The Buyback Edge: Unlocking Value through Buybacks

August 2025

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Stock buybacks, also commonly called share repurchases, refer to companies buying back a portion of their own shares. It is a tax-advantaged alternative to dividends which are the more traditional way of rewarding investors. Companies typically buy back shares if they believe that they are undervalued, with the intent of providing strong returns to investors. Buybacks serve various strategic and financial purposes, including optimizing capital structure, improving key financial ratios such as Return on Equity (ROE) and Return on Assets (ROA) and deploying excess cash effectively. As is commonly known, buybacks reduce shares outstanding, and in turn, increase the earnings per share. The decision to engage in stock buybacks ultimately depends upon several factors including market conditions and the company's financial health.

Buybacks continue to set new annual records since the last time we published a study in 2024[1]. In 2012, buybacks were about half the size of dividends and by 2022, they almost equaled the value of dividends. 2024 set a new annual record year globally with share buybacks jumping to $942.5 billion, up from $795.2 billion in 2023 and near the 12-month peak of $1.005 trillion in June 2022[2]. Buyback activity has been strongest in the U.S., with U.S. companies accounting for $7 out of $10 spent on buybacks globally. Other countries including U.K, Europe and Japan are seeing an increase in buyback activity, while emerging market countries lag their developed market peers.

With the prospect of Fed rate cuts in the second half of 2025 intact and multiple international central banks already in an easing cycle, there is potential for buyback activity to increase as holding cash becomes less attractive. International stocks broadly gained favor in the first half of 2025 due to, among other factors, new US tariff policies and a weaker dollar, and are likely to continue to be attractive for the rest of the year if the dollar remains weak, rates continue lower, and macro headlines stabilize. In such an environment, investors looking for opportunities to diversify their portfolios, particularly those who are overweight the US and the Technology sector, might consider tracking one or more buyback indexes.

Nasdaq International Buyback Achievers™ Index

The Nasdaq International Buyback Achievers Index (DRBXUS™) is comprised of international securities excluding the United States (U.S.) that have effected a net reduction in shares outstanding of 5% or more in the trailing 12 months. The index was launched on December 12, 2013. As of August 1, 2025, the index had 150 constituents. Effective February 2025, the methodology of the index was revised to reflect a new reconstitution schedule. As a part of the new process, the index will be reconstituted semi-annually at the market open on the first trading days of February and August and rebalanced quarterly[3].

[1] https://indexes.nasdaqomx.com/docs/DRBXUS_Research.pdf
[2] https://press.spglobal.com/2025-03-19-S-P-500-Q4-2024-Buybacks-Increase-7-4-and-2024-Expenditure-Sets-New-Record-by-Increasing-18-5-Earnings-Per-Share-Increases-from-Buybacks-Decline-for-the-Quarter,-as-Q1-2025s-Impact-is-Expected-to-Increase
[3] https://indexes.nasdaqomx.com/docs/Buyback%20Achievers%20Methodology%20Update.pdf

Eligibility Criteria

To be eligible for inclusion in the index, each security must meet the following criteria:

- Be included in the Nasdaq Global Ex-United States™ Index (NQGXUS™), excluding local Russian and Indian securities not represented by depository receipts. If depository receipts are represented for local Russian and Indian securities, then the receipts are reviewed for Index Inclusion instead of the local security and must meet the additional eligibility criteria below. Chinese securities are limited to H-Shares and N-Shares only
- Have a minimum market capitalization of $250 million
- The issuer of the security must have effected a net reduction in shares outstanding of 5% or more in its latest fiscal year
- Have a minimum three-month average daily dollar trading volume of $1 million
- The issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible
- The security may not be issued by a company currently in bankruptcy proceedings

Companies upping buyback activity amid 2025 turmoil

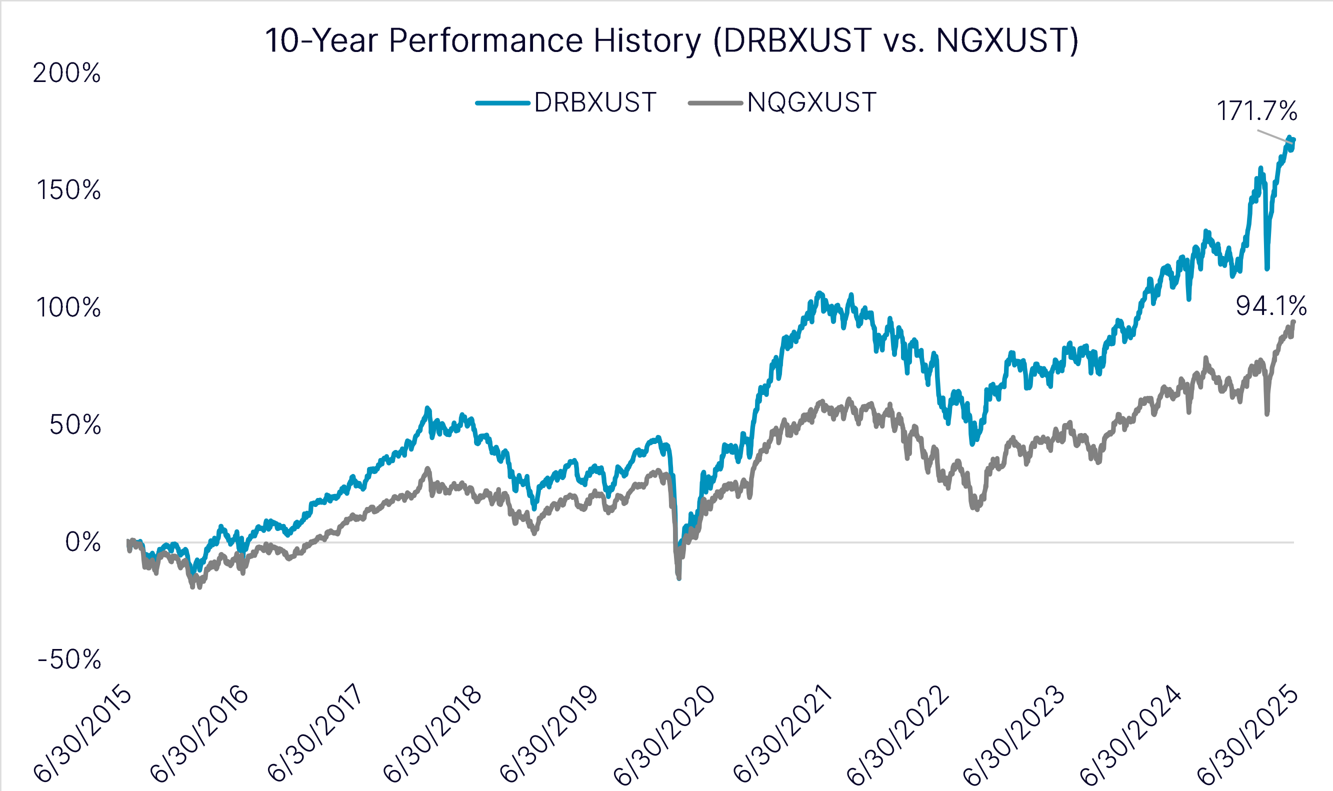
A confluence of factors is making buybacks more appealing to corporations in 2025, as a means of returning value to shareholders. Strong earnings growth from technology companies and looser financial conditions are expected to result in an increase in share buybacks this year. As per a recent study by Goldman Sachs, share buybacks are set to exceed $1 trillion for the first time in 2025[4]. Banks are also increasing their repurchase activity this year, despite the uncertainty of tariffs. With the provisions of the Tax Cuts and Jobs Act extending beyond their original expiration dates, companies will be able to extend the window of opportunity to utilize extra cash from profits for buybacks beyond 2025. With the Federal Reserve expected to resume its rate cutting cycle in the second half of 2025, share repurchase programs are likely to become more affordable[5]. While the above are mostly US-led dynamics, any resulting acceleration in US buyback activity may well prompt international companies to increase their activity to keep up in the race, to the extent able.

DRBXUST™ vs. NQGXUST™ (Total Return Performance History)

As indicated in the chart below, DRBXUST outperformed NQGXUST by an impressive 78 percentage points during the 10-year period ending June 30, 2025, while displaying higher volatility during the same period. Its performance diverged markedly from that of NQGXUST in the immediate aftermath of the Covid-19 pandemic bear market in March 2020, continuing into mid-2021. As with our previous study, DRBXUST continues to outperform NQGXUST by a wide margin. It has registered a higher annualized return of 10.1% versus 6.6% for NQGXUST.

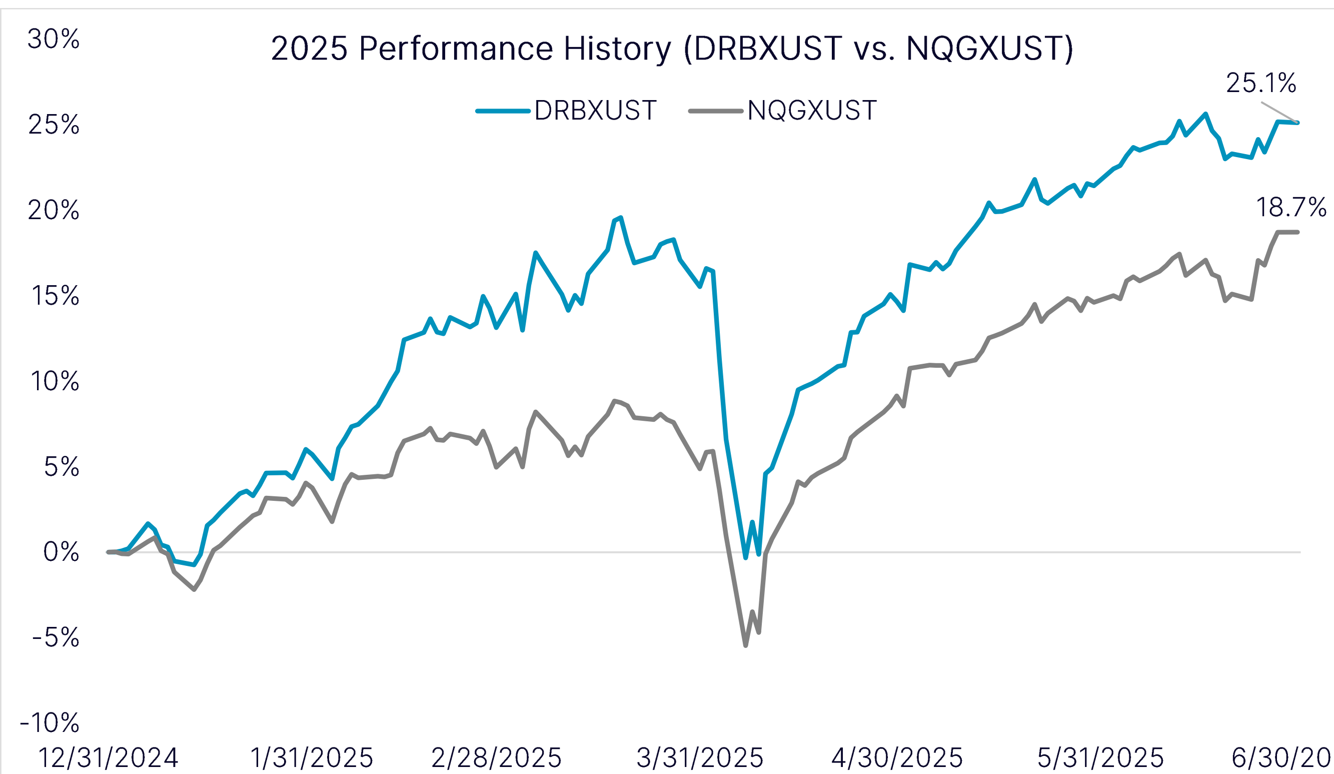
10-Year Performance Metrics	DRBXUST	NQGXUST
Cumulative Return	171.7%	94.1%
Annualized Return	10.1 %	6.6%
Annualized Volatility	16.9%	14.9%

[4] https://www.bloomberg.com/news/articles/2024-03-07/us-stock-buybacks-to-hit-1-trillion-in-2025-goldman-says
[5] https://www.advisorpedia.com/markets/why-corporate-buybacks-are-set-to-hit-1-trillion-in-2025/



Source: Bloomberg

Thus far this year, DRBXUST has registered returns higher than NQGXUST, up 25.1% versus 18.7% for NQGXUST. Overall, DRBXUST has outperformed NQGXUST 8 of the last 10 calendar years, suggesting the potential for durable outperformance of companies leading in buyback activity.



Source: Bloomberg

10-Year Total Return Performance: DRBXUST vs. International Benchmark Indexes

The chart below displays the returns of DRBXUST vs. seven international indexes for the period 2015 to 2024. Our findings are consistent with the results produced the last time we conducted the study in early 2024. As seen below, Buyback (DRBXUST) continues to be a top-three performer seven out of 10 years, including an overall top ranking in 2015, 2016 and 2017. One international index, Momentum (Dorsey Wright DM Technical Leaders™ Index) figured in the top three six out of 10 years – close, but not quite as good as Buyback. (It was also the only index of the group to outperform DRXBUST on a cumulative, 10-year basis). These results suggest that the Nasdaq International Buyback Achievers Index continues to generate returns that are above-average when compared to other international benchmarks.

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buyback 8.0%	**Buyback 13.5%**	**Buyback 34.6%**	Momentum -5.3%	Momentum 34.0%	Momentum 36.5%	Dividend 25.3%	DM x US Value -4.9%	Momentum 21.5%	Momentum 27.0%
DM x US Growth 4.5%	Dividend 10.8%	DM x US Growth 29.3%	Low Vol -7.4%	DM x US Growth 28.4%	DM x US Growth 18.7%	**Buyback 12.0%**	Dividend -6.1%	DM x US Value 19.8%	Global x US 11.9%
Momentum 2.0%	DM x US Value 5.7%	Global x US 27.7%	Dividend -10.2%	Dividend 26.6%	**Buyback 17.8%**	DM x US 11.7%	**Buyback -11.4%**	DM x US 18.3%	**Buyback 11.8%**
DM x US -1.3%	Global x US 5.1%	DM x US 26.1%	DM x US Growth -12.5%	DM x US 22.5%	Global X US 10.4%	DM x US Growth 11.6%	Low Vol -11.4%	DM x US Growth 18.0%	DM x US Value 6.4%
Low Vol -3.4%	Low Vol 4.0%	Momentum 24.2%	Global x US -13.8%	**Buyback 21.7%**	DM x US 10.3%	DM x US Value 11.6%	DM x US -14.9%	Global x US 16.7%	DM x US 4.0%
Global x US -3.8%	DM x US 3.7%	Low Vol 22.8%	DM x US Value -14.3%	Global x US 21.7%	DM x US Value -2.1%	Low Vol 10.3%	Global x US -14.9%	**Buyback 16.2%**	Dividend 3.3%
DM x US Value -5.2%	Momentum 2.9%	DM x US Value 22.1%	DM x US -14.5%	Low Vol 21.4%	Dividend -5.7%	Global x US 9.1%	DM x US Growth -22.7%	Dividend 15.3%	Low Vol 2.9%
Dividend -18.7%	DM x US Growth -2.7%	Dividend 20.0%	**Buyback -20.3%**	DM x US Value 16.8%	Low Vol -9.0%	Momentum 8.4%	Momentum -24.0%	Low Vol 9.9%	DM x US Growth 2.4%

Source: Bloomberg

Global x US	Nasdaq Global Ex United States™ Index
DM x US	Nasdaq Developed Ex United States™ Index
DM x US Growth	MSCI EAFE Growth Index
DM x US Value	MSCI EAFE Value Index
Momentum	Dorsey Wright DM Technical Leaders Index
Buyback	Nasdaq International Buyback Achievers Index
Low Vol	S&P International Developed Low Volatility Index
Dividend	Nasdaq International Dividend Achievers™ Index

Risk Statistics

The beta for the Nasdaq International Buyback Achievers Index (DRBXUS Index) relative to the Nasdaq Global Ex-US Index (NQGXUS) was 1.04 for the 10-year period ending June 30, 2025, suggesting marginally higher volatility than NQGXUS. Annualized volatility for the same 10-year period for DRBXUST was 15.4%, a bit higher than that of NQGXUST, which came in at 14.2%. The Sharpe ratio of DRBXUST Index was 0.51, substantially higher than that of NQGXUST Index, which was 0.30.

Index Risk Metrics Comparison	DRBXUS	NQGXUS
Beta	1.04	1.00
Volatility	15.4%	14.2%
Sharpe Ratio	0.51	0.30

Source: Bloomberg

Note: Volatility and Sharpe ratio are calculated for DRBXUST and NQGXUST, i.e., the total return versions of the index while beta is calculated for DRBXUS and NQGXUS, the price return versions of the index.

Share Repurchase Volumes, DRBXUS Constituents

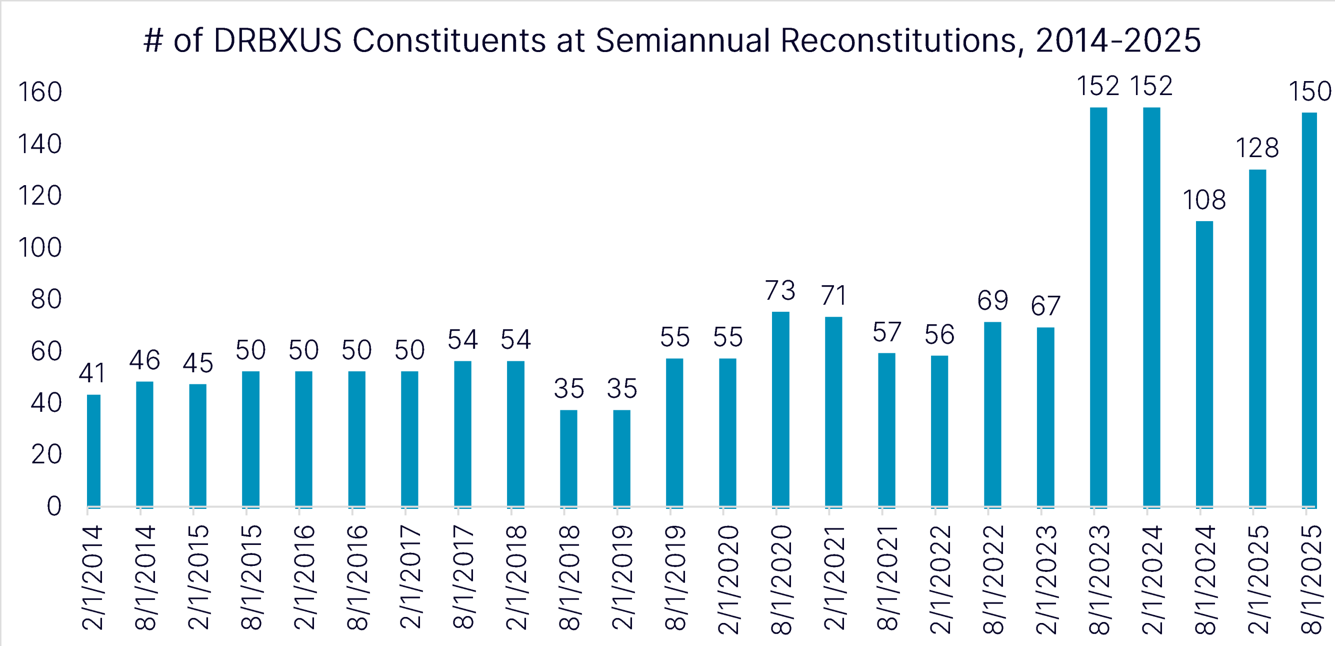
The table below provides data on the amount of shares repurchased by DRBXUS constituents for the period 2013-2024. 2014 and 2015 saw an uptick in buyback activity followed by a period of decline for the next three years. 2019 showed a notable jump followed by two years of stagnation and decline amid Covid-19; 2022 then saw another surge in buyback activity that has accelerated into 2023-2024, thanks at least in part to the swelling ranks of index constituents. The periodic drop-offs in buyback activity can likely be attributed to firms' ability to suspend buybacks more readily than dividends.

Year Ending	Aggregate Shares Repurchased by DRBXUS Constituents ($B)
2013	$8.3
2014	$21.5
2015	$26.4
2016	$12.6
2017	$10.9
2018	$10.0
2019	$50.6
2020	$48.5
2021	$32.2
2022	$51.9
2023	$116.2
2024	$113.9

Source: Factset

Sharp Recent Growth in Constituent Count

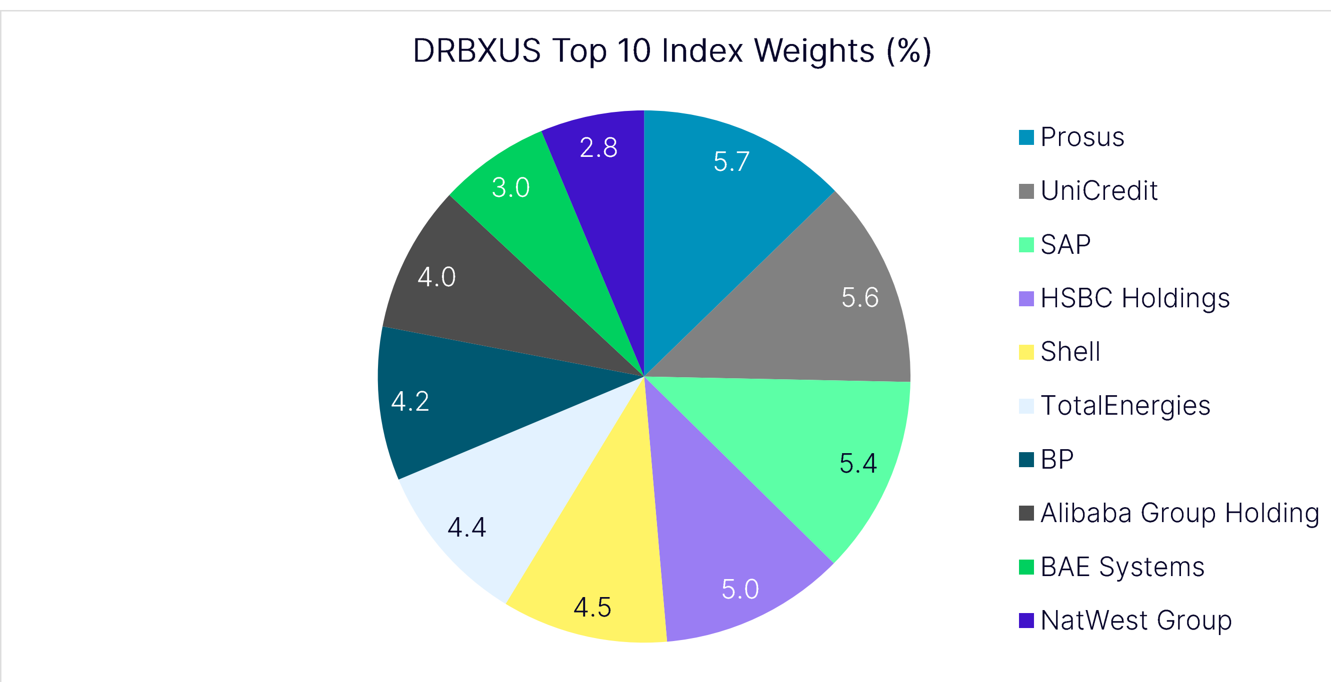
As of August 2025, there were 150 securities in the index, nearly equaling the most the index has had since launch. The total number of securities that make up the index has varied over time. Outside of the most recent reconstitution, the previous peak of 152 was seen across the August 2023/February 2024 reconstitutions, while the fewest number of securities was 35 across August 2018/February 2019. With no indications of a slowdown in buyback activity across many parts of the world ex-US, it is safe to say that the eligible pool of international securities will continue to grow.



Source: Nasdaq Global Indexes

Top 10 Allocations

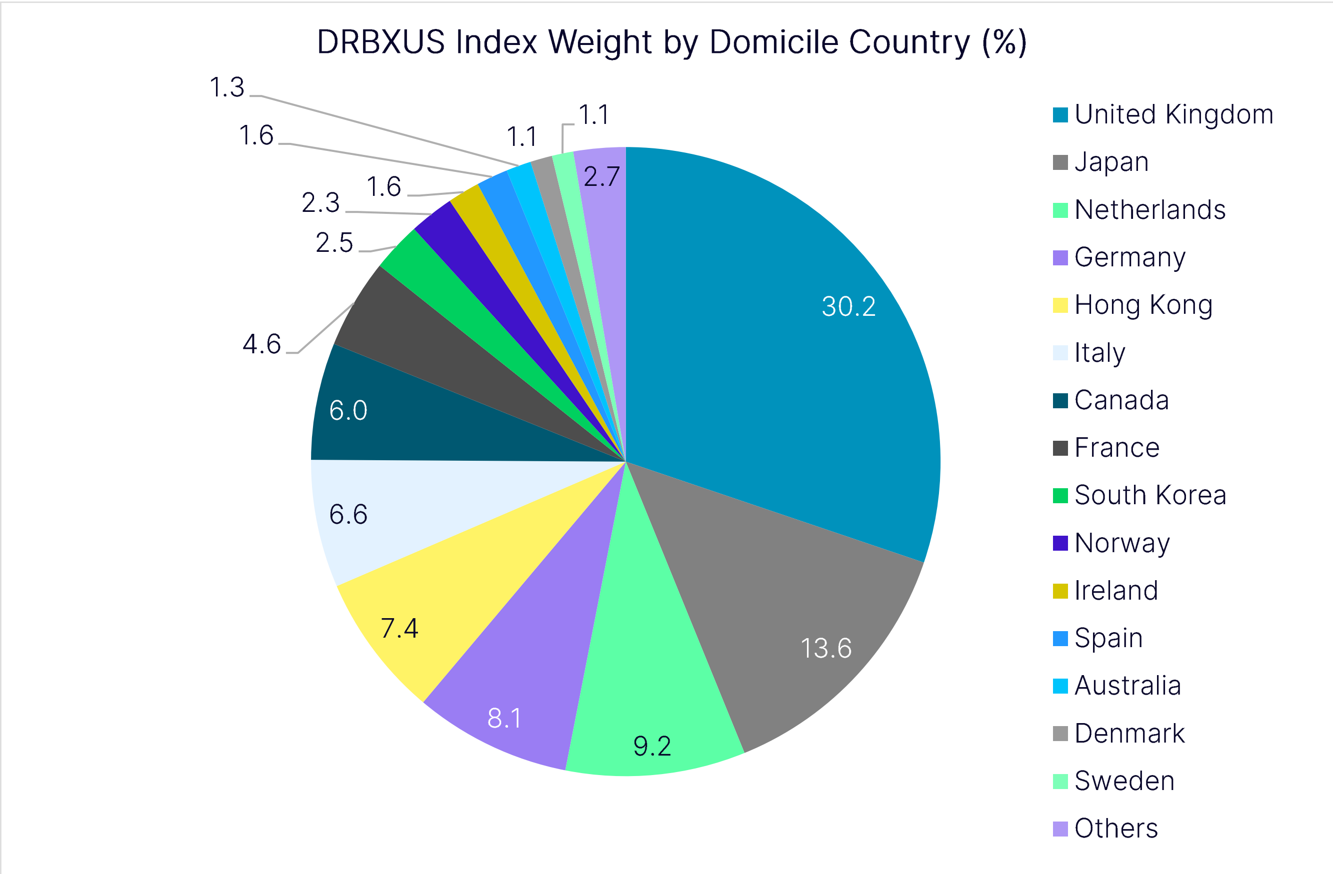
The top 10 names of the Nasdaq International Buyback Achievers Index (DRBXUS) comprise 44.6% of the total index weight, as of June 30, 2025. The top ten names are tilted towards Financials and Energy, with an index weight of 13.5% and 13.1% respectively. There is representation from other sectors including Technology, Consumer Discretionary and Industrials illustrating diversification within the top 10 names. The top three names include Prosus, an Internet-based services company, with an index weight of 5.7%, followed by UniCredit, a pan-European bank, with an index weight of 5.6% and SAP, a German multinational software company, with an index weight of 5.4%.



Source: Factset

Country Allocations

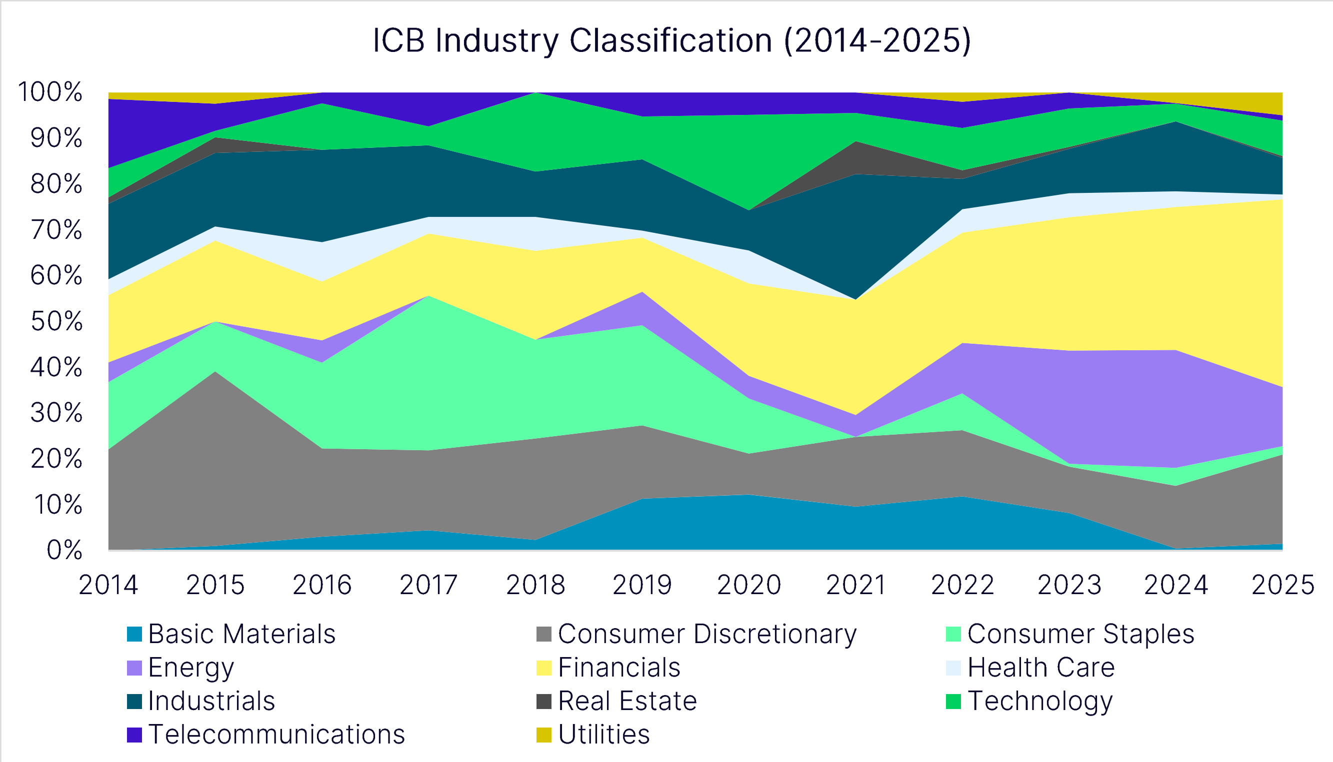
As of June 30th 2025, the Nasdaq International Buyback Achievers Index (DRBXUS) is tilted heavily towards the United Kingdom with an index weight of 30.2%, Japan with an index weight of 13.6% and Netherlands with an index weight of 9.2%. The countries with the smallest allocations include Columbia with an index weight of 0.03%, and Malaysia with an index weight of 0.04%. The results of the country allocations reflect the recent increase in buyback activity in countries outside of the U.S., including the U.K. and Japan.



Source: Factset

ICB Industry Allocations

There has been a noticeable shift in the sector (per ICB Industry) allocations in recent years, particularly in the top 3 sector allocations. As seen in the chart below, prior to 2020, Financials and Energy always had a combined index weight of less than 20%, while Consumer Discretionary and Consumer Staples usually had a combined index weight of around 40% (as high as 50% following the annual reconstitution in 2017). 2020 marked a shift with the index tilting steadily higher towards Financials and Energy for a combined index weight of greater than 50% by year-end 2023, and away from Consumer Discretionary and Consumer Staples for a combined index weight of over 10%. As of August 1 2025, the top three sectors include Financials with an index weight of 40.9%, followed by Consumer Discretionary with an index weight of 19.5% and Energy with an index weight of 12.9%.



Source: Factset

Conclusion

The Nasdaq International Buyback Achievers Index has generated impressive price returns of 25.1% thus far in 2025, amid a great deal of uncertainty across trade, immigration, regulatory and fiscal policies. The first half of 2025 saw enthusiasm for the US exceptionalism theme waning, with international equities gaining more favor among some investors. For the rest of the year, investors are likely to benefit from broadening exposure to international equities due to factors such as attractive valuations, dollar weakness and favorable fiscal policy. As indicated in our previous study, the DRBXUS Index offers exposure to a differentiated portfolio of international equities that have effected a net reduction in shares outstanding of 5% or more over a trailing one-year period, with about half of the index constituents hailing from countries such as Canada, United Kingdom, and Japan – countries which are seeing a surge in buyback activity in recent years. While expectations for global growth for 2025 are lower compared to 2024 due to ongoing trade tensions, there are encouraging changes to the international economic environment including improving corporate governance in Japan and a shifting mindset towards making at least some parts of Europe more business-friendly. The outlook for international equities continues to remain optimistic due to growth differentials, currency trends and valuation. As referenced in our previous report, US and international equities have tended to move in multiyear cycles, with the tide potentially turning in favor of international equities earlier this year[6]. The DRBXUS Index has demonstrated the ability to not only outperform other broad international benchmarks, but generate strong returns consistently.

ETFs currently tracking the DRBXUS Index include the Invesco International Buyback Achievers ETF (Nasdaq: IPKW).

Sources: Nasdaq Global Indexes, FactSet, Bloomberg

[6] https://indexes.nasdaqomx.com/docs/DRBXUS_Research.pdf

Disclaimer:

Cautionary Note Regarding Forward-Looking Statements:

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