

S&P 500 Buybacks Fall 21% in Q2 2016

- Companies spent \$127.5 billion on share repurchases in Q2 2016, down from \$161.4 billion in Q1 2016
- 275 S&P 500 issues reduced share counts
- Cash reserves set a new record for the second consecutive quarter

NEW YORK, September 28, 2016: S&P Dow Jones Indices (“S&P DJI”) today announced preliminary results indicating that S&P 500[®] **stock buybacks**, or share repurchases, **totaled \$127.5 billion in Q2 2016, a 21.0% decrease from the \$161.4 billion reported in Q1 2016 and a 3.1% decrease from the \$131.6 billion reported in Q2 2015.**

For the 12-month period ending in June 2016, S&P 500 issues spent \$585.4 billion on buybacks, up 5.8% from the \$553.5 billion spent in the same period of 2015. **The 12-month expenditure is the third-highest level for buybacks, behind the \$589.4 billion for the period ending Q1 2016 and \$589.1 billion for the period ending Q4 2007.**

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

Key Takeaways:

- The \$127.5 billion spent in **Q2 2016 represents a 21.0% decrease from Q1 2016** and a 3.1% decrease from Q2 2015.
- For the 12-month period ending June 2016, **S&P 500 issues increased their buyback expenditures by 5.8%, to \$585.4 billion**, up from \$553.5 billion posted for the corresponding 2015 period, but down 0.7% from the 12-month record of \$589.4 billion set in Q1 2016.
- For the tenth 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 boosting their earnings-per-share (EPS) by at least 4%.
- **Total shareholder return**, dividends plus buybacks, declined to \$225.8 billion in Q2 2016, from the quarterly record of \$258.1 billion in Q1 2016, though dividend payments rose 1.6%. The 12-month return was \$974.8 billion, down a tick from the record of \$975.0 billion for the 12-month period ending in March 2016.
- Issues **reducing their share count this quarter decreased** to 275, from 324 in Q1 2016 and 307 in Q2 2015.
- Significant share count changes (generally considered 1% or greater for the quarter) remained strong, but declined: 106 issues reduced in Q2 2016, down from 147 in Q1 2016. There were 46 share count increases in Q2 2016, up from 33 in Q1 2016.
- 134 issues reduced their year-over-year share count by at least 4%, a second consecutive decrease after five straight quarters of gains.

“The 21% decline in buybacks appears to show repurchases were pulled back to conform to budgeted expenditures,” said **Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices.**

“Buybacks were concentrated, **as the top 20 issues accounted for 46.6% of the total Q2 2016 expenditures**. 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 is at a record level and money remains cheap and easy. However, the cessation of momentum after Q1 2016 may indicate that companies have not increased planned buybacks and rearranged expenditures to support their shares through the end of the fiscal period. Third quarter prices are running 2.2% ahead of the second quarter (and 6.7% ahead of Q3 2015); increased expenditures may be needed to cover the higher share prices or risk diluting EPS.”

Sector Analysis:

Information Technology easily continued its buybacks dominance, as its percentage of Q2 2016 S&P 500 buybacks increased to 23.6% of all S&P 500 buybacks (\$30.1 billion), from 21.5% (\$34.7 billion) in Q1 2016.

Energy continued to decline, falling to 1.1% (\$1.4 billion) of all buybacks for Q2 2016, from 1.3% (\$2.1 billion) in Q1 2016.

Health Care decreased its expenditures by 51.1% (\$15.0 billion) after increasing 86.1% (\$30.6 billion) in Q1 2016, accounting for 11.7% of all buybacks and reverting closer to the sector’s historical buyback levels.

Also notable was **Consumer Staples**, which posted a 0.1% gain in expenditures to \$11.7 billion, representing 15.9% of all expenditures, amid the sector’s 21.0% decline for the quarter.

Issues:

Apple (AAPL) spent the most on buybacks in Q2 2016 at \$10.2 billion, the ninth-largest quarterly share buyback by an S&P 500 constituent in history. Apple also holds the top 3 and fifth-largest quarterly repurchase; **International Business Machines** (IBM) holds the fourth largest.

General Electric (GE) was second, with \$8.0 billion, up from its prior quarter’s \$6.3 billion.

AbbVie (ABBV) came in third with \$3.8 billion, up from its prior quarter’s \$0.4 billion.

Microsoft (MSFT) and **McDonald’s** (MCD) rounded out the top five, spending \$3.7 billion and \$3.4 billion, respectively.

Exxon Mobil (XOM) ranked 292, down from 58 in Q1 2016, with only minor buybacks (\$1 million).

Total Shareholder Returns:

Silverblatt determined that total shareholder return through regular cash dividends, as well as buybacks, declined 12.5% from the record first quarter’s \$258.1 billion to \$225.8 billion. Dividends managed a 1.6% increase over the first quarter, as the buyback decline pushed the total expenditure down. For the 12-month period ending June 2016, companies returned \$974.8 billion, a tick down from the record \$975.0 billion in buybacks and dividends set in the 12-month period ending March 2016.

According to Silverblatt, **cash reserves also set a new record for the second 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 \$1.374 trillion, up 2.0% from the prior record of \$1.348 trillion. The current cash level is 86 weeks of expected 2016 operating income (the same as was posted for Q1 2016), giving corporations leeway in their expenditures.

“Shareholder returns continue to be strong, even as the quarter ticked down from last quarter’s record,” said **Silverblatt**. “Cash has increased to a record, as low-cost financing globally remains plentiful. The rate of dividend increases continues to slow across sector lines, as income investors remain limited in their alternatives. Base buyback expenditures, those used to negate stock options, may need to increase in Q3 2016 to compensate for higher share prices. Discretionary buybacks, used to reduce share count and increase EPS, remain the main unknown.”

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									
(preliminary in bold)									
PERIOD	MARKET	OPERATING	AS REPORTED					DIVIDEND &	DIVIDENDS
	VALUE	EARNINGS	EARNINGS	DIVIDENDS	BUYBACKS	DIVIDEND	BUYBACK	BUYBACK	& BUYBACKS
	\$ BILLIONS	\$ BILLIONS	\$ BILLIONS	\$ BILLIONS	\$ BILLIONS	YIELD	YIELD	YIELD	\$ BILLION
12 Mo Jun,'16	\$17,837.29	\$858.27	\$759.50	\$389.43	\$585.35	2.18%	3.28%	5.46%	\$974.78
12 Mo Jun,'15	\$18,071.59	\$959.35	\$840.70	\$369.67	\$553.52	2.05%	3.06%	5.11%	\$923.19
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)									
6/30/2016 Prelim.	\$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
6/30/2011	\$12,021	\$226.29	\$202.44	\$59.03	\$109.24	1.84%	3.04%	4.88%	\$168.27

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S&P Dow Jones Indices						
S&P 500 SECTOR BUYBACKS						
SECTOR \$ MILLIONS	Q2,'16	Q1,'16	Q2,'15	12MoJun,'16	12MoJun,'15	5-YEARS
Consumer Discretionary	\$20,283	\$26,671	\$22,568	\$97,195	\$85,966	\$390,455
Consumer Staples	\$11,720	\$11,708	\$7,739	\$49,706	\$40,399	\$225,194
Energy	\$1,386	\$2,053	\$3,547	\$9,604	\$28,205	\$161,103
Financials	\$25,666	\$26,706	\$21,276	\$103,127	\$83,614	\$356,842
Health Care	\$14,974	\$30,626	\$18,131	\$76,892	\$68,063	\$337,890
Industrials	\$21,897	\$26,229	\$17,172	\$90,943	\$69,328	\$302,264
Information Technology	\$30,066	\$34,682	\$36,674	\$143,425	\$146,602	\$608,648
Materials	\$1,269	\$2,402	\$2,395	\$12,400	\$22,666	\$67,809
Telecommunication Services	\$201	\$12	\$166	\$1,084	\$5,729	\$36,562
Utilities	\$38	\$296	\$1,894	\$974	\$2,949	\$8,047
TOTAL	\$127,501	\$161,385	\$131,562	\$585,350	\$553,522	\$2,494,814

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S&P 500 20 LARGEST Q2 2016 BUYBACKS, \$ MILLIONS								
Company	Ticker	Sector	Q2,'16	12 Mo Jun,'16	12 Mo Jun,'15	5-Year	10-year	Indicated
			Buybacks	Buybacks	Buybacks	Buybacks	Buybacks	Dividend
			\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
Apple	AAPL	Information Technology	\$10,166	\$36,949	\$39,000	\$126,809	\$126,809	\$12,489
General Electric	GE	Industrials	\$7,966	\$16,026	\$0	\$33,397	\$57,737	\$8,460
AbbVie	ABBV	Health Care	\$3,803	\$6,435	\$5,644	\$12,754	\$12,754	\$3,688
Microsoft	MSFT	Information Technology	\$3,677	\$15,969	\$14,443	\$48,117	\$112,719	\$11,319
McDonald's	MCD	Consumer Discretionary	\$3,381	\$11,630	\$4,217	\$22,628	\$39,231	\$3,125
JPMorgan Chase	JPM	Financials	\$2,840	\$7,003	\$6,148	\$26,642	\$41,450	\$7,021
American International Gr	AIG	Financials	\$2,762	\$13,196	\$6,796	\$35,508	\$42,537	\$1,432
Johnson & Johnson	JNJ	Health Care	\$2,369	\$6,954	\$8,330	\$35,303	\$52,525	\$8,802
Wells Fargo	WFC	Financials	\$2,214	\$8,354	\$10,021	\$32,972	\$43,795	\$7,717
Wal-Mart Stores	WMT	Consumer Staples	\$2,117	\$7,681	\$1,365	\$23,952	\$57,129	\$6,233
Monster Beverage	MNST	Consumer Staples	\$2,000	\$2,398	\$420	\$3,751	\$4,003	\$0
Boeing	BA	Industrials	\$2,000	\$7,751	\$6,504	\$20,054	\$25,816	\$2,777
Oracle	ORCL	Information Technology	\$1,980	\$10,529	\$8,101	\$45,320	\$56,468	\$2,490
CVS Health	CVS	Consumer Staples	\$1,894	\$6,027	\$3,734	\$21,650	\$31,991	\$1,826
Medtronic	MDT	Health Care	\$1,763	\$3,843	\$1,605	\$10,693	\$16,087	\$2,419
Goldman Sachs Gr	GS	Financials	\$1,738	\$5,934	\$3,995	\$26,781	\$48,588	\$1,080
American Express	AXP	Financials	\$1,724	\$5,361	\$4,269	\$21,206	\$26,694	\$1,103
American Airlines Gr	AAL	Industrials	\$1,711	\$6,151	\$1,965	\$8,200	\$8,201	\$212
Visa	V	Information Technology	\$1,709	\$5,562	\$3,772	\$19,344	\$38,036	\$1,067
Alphabet	GOOGL	Information Technology	\$1,595	\$5,473	\$0	\$5,561	\$6,401	\$0
Top 20			\$59,409	\$189,226	\$130,330	\$580,642	\$848,972	\$83,260
S&P 500			\$127,501	\$585,351	\$553,522	\$2,494,814	\$4,274,108	\$412,920
Top 20 % of S&P 500			46.59%	32.33%	23.55%	23.27%	19.86%	20.16%
Gross values are not adjusted for float								

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S&P Dow Jones Indices			
S&P 500 Q2 2016 Buyback Report			
SECTOR	DIVIDEND	BUYBACK	COMBINED
	YIELD	YIELD	YIELD
Consumer Discretionary	1.69%	4.24%	5.93%
Consumer Staples	3.10%	2.74%	5.84%
Energy	2.84%	0.74%	3.58%
Financials	2.37%	3.48%	5.85%
Health Care	1.72%	2.81%	4.53%
Industrials	2.40%	5.14%	7.54%
Information Technology	1.67%	3.86%	5.53%
Materials	2.31%	2.50%	4.81%
Telecommunication Services	4.65%	0.22%	4.87%
Utilities	3.52%	0.16%	3.68%
S&P 500	2.25%	3.22%	5.47%
Uses full values (unadjusted for float)			
Dividends based on indicated; buybacks based on the last 12-months ending Q2,'16			

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