

S&P 500 Buybacks Continues Fall in Q3 2016

- Companies spent \$112.2 billion on share repurchases in Q3 2016, down 12.0% from Q2 2016 (\$127.5 billion) and down 25.5% from Q3 2015 (\$150.6 billion)
- Buybacks from top 20 issues accounted for 42.3% of all Q3 2016 expenditures
- Cash reserves (\$1.49 trillion) set new record

NEW YORK, Dec. 29, 2016 /PRNewswire/ -- S&P Dow Jones Indices ("S&P DJI") today announced preliminary results indicating that S&P 500® stock buybacks, or share repurchases, totaled \$112.2 billion in Q3 2016. The figure is a 12.0% decrease from the \$127.5 billion reported in Q2 2016, a 30.5% decrease from the \$161.4 billion reported in Q1 2016 and a 25.5% decrease from the \$150.6 billion reported in Q3 2015.

For the 12-month period ending in September 2016, S&P 500 issues spent \$547.0 billion on buybacks, down 2.1% from the \$558.9 billion spent in the same period of 2015 and down 7.2% from the 12-month record of \$589.4 billion, which was set in Q1 2016.

Historical data on S&P 500 buybacks is available at: www.spdji.com/indices/equity/sp-500.

Key Takeaways:

- For the eleventh-consecutive quarter, **more than 20% of the S&P 500's constituents reduced their year-over-year diluted share count** by at least 4%, therefore also boosting their earnings-per-share (EPS) by at least 4%.
- **Total shareholder return** declined to \$210.6 billion in Q3 2016, from last quarter's \$225.8 billion and down from the quarterly record of \$258.1 billion, which was set Q1 2016; dividend payments ticked up 0.12%. The 12-month return was \$939.8 billion, down 3.6% from last quarter's \$974.8 billion and down 3.6% from the record \$975.0 billion set in the 12-month period ending March 2016.
- Issues **reducing their share count this quarter decreased** to 257, from 275 last quarter, 324 in Q1 2016 and 306 in Q3 2015.
- Significant share count changes (generally considered 1% or greater for the quarter) remained strong, but declined; there were 82 significant changes in Q3 2016, down from 106 in Q2 2016 and 147 in Q1 2016. There were 39 significant increases in Q3 2016, down from 46 in Q2 2016.
- 117 issues reduced their year-over-year share count by at least 4%, compared to 134 in Q2 2016, 139 in Q1 2016 and 113 in Q3 2015.

"After increasing activity to support equity prices, Q3's 12% decline in buybacks, after Q2's 21% decrease, reinforces the belief that companies pulled back to conform to budgeted expenditures," said **Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices**

"Buybacks continue to be top-heavy, as the top 20 issues accounted for 42.3% of the total Q3 2016 expenditures, a tick above the five-year average, but down from last quarter's 46.6%."

Additionally, the number of issues conducting significant share-count reductions (purchases less issuance) declined.

"The ability of companies to increase buybacks remains high, as cash jumped to a record level, with money remaining relatively cheap and easily accessible," said Silverblatt.

"However, the cessation of momentum since Q1 2016 may indicate that companies do not currently want to increase planned buybacks. Q4 2016 prices are averaging slightly higher (up 0.5%), but increased expenditures may be needed to cover the higher share prices and avoid EPS dilution."

Sector Analysis:

Information Technology continued its buybacks dominance, even as its overall percentage of S&P 500 buybacks decreased to 23.2% (\$26.0 billion) in Q3 2016, from 23.6% (\$30.1 billion) in Q2 2016.

Energy saw its contribution increase but overall expenditures decline, to 1.20% (\$1.34 billion) in Q3 2016, compared to 1.09% (\$1.39 billion) in Q2 2016 and 6.07% (\$8.8 billion) in Q3 2014.

Industrials decreased its expenditures by 39.4% (\$13.3 billion) from \$21.9 billion in Q2 2016.

Also notable was **Consumer Staples**, which decreased its expenditures by 28.4% (\$8.4 billion) after \$11.7 billion in Q2 2016.

Issues:

Apple (AAPL) spent the most on buybacks in Q3 2016, at \$6.0 billion, down from \$10.2 billion in Q2 2016 and \$13.3 billion spent in Q3 2015.

Microsoft (MSFT) was second, with \$4.4 billion, up from \$3.7 billion in Q2 2016.

General Electric (GE) came in third with \$3.7 billion, down from \$8.0 billion in Q2 2016.

Allergan (AGN) and **Citigroup** (C) rounded out the top five, spending \$2.7 billion and \$2.5 billion, respectively.

Exxon Mobil (XOM) ranked 291 (up from 292 last quarter), with \$1 million in buybacks, compared to \$3 billion (ranking third) in Q2 2014.

Total Shareholder Returns:

Silverblatt determined that total shareholder return through regular cash dividends, as well as buybacks, declined 6.7% to \$210.6 billion, from \$225.8 billion in Q2 2016; this is 18.4% lower than the record of \$258.1 billion which was set in Q1 2016. Dividends managed a 0.1% increase in Q2 2016, as the buyback decline pushed the total expenditure down. For the 12-month period ending September 2016, companies returned \$939.8 billion, up 0.5% from the \$934.6 billion in buybacks and dividends set in the 12-month period ending September 2016.

According to Silverblatt, **cash reserves also set a new record for the third consecutive quarter** as S&P 500 Industrial (Old), which consists of the S&P 500 less Financials, Transportations and Utilities, available cash and equivalent now stands at \$1.49 trillion, up 8.2% from the prior record of \$1.37 trillion. The current cash level is nearly double of expected 2017 operating income, giving corporations leeway in their expenditures.

"Shareholder returns continue to be strong, even as buyback activity has slowed over the past six months," said Silverblatt.

"Cash has significantly increased to a record, as low-cost financing globally remains plentiful. The rate of dividend increases continues to slow across sector lines, but energy-related decreases have stabilized, helping overall growth. Base buyback expenditures, used to negate stock options, may need to increase to compensate for higher share prices, as markets have posted all-time highs. Discretionary buybacks, used to reduce share count and increase EPS, remain popular,

exceeding a 20% participation rate."

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

S&P Dow Jones Indices

S&P 500, \$ U.S. BILLIONS

| PERIOD | MARKET | OPERATING | | (preliminary in bold) | | DIVIDENDS | BUYBACKS | DIVIDEND | BUYBACK | DIVIDEND & BUYBACK | DIVIDENDS & BUYBACKS |
|---------------------|--------|-----------------|-----------------|-----------------------|----------------|-----------------|--------------|--------------|--------------|--------------------|----------------------|
| | | VALUE | EARINGS | AS REPORTED | EARNS | | | | | | |
| 12 MoSep,'16 | | \$17,941.76 | \$881.68 | \$774.38 | \$392.79 | \$546.97 | 2.19% | 3.05% | 5.24% | \$939.76 | |
| 12 Mo Sep,'15 | | \$17,840.58 | \$920.57 | \$801.28 | \$375.72 | \$558.91 | 2.11% | 3.13% | 5.24% | \$934.63 | |
| 2015 | | \$17,916.79 | \$885.38 | \$762.74 | \$382.32 | \$572.16 | 2.13% | 3.19% | 5.33% | \$954.47 | |
| 2014 | | \$17,272.45 | \$1,004.22 | \$909.09 | \$350.43 | \$553.28 | 2.03% | 3.20% | 5.23% | \$903.71 | |
| 2013 | | \$14,936.01 | \$956.01 | \$892.76 | \$311.77 | \$475.59 | 2.09% | 3.18% | 5.27% | \$787.36 | |
| (mkt val avg) | | | | | | | | | | | |
| 9/30/2016 Prel, Est | | \$18,742 | \$247.98 | \$219.46 | \$98.43 | \$112.20 | 2.10% | 2.92% | 5.01% | \$210.63 | |
| 6/30/2016 | | \$18,193 | \$222.77 | \$201.79 | \$98.30 | \$127.50 | 2.14% | 3.22% | 5.36% | \$225.81 | |
| 3/31/2016 | | \$17,958 | \$208.99 | \$189.37 | \$96.67 | \$161.39 | 2.15% | 3.28% | 5.43% | \$258.05 | |
| 12/31/2015 | | \$17,900 | \$201.95 | \$163.76 | \$99.39 | \$145.88 | 2.14% | 3.20% | 5.33% | \$245.27 | |
| 9/30/2015 | | \$16,917 | \$224.14 | \$204.58 | \$95.07 | \$150.58 | 2.22% | 3.30% | 5.52% | \$245.66 | |
| 6/30/2015 | | \$18,219 | \$230.84 | \$201.35 | \$94.45 | \$131.56 | 2.03% | 3.04% | 5.07% | \$226.01 | |
| 3/31/2015 | | \$18,303 | \$228.45 | \$193.05 | \$93.41 | \$144.13 | 1.98% | 2.94% | 4.92% | \$237.54 | |
| 12/30/2014 | | \$18,245 | \$237.14 | \$202.31 | \$92.80 | \$132.63 | 1.92% | 3.03% | 4.95% | \$225.43 | |
| 9/30/2014 | | \$17,519 | \$262.92 | \$244.00 | \$89.02 | \$145.19 | 1.96% | 3.14% | 5.10% | \$234.22 | |
| 6/30/2014 | | \$17,404 | \$260.50 | \$240.96 | \$86.65 | \$116.17 | 1.91% | 3.06% | 4.98% | \$202.82 | |
| 3/31/2014 | | \$16,700 | \$243.67 | \$221.82 | \$81.96 | \$159.28 | 1.93% | 3.20% | 5.14% | \$241.24 | |
| 12/31/2013 | | \$16,495 | \$252.10 | \$236.31 | \$84.98 | \$129.41 | 1.89% | 2.88% | 4.77% | \$214.40 | |
| 9/30/2013 | | \$14,960 | \$239.50 | \$219.13 | \$79.26 | \$128.16 | 2.05% | 2.98% | 5.03% | \$207.42 | |
| 6/30/2013 | | \$14,310 | \$234.84 | \$221.56 | \$76.67 | \$118.05 | 2.07% | 2.94% | 5.02% | \$194.72 | |
| 3/31/2013 | | \$13,979 | \$229.57 | \$215.76 | \$70.86 | \$99.97 | 2.06% | 2.97% | 5.02% | \$170.82 | |
| 12/31/2012 | | \$12,742 | \$206.84 | \$184.50 | \$79.83 | \$99.15 | 2.20% | 3.13% | 5.33% | \$178.98 | |
| 9/30/2012 | | \$12,881 | \$214.58 | \$189.64 | \$69.48 | \$103.72 | 2.07% | 3.01% | 5.08% | \$173.20 | |
| 6/30/2012 | | \$12,303 | \$229.69 | \$195.27 | \$67.31 | \$111.75 | 2.08% | 3.27% | 5.35% | \$179.05 | |
| 3/31/2012 | | \$12,730 | \$219.09 | \$208.15 | \$64.07 | \$84.29 | 1.95% | 3.14% | 5.09% | \$148.37 | |
| 12/31/2011 | | \$11,385 | \$214.83 | \$186.85 | \$65.89 | \$87.59 | 2.11% | 3.56% | 5.67% | \$153.47 | |
| 09/30/2011 | | \$10,303 | \$230.30 | \$206.08 | \$59.20 | \$118.41 | 2.22% | 3.92% | 6.14% | \$177.61 | |

S&P Dow Jones Indices

S&P 500 SECTOR BUYBACKS

| SECTOR \$ MILLIONS | Q3,'16 | Q2,'16 | Q3,'15 | 12MoSep,'16 | 12MoSep,'15 | 5-YEARS |
|----------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Consumer Discretionary | \$21,970 | \$20,283 | \$27,292 | \$119,165 | \$91,931 | \$393,404 |
| Consumer Staples | \$8,397 | \$11,720 | \$9,884 | \$58,103 | \$40,313 | \$218,940 |
| Energy | \$1,344 | \$1,386 | \$3,579 | \$10,948 | \$22,974 | \$149,949 |
| Financials | \$25,213 | \$25,666 | \$25,737 | \$128,340 | \$88,909 | \$366,009 |
| Healthcare | \$13,089 | \$14,974 | \$14,835 | \$89,981 | \$68,967 | \$336,021 |
| Industrials | \$13,267 | \$21,897 | \$22,991 | \$104,211 | \$75,821 | \$301,520 |
| Information Technology | \$25,978 | \$30,066 | \$43,161 | \$169,404 | \$146,857 | \$611,016 |
| Materials | \$2,228 | \$1,269 | \$2,396 | \$14,628 | \$14,195 | \$67,020 |
| Real Estate | \$456 | | | | | |
| Telecommunication Services | \$247 | \$201 | \$324 | \$1,331 | \$5,767 | \$36,647 |
| Utilities | \$15 | \$38 | \$387 | \$989 | \$3,177 | \$7,624 |
| TOTAL | \$112,203 | \$127,501 | \$150,583 | \$697,554 | \$558,912 | \$2,488,606 |

S&P Dow Jones Indices

S&P 500 20 LARGEST Q3 2016 BUYBACKS, \$ MILLIONS

| Company | Ticker | Sector | Q3,'16 Buybacks \$ Million | 12 Mo Sep,'16 Buybacks \$ Million | 12 Mo Sep,'15 Buybacks \$ Million | 5-Year Buybacks \$ Million | 10-year Buybacks \$ Million | Indicated Dividend \$ Million |
|-------------------------|--------|------------------------|----------------------------------|---|---|----------------------------------|-----------------------------------|-------------------------------------|
| Apple | AAPL | Information Technology | \$6,026 | \$29,722 | \$35,253 | \$132,835 | \$132,835 | \$12,286 |
| Microsoft | MSFT | Information Technology | \$4,362 | \$15,574 | \$16,312 | \$50,545 | \$117,081 | \$12,156 |
| General Electric | GE | Industrials | \$3,677 | \$19,703 | \$0 | \$36,188 | \$61,414 | \$8,603 |
| Allergan plc | AGN | Healthcare | \$2,691 | \$2,768 | \$139 | \$3,151 | \$3,177 | \$0 |
| Citigroup | C | Financials | \$2,534 | \$7,135 | \$4,608 | \$14,590 | \$17,814 | \$1,859 |
| Corning | GLW | Information Technology | \$2,369 | \$5,207 | \$2,088 | \$12,662 | \$13,537 | \$514 |
| JPMorgan | JPM | Financials | \$2,295 | \$8,050 | \$5,907 | \$24,512 | \$43,745 | \$6,935 |
| American Intern'l Group | AIG | Financials | \$2,258 | \$11,724 | \$8,972 | \$37,766 | \$44,795 | \$1,370 |
| Johnson & Johnson | JNJ | Healthcare | \$2,203 | \$8,857 | \$6,215 | \$36,763 | \$54,728 | \$8,755 |
| Oracle | ORCL | Information Technology | \$2,172 | \$9,785 | \$9,012 | \$46,692 | \$58,640 | \$2,474 |
| Yum! Brands | YUM | Consumer Discretionary | \$2,095 | \$4,484 | \$691 | \$7,610 | \$11,711 | \$749 |
| Home Depo, | HD | Discretionary | \$2,094 | \$6,492 | \$6,465 | \$31,479 | \$51,261 | \$3,410 |

| | | | | | | | | |
|---------------------|-------|------------------------|-----------|-----------|-----------|-------------|-------------|-----------|
| McDonald's | MCD | Consumer Discretionary | \$1,970 | \$11,207 | \$5,665 | \$23,723 | \$41,201 | \$3,209 |
| Wells Fargo | WFC | Financials | \$1,839 | \$8,056 | \$9,668 | \$34,121 | \$45,634 | \$7,669 |
| Visa | V | Information Technology | \$1,690 | \$7,249 | \$3,018 | \$20,610 | \$39,726 | \$1,245 |
| Walt Disney | DIS | Consumer Discretionary | \$1,591 | \$7,499 | \$6,095 | \$27,223 | \$46,399 | \$2,507 |
| Cisco Systems | CSCO | Information Technology | \$1,424 | \$4,298 | \$4,988 | \$26,541 | \$63,415 | \$5,231 |
| Wal-Mart Stores | WMT | Consumer Staples | \$1,402 | \$8,646 | \$1,720 | \$23,937 | \$58,531 | \$6,187 |
| Bank of America | BAC | Financials | \$1,399 | \$4,581 | \$1,575 | \$11,051 | \$18,089 | \$3,061 |
| Comcast | CMCSA | Consumer Discretionary | \$1,377 | \$4,742 | \$7,771 | \$20,254 | \$30,236 | \$2,643 |
| Top 20 | | | \$47,468 | \$185,780 | \$136,162 | \$622,252 | \$953,969 | \$90,862 |
| S&P 500 | | | \$112,203 | \$546,970 | \$558,912 | \$2,488,606 | \$4,276,501 | \$419,609 |
| Top 20 % of S&P 500 | | | 42.31% | 33.97% | 24.36% | 25.00% | 22.31% | 21.65% |

Gross values are not adjusted for float

S&P Dow Jones Indices S&P 500 Q3 2016 Buyback Report

| SECTOR | DIVIDEND YIELD | BUYBACK YIELD | COMBINED YIELD |
|----------------------------|----------------|---------------|----------------|
| Consumer Discretionary | 1.61% | 3.90% | 5.51% |
| Consumer Staples | 3.16% | 2.73% | 5.89% |
| Energy | 2.51% | 0.50% | 3.00% |
| Financials | 1.79% | 3.40% | 5.19% |
| HealthCare | 1.83% | 2.83% | 4.66% |
| Industrials | 2.29% | 4.09% | 6.38% |
| Information Technology | 1.67% | 3.31% | 4.98% |
| Materials | 2.19% | 2.17% | 4.36% |
| Real Estate | 3.60% | 0.77% | 4.37% |
| Telecommunication Services | 4.60% | 0.20% | 4.80% |
| Utilities | 3.62% | 0.10% | 3.71% |
| S&P 500 | 2.18% | 2.85% | 5.03% |

Uses full values (unadjusted for float)

Dividends based on indicated; buybacks based on the last 12-months ending Q3,'16

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