**Repurchasing Shares**

Student’s Name

Institutional Affiliation

Course

Date

**Repurchasing Shares**

**What kind of signal management of a company sends to investors by repurchasing its own shares?**

There are various reasons triggering the need for companies to repurchase their own shares, thus presenting different views and signals to investors. A company may decide to purchase its own stocks as an approach to reduce its cost of capital and benefit from the undervaluation of their stock. According to Wolf, (2020), the management of a firm sends signals to the investors that the institution is facing financial growth, and may opt to consolidate their shares from some of the shareholders. However, in most cases, share buyback signals that the firm is confident about their future prospects, therefore, ensuring sustainable growth in the business. The operation depicts increasing development in the business, realizing the need to improve the value of their shares. Therefore, the repurchase of stocks by a company can signal the need to improve the value of their stock due to their confidence in the company’s sustainability.

The investors should understand that the firm is interested in increasing its profits, thus raising the executive bonuses to the investors themselves. This means that when firms decide to re-purchase their shares, their investors will benefit with the high profits that were shared amongst them when shares were spread to many individuals. According to Yang, & Segara, (2020), the firm’s strategy to repurchase shares enables them to reinvest the same in themselves and thus increased benefits to the stakeholders and investors. The approach ensures the shareholder’s values are improved, which enhances their profits earned. The stakeholders should capitalize on these opportunities to purchase the shares sold by other individuals, and which will raise their revenue and profits on the same.

**References**

Wolf, P. (2020). Stock Market Drivers: Corporate Share Repurchases.

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**References**