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Impact of Share Buyback on Earnings Per Share (EPS) - An Empirical Study on Malaysian Listed Companies

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Abstract: The notion of intention of share buyback by companies has been an increasingly popular subject of study by researchers in Malaysia and the developed economies. In particular, the impact of share buybacks on boosting the Earnings per Share (EPS) of companies has gained much attention. It is recognized that the influence of board decisions in carrying out share buybacks by concentrated ownership companies has a direct impact on the increase of EPS. To establish the actual effects of increase in EPS due to share buybacks, this study adopted Margaret Horan's model of segmentation of EPS to determine the actual increase of EPS from companies' operations. This study focuses on companies buying back more than 5% of shares, as the basis of analysis. The findings do not support any evidence that share buybacks contribute to an increase of EPS of companies. Adopting Margaret's model criteria of at least RM 0.01 increase in EPS as effective increase, only 40% of companies from a sample of 15 companies had recorded actual increase in EPS. The findings may not be conclusive due to its relatively small sample size but it does provide an indication that the increase in EPS may not be solely due to effects of share buybacks. Perhaps future studies are encouraged to adopt another method of segmentation of EPS with larger sample size in determining share buyback's actual impact on companies' EPS.

Keywords: Share Buybacks, Earnings Per Share (EPS), Segmentation, Treasury Shares, Frequency, Behavior, Efficient Market Hypothesis (EMH)

1. Introduction

Share buyback is a process by which a company buys back its own shares from an open market. The concept of share buybacks was first introduced in 1960s and became popular in 1980s in US. By design, companies were allowed to use their retained earnings or borrowed funds to carry out share buyback activities. This liberal system of restructuring companies' share capital gained its popularity in Europe and later spread on to Asia [24]. Using Event study methodology to analyze abnormal returns of share prices before and after announcements of share buybacks has been widely adopted by companies. Prior studies confirmed various motives of share buybacks such as undervaluation of share prices, Signaling Hypothesis and return of excess cash to shareholders. [10] However, share buyback has been used as the best alternative for companies in profit distribution besides their annual dividend pay-outs [28].

The only difference between dividend pay-outs and share buybacks is that in the case of dividend pay-out, shareholders still maintain ownership of their own shares. However, in the case of share buyback, the recipients of the cash will need to dispose of their ownership of the shares. It is the process of shareholders selling their shares in open market, while the purchasers in this case will be their own company, permissible under Listing Requirements of Bursa Malaysia under *Chapter 12, Rules (12.04)* open market transactions.

Conventional accounting practices explained that the net result will be a dilution of the outstanding share capital in proportion to the quantity of shares bought back by companies. Earnings per share (EPS) of the companies increased due to the reduction of weighted average share capital. [5] Companies readily resort to such earnings management tool to meet analysts' forecast of using EPS as benchmark for measuring corporate performance. Perhaps this explains well how this earnings management tool has become the best form of returning capital to shareholders and still increases the EPS of companies. [19] The buyback shares however, are deemed as treasury shares and not eligible for voting and computation as percentage of shareholdings.

2. Predatory of Value Creation in US

According to statistics released by the Federal Reserve in March 2015 between 2004 and 2013, 25 of the top US companies that accounted for 42 per cent of S&P 500 repurchased $1.460 trillion, or 60 per cent of their net income, along with dividend distributions of $869 billion. These giant corporations have combined revenue of $12.1 trillion and $804 billion in profits, and with 26.4 million employees worldwide in 2012. [8]

According to Goldman Sachs' estimates US corporates would have returned $1.2 trillion via share buybacks in 2018 due to massive tax cut by the Trump administration. (Financial Times 10th July, 2018). Already American corporate so far had authorized about US $ 750 billion as at August 2018. Warren Buffett told CNBC in February 2018, "The best chance to deploy capital is when things are going down." Berkshire Hathaway in July 2018 was setting aside cash pile of over $100 billion with Apple cash pile of $ 250 billion for buybacks. This sentiment of buy backs is echoed also by some other well-known US companies such as CISCO, the American technology giant, which announced in February that it will invest $25 billion in buybacks. Other giants like Wells Fargo and Pepsi have both authorized buybacks in January 2018 of $ 22 Billion and $ 15 Billion respectively.

Contrary to its traditional role of channeling the surplus savings to fund deficit corporations for their investments, the capital market has transformed into a new paradigm of a "buyback economy" in US. The role of efficient allocation of resources in an economy to increase productivity and full employment has since diminished [15]. The view has been supported by William Lazonick [20] that it helps in creation of "downsize-and-distribute" of US enterprises and leads to their ultimate value destruction.

William Lazonick of University of Massachusetts Lowell again highlighted that in 2018 alone, corporate profit of US companies increased and companies in the S&P 500 Index did a combined $806 billion in buybacks, about $200 billion more than the previous record set in 2007. According to JP Morgan Chase, the proportion of buybacks funded by corporate bonds reached as high as 30% in both 2016 and 2017. William Lazonick further cautioned that those companies that undertook the buybacks would deprive them of the liquidity when sales revenue declined due to business downturn.

3. Malaysian Share Buyback Behavior

Unlike in the developed economies, Malaysian authorities only allow listed firms to buyback from the open market and each repurchase is restricted to not more than 10% of the companies' prevailing total number of shares, subject to shareholders' approval. After the financial crisis, Section 67 of the Malaysian Companies Act 1965 was amended to include Section 67A, wherein listed companies of Malaysia are allowed to buy back their own shares or to give financial assistance to any person for the sole purpose of purchasing their own shares.

Malaysian listed companies, however, have since been rather lethargic towards buyback decisions. Since the ruling to allow share buybacks in Malaysia, only 305 Malaysian firms (25% of all listed companies then) participated in the buyback activities from 1997 to 2005 [31]. From another study [23] between January 2000 and December 2010, a total of 132 companies participated in buybacks with reported 221 daily events, which means on average half of the firms repurchased within 25 days intermittently.

In a study [12] on the buyback behavior of 194 companies from 2001 to 2005, it was found that only 8.7% of the firms carried out their buybacks in one-off day, 18.1% of firms in 2 to 20 days and 50.9% of firms spread their buybacks over more than 40 days. Further, it was also noted that 98.6% of daily transaction size of buybacks were below 0.5% of the total outstanding of shares.

By design, share buyback announcements are binding on companies though in Malaysia companies are given the flexibility to buyback over 12 months. This flexibility of non-committal in actual timing of buyback, very often, has been taken advantage of by managers to announce buybacks with no intention to carry out. Are the announcements meant to mislead investors and shareholders? The real intent really baffles many investors and shareholders at large. The open buyback programs thus to a certain extent offer good opportunities for managers to create 'cheap talk' using their buyback announcements [6].

Table 1. *Distribution of companies making announcements with purchase and non-purchase from 1st January 2010 to 31st December, 2017.*

Year	Announcements by companies	Actual buybacks by companies	% to total
2010	3354	1311	35.5
2011	3694	1316	35.6
2012	3550	1235	34.7
2013	2898	1023	35.3
2014	2813	965	34.3
2015	3070	1030	33.5
2016	3225	1109	34.3
2017	1683	583	34.6

Source: Data from Bursa Malaysia Announcements.

Actual share buybacks by Malaysian companies indicate a consistent pattern of about 35% of announcement events from 2010 to 2017. (Table 1) This peculiar pattern of buybacks shows a coordinated pattern of deceit using the advantages of signaling effects of the announcements. Many investors will never be able to understand why the completion rate of buybacks has been persistently low for Malaysian companies. In a study [24] the buyback rate of U.S. firms is around 75% to 85%.

Table 2. *Frequency of share buyback in Malaysia from 2010 to 2019.*

Sector	Actual buybacks #		Average buybacks per year ##	Frequency of buybacks
	Events	%		
Trading & Services	1696	21	170	Alternate Day
Industrial Products	2836	36	284	Daily
Consumer Products	1233	15	123	Twice weekly
Construction	449	6	45	Weekly
Plantation	370	5	37	Weekly
Technology	405	5	41	Weekly
Properties	932	12	93	Twice weekly
Total	7,921	100	793	

Notes: # for 10 years, ## Divided by 10, ### divided by 365 days.
Source: Bursa Malaysia.

From Table 2 above, the statistics collected denote computation for 10 years from 2010 to 2019, to reflect frequency of buybacks for each sector. To derive at frequency for each year, the total is then divided by 10 to provide an average actual buyback event for each of the 10 years. In order to determine the frequency of buyback daily, the yearly average is further divided by 365 days.

Total share buybacks for 10 years was 7,921 buyback events as indicated in table above. Total average buyback event for each year was 793 events for all sectors. The Industrial Products, Trading & Services and Consumer Products companies are the most active sectors in their buybacks at 284 events, 170 events and 123 buyback events respectively.

Using the result of average buybacks per year, this study was able to derive the frequency of buybacks for each sector. The figures and statistics presented in Table 2 were computed using average since the analysis is not for one single year but for the overall 10 years. The use of average will present a near accurate representation of data and hence safe to be used for frequency of buyback analysis. Table 2, however, is the actual record of buybacks by companies based on their Bursa Malaysia announcements; the total buyback events are carefully handpicked from the total of all sectors to avoid any possible duplication of facts.

From the analysis we may conclude that Industrial products sector companies were carrying out their buyback activities on a daily basis during the last 10 years. Trading Services, Consumer Product and Properties companies were found to be carrying out buybacks activities almost alternate days over the last 10 years. Construction, Technology and Plantation sectors companies carried out buyback activities on a weekly basis.

Table 3. *Malaysian listed companies in share buybacks by sectors, 2019.*

By Sectors	Total firms	Non buyback firms	Announced firms	Announced and actual buybacks firms
Trading & Services	222	159	63	31
Industrial Products	205	144	61	35
Consumer Products	110	80	30	16
Construction	48	34	14	10
Plantations	43	31	12	9
Technology	74	64	10	10
Properties	62	40	22	17
Finance #	(32)	NA	NA	NA
Hotels	4	4	0	0
Mining	1	1	0	0
Total	769	557	212	128

Source: Bursa Malaysia.
Note: The Finance firms are not included as they are governed under different laws.

Table 3 above shows that of the total 769 companies, 212 companies announced share buybacks in 2019 but only 128 companies actually carried out share buybacks, The total of 128 companies that carried out actual share buybacks was 60% of the total firms that announced share buybacks. The number of announced companies was only 28% of the total firms.

4. Literature Review

The Efficient Market Hypothesis (EMH) developed by Eugene Fama in 1970 is widely accepted by most financial literature to explain market behavior and stock price. According to EMH, while an investor might get lucky and buy a stock that brings him huge short-term profits, over the long term he cannot realistically hope to achieve a return on investment that is substantially higher than the market average.

EMH theory is closely associated with the ‘Random Walk’ Theory of market behavior. The random walk theory assumes that the market price of shares reflects all available information that incorporates into the share price immediately. The movement of share prices is thus at random as the changes in price do not follow previous patterns. Changes in market information are reflected into the share prices. Hence, tomorrow's information will be reflected in tomorrow's share prices. William Sharp, (1964) a Nobel Prize Laureate, found that stock prices fully reflect all available information and expectations, so current trading prices shall reflect a company's actual intrinsic value. The finding precludes public investors from trying to exploit mispriced stocks consistently because price movements are mostly random and determined by unforeseen events.

In essence, EMH assumes market is efficient and all prices represent actual value of companies. The efficient market hypothesis is based on the assumption that the price of stock market will reflect its actual intrinsic value since prices are up to date and efficient. However, the theory of behavioral finance claims that investors tend to be emotionally biased towards certain events, which may lead to irrationality of market performance contrary to efficient market assumption. [14]

Share buyback announcements have a positive effect on a firm's performance in the short run. [2] As buyback announcements serve as a method for managers to signal any undervaluation of share prices, there is potential danger of its misuse too. A study [17] suggested that managers can also use stock repurchases as an earnings management device. A paper by Chan [6] pointed out that underperforming firms were under pressure to improve earnings by boosting share prices to mislead investors. EMH theory and its assumptions may be rendered useless in the short term. In the long term EMH and Random walk assumption will be more applicable in the stock market.

In Malaysia, the most recent study [28] on Malaysian companies from 2012 to 2016 confirms the signaling effects of buyback announcements. Their study reveals that companies responded positively with increase in abnormal returns following buyback announcements.

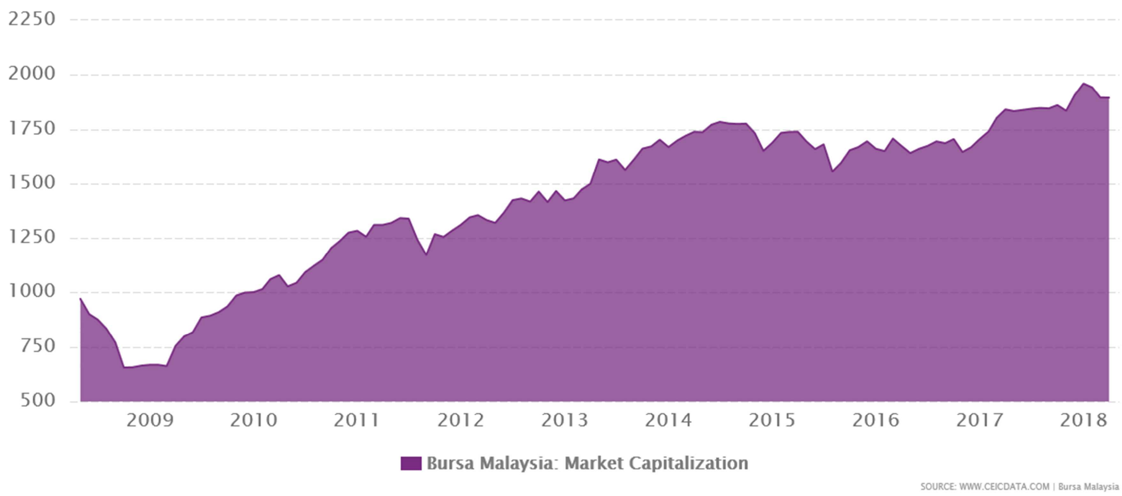

Figure 1. *Market Capitalization of Malaysian Companies 2009 to 2018.*

The figure above from the Bursa Malaysia shows that the market capitalization was at RM1.89 billion in Apr 2018. In early 2010 however, it was RM 0.85 billion and moved steadily to RM 1.75 billion in 2017. This is in line with the study [28] that Malaysian capital market performance improved after amendments to Companies' Act post 1997 crisis and that market capitalization increased with positive abnormal return following every successive buyback announcements.

4.1. To Correct Share Undervaluation

One of the often-quoted motives by researchers in buybacks of company shares is to correct the undervaluation of share price by sending signals to potential investors about the company's future earnings prospects. The signaling effect is often useful when the share price of a company falls below its book value. The intended share buyback activity announced by the company is meant to inform investors that the future-earnings multiples of the company will be higher than that reflected in the present market prices. Malaysian firms buy back shares mainly to signal market undervaluation and the expectation of better operating performance of a company. They will buy back shares whenever there is an increase in cash flows in the company to meet this end [25].

The main reason for undervaluation of shares, as mentioned by most studies, is due to information asymmetry and that potential investors do not possess any insider information on the prospects of the company. [32] The study [32] reiterated that as managers are having more insider information than those outsiders, the intended share buyback activities by the company will send a positive signal to the potential investors on what would be the expected real value of its share price. The buyback thus signals a clear indication that the company's share should be worth more than its current trading price.

4.2. Information Asymmetry

Information asymmetry in smaller companies has contributed much to the ill intent buybacks of some Malaysian companies. As smaller companies are often less media exposed than bigger companies, the information asymmetry effects thrive successfully to the manipulation of managers. Evidence has shown that the sum gains when disposing of the treasury shares are often profit making, at the expense of unsuspecting shareholders who participated in the share buybacks due to their signaling effects. (Pang, 2019).

Potential investors of small companies often perceive that managers know better than outsiders and hence will unsuspectingly follow the trend in share buying, creating an increasing demand-pull effect on the share price. The result will be the increase in share prices of these companies in responding to signaling effects. Yarram [33] confirms that small firms are more likely to have higher information asymmetries and more likely to be undervalued. Another study, [8] further confirms that smaller firms in Australia often experience a higher signaling impact due to the information asymmetry.

5. Impact of Share Buybacks

One commonly cited motive for share buybacks is purportedly to improve the EPS of companies (Wahid 2013). Thus one of the ways to increase annual return on equity (ROE) and the EPS of companies is to participate in share buybacks. The repurchase move will reduce the total number of shares outstanding and result in increase in the reported EPS of the company. Even if there is a fall in earnings but if the fall is lesser in proportion to the percentage of fall in total number of shares, the reported EPS would also increase. It is also noted that market share prices are theoretically determined by using EPS multiples thus supporting the claim that a company's performance and share price evaluation is commonly based on the reported EPS of a company [21].

5.1. To Increase EPS

The theoretical framework of this study consists of 4 major independent variables namely Free Cash Flows, Firm size, Debt ratio and Market to book (MTB) ratio, which will have a direct impact on the EPS of the firm as a dependent variable. Ownership concentration is the moderating variable for management decision in determining the actual amount and frequency of buybacks by companies. By exercising their voting power the controlling shareholders may influence the decision and actions of the board in earnings management of the company using EPS.

5.2. Influence of Ownership Control

This study hopes to fill the gap between the actual decisions to buy back shares and the influence of ownership control of companies on the improvement of EPS. It is the decision of the board that determines the policies of buyback activities in a company. The level of influence by the board hence forms the moderating factor in deciding the frequency and amount of share buybacks by a company in Malaysia. The independent variables of the company: size of company, free cash flow, MTB and Debt Ratio, are direct determinants in improving EPS.

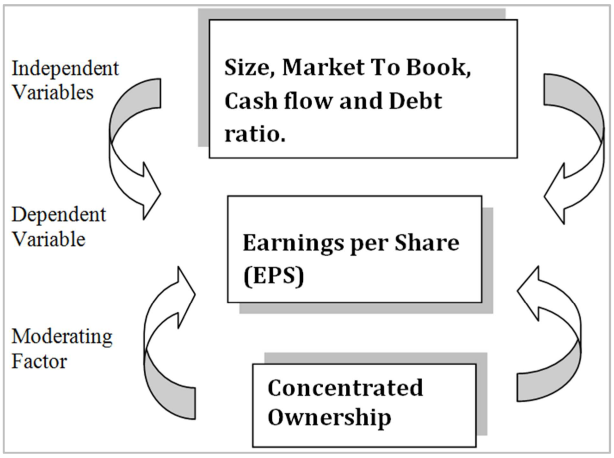

Figure 2. *Theoretical framework of share buybacks in Malaysia.*

6. Motives of Share Buybacks

Interestingly most companies in Malaysia give very precise information on timing, pricing, number of shares and the effects of buybacks on their EPS in their announcement of buybacks. However, they are very vague in stating the actual reasons for the buybacks. In order to obtain the mandate of authority to buyback from their shareholders, most companies would emphasize their directors' belief that it will be to the best interest of the shareholders to implement the proposed share buybacks.

The reasons for negligible buybacks offered in the past studies were that most companies were unable to attract large blocks of shares due to poor liquidity or that some managers were overly cautious in executing buyback orders. Studies have shown that the prices offered by buybacks were intentionally low and unattractive to trigger large block sales and the buybacks were aimed at correcting temporary undervaluation of shares [6].

7. Instrumentation

Researchers realize that any study to evaluate whether an announced buyback scheme would ultimately be fully executed is not an easy task. Two common metrics that have often been used, that is the buyback size and ex post buyback activity, have failed the test. [6] While it is not easy to determine the actual metric to determine managers' real intent, this study has adopted the poor earnings quality of companies as a potential motive for managers to mislead investors. It is often found that companies which are using accruals to inflate earnings are more likely to use announcements as motives to boost share prices [6].

Listing requirements by Bursa Malaysia require that the board of directors of companies in seeking shareholders' approval to buy back shares, state their purposes and intent in their circulars to shareholders, prior to buybacks. The board is responsible for monitoring managers' timing and pricing of buybacks to safeguard the interest of shareholders [7].

In trying to beat analysts' forecast, some managers use earnings management in share buyback to increase EPS in order to mask their firms' performance. Consistently, investors do reward firms that have positive earnings announcements with increases in share prices. Hribar [17] summarized that 60% of investors were concerned with companies beating analysts' forecasts in EPS increases. While conversely, firms with poor earnings performance would receive heavy discount from investors in share buybacks.

7.1. International Accounting Standard (IAS) 33

International Accounting Standard (IAS) 33 deals with the calculation and presentation of EPS. It applies to entities whose ordinary shares or potential ordinary shares (for example, convertibles, options and warrants) are publicly traded. In consolidated financial statements, EPS measures are based on the consolidated profit or loss attributable to ordinary equity holders of the parent.

IAS 33 requires an entity to disclose:

a) "the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss.

b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.

c) a description of any other instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but that were not included in the calculation of diluted earnings per share."

7.2. Malaysian Financial Reporting Standard (MFRS) 133

Malaysian Financial Reporting Standard (MFRS 133) is similar to IAS 33 on definition of EPS. The MFRS 133 states that:

"For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period."

7.3. Calculation of EPS

The calculation for EPS excluding extraordinary items is:

$$\text{EPS} = \text{Net Income} – \text{Pref. Div. (+or -) Extraordinary Items / Weighted Average Common Shares.} \quad (1)$$

It is to be noted that the popularity of EPS as a financial performance yardstick has been wide spread especially in countries in the West. Traditionally, CEOs' benefits are generally linked to EPS as a performance matric. There are two major limitations in the use of EPS as a measurement tool. Firstly, EPS is useful as a tool for comparison but does not reflect shareholder wealth creation, Secondly, company management in the world share a common inherent bias towards positive EPS growth. Factors that determine EPS growth are rate of inflation, the amount of asset investment and debt ratio of the company.

7.4. Segmenting Earnings Per Share (EPS)

For segmenting of EPS, the statistics on total share capital, market price, PE ratios, EPS, net profit figures, and year end treasury shares are obtained from companies' respective Bursa Malaysia announcements, annual reports and financial statements to provide an accurate data for computation purposes. Calculation on segmentation of EPS for each company was carried out individually by adopting Margret's formula to identify any actual increase of EPS that is more than $0.01 to be considered significant [17].

Margaret [22], in recognizing that treasury shares may affect earnings management of companies, had proposed a new model of calculating EPS in her study. The new EPS model (2) is proposed to analyze which portion of EPS is from operations and which portion is from the accounting effect of the treasury shares during post share buybacks.

Margaret's Segmentation of EPS.

$$\text{Yt} = \frac{Nt}{It} - \left(\frac{Nt}{It}\right) - \frac{Nt}{(It-Tt)} \quad (2)$$

Where

Yt = EPS of company

Nt= net income derived from annual reports

It= = issued shares capital of company

Tt= treasury shares as at the end of financial year.

To determine the statistics on amount and total number of share buybacks, the net share capital of each company ending each year were obtained from individual annual reports of companies. (Refer Table 6) Caution was exercised to use the year end share capital statistics to ensure that treasury shares were excluded from the total share capital as obtained from each annual report.

Table 4. *Summary of actual buybacks companies by sectors, 2019.*

Sector by Bursa Malaysia	Total Buyback firms	Buyback of ≤ 1%	Buyback of 1% to 5%	Buyback of ≥ 5%
Trading & Services	31	9	15	7
Industrial Products	35	11	21	3
Consumer Products	16	7	7	2
Construction	10	7	3	0
Plantation	9	5	3	1
Technology	9	5	3	1
Property	17	11	5	1
Total	127	55 (43%)	57 (45%)	15 (12%)

Source: Data based on Bursa announcements by companies in 2019.

The percentage obtained for each sector and the number of companies was carefully categorized into 3 separate columns to provide a clearer presentation of actual share buybacks by percentage in each column as presented in Table 4.

7.5. Reliability of the Instrument

Consistent with previous studies, the changes in several independent variables will also affect share price through changes in abnormal return (AR) or cumulative abnormal return (CAR) over a specific period. Changes in independent variables such as optimal capital structure, firm size, debt ratio, free cash flow and MTB will translate into market efficiency through informational responses as reflected in the increase or decrease in share price. [11]

Similarly low EPS and high free cash flow are more likely to engage in share buybacks to improve EPS to beat earnings forecast by analysts. Small firms encounter more serious information asymmetry than large firms. It may be argued that small firms are less researched by analysts and rating agencies. It follows that share buyback announcements would convey more undervaluation information than large firms. Hence market reactions to increase abnormal return (ARs) due to buyback announcements should be more in the case of small firms than large firms.

8. Descriptive Statistics and Analysis

In a study by Isa & Lee (2015) on managerial perception of share buybacks by companies from 1st September 1997 to 31st December 2011, 22.8% of the companies inferred that their motives of buybacks by Malaysian companies were to improve EPS.

Table 4 shows the list of companies with more than 5% of buybacks in 2019 with buybacks values and percentage. However, 6 companies having negative EPS were dropped with the study focusing on the remaining 9 companies. These 9 companies spread over all six major sectors in Bursa Malaysia, namely trading & services, industrial products, consumer products, plantation, technology and properties. Therefore they do adequately reflect the trend of buybacks of all listed companies. The findings obtained from these companies would project a clear indication of segmentation of EPS increase for the actual buyback companies. The selection of more than 5% buyback companies adopted is to reflect a more convincing increase in buybacks.

Table 5. *Summary of companies with more than 5% buyback in 2019.*

Industry	Company	Price (RM)	Buyback value (RM)	Buyback%
Trading & Services	1. AI	0.27	4.0m	9.9%
	2. AN	2.27	8.9 M	6.5%
	3. Next	0.39	11.0 M	6.2%
	4. CH	0.51	5.30 M	8.1%
	5. SA	0.34	15.9 M	5.5%
	6. Seven	1.45	178.3M	9.97%
	7. SU	2.95	11.06M	6.15%
Industrial Products	1. EV	0.53	22.4 M	5%
	2. SM	0.60	44.8 M	5.8%
	3. SU	1.16	27.8 M	9.9%
Consumer Products	1. AC	0.40	3.98 M	5.6%
	2. NI	0.20	4.10 M	7.2%
Construction	-	-	-	-
Plantation	1. BKA	19.6	597. M	7%
Technology	1. MP	9.07	96.9 M	5.1%
Property	1. LB	1.02	65.1 M	7.9%

Source: Data collected from Bursa Malaysia announcements. Only initials are used for PLCs, to maintain confidentiality of each company.

Adopting Margaret's method of segmenting EPS of companies (2), the analysis of the remaining 15 companies EPS is shown below.

Table 6. *Segmenting EPS of companies with more than 5% buybacks.*

Name of Company	EPS	NP	I t	Tt	Increase of EPS
1. AI	(0.87)	(2.1)	241.9 m	24 m	$(0)
2. AN	16.97	10.02 m	60.02 m	5.888 m	$0.0182
3. Next	(2.39)	(10.06 m)	458.3 m	26.9 m	$(0)
4. CH	1.52	1.779 m	127.67 m	10.6 m	$0.0013
5. SA	(3.52)	(30.04m)	677.6 m	22.05 m	$(0)
6. Seven	4.57	50.1 m	1.233 B	123 m	$0.0045
7. SU	16.75	9.78 m	57.25 m	3.75 m	$0.012
8. EV	5.31	47.0 m	846.4 m	0.42m	$0.0027
9. SM	(11.4)	(4.67 m)	42.1 m	2.63	$(0)
10. SU	(8.90)	(16.5 m)	209 m	20.8 m	$(0)
11. AC	(8.31)	(13.8m)	177.8m	10.68 m	$(0)

Name of Company	EPS	NP	I t	Tt	Increase of EPS
12. NI	0.95	2.06 m	238.3 m	3.07 m	$0.011
13. BKA	145.2	1198 m	435.9 m	33.0 m	$0.2251
14. MP	93.68	218.7 m	209.8 m	10.98 m	$0.057
15. LB	6.3	4.62 m	98.8 m	8.8 m	$0.0457

Source: Data collected from Bursa Malaysia announcements.

According to Hribar [17] study and supported by Margaret [22], for segmenting of EPS from operations, an increase of $ 0.01 or more, indicate a net effect of increase in EPS due to share buyback activities. Table 6 shows that only 6 out of 15 (40%) companies had increases in EPS of $0.01 above due to share buybacks. There are 6 companies (40%) with negative EPS, therefore zero increase in their EPS. There are 3 companies with less than $0.01 when segmenting increases in their EPS. There are therefore to be excluded. The findings above show that of the 15 companies with actual buybacks of more than 5%, only 40% or 6 companies showed a net increase of $0.01 when segmenting their EPS using Margaret's model.

If the companies' real intentions of share buybacks are to increase their EPS, then the findings in Table 6 above on segmentation of EPS do not support the proposition in buying back shares. However, those 9 companies with less than $0.01 increases in EPS are also active in their share buybacks. If the same argument follows then the real motives of share buybacks are not to increase their respective EPS. The findings would concur with the study [6] that the real intent of share buybacks is to mask their poor corporate performance by sending empty signals with their share buybacks.

9. Conclusion

As long as investors continue to use EPS as one of the basis of share evaluation, companies will continue to use share buyback as one of the ways to improve their EPS (Isa 2015). Traditional accounting concept of improving EPS of a company by reducing its denominator using share buybacks may need to be re-examined.

Adopting Margaret's model of segmenting EPS, and using the sample of 15 companies with actual buybacks of 5% and above, the analysis above does not seem to support the hypothesis that share buybacks do increase the EPS of companies. There are only 40% or 6 companies out of 15 that showed an increase of EPS while the remaining 60% or 9 companies of the companies recorded a negative or negligible increase in their EPS.

There is a lack of clear evidence of long term price effect on frequency of share buybacks. The study [12] confirmed that abnormal returns are negatively related to size of firms, MTB ratio and EPS but positively related for undervalued smaller firms. This is probably due to the fact that despite a large number of firms announcing buyback intentions, only a small percentage among them participated in actual buybacks. The evidence above re-affirmed the researcher's belief that Malaysian companies' peculiar buyback behaviour has negative impact on improving EPS of a company. This study recommends future researchers to re-examine the theoretical formula of EPS computation as a benchmark for a firm's future performance.

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