

## Because they're worth it

*Companies are buying lots of their own shares again.*

FEW expenditures are more discretionary for a firm than buying its own shares. Although companies collectively were the biggest net buyers of shares before the financial crisis, buy-backs fell by the wayside when the markets froze in 2008 and firms began clinging to any cash they did not urgently need to spend. Sooner than might have been expected, however, companies have regained confidence in their financial health.



On March 15th PepsiCo announced its intention to buy some \$15 billion of its shares by June 2013, including \$4.4 billion this year—the biggest repurchase programme launched since the crisis hit. Even before Pepsi's announcement, buy-backs unveiled this year had already reached \$65 billion, nearly half of 2009's total of \$137 billion, according to Citigroup. Pepsi's scheme alone amounts to over a tenth of the entire 2009 figure.

Opinions have long differed in academia over the pros and cons of share buy-backs, including whether they are a better means of distributing surplus cash than paying a bigger dividend (Pepsi is also raising its dividend), and whether they distort executive-bonus schemes by artificially boosting the share price and raising earnings per share (same earnings, fewer outstanding shares). In theory, bosses should embark on buy-backs when they feel their firm's shares are undervalued. That was a much easier case to make a year ago, when few firms were buying, than it is today.

In practice, buy-backs tend to occur when firms lack other sensible uses for their cash. So their reappearance may mean that firms are pessimistic about the broader economic outlook. As Carsten Stendevad of Citigroup's corporate-advisory arm points out, "Many firms have emerged from the crisis with record levels of cash on hand, yet see few organic growth opportunities." They have two main options: acquisitions (Pepsi has just bought its two main bottlers) or payouts to shareholders—assuming they are cheery enough to stop hoarding cash.

**Fonte: The Economist. Disponível em: <[www.economist.com](http://www.economist.com)>. Acesso em: 23 mar. 2010.**