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Macro Roundup Artcile

Headline: Which One Is It? Equity Issuance and Retirement

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Tweet: Btw 2000 and 2023 US public firms raised $10T in equity and retired just over $14T. 22% of issuance funded stock-based compensation (SBC). @mjmauboussin finds firms with low SBC issuance and high buybacks delivered the highest total shareholder returns.

Summary: From 2000 to 2023, public companies in the U.S. issued nearly $10T in equity and retired just over $14T. Over this period, equity issuance was $9.7 trillion, with equity-financed merger and acquisition deals making up 58% of the total, followed by stock-based compensation (SBC) at 22%, and [new shares that are issued to investors that are not initial public offerings] at 20%. We examine the total shareholder returns from 2021 to 2023 for the stocks of the companies based on their issuance and retirement of equity. We separate the population into quadrants based on whether the companies are above or below the median for issuance and retirement. We measure issuance as SBC divided by sales and retirement as gross buybacks divided by market capitalization. We find that companies with low SBC issuance and high buybacks delivered the highest average and median TSRs of the groups. Firms with high SBC and low buybacks produced the lowest returns. We would hasten to add that numerous causes that had nothing to do with equity issuance were probably important in driving these TSRs.

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Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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