange rates boosted the dollar total by 0.7 percentage points, meaning that the core increase was 7.7%, notably faster than the pace of dividend growth, which our recent Dividend Watch put at 6.0% for the year.

Major divergence by sector and geography: Choices about how much cash to devote to dividends and how much to devote to buybacks result in significant differences across geographies and sectors both in the amount spent and in the growth rates. This variation is influenced both by differing equity cultures and tax treatment across jurisdictions, and by cyclical performance and peer practice across sectors. Globally, the value of buybacks totalled 75% of dividends paid, but this ranges from 147% in the US to just 13% in Australia and even less in some emerging markets.

Key 2025 developments by geography: US growth in 2025 was in line with the global average (its sheer size at 71% of global buybacks means it sets the pace), but the fastest growth was in France, the Netherlands, Canada, Japan and Singapore among major markets. Buybacks were flat or down in Germany, the UK, Australia and China (see Regional trends for details).

Key 2025 developments by sector: Among the major sectors, financials, software, semiconductors and food retail saw significant growth and, while IT-hardware buybacks were broadly flat, they fell among media companies owing to AI capex, and in the oil sector owing to lower energy prices (see Sector trends for details).

Buybacks have spread: Despite these differences, buyback culture has spread: globally, 52% of companies in our index bought back shares in 2025[2] up from 36% in 2015. The value of buybacks has expanded 123% over the decade, compared to 98% for dividends.

2. Only counting companies repurchasing at least $20 million.

Share buybacks, $bn

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
US	514.0	509.3	500.6	779.4	756.4	496.5	843.5	957.3	794.8	955.5	1,036.6	8.5%	101.7%
Canada	12.4	11.5	17.4	33.9	24.3	10.5	23.5	53.6	32.4	31.2	52.4	67.9%	323.5%
Europe ex-UK	55.9	41.0	41.9	65.6	71.0	54.7	120.9	147.1	152.3	145.2	159.3	9.7%	185.0%
UK	8.8	8.5	16.0	32.2	28.7	8.0	23.7	62.3	56.8	60.8	61.7	1.4%	602.5%
Japan	40.4	34.3	29.0	33.0	54.3	35.3	32.6	53.2	42.3	67.2	77.5	15.3%	92.0%
Pacific Ex China, Hong Kong & Japan	14.2	12.9	12.8	16.4	9.5	4.8	6.0	18.4	8.5	14.8	21.2	43.4%	48.9%
China, Hong Kong	2.0	5.7	4.2	5.0	7.7	8.5	23.5	29.0	32.8	53.8	34.6	-35.6%	1599.2%
Emerging Markets	6.3	2.9	6.5	6.1	2.9	5.5	19.9	15.4	13.8	16.0	13.9	-13.2%	120.1%
Global	**654.0**	**626.0**	**628.4**	**971.5**	**954.7**	**623.9**	**1,093.4**	**1,336.3**	**1,133.8**	**1,344.5**	**1,457.2**	**8.4%**	**122.8%**

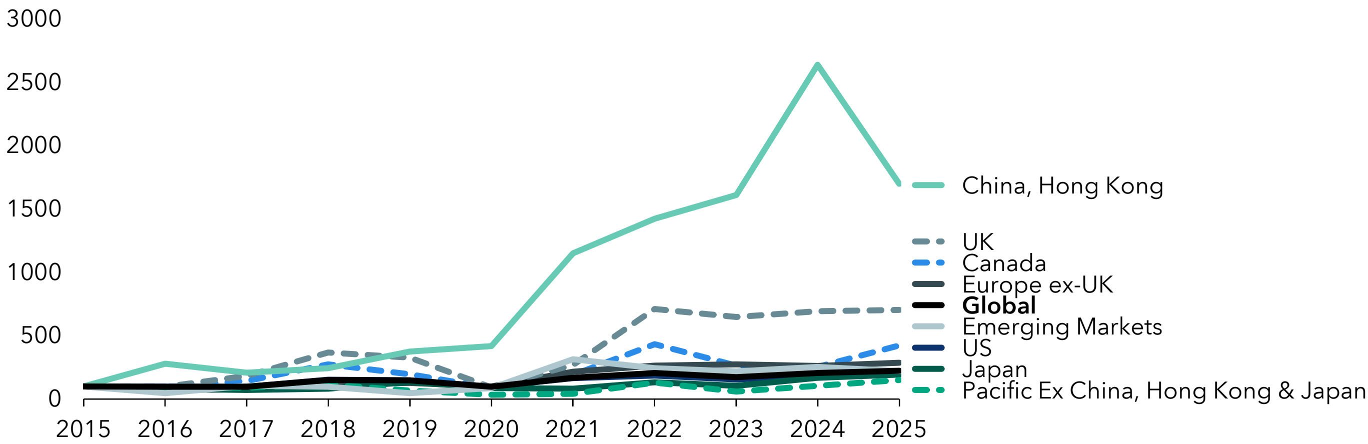
20 companies, accounted for almost **one-third of global buybacks**

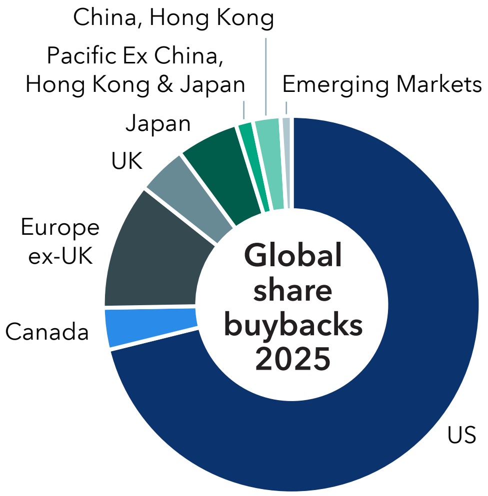
A few companies are dominant: Buybacks are highly concentrated. Just 20 companies, of which 16 were from the US, accounted for almost one-third (32%) of the total spent globally repurchasing shares. The skew to the US reflects the much greater priority accorded there to buybacks relative to dividends, as well as the sheer size of US companies. Apple comfortably has the world's largest programme despite cutting back last year by several billion dollars in the face of tariff disruption: at $92 billion in 2025, it alone spent comfortably more on buybacks than the whole country total from any other part of the world, and just over twice as much as each of Alphabet and Nvidia, which ranked second and third.

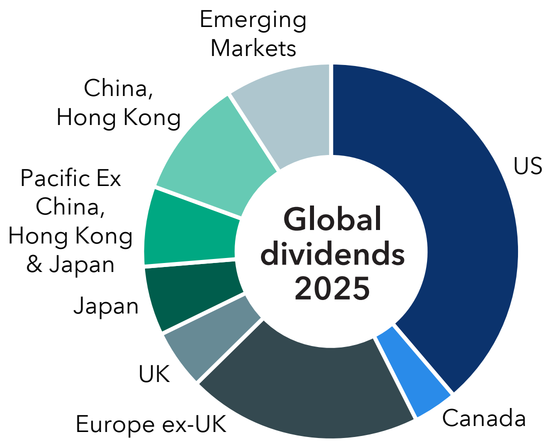
Looking forward: Share buybacks are harder to project than dividends because they are so much more discretionary and so lumpy in nature. The AI investment boom has absorbed significant resources among companies with some of the largest repurchase programmes and led them to cut the volumes of shares they are buying back. This is likely to weigh on growth in 2026 too. At the same time, however, the culture of buybacks continues to spread around the world, and consensus expectations for corporate earnings in 2026 are bright, supported by technology investment, government stimulus and falling interest rates in key economies. We expect buybacks to at least match the 2025 total this year, but it is conceivable they could lag behind dividend growth, which we project at 5.8% for 2026.

Growth in share buybacks

Rebased to 100 as at 2015







Sector trends

Financials companies **bought back $386bn** of their shares in 2025, up 23.1% year-on-year

The annual change in buybacks varies much more by sector than dividends do, reflecting the significantly greater discretion exercised by companies in how much stock they choose to repurchase. Companies typically announce a set programme as a guideline, but the timing of repurchases (which may span accounting periods) and whether the programme is either extended or abandoned is always contingent on available cash reserves or expected cash flow, world events, or new capital projects that may present themselves.

Financials: Overall banks account for the largest share of global buybacks, equivalent to one-eighth (12.1%) of the 2025 total at $176 billion. This was a record level for banks. General financials are not far behind with $142 billion (led by Visa), while insurers spent $68 billion. The $386 billion total for all three financial sectors rose 23.1% year-on-year, just over a quarter of the global figure. This dominance mainly reflects the size and ubiquity of financials as well as favourable cyclical conditions that have left them flush with cash in recent years. Bank buybacks jumped by a sixth (17.2%) in 2025, driven by US banks in particular. Globally, buybacks in the core banking sector are less than half of dividends paid (47%), well below the 75% all-sector average. This is because banks are often disproportionately large in parts of the world where dividends are culturally more dominant, which brings the average down. They also often have large sovereign shareholders who typically prefer dividend income.

Share buybacks, $bn

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
Consumer Cyclical	59.9	73.1	65.6	81.9	85.2	34.1	81.4	135.3	133.6	141.0	124.4	-11.8%	107.6%
Consumer Defensive	51.9	66.8	64.0	61.5	63.1	39.4	85.3	81.8	52.2	67.0	64.9	-3.1%	25.0%
Financial	146.5	142.6	172.9	218.8	246.8	110.2	265.3	260.8	230.7	314.1	386.5	23.1%	163.9%
Health	80.2	80.0	72.5	108.2	97.8	61.8	104.7	122.2	85.4	107.4	111.3	3.6%	38.8%
Industrial	101.0	94.1	64.7	104.9	80.3	50.8	94.6	135.1	119.5	116.5	143.6	23.2%	42.2%
Media & Telecommunications	36.5	33.8	43.1	52.0	63.1	100.1	143.5	148.2	142.5	164.4	153.6	-6.6%	320.9%
Mining & Chemicals	20.0	9.6	11.1	37.6	32.3	12.6	41.8	54.0	34.1	33.5	33.5	-0.1%	67.0%
Oil, Gas & Energy	13.8	4.9	14.1	42.9	41.4	11.1	29.9	132.7	124.9	121.5	106.3	-12.5%	672.5%
Property	3.1	5.0	6.1	3.4	6.3	5.1	7.1	6.1	4.0	4.4	6.5	47.4%	108.7%
Technology	136.0	112.5	110.7	251.7	230.5	186.9	232.2	249.2	196.0	263.0	311.7	18.5%	129.2%
Utilities	5.1	3.6	3.5	8.6	8.0	11.7	7.4	10.9	11.0	11.8	15.1	27.4%	194.6%
Global	**654.0**	**626.0**	**628.4**	**971.5**	**954.7**	**623.9**	**1,093.4**	**1,336.3**	**1,133.8**	**1,344.5**	**1,457.2**	**8.4%**	**122.8%**

Buybacks in the media sector were **3.4x larger than dividends** in 2025

Media: The media sector, by contrast, leans very heavily on share buybacks, which were 3.4x the value of dividends in 2025 at $125 billion. Alphabet and Meta, along with Tencent in a distant third position, together accounted for two thirds of the sector total, but all three of them cut their buybacks quite sharply in 2025 as AI hyperscaling absorbed huge quantities of cash. The sector's buybacks were down 10.0% year-on-year from their 2024 record.

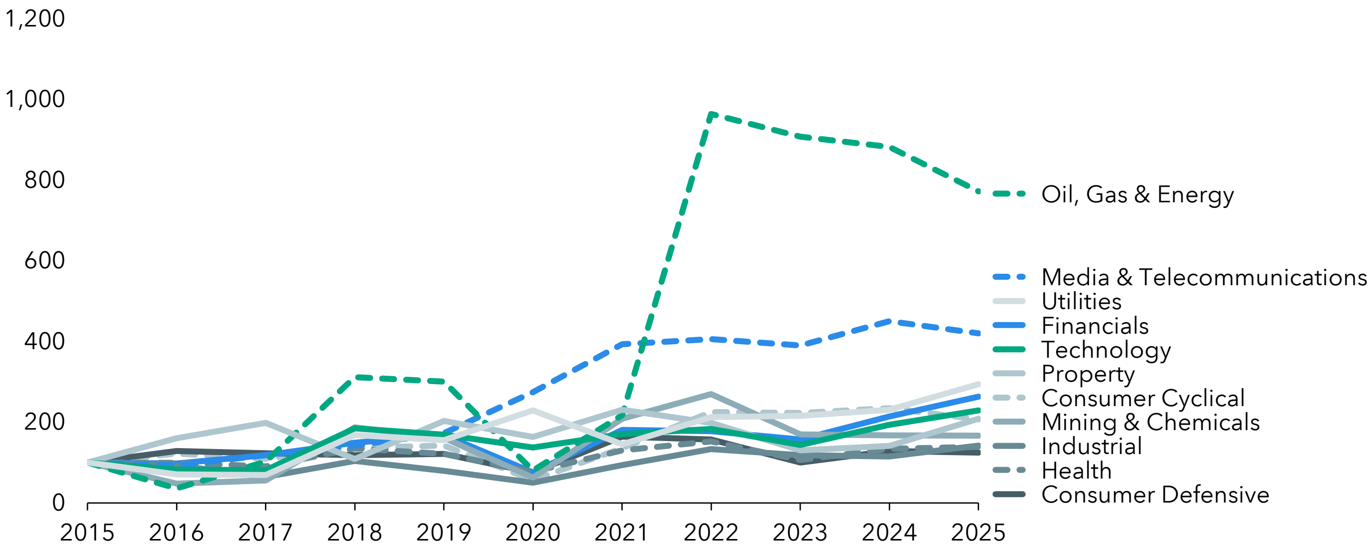
Technology: The media sector was duly overtaken by IT hardware in 2025, which bought back $130 billion of stock during the year. The sector includes Apple, which accounted for seven-tenths of the sector total and whose cut explains why the sector's increase was just 3.1%. Buybacks were 2.4x the value of dividends in 2025. The increase was much larger in both the software and semiconductor sectors, thanks mainly to greater spending from Microsoft and Nvidia respectively.

Energy: As recently as 2022 and 2023, the energy sector devoted the most capital to share buybacks, reflecting the surge in oil and gas prices that followed Russia's invasion of Ukraine. Buybacks have fallen every year since 2022 and ended 2025 12.5% down at $106 billion as lower energy prices have crimped cash flows. Chevron was among several global majors to trim their programmes last year, while BP has recently suspended share repurchases entirely. Dividends in the energy sector were 1.6x larger than share buybacks in 2025.

Property: The property sector stands out for having very low share buybacks ($6.5 billion in 2025) both in absolute terms and relative to dividends (11%). Property companies do buy back shares occasionally, (for example REITS do so when discounts to NAV are extreme and balance sheets are comfortable), but structurally they are set up to pay dividends and manage leverage, not to run large, ongoing buyback programmes. It is no accident that the asset light property companies like CBRE (commercial property advisory) and Zillow (online estate agency) have the largest buyback programmes.

Across the wider market, food retailers saw the largest increase (almost doubling year-on-year), thanks largely to merchants in the US, Japan, UK and Canada increasing their programmes, while the food, drink and tobacco sector saw the largest fall (-42%), with Nestle and Monster Beverages making the most significant impact as they completed their programmes in 2024.

Growth in share buybacks
Rebased to 100 as at 2015



Regional trends

2025 buyback
$1.04tn

Record
Yes

1 year growth
8.5%

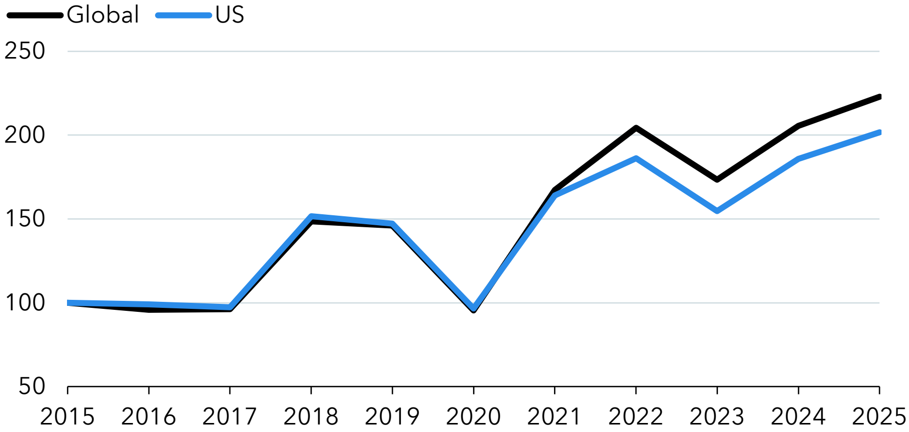
10 year growth
102%

% companies with active programme
77%

US buybacks of $1.04tn in 2025 were **seven-tenths of the global total**

United States

Share buybacks
Rebased to 100 as at 2015



US companies comfortably devote the most capital to buybacks both in absolute and relative terms. They spent a record $1.04 trillion in 2025, or seven-tenths (71%) of the global total and far more than their 38% share of dividends. The total spent in 2025 surpassed the previous 2022 peak, when companies rushed to beat the introduction of a new tax on share buybacks. The US is the only major country where share buybacks are routinely larger than dividends (1.5x larger in 2025): over the last 10 years, US companies have spent $7.6 trillion buying back their own shares, compared to $5.3 trillion on dividends.

The biggest increase in the US came from Nvidia, which bought back $44 billion in 2025, up from $29 billion in 2024. Notably Alphabet made the first ever significant cut in its share buyback programme to help fund a huge increase in its AI capex – it spent almost $17 billion less year-on-year.

2025 buyback
$159bn

Record
Yes

1 year growth
9.7%

10 year growth
185%

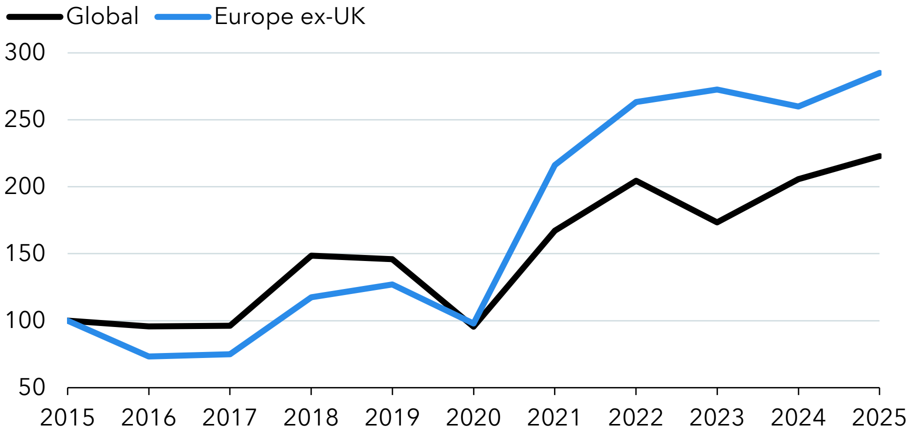
% companies with active programme
57%

European share buybacks **rose 9.7%** to $159bn in 2025

Europe ex-UK

Share buybacks

Rebased to 100 as at 2015



European share buybacks are the second largest after the US, but at $159 billion in 2025, were a long way behind. They rose 9.7% year-on-year, boosted by exchange rates. France and the Netherlands saw the fastest increases, with Sanofi and ASML boosting their programmes significantly. Switzerland saw the biggest decline as a number of large companies did not renew their programmes, even though Novartis is Europe's biggest buyer of its own shares ($9.2 billion in 2025).

European share buybacks totalled just one-ninth (10.8%) of the global 2025 total (versus one-fifth share of global dividends), but they have become a more important part of total shareholder distributions in recent years, particularly since the pandemic – in 2025 they totalled 44% of the value of dividends paid in the region during the year, compared to just one-fifth in 2016.

A few key changes have driven the change. After pandemic restrictions on distributions were lifted, balance sheets were overcapitalised in many sectors. Subsequently the banks saw profits take off as interest rates normalised, while the energy sector boomed when Russia invaded Ukraine. Companies flush with cash sought to return it to shareholders. At the same time, US capital discipline has increasingly bled into European corporate culture. Dividends have often proven politically sensitive in Europe too, whereas buybacks are more discreet and have proven a useful outlet for surplus capital. The result has been a big increase in European buybacks.

Europe ex-UK
Selected countries

France

Sanofi, Axa and Soc Gen had very active programmes in 2025, and all made big year-on-year increases. Together they accounted for one-third of the French total between them.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$36.2bn	**Yes**	**44.4%**	**270%**	**67%**

Germany

Mercedes-Benz significantly cut back its programme in 2025, enough to offset almost all the increased spending on buybacks across the wider market. Siemens was the largest buyer of its own stock in 2025.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$23.0bn	**Yes**	**2.0%**	**463%**	**50%**

Switzerland

A number of Swiss companies completed announced buyback programmes in 2024 or early 2025 and did not renew them, explaining why the total fell year-on-year. The largest of these was Nestlé.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$18.6bn	**No**	**-23.7%**	**2%**	**53%**

Europe ex-UK
Selected countries

Italy

Most companies increased their buybacks, but the second biggest programme, from Stellantis, was suspended and this caused the overall decline. This mirrored the dividend picture in Italy.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$13.6bn	**No**	**-6.1%**	**Close to 0 buybacks in 2015**	**55%**

Spain

The decline in 2025 was particularly due to Telefónica (which has also cut its dividend) but this was also artificially exaggerated by the winding down of Santander's last buyback programme. The bank has recently announced a large new programme that has already begun.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$12.7bn	**No**	**-2.5%**	**150%**	**69%**

Netherlands

Prosus is conducting the largest buyback programme in the Netherlands – likely around $9 billion by the time it reports annual results in April, but the biggest increase in 2025 came from ASML.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$28.7bn	**Yes**	**53.5%**	**717%**	**76%**

2025 buyback
$61.7bn

Record
Yes

1 year growth
1.4%

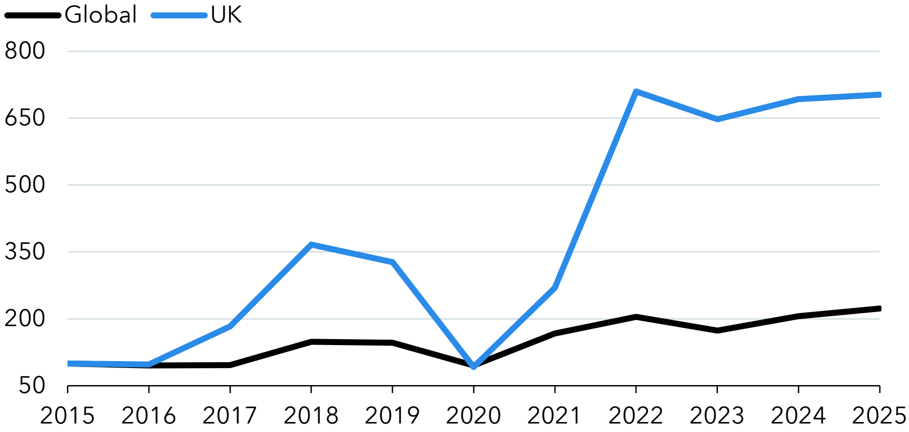
10 year growth
602%

% companies with active programme
66%

UK share buybacks were **two-thirds as large as dividends** in 2025 compared to one-tenth in 2015

United Kingdom

Share buybacks
Rebased to 100 as at 2015



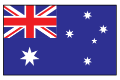
UK share buybacks rose only slightly in 2025 in dollar terms, boosted by the strong pound. The main reason for the slowdown in growth was a reduction in buybacks by HSBC to enable it to buy out minority shareholders in Hang Seng Bank, and a cut by BP, whose profits have fallen significantly on lower oil prices and which now wishes to prioritise debt repayment. BP recently announced it would suspend buybacks entirely.

The pandemic marked an era shift in the UK, sparking a major and painful reset in dividends, which for some companies had become unsustainably high. Since the pandemic, growth in shareholder returns has largely been focused on buybacks rather than dividends.

For companies in our index, buybacks were two-thirds the size of dividends in 2025, compared to just one-tenth a decade ago.

Pacific ex China, Hong Kong, and Japan
Selected countries

Australia



Buybacks are very small in Australia relative to dividends, because the latter attract tax credits for investors. Buybacks were worth just 12% of dividends in 2025, well below the global average. ANZ trimmed its buybacks in 2025 before cancelling its programme altogether in October 2025 to focus on technology investment and expanding its mortgage book. This helps explain the fall year-on-year.

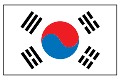
2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$5.4bn	No	-17.5%	-2%	57%

Singapore

The increase in 2025 was driven by the banks, especially United Overseas, which initiated a large programme in early 2025. Our Dividend Watch has shown the banks as key drivers of record dividends in Singapore in 2025 too.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$1.5bn	No	62.3%	71%	46%

Korea



A large increase from Samsung in particular is responsible for the jump in 2025's buybacks.

2025 buyback	Record Y/N	1 year growth	10 year growth	% of companies in our index with a buyback
$14.3bn	Yes	99.1%	90%	42%

2025 buyback
$77.5bn

Record
Yes

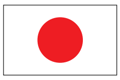
1 year growth
15.3%

10 year growth
92%

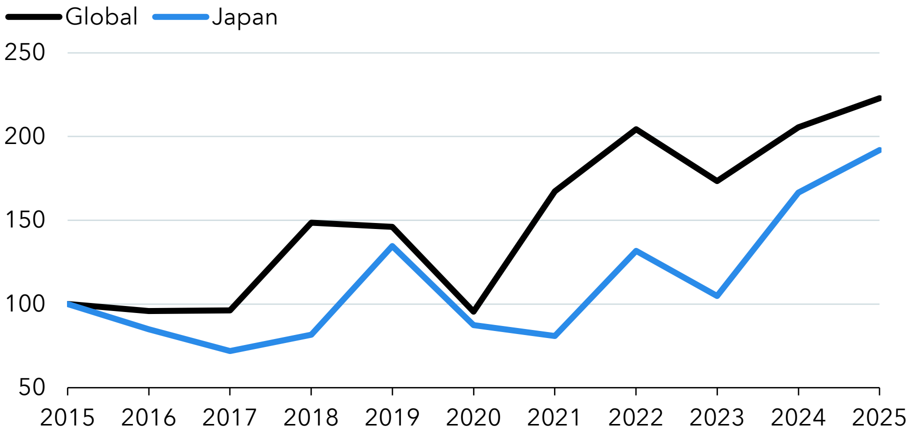
% companies with active programme
48%

Japanese share buybacks were 15.3% higher year-on-year **at a record $77.5 billion**

Japan



Share buybacks
Rebased to 100 as at 2015

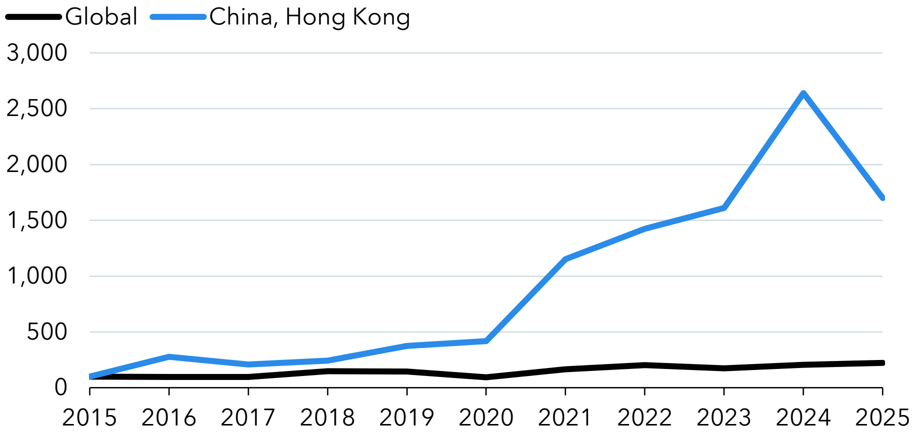


Japanese share buybacks were 15.3% higher year-on-year in dollar terms at a record $77.5 billion, roughly matching the growth in dividends during the year. Buybacks were equal to seven-tenths (72%) of Japan's 2025's dividends, more like Canada and the UK than the greater dividend focus seen among its regional peers and neighbours. Honda Motor was both the largest buyer of its own shares in 2025 ($7.4 billion) and the company that made the largest increase. Almost half (48%) the Japanese companies in our index bought back shares in 2025, up from less than one-quarter a decade ago. Japan's long-term growth rate is in line with the long-term global increase if we adjust for Japan Post Bank's large 2015 buyback as part of its IPO restructuring.

China and Hong Kong

Share buybacks

Rebased to 100 as at 2015



China

Buybacks in China rose sharply in 2024 when the Chinese government dialled up its encouragement for repurchase schemes as a way of supporting the stock market. Banks were directed to lend companies money to conduct such programmes. Reported accounting data for 2025 is not yet fully reported so our figures are estimates based largely on press releases. We estimate total buybacks fell to $32 billion, down from $48 billion in 2024. A number of companies have reached the end of their current programmes, which may help explain the decline. Two-thirds of the 2025 total spend came from Tencent and Alibaba alone. We will have more clarity later in the year on exactly where the total landed for 2025.

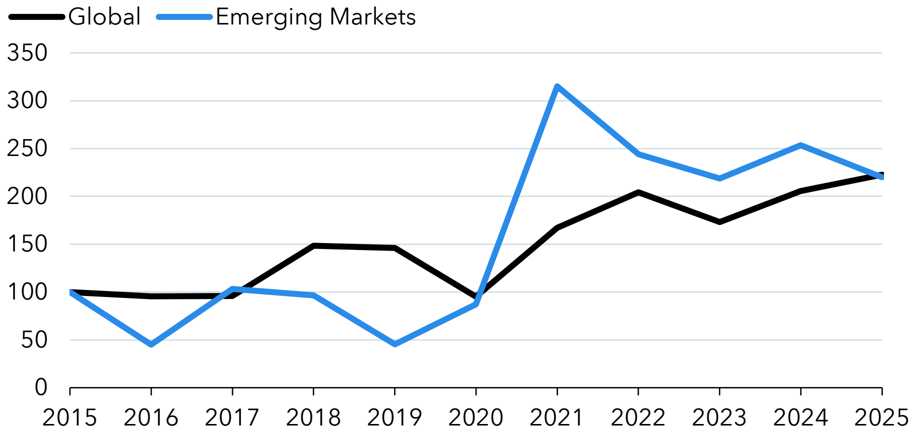
Hong Kong

A large decline in Hong Kong buybacks to $3.1 billion mainly reflects a smaller programme from AIA group, the largest repurchaser of its own shares in our Hong Kong index.

Emerging markets

Share buybacks

Rebased to 100 as at 2015



Buybacks are quite rare in emerging markets. Just 17% of companies in our index had an active programme in 2025 and buybacks totalled just $13.9 billion, less than one-twelfth of the dividends paid. Three companies – Naspers (South Africa), Infosys (India) and Vale (Brazil) – accounted for almost half the 2025 total. A number of reasons help explain why buybacks are relatively absent. For example, buybacks tend to favour minority shareholders and since state shareholdings or family control are common in emerging markets, shareholders do not need buybacks to realise value. Equally, factors like lower stock liquidity and volatility, high interest rates, less balance sheet flexibility, or simply the availability of good investment projects may all contribute to the pattern. Ultimately, dividends are cleaner for emerging market investors – cash is tangible and immediate.

Buybacks in emerging markets **are relatively rare** – one in six companies had an active programme in 2025

Buybacks vs. dividends:
How companies return capital

Anne-Marie Peterson | Equity Portfolio Manager

Share buybacks: a use of cash

Buybacks are often painted as financial engineering, a short cut that simply flatters earnings per share. That view understates the role buybacks play in capital allocation decisions and how they differ from dividends in practice.

The pro-buyback argument goes as follows:
A share repurchase is the cleanest way a company can return surplus cash to its owners – effectively buybacks concentrate ownership for remaining shareholders. It is precise, flexible, and – crucially – optional. When a board cannot deploy capital efficiently, it should not hoard it or force-feed it into marginal projects. It should hand it back to investors. Buybacks do that without locking the company into a permanent obligation.

Dividends, by contrast, are blunt instruments. In theory they too are voluntary, but in practice, once they are established, they are usually treated as sacrosanct. Cutting them is punished. Management teams therefore set payouts at levels and with a growth rate they can sustain throughout the cycle, even when cash generation may temporarily surge. The result is predictable but inefficient. Investors receive a steady drip when a larger, timely distribution would be more appropriate.

Tax treatment matters as well. In most jurisdictions, dividends are taxed immediately as income. Buybacks defer that liability until an investor chooses to sell, and often at capital gains rates which tend to be lower. Long-term holders are therefore not forced into a taxable event simply because the company has excess cash. In 2022, the US moved to counter some of this by taxing companies themselves on buybacks, but at 1% the rate is low and, as our research shows, has not reduced corporate or investor appetite for them.

There is also a discipline effect that critics tend to ignore. A credible buyback programme imposes a hurdle on management. Capital is not free. Every dollar retained must compete with the alternative of shrinking the equity base. That pressure improves allocation decisions and, over time, returns on capital.

The charge that buybacks inflate valuations is overstated. They only create value when shares are repurchased below intrinsic worth. Poorly timed programmes can destroy value, just as ill-judged acquisitions do. The answer is not to discourage buybacks, but to hold boards accountable for price and pace.

Well-run companies already treat dividends and buybacks as complementary tools. But if one must take precedence, buybacks deserve it. They amplify the outcome of the underlying stock – so for a growth company that should enhance returns. They respect investor diversity, reward patience, and enforce discipline at the point where it matters most – the use of capital.

Dividends: a return of cash

The first recorded dividend from a public company was paid in 1602 by VOC (Dutch East India Company) and they have stood the test of time. To this day, dividends underpin a large proportion of total shareholder returns and provide a foundation for valuing equities over the long-term. Buybacks, in their current form, date back to the 1980s and have become an increasingly important complement to dividends. Boards often highlight flexibility and balance-sheet agility as advantages. The implications for shareholder outcomes, however, depend heavily on how and when buybacks are executed.

Proponents of dividends make the argument as follows:
A dividend is straightforward. Cash leaves the company and lands in the investor's account. There is no judgement required on timing, no need to sell shares to manufacture an income, no dependence on how the market happens to value the stock that day. It is a realised return. That clarity is underrated.

Buybacks, by contrast, ask investors to trust management's judgement twice over – first on whether capital is surplus, and second on whether the share price is attractive. The record on the latter is mixed. Companies tend to buy most aggressively when cash generation is plentiful and therefore valuations are high, and pull back when shares are cheap and cash is scarce; we have seen this recently in the oil sector, for example. That is the wrong way round. It flatters per-share metrics in good times and withdraws support when it would be most valuable. The cycle works against the investor and there is no guarantee buybacks will be fully reflected in capital gains.

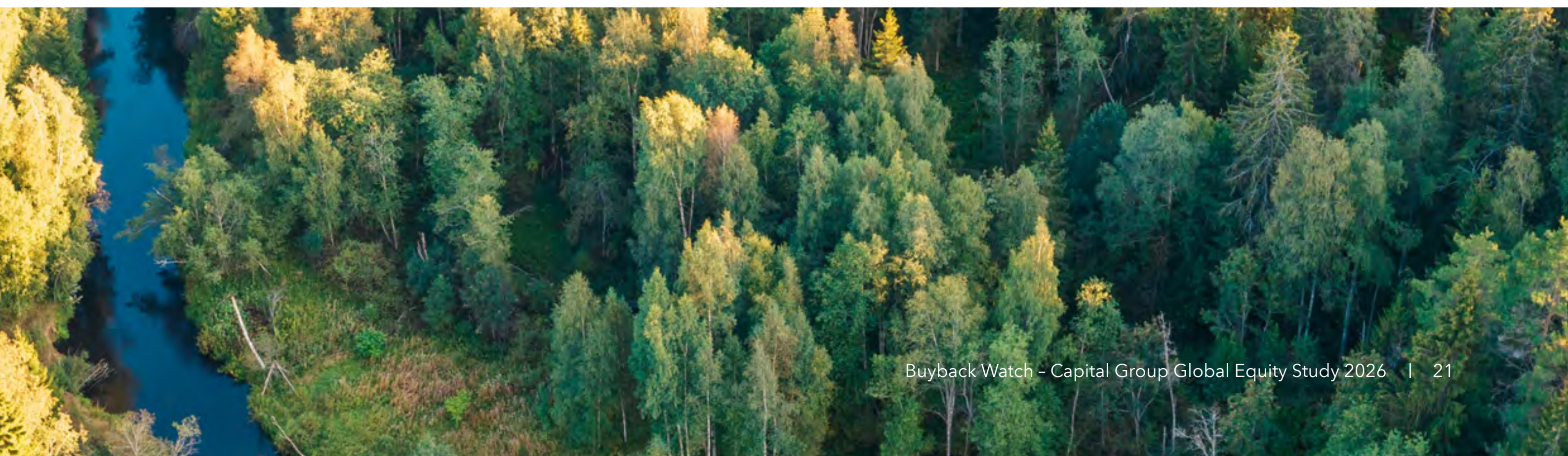
It is also wrong to characterise buybacks as a return of cash to shareholders. Buybacks are arguably closer to capex than to dividends – an asset is acquired whose outcome depends on future returns. The fact that the shares are cancelled doesn't change that reality.

Dividends impose a discipline that is hard to replicate elsewhere. Once a payout is established, it carries weight. Boards know that cutting it will be noticed and punished. That forces a degree of rigour. Investment proposals are tested more carefully. Costs come under scrutiny. The hurdle rate is real, not theoretical. Cash cannot be quietly absorbed into projects that look good on paper but deliver little.

There is a fairness point here as well. Dividends treat all shareholders the same. Each receives the same amount per share, at the same time. Buybacks do not. They favour those who choose to sell and those who happen to sell at the right moment. Everyone else is left hoping the programme was well timed and well priced. That is a more uncertain outcome.

The tax argument is often overstated. Deferral may suit some investors, but many – pension funds, insurers, income mandates – are indifferent to it. What they require is cash flow. Dividends provide it without forcing a sale, without eroding ownership, and without exposing returns to market volatility.

None of this makes buybacks redundant. They have a role, particularly when a balance sheet needs adjusting. But they should not be the default. A dividend forces a company to prove its earnings are durable and its capital allocation is sound. That is a test worth keeping.



Summing up: a capital allocation choice

Buybacks can be a sensible way to return excess cash to shareholders, especially when a company's shares are undervalued and there are no better opportunities to invest in the business. In those situations, buybacks can improve returns per share and give management flexibility.

But that flexibility can also be a drawback. Companies often buy back shares when profits are strong and share prices are high, which can weaken returns rather than improve them. Buybacks can also be used to offset dilution or lift earnings per share without creating real long-term value. That is why price and timing matter so much.

Dividends also have important strengths. They give shareholders a clear and immediate return, and they can help impose discipline on management by reducing the cash available for weaker capital allocation decisions. Many investors value that certainty. Dividends have also made up a meaningful share of long-term equity returns, including in the US market.

Buybacks may be more tax-efficient in some cases, since investors can often defer capital gains, while dividends are usually taxed when paid. But tax efficiency alone does not make buybacks the better option. The real question is whether buying back shares is a better use of capital than paying dividends, investing in growth, reducing debt, or keeping a stronger balance sheet.

In practice, dividends and buybacks should be seen as complementary tools. Dividends offer certainty and discipline. Buybacks offer flexibility and can add value when done at the right price. What matters most is making the right capital allocation decision over the long term.

Appendix

Share buybacks by region, $m

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
US	513,967	509,287	500,554	779,422	756,432	496,510	843,464	957,314	794,845	955,538	1,036,632	8.5%	102%
Canada	12,363	11,525	17,417	33,857	24,254	10,543	23,471	53,572	32,415	31,180	52,359	67.9%	324%
Europe ex-UK	55,896	41,000	41,852	65,614	70,997	54,748	120,851	147,133	152,292	145,199	159,291	9.7%	185%
UK	8,779	8,537	16,025	32,170	28,680	8,037	23,657	62,314	56,806	60,805	61,670	1.4%	602%
Japan	40,362	34,270	28,987	32,993	54,316	35,260	32,648	53,161	42,326	67,179	77,480	15.3%	92%
Pacific Ex China, Hong Kong & Japan	14,248	12,921	12,836	16,371	9,456	4,796	5,982	18,364	8,521	14,791	21,209	43.4%	49%
China, Hong Kong	2,038	5,651	4,234	4,955	7,652	8,500	23,468	29,035	32,824	53,804	34,625	-35.6%	1599%
Emerging Markets	6,317	2,857	6,531	6,094	2,872	5,510	19,893	15,432	13,809	16,015	13,901	-13.2%	120%
Global	**653,970**	**626,047**	**628,435**	**971,477**	**954,659**	**623,903**	**1,093,434**	**1,336,326**	**1,133,839**	**1,344,511**	**1,457,168**	**8.4%**	**123%**

Share buybacks by country, $m

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
US	United States	513,967	509,287	500,554	779,422	756,432	496,510	843,464	957,314	794,845	955,538	1,036,632	8.5%	102%
Canada	Canada	12,363	11,525	17,417	33,857	24,254	10,543	23,471	53,572	32,415	31,180	52,359	67.9%	324%
Europe ex-UK	Austria	-	-	-	-	-	-	587	2	174	276	70	-74.6%	
	Belgium	4,743	328	404	706	562	595	626	940	1,913	2,410	3,001	24.5%	-37%
	Denmark	5,629	5,547	5,767	4,569	5,446	4,977	9,881	11,155	11,248	6,841	4,808	-29.7%	-15%
	Finland	328	1,083	942	7	-	19	1,867	4,881	2,337	2,014	2,215	10.0%	574%
	France	9,763	10,116	10,127	13,399	13,892	6,565	31,197	28,421	32,858	25,035	36,161	44.4%	270%
	Germany	4,093	2,698	4,433	10,594	6,800	9,091	5,601	14,405	16,309	22,592	23,039	2.0%	463%
	Ireland	1,885	1	2	-	1	1,428	55	150	591	2,935	2,748	-6.3%	46%
	Israel	1,504	1,039	1,031	1,331	1,522	1,419	1,573	1,677	1,866	2,445	3,199	30.8%	113%
	Italy	29	239	389	1,247	1,588	696	2,721	9,318	10,738	14,501	13,618	-6.1%	46621%
	Netherlands	3,517	8,424	4,405	7,392	11,211	5,057	19,780	18,712	23,459	18,718	28,725	53.5%	717%
	Norway	34	19	391	1,347	1,570	1,856	427	3,451	6,648	7,084	6,540	-7.7%	19035%
	Poland	-	-	-	-	-	-	-	-	12	18	22	20.7%	
	Portugal	-	3	1	85	342	165	-	159	563	380	498	31.1%	
	Spain	5,085	4,057	2,109	5,577	5,382	5,928	6,209	14,038	14,117	13,013	12,692	-2.5%	150%
	Sweden	986	261	248	2,123	1,464	391	1,600	3,116	1,433	2,453	2,931	19.5%	197%
	Switzerland	18,222	7,145	11,567	17,205	21,142	16,539	38,709	36,695	27,902	24,444	18,639	-23.7%	2%
	Greece	75	39	37	29	76	22	18	15	125	40	386	863.7%	412%
UK	United Kingdom	8,779	8,537	16,025	32,170	28,680	8,037	23,657	62,314	56,806	60,805	61,670	1.4%	602%
Japan	Japan	40,362	34,270	28,987	32,993	54,316	35,260	32,648	53,161	42,326	67,179	77,480	15.3%	92%
Pacific Ex China, Hong Kong & Japan	Australia	5,544	2,102	4,922	8,179	6,693	1,538	3,630	14,600	4,869	6,588	5,436	-17.5%	-2%
	Korea	7,511	10,014	7,666	4,284	2,383	2,031	1,253	1,452	3,156	7,161	14,256	99.1%	90%
	New Zealand	-	-	-	-	-	-	-	-	-	-	-		
	Singapore	886	682	214	2,489	285	1,169	721	944	379	935	1,517	62.3%	71%
	Taiwan	308	122	35	1,419	96	59	379	1,368	117	107	0	-99.8%	-100%
China, Hong Kong	Hong Kong	279	684	1,281	1,344	853	1,127	6,996	5,373	4,645	5,622	3,071	-45.4%	1000%
	China	1,759	4,967	2,953	3,611	6,799	7,372	16,471	23,663	28,179	48,182	31,554	-34.5%	1694%
Emerging Markets	Brazil	968	385	119	1,229	34	1,038	7,773	8,097	4,752	3,083	2,737	-11.2%	183%
	Chile	8	178	-	24	-	-	30	45	6	-	585		7357%
	Colombia	20	-	-	-	-	-	-	-	-	-	240		1075%
	Czech Republic	-	-	-	-	-	-	-	-	-	-	-		
	Hungary	122	56	60	53	31	279	911	44	113	419	273	-34.9%	124%
	India	8	541	5,301	4,222	1,601	1,619	5,724	2,822	3,491	4,374	2,551	-41.7%	32130%
	Indonesia	227	10	-	-	-	16	9	362	103	100	244	145.2%	8%
	Kuwait	-	3	-	-	-	-	-	46	232	-	-		
	Malaysia	16	484	698	-	-	67	-	-	-	-	-		-100%
	Mexico	3,587	732	220	259	244	597	2,448	1,997	1,407	3,736	1,442	-61.4%	-60%
	Peru	1,009	91	22	29	31	43	15	22	23	30	33	13.2%	-97%
	Philippines	10	12	10	45	29	9	484	254	1	43	149	245.3%	1363%
	Qatar	-	-	-	-	-	-	-	-	-	181	391	115.4%	
	Saudi Arabia	74	82	68	94	117	186	79	220	267	222	453	103.8%	512%
	South Africa	206	273	33	139	721	1,551	2,419	1,523	3,386	3,547	3,533	-0.4%	1612%
	Thailand	61	9	-	-	64	105	-	0	1	-	338		450%
	Turkey	-	-	-	-	-	-	2	-	27	6	8	27.1%	
	United Arab Emirates	-	-	-	-	-	-	-	-	-	273	925	238.6%	
Global		**653,970**	**626,047**	**628,435**	**971,477**	**954,659**	**623,903**	**1,093,434**	**1,336,326**	**1,133,839**	**1,344,511**	**1,457,168**	**8.4%**	**123%**

Share buybacks by sector, $m

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
Consumer Cyclical	59,928	73,098	65,573	81,891	85,160	34,100	81,408	135,307	133,589	140,992	124,395	-11.8%	108%
Consumer Defensive	51,912	66,795	63,952	61,548	63,113	39,426	85,287	81,753	52,162	66,985	64,881	-3.1%	25%
Financial	146,461	142,644	172,906	218,814	246,793	110,184	265,309	260,753	230,653	314,067	386,474	23.1%	164%
Health	80,186	79,970	72,466	108,222	97,758	61,818	104,728	122,235	85,440	107,351	111,267	3.6%	39%
Industrial	100,973	94,138	64,731	104,908	80,309	50,843	94,648	135,111	119,505	116,519	143,559	23.2%	42%
Media & Telecommunications	36,496	33,808	43,145	51,995	63,063	100,146	143,516	148,154	142,454	164,403	153,612	-6.6%	321%
Mining & Chemicals	20,039	9,637	11,124	37,559	32,296	12,566	41,826	54,038	34,086	33,511	33,463	-0.1%	67%
Oil, Gas & Energy	13,757	4,928	14,119	42,869	41,413	11,090	29,947	132,734	124,908	121,487	106,279	-12.5%	673%
Property	3,094	4,965	6,137	3,362	6,290	5,060	7,144	6,150	4,028	4,380	6,458	47.4%	109%
Technology	136,002	112,453	110,741	251,699	230,493	186,925	232,187	249,215	195,965	262,972	311,695	18.5%	129%
Utilities	5,121	3,611	3,542	8,610	7,971	11,745	7,434	10,876	11,048	11,845	15,087	27.4%	195%
Global	**653,970**	**626,047**	**628,435**	**971,477**	**954,659**	**623,903**	**1,093,434**	**1,336,326**	**1,133,839**	**1,344,511**	**1,457,168**	**8.4%**	**123%**

Share buybacks by sub-sector, $m

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025 change	10-year growth
Media & Telecommunication	Media	22,440	20,951	36,682	40,151	40,104	56,244	124,551	124,985	119,488	139,111	125,260	-10.0%	102%
	Telecoms	14,056	12,857	6,463	11,844	22,959	43,902	18,965	23,168	22,966	25,292	28,351	12.1%	324%
Consumer Cyclical	General Retail	21,613	27,010	28,094	26,925	31,029	19,649	51,390	73,051	58,891	48,038	44,841	-6.7%	
	Auto	15,033	13,646	12,167	10,219	10,034	2,992	5,859	15,600	25,297	36,348	24,857	-31.6%	-37%
	Clothing & Durables	5,304	6,582	5,703	10,226	10,817	4,333	16,527	19,239	15,570	18,893	18,160	-3.9%	-15%
	Household services	17,978	25,860	19,609	34,522	33,281	7,127	7,632	27,417	33,832	37,713	36,537	-3.1%	574%
Consumer Defensive	Food Retail	10,777	21,346	24,546	20,266	21,010	13,877	26,806	30,639	14,276	15,706	30,345	93.2%	270%
	Household products	8,992	11,634	17,277	17,550	15,272	8,990	34,497	14,514	8,319	14,426	13,065	-9.4%	463%
	Food, drink & Tobacco	32,143	33,815	22,128	23,732	26,831	16,559	23,984	36,599	29,567	36,853	21,471	-41.7%	46%
Oil, Gas & Energy	Oil, Gas & Energy	13,757	4,928	14,119	42,869	41,413	11,090	29,947	132,734	124,908	121,487	106,279	-12.5%	113%
Financial	Banks	62,533	52,812	91,556	119,499	138,524	44,745	116,645	91,121	91,426	149,923	175,643	17.2%	46621%
	General Financial	43,463	50,010	50,321	65,439	73,444	45,350	100,490	105,660	91,697	110,771	142,451	28.6%	717%
	Insurance	40,466	39,822	31,029	33,875	34,825	20,089	48,174	63,972	47,530	53,372	68,380	28.1%	19035%
Health	Pharmaceuticals	56,927	53,248	43,517	83,202	68,902	38,365	59,937	59,157	45,655	52,146	67,705	29.8%	
	Healthcare	23,259	26,721	28,949	25,020	28,855	23,453	44,791	63,077	39,785	55,205	43,562	-21.1%	
Industrial	Machinery	72,505	64,095	40,546	58,587	49,092	34,189	59,661	82,751	83,320	81,131	86,435	6.5%	150%
	Transport	20,173	21,687	17,850	28,437	23,498	11,779	25,408	38,258	21,121	19,005	33,673	77.2%	197%
	Support Services	8,296	8,356	6,335	17,884	7,720	4,875	9,579	14,102	15,063	16,382	23,451	43.1%	2%
Technology	IT Hardware	65,834	61,090	59,999	113,030	125,144	93,666	106,038	118,978	96,580	126,235	130,115	3.1%	412%
	Software & IT Services	44,381	38,436	36,104	69,106	66,687	66,601	86,556	72,123	64,880	71,850	90,740	26.3%	602%
	Semiconductors	25,787	12,927	14,639	69,563	38,662	26,658	39,593	58,114	34,505	64,888	90,839	40.0%	92%
Mining & Chemicals	Mining & Chemicals	20,039	9,637	11,124	37,559	32,296	12,566	41,826	54,038	34,086	33,511	33,463	-0.1%	-2%
	Property	3,094	4,965	6,137	3,362	6,290	5,060	7,144	6,150	4,028	4,380	6,458	47.4%	90%
Utilities	Utilities	5,121	3,611	3,542	8,610	7,971	11,745	7,434	10,876	11,048	11,845	15,087	27.4%	
Global		**653,970**	**626,047**	**628,435**	**971,477**	**954,659**	**623,903**	**1,093,434**	**1,336,326**	**1,133,839**	**1,344,511**	**1,457,168**	**8.4%**	**123%**