An oral examination in defense of the dissertation for the degree
Doctor of Business Administration with an emphasis in Finance

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How does the Market View Share Repurchases:
Five Possible Book Values in the Fama-French 3 Factor Model

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Abstract
Share repurchase activity has grown significantly over the past twenty years and has emerged as the most popular technique for returning cash to shareholders. Current U.S. generally accepted accounting principles treat share repurchases as a return of capital to shareholders, recording the repurchased shares at market prices and offsetting them against contributed capital accounts. This treatment reduces the recorded book value of the equity of companies. Of course, companies can reissue these shares to fulfill stock option contracts, as consideration in acquisitions, and/or in secondary offerings. These economically relevant uses of repurchased shares suggest that the market may treat share repurchases differently than GAAP-based accounting. This study employs the Fama-French 3-Factor Model to test five potential views on repurchased shares: 1) a permanent return of capital to shareholders; 2) a prepaid cash expense related to stock-options; 3) the monetization of internally generated goodwill; 4) a prepaid asset that can be used as consideration in a future acquisition; and 5) a put option on company shares. Results suggest that the current accounting treatment is as good or better than all other possibilities for diversified portfolios, but we do find support for other treatments in certain industries.

Defense of Dissertation Committee
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