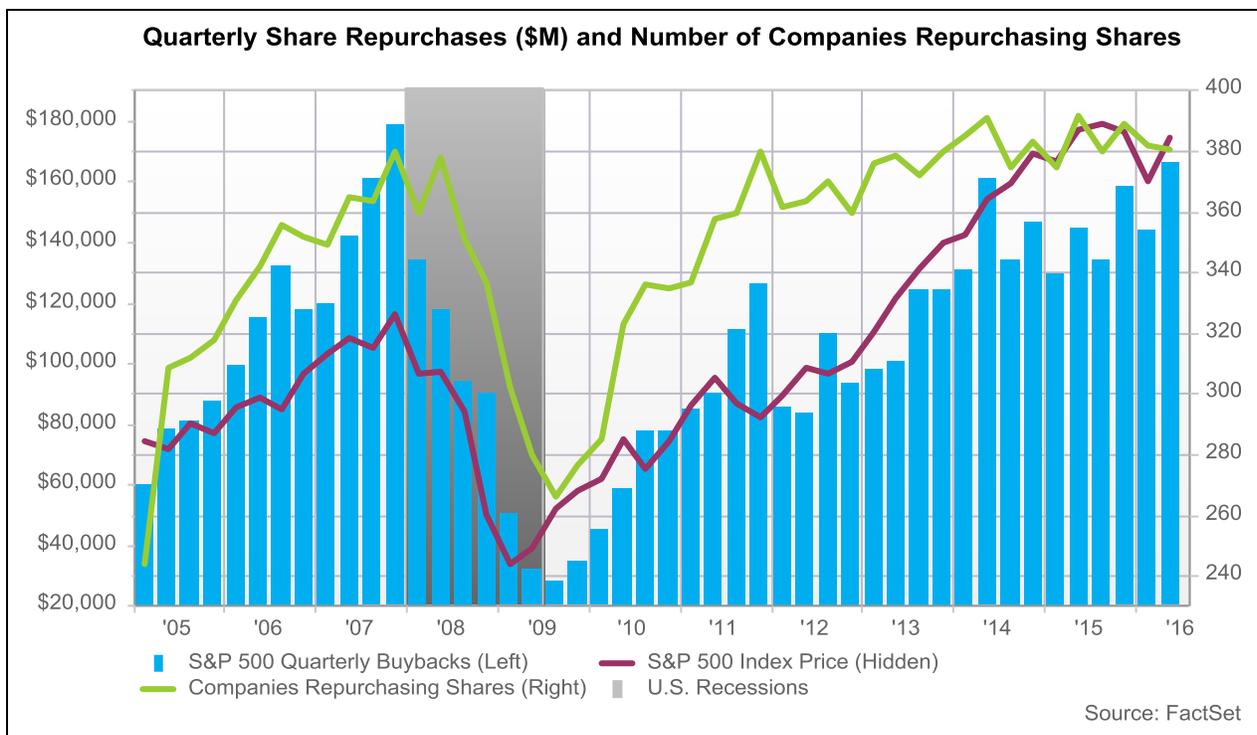


Key Metrics:

- Quarterly Buybacks Soar 15.1% Year-Over-Year in Q1:** Dollar-value share repurchases amounted to \$166.3 billion in the first quarter (Feb-April), which represented a 15.1% increase year-over-year and a 15.6% gain from Q4. This marked a new post-recession high for quarterly buybacks in the S&P 500.
- Health Care: A Big Contributor to Buyback Spending in Q1:** Share buybacks in the Health Care sector amounted to \$33.2 billion, a record high for the sector. Pfizer and Gilead Sciences were the top spenders in the sector and the overall index (\$8.1 billion and \$7.4 billion, respectively).
- Buyback Yield Climbs to 3.3%:** The trailing twelve-month buyback yield for the S&P 500 climbed to 3.3% by the end of Q1, which marked the highest ratio for the index since Q1 2014.
- 41 S&P 500 Companies Spent over \$1 billion on Share Buybacks during Q1:** In Q1, 41 companies bought back more than \$1 billion worth of their own shares. This was the second highest number of companies in the index to reach that mark going back to 2005.
- Activists Pushing for Dividends/Buybacks:** On a year-to-date basis, there were 19 activist campaigns in which a dissident objective was to return cash via dividends and/or buybacks. Three of those campaigns were successful.



“Buyback Quarterly” is one part of three reports (“Dividend Quarterly” and “Cash & Investments Quarterly”) analyzing cash and discretionary spending within the S&P 500.

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Share Repurchases Soar 15.1% in Q1 2016

Q1 Marks Largest Post-Recession Buyback Total for S&P 500

Companies in the S&P 500 spent \$166.3 billion on share buybacks during the first quarter, which marked a new post-recession high. Since 2005, only Q3 2007 produced a larger amount of buybacks (\$178.5 billion). Dollar-value buybacks in Q1 represented a 15.1% increase in spending from the year-ago quarter, and a 15.6% jump from Q4. This breakout in the first quarter of the year comes amid somewhat of a stabilization period for buybacks since the middle of 2014. With that said, buyback spending still remained at very high levels for the index during this period.

The Information Technology sector was the top spending group in terms of dollar-value buybacks (\$34.4 billion), which has been commonplace in the S&P 500 index. With that said, it was a variety of sectors that helped push aggregate buybacks to a new post-recession high during Q1. Share buybacks in the Health Care sector amounted to \$33.2 billion, which was the largest quarterly amount for the sector since FactSet began tracking the data back in 2005. This blew away the previous high for the sector in Q2 2012, when spending totaled \$24.5 billion. In addition to the Health Care sector, the Consumer Discretionary, Industrials, and Consumer Staples sectors were all major contributors to the index's record level of buyback spending. The Q1 aggregate buyback total in the Consumer Staples and Industrials sectors marked post-recession highs, with Q3 2007 being the only quarter to produce a larger buyback totals for these sectors since 2005. The Q1 buyback total in the Consumer Discretionary sector was the third largest amount going back to 2005. Each of these three sectors also topped its long run average of quarterly repurchases, as shown in the chart on page five of this report.

The Health Care sector was the second largest group in terms of both aggregate spending on share repurchases and year-over-year growth in repurchases. The quarterly total of dollar-value buybacks exceeded its long run average (back to 2005) by over 150%. Three of the top ten companies ranked by dollar-value buybacks were in the Health Care sector (Pfizer, Gilead Sciences, and Express Scripts). Keep in mind that this list has typically been dominated by firms in the Information Technology sector. The full top ten list is shown on page five of this report.

Pfizer and Gilead Sciences Top List of Buyback Spenders

Pfizer took the place of Apple as the top spender on share buybacks in Q1. The global biopharmaceutical company repurchased \$8.1 billion worth of shares, which represented a 32% increase from the year-ago quarter. Pfizer bought back its shares at a 2.6% discount to its average daily price for the quarter. The buybacks helped contribute to a 1.5% YoY reduction in its shares outstanding. In addition to its existing \$11 billion repurchase program in progress, Pfizer entered into an accelerated repurchase program in early March to buy back \$5 billion worth of common stock.

Gilead Sciences was the second top spender on share buybacks during the quarter. The company bought back \$7.4 billion worth of shares in Q1, which was more than double the amount in the year-ago quarter. This helped reduce the firm's shares outstanding by 8.7% year-over-year. Additionally, the board of Gilead approved the repurchase of another \$12 billion worth of stock once its existing \$15 billion program is completed.

Express Scripts rounded out the top ten list of buyback spenders, and was the third largest company in the Health Care sector by dollar-value repurchases. The pharmacy benefit management firm bought back \$3.3 billion of its stock in Q1 after not making any repurchases in the year-ago quarter. The number of shares outstanding for Express Scripts at the end of the quarter was 13.3% lower than a year ago.

Sector Trends: Consumer Sectors Spur Year-over-year Growth

The Consumer Staples sector led all major buyback sectors (excluding the Telecom and Utilities sectors, which have each averaged less than \$2 billion in quarterly buybacks since 2005) in terms of year-over-year growth (+72.4%) in quarterly buybacks. The Consumer Discretionary sector was also a major contributor posting a growth rate of 36.1%. Five out of the eight buyback groups saw positive year-over-year growth in Q1, with each of those groups achieving double-digit growth rates (Consumer Staples, Health Care, Consumer Discretionary, Industrials, and Financials). The Information Technology sector, which was the top group in terms of quarterly buyback spending, posted a 5.3% decline in year-over-year dollar-value buybacks.

Within the Consumer Staples sector, Procter & Gamble and Wal-Mart were the top contributors to growth. P&G repurchased \$5.2 billion worth of its stock, which was its highest quarterly repurchase total since Q2 2006. The consumer goods company was the fifth top spender on buybacks in Q1. Wal-Mart repurchased \$2.5 billion worth of its shares, which was its highest quarterly repurchase total since Q4 2012. Within the Consumer Discretionary sector, McDonald's, Disney, and Starbucks drove year-over-year growth. In Q1, both McDonald's and Starbucks

spent the largest amount on buybacks in a quarter since FactSet started collecting this data in 2005. McDonald's repurchased \$3.7 billion of stock, while Starbucks repurchased \$1.3 billion of its own stock.

Dollar-Value Buybacks as Percentage of Net Income and Free Cash Flow Rise

The dollar amount spent on share buybacks for the trailing twelve months ending in Q1 totaled \$602.8 billion, which represented an 8.7% increase year-over-year. At the end of the first quarter, trailing twelve-month buybacks made up 72.9% of net income. This was a 24.6% uptick from the ratio a year ago. This ratio has continued to rise as shown on page seven of this report. The slump in earnings has been a big driver of the rising ratio. The year-over-year earnings decline for the S&P 500 was -6.7% in Q1 2016. The first quarter marked the first time that the index has recorded four consecutive quarters of year-over-year declines in earnings since Q4 2008 through Q3 2009. Additional analysis on earnings trends can be found in [FactSet Earnings Insight](#). On top of that, Q1 buybacks hit a post-recession high which helped push the ratio up even further.

At the end of the first quarter, 146 companies in the S&P 500 spent more on buybacks in the trailing twelve months than they generated in earnings. This marked the seventh highest total going back to 2005. Of those companies, 20% came from the Consumer Discretionary sector and another 20% came from the Information Technology sector. Some of the notable names with buybacks exceeding earnings include Target, Starbucks, McDonald's, Microsoft, Oracle, and salesforce.com.

Free cash flow is often viewed as a better measure of liquidity for a company than earnings. FactSet defines free cash flow as cash flow from operating activities minus fixed capital expenditures. Free cash flow for the TTM ending in Q1 increased 2.4% compared to the same period a year ago. The uptick in free cash flow in the Health Care sector and less negative cash flow from the Energy sector helped drive the increase for the index. At the end of the first quarter, trailing twelve month buybacks made up 59.6% of free cash flow, which was a 6% increase year-over-year.

Buyback Yield Climbs to 3.3%; Highest Ratio since Q1 2014

The trailing twelve-month buyback yield for the S&P 500 climbed to 3.3% by the end of Q1, which marked the highest ratio for the index since Q1 2014. This comes after the index's buyback yield has been at or below the long run average ratio (back to 2005) for the past four quarters. The TTM buyback yield ending in Q1 represented a 9.2% premium to the long run average, and a 15.6% increase from the ratio a year ago. Buyback yield is defined as the aggregate number of shares repurchased over the trailing twelve months as a percentage of the aggregate common shares outstanding.

Looking solely at the S&P 500 buyback yield for the quarter (rather than the TTM period), the number of shares repurchased during the quarter made up 0.9% of the aggregate shares outstanding in the index. This was the highest buyback yield for a quarter since Q3 2011, when the ratio reached 1.2%. Part of this rise in buyback yield may be attributed to a lower S&P 500 price level than a year ago. The average price level for the S&P 500 index in Q1 2016 (1/31/2016 - 4/30/2016) was 4% lower than the average price level for the index in Q1 2015. In a market with lower prices, companies are able to repurchase a larger number of shares, which drives up the buyback yield. This is evident when looking at the count of shares repurchased during the first quarter. In Q1, companies in the S&P 500 bought back 3.1 billion shares, a significant increase from the 2.3 billion shares repurchased in the year-ago quarter.

At the sector level, the Information Technology sector has typically logged the highest buyback yield of all groups. In Q1, the TTM buyback yield for the sector was 4.7%. The Industrial sector was able to match that ratio. The Industrial sector's trailing twelve-month share repurchases amounted to 4.7% of the sector's aggregate shares outstanding over the period, which represented a 78.9% increase year-over-year. The huge jump was primarily driven by General Electric, which bought back \$9.4 billion worth of its stock in the TTM period ending in Q1, compared to under \$1 billion in repurchases during the same period a year ago. Additionally, the aggregate number of shares outstanding in the Industrials sector dropped 5.2%, which also contributed to the rise in buyback yield. This was the largest year-over-year reduction in shares outstanding of any sector. The Consumer Discretionary sector had the next highest buyback yield with a ratio of 4.3%. The top ten list of companies ranked by TTM buyback yield is shown on page nine of this report.

41 Companies Repurchased >\$1 billion Worth of Shares

The number of companies participating in buybacks during Q1 decreased to 381 from 392 in the year-ago quarter. With that said, the number of companies making larger repurchases has been rising. During the first quarter, 41 companies in the S&P 500 bought back more than \$1 billion worth of their own shares. This was the second highest

count of companies in the index to meet that threshold going back to 2005. The Q1 number represents an increase from Q1 2015, when 35 companies reached that mark. Aside from the top ten spenders on repurchases in Q1, several other notable names crossed the \$1 billion threshold as well. These include Bank of America, Alphabet, Goldman Sachs, and Wal-Mart.

Repurchasing Shares at a Relative Discount: ABC, RL, EXPE, MNK

In an effort to find companies that have repurchased shares during periods of depressed prices, this report examines companies' average prices paid for repurchases over the quarter and the trailing twelve months, and compares that to their average stock prices over the same period.* Based on this analysis, AmerisourceBergen and Ralph Lauren bought back their shares at the largest discount in the most recent quarter (32.6% discount and 12.6% discount). Expedia and Mallinckrodt Plc repurchased their shares at the largest discount in the trailing twelve months ending in the most recent quarter (22.3% discount and 21.2% discount). The full top ten lists can be found on page 11 of this report.

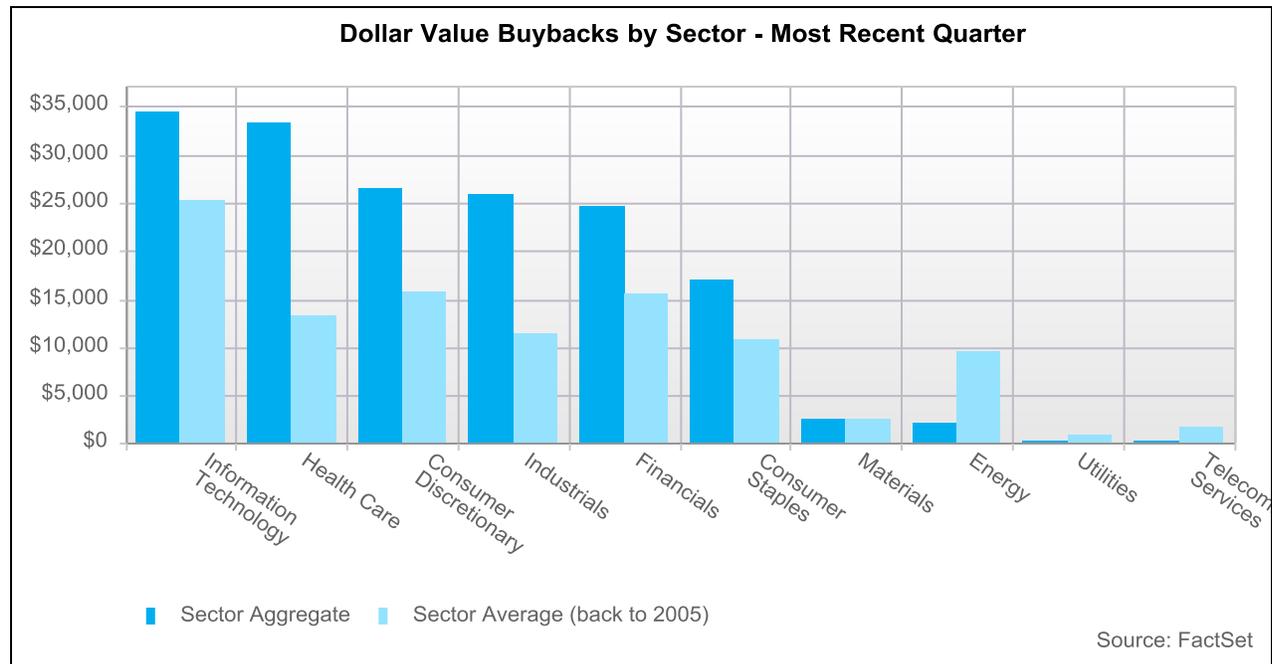
Activist Investors Pushing for Buybacks/Dividends at Companies

On a year-to-date basis as of Friday's close, there were 19 activist campaigns in which a dissident objective was to return cash via dividends and/or buybacks. Of these 19 activist campaigns YTD, the activists were successful in three of the campaigns. This trails the pace seen in 2015 over the same time frame, when activists launched 32 of these types of campaigns, with 20 resulting in success. Keep in mind that 2015 was a record setting year in terms of activist campaigns of this kind as well as total activist campaigns announced as a whole. Looking back to the same year-to-date period in 2014, there were 15 activist campaigns in which a dissident objective was to return cash via dividends and/or buybacks. Of these 15 activist campaigns YTD, the activists were successful in six of the campaigns. Examples of success include: the company declaring a special one-time dividend, increasing its regular dividend, announcing a new share repurchase program, and expanding its existing share repurchase program.

**Excludes companies with less than \$100m worth of share repurchases*

Dollar-Value Buybacks: Quarterly

All aforementioned and forthcoming values are in millions, unless otherwise stated. Quarterly data is organized by adjusted calendar quarters with Q1 ending in April. (Q1:Apr, Q2:July, Q3:Oct, Q4:Jan)

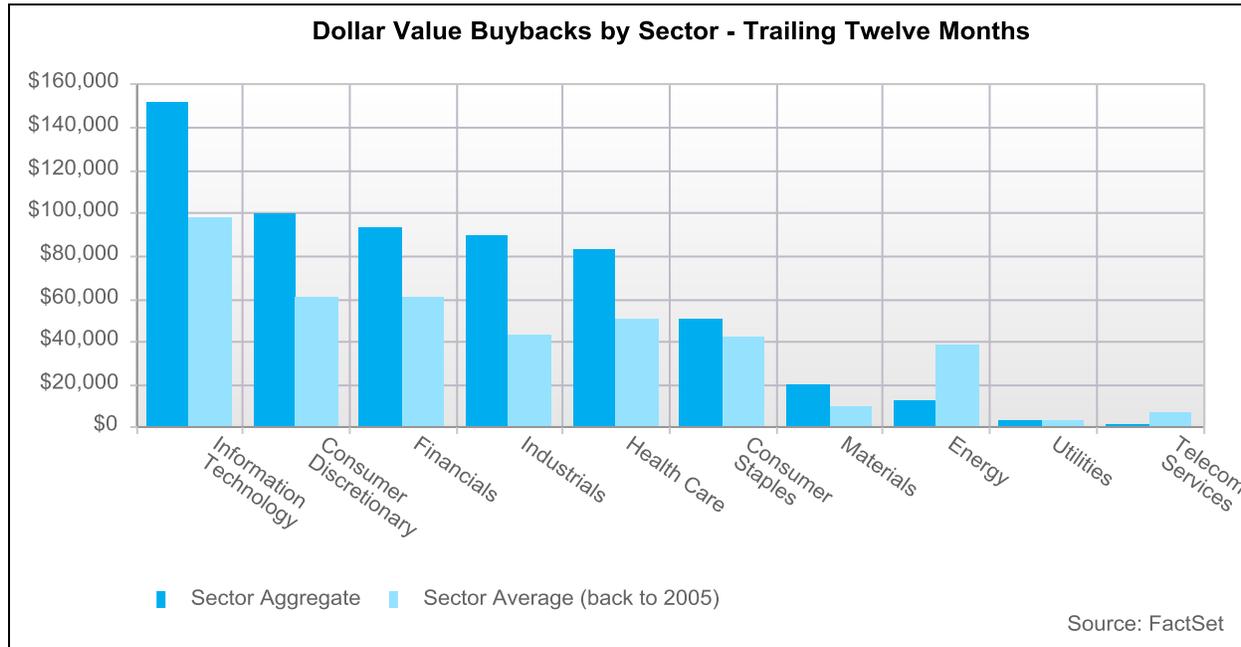


Top 10 Companies by Dollar-Value Buybacks- Q1 2016

Ticker	Company	Sector	Quarterly Buybacks (\$M)	QoQ% Chg in Shares Out	Quarterly Dividends	1 Year Total Return
PFE	Pfizer Inc.	Health Care	\$8,136	(1.8%)	\$1,854	4.5%
GILD	Gilead Sciences, Inc.	Health Care	\$7,377	(5.2%)	\$587	(29.4%)
AAPL	Apple Inc.	Information Technology	\$7,000	(1.2%)	\$2,902	(23.3%)
GE	General Electric Company	Industrials	\$6,156	(2.0%)	\$2,234	16.8%
PG	Procter & Gamble Company	Consumer Staples	\$5,213	(1.6%)	\$1,856	6.7%
MCD	McDonald's Corporation	Consumer Discretionary	\$3,679	(3.2%)	\$781	32.6%
MSFT	Microsoft Corporation	Information Technology	\$3,600	(0.7%)	\$2,842	11.6%
BA	Boeing Company	Industrials	\$3,576	(4.0%)	\$717	(5.8%)
AIG	American International Group, Inc.	Financials	\$3,486	(5.3%)	\$363	(11.2%)
ESRX	Express Scripts Holding Company	Health Care	\$3,329	(6.6%)	\$0	(17.5%)

Source: FactSet

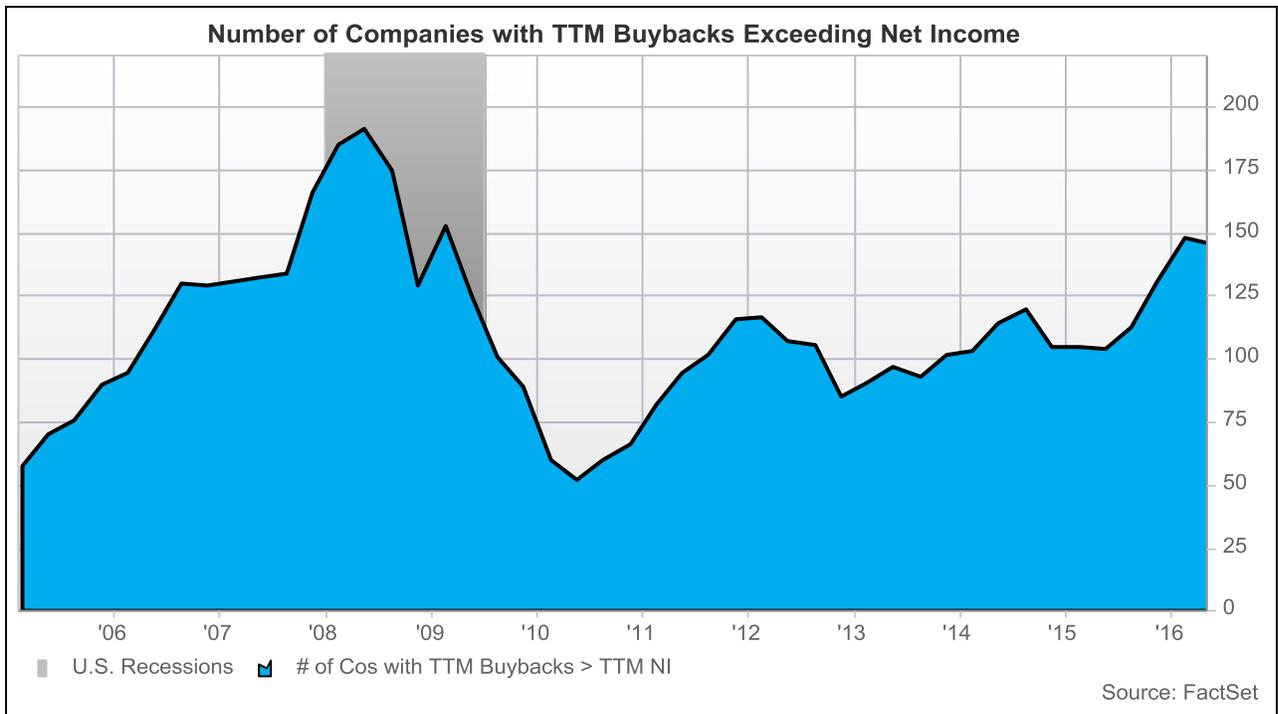
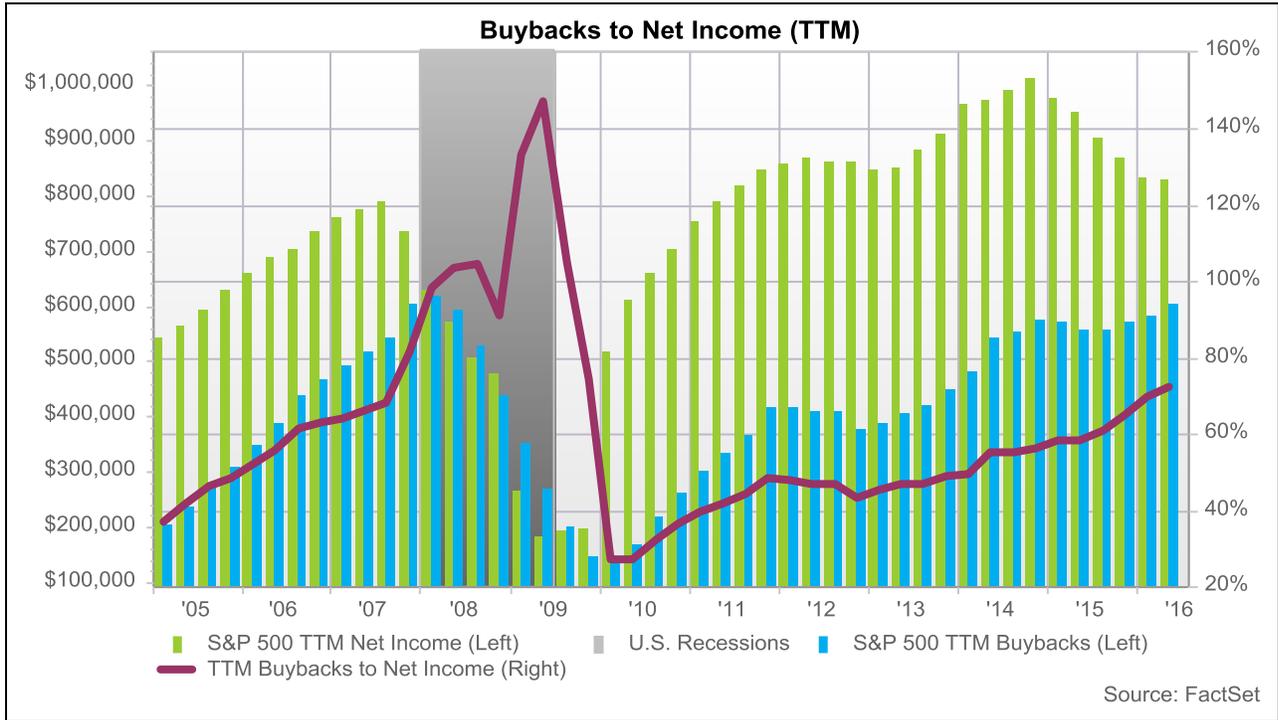
Dollar-Value Buybacks: Trailing Twelve Months



Ticker	Company	Sector	TTM Buybacks (\$M)	YoY% Chg in Shares Out	TTM Dividends	1 Year Total Return
AAPL	Apple Inc.	Information Technology	\$38,264	(4.9%)	\$11,888	(23.3%)
MSFT	Microsoft Corporation	Information Technology	\$15,408	(3.0%)	\$10,681	11.6%
GILD	Gilead Sciences, Inc.	Health Care	\$14,499	(8.7%)	\$2,461	(29.4%)
AIG	American International Group, Inc.	Financials	\$12,779	(16.1%)	\$1,221	(11.2%)
QCOM	QUALCOMM Incorporated	Information Technology	\$11,232	(10.2%)	\$2,922	(16.4%)
ORCL	Oracle Corporation	Information Technology	\$10,472	(5.0%)	\$2,573	(3.0%)
GE	General Electric Company	Industrials	\$9,442	(8.7%)	\$9,210	16.8%
MCD	McDonald's Corporation	Consumer Discretionary	\$9,237	(8.4%)	\$3,195	32.6%
WFC	Wells Fargo & Company	Financials	\$8,885	(1.7%)	\$8,944	(15.3%)
DIS	Walt Disney Company	Consumer Discretionary	\$8,776	0.0%	\$2,283	(10.5%)

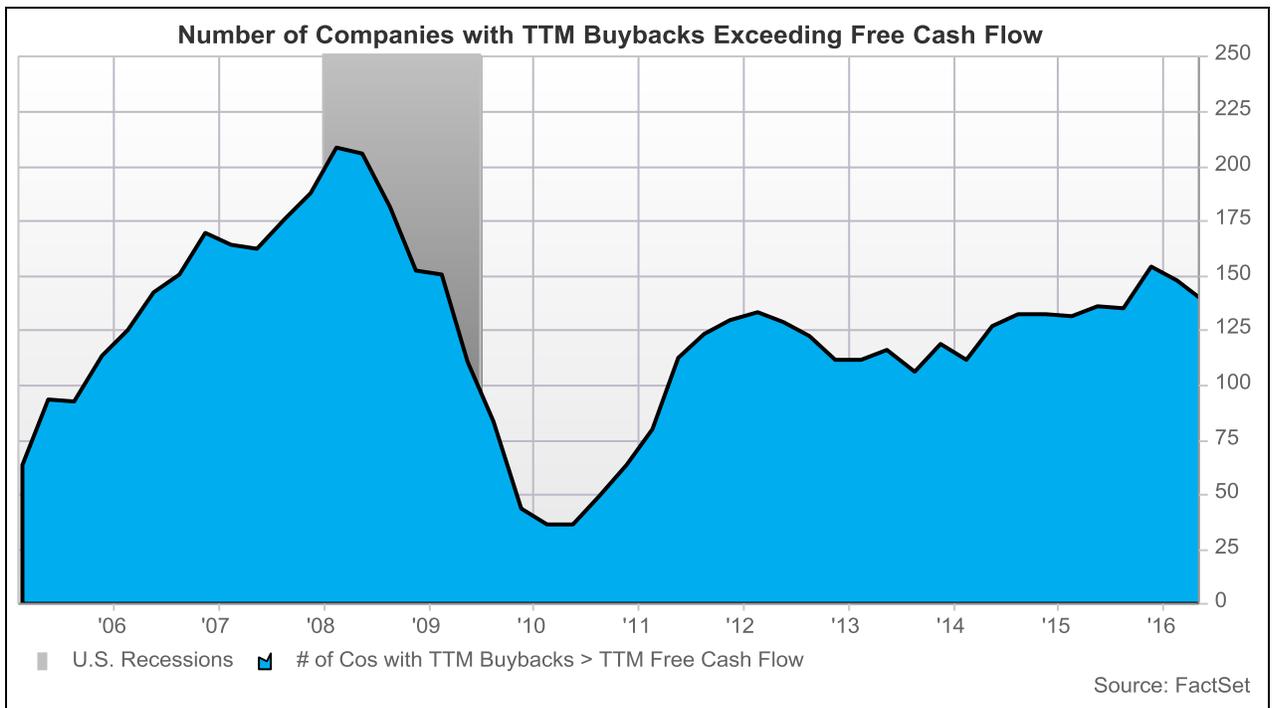
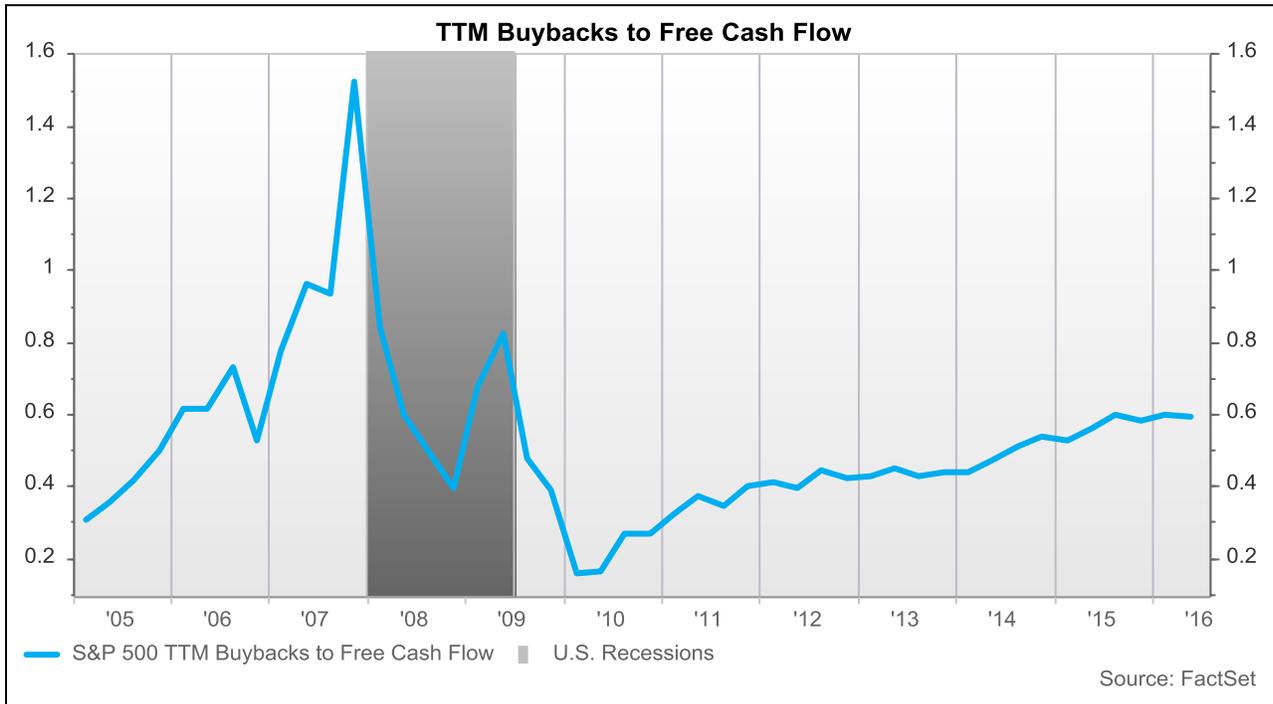
Source: FactSet

Buybacks to Net Income: Trailing Twelve Months



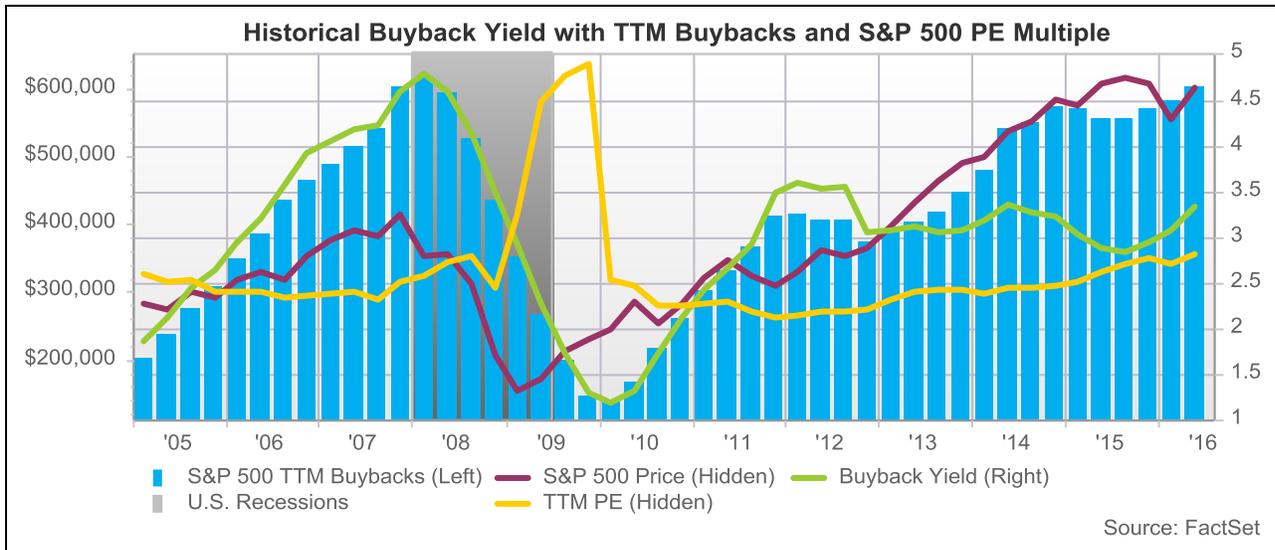
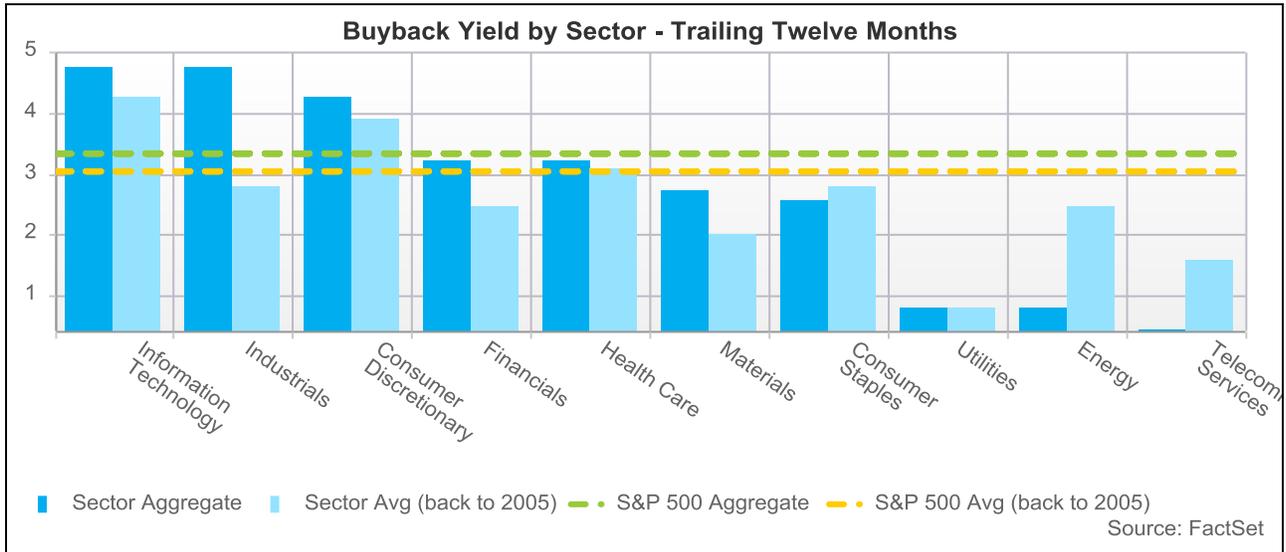
Buybacks to Free Cash Flow: Trailing Twelve Months

Free Cash Flow is defined as cash from operating activities minus capital expenditures from fixed assets.



Buyback Yield

Buyback yield is calculated by dividing the TTM shares repurchased by the company's common shares outstanding.



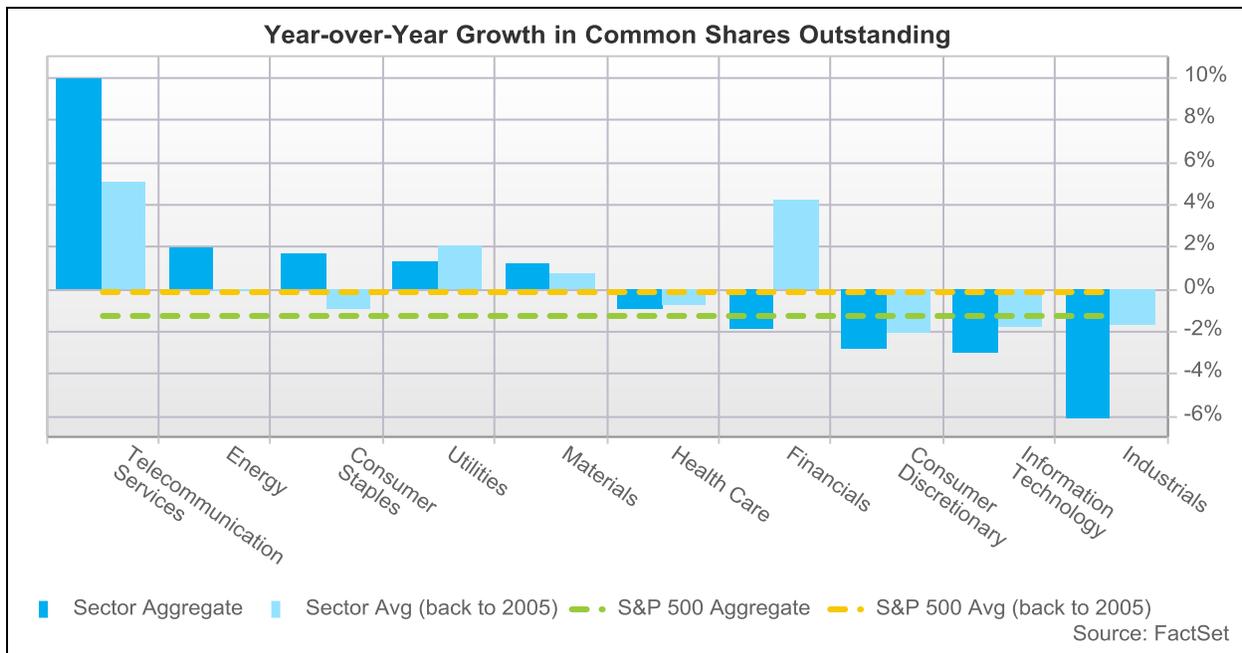
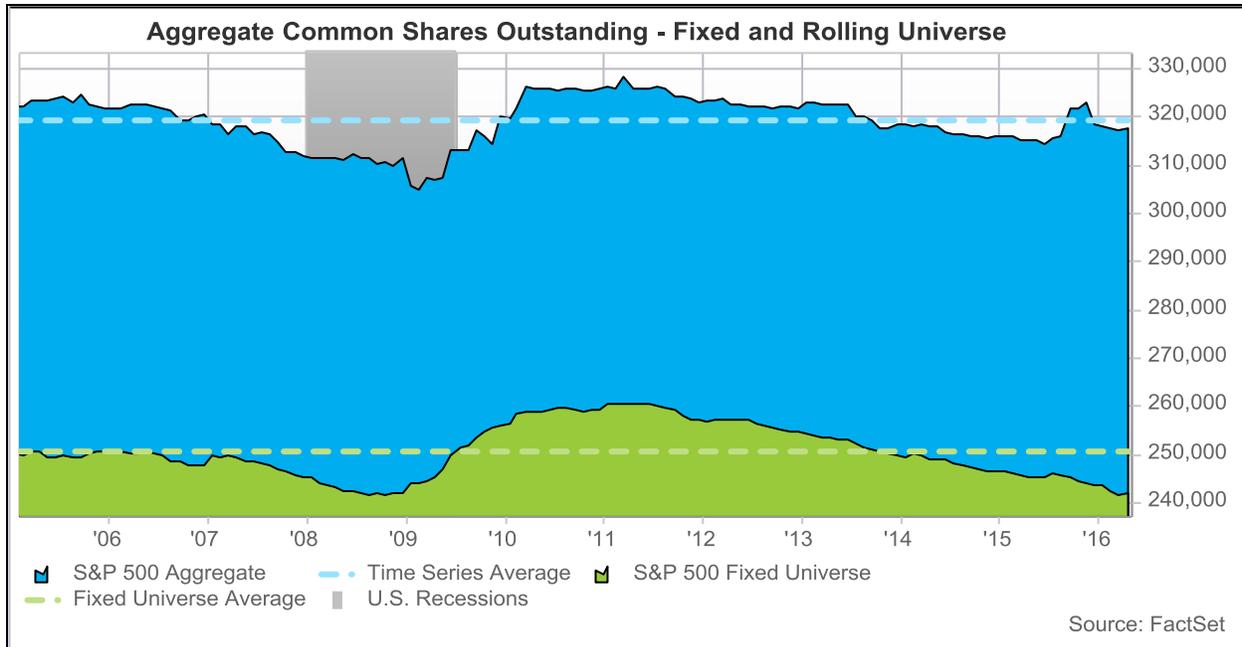
Top 10 Companies by TTM Buyback Yield						
Ticker	Company	Sector	Buyback Yield (%)	# of Shares Repurchased (TTM) (M)	YoY% Chg in Shares Out	1 Year Total Return
PWR	Quanta Services, Inc.	Industrials	34.5%	53	(27.5%)	(21.4%)
HRB	H&R Block, Inc.	Consumer Discretionary	25.8%	57	(19.9%)	(23.7%)
AAL	American Airlines Group, Inc.	Industrials	21.8%	128	(15.6%)	(27.8%)
MSI	Motorola Solutions, Inc.	Information Technology	21.2%	37	(17.2%)	20.5%
AIG	American International Group, Inc.	Financials	19.2%	217	(16.1%)	(11.2%)
NAVI	Navient Corp	Financials	18.9%	62	(15.2%)	(31.7%)
GLW	Corning Incorporated	Information Technology	17.4%	187	(14.6%)	0.3%
ESRX	Express Scripts Holding Company	Health Care	15.9%	101	(13.3%)	(17.5%)
HOG	Harley-Davidson, Inc.	Consumer Discretionary	15.8%	29	(13.0%)	(18.2%)
TEL	TE Connectivity Ltd.	Information Technology	15.1%	54	(12.2%)	(8.7%)

Source: FactSet

Trends in Common Shares Outstanding

While share repurchases are a large factor in determining the change in share count of a company, they do not capture such activities as exchange of common stock for debentures, conversion of preferred stock, convertible securities, or stock options, or the issuance of stock for acquisitions. Therefore, the charts below are included to show the aggregate change in shares outstanding.

The first chart shows aggregate common shares outstanding in the S&P 500 using a rolling universe and a fixed universe of only the companies that were in the index throughout the time series. The fixed universe is intended to isolate the trend in share count from constituent changes.



Percent Discount for Repurchases: Quarterly and TTM

The average price paid by the company for repurchases is compared to the average daily stock price for the quarter. Companies with less than \$100 million worth of share repurchases are excluded.

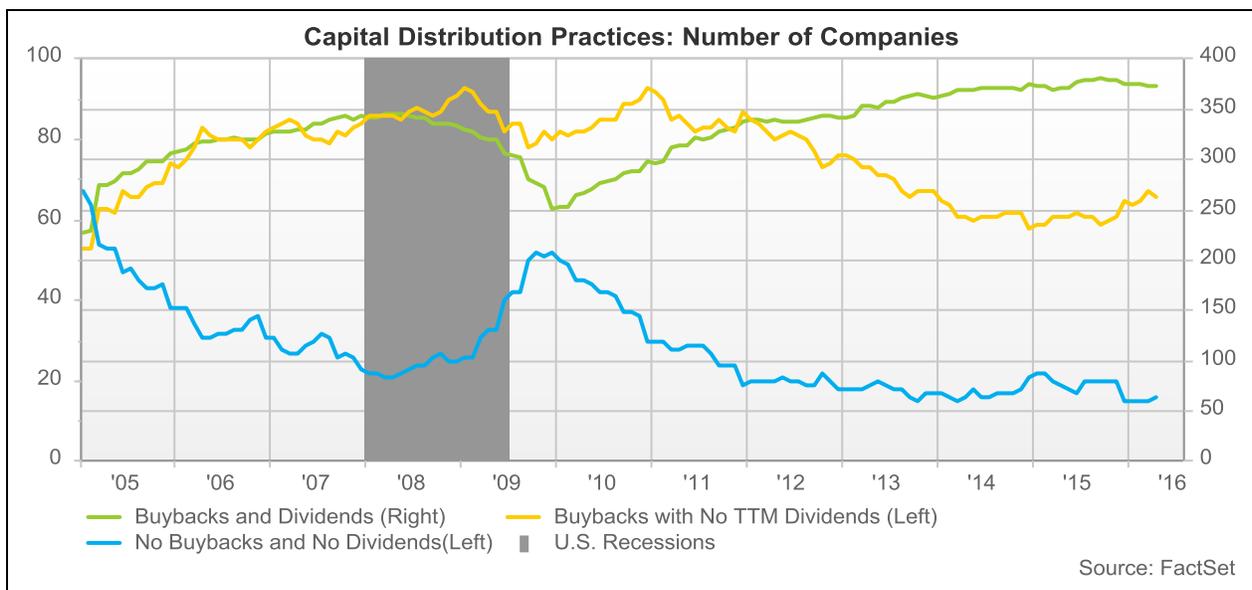
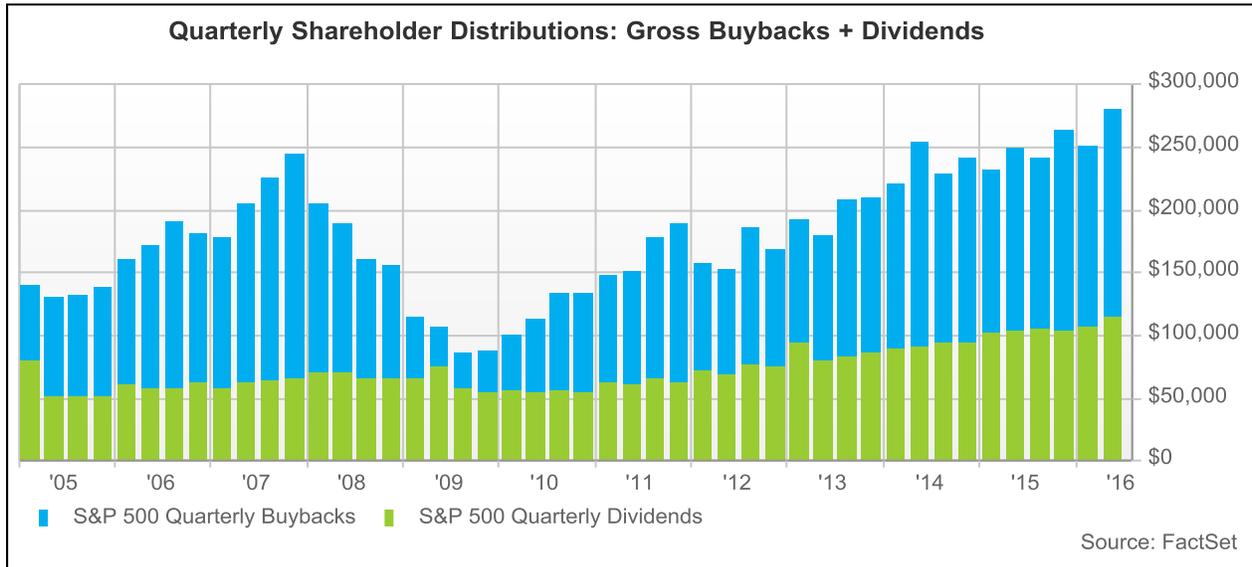
Top 10 Companies by Repurchase Discount Percent (Quarterly)					
Ticker	Company	Sector	Avg Price Paid for Repurchases (Qtr)	Avg Price for the Quarter	Quarterly Repurchase Discount (%)
ABC	AmerisourceBergen Corporation	Health Care	\$60.45	\$89.65	-32.6%
RL	Ralph Lauren Corporation Class A	Consumer Discretionary	\$85.64	\$97.98	-12.6%
TDG	TransDigm Group Incorporated	Industrials	\$198.09	\$218.34	-9.3%
CSCO	Cisco Systems, Inc.	Information Technology	\$24.38	\$26.88	-9.3%
RCL	Royal Caribbean Cruises Ltd.	Consumer Discretionary	\$71.79	\$78.70	-8.8%
LNC	Lincoln National Corporation	Financials	\$36.27	\$39.43	-8.0%
WFM	Whole Foods Market, Inc.	Consumer Staples	\$28.88	\$31.08	-7.1%
UNM	Unum Group	Financials	\$27.34	\$29.44	-7.1%
HBI	Hanesbrands Inc.	Consumer Discretionary	\$26.65	\$28.53	-6.6%
HPQ	HP Inc.	Information Technology	\$10.63	\$11.35	-6.3%

Source: FactSet

Top 10 Companies by Repurchase Discount Percent (Trailing Twelve Months)					
Ticker	Company	Sector	Avg Price Paid for Repurchases (TTM)	Avg Price for the TTM	TTM Repurchase Discount (%)
EXPE	Expedia, Inc.	Consumer Discretionary	\$87.87	\$113.10	-22.3%
MNK	Mallinckrodt Plc	Health Care	\$70.80	\$89.83	-21.2%
CMG	Chipotle Mexican Grill, Inc.	Consumer Discretionary	\$512.56	\$607.56	-15.6%
ETFC	E*TRADE Financial Corporation	Financials	\$23.82	\$27.56	-13.6%
MCK	McKesson Corporation	Health Care	\$173.60	\$198.79	-12.7%
AN	AutoNation, Inc.	Consumer Discretionary	\$51.51	\$58.75	-12.3%
ADS	Alliance Data Systems Corporation	Information Technology	\$236.44	\$268.56	-12.0%
MTB	M&T Bank Corporation	Financials	\$106.82	\$119.78	-10.8%
WFM	Whole Foods Market, Inc.	Consumer Staples	\$31.52	\$35.27	-10.6%
PFE	Pfizer Inc.	Health Care	\$29.38	\$32.83	-10.5%

Source: FactSet

Shareholder Distributions

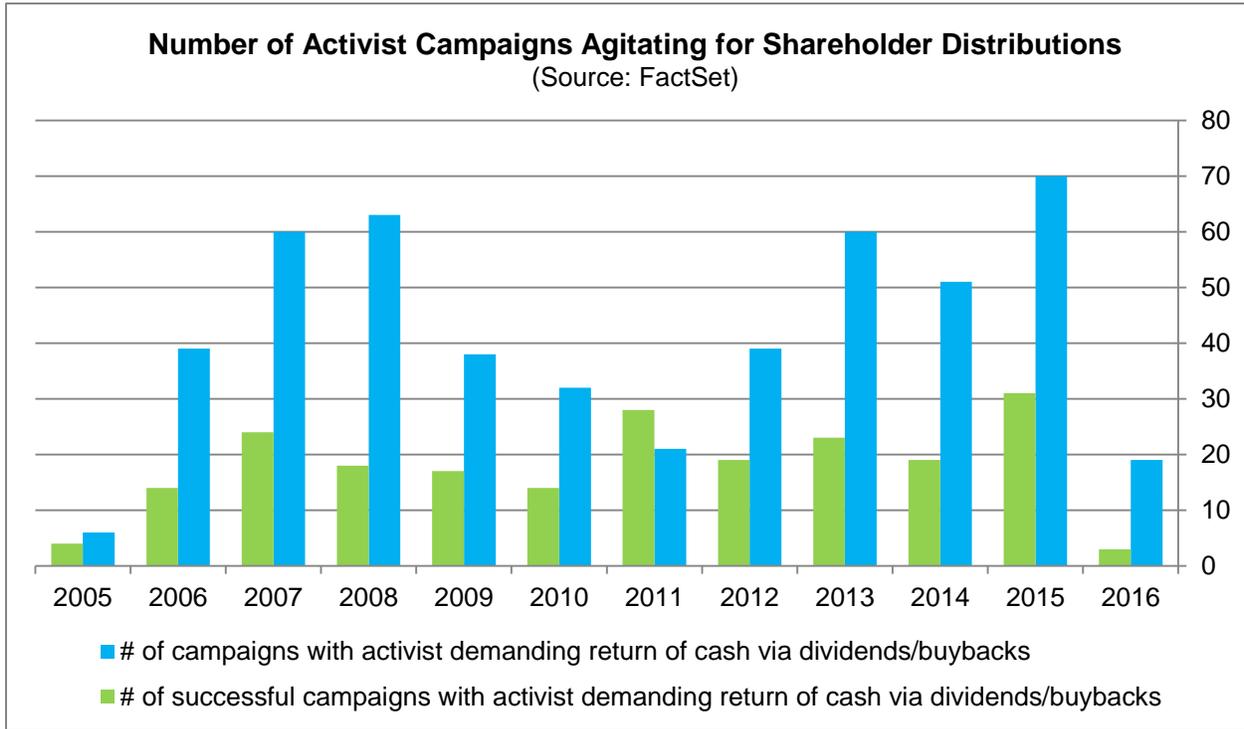


Top 10 Companies by Quarterly Shareholder Distributions

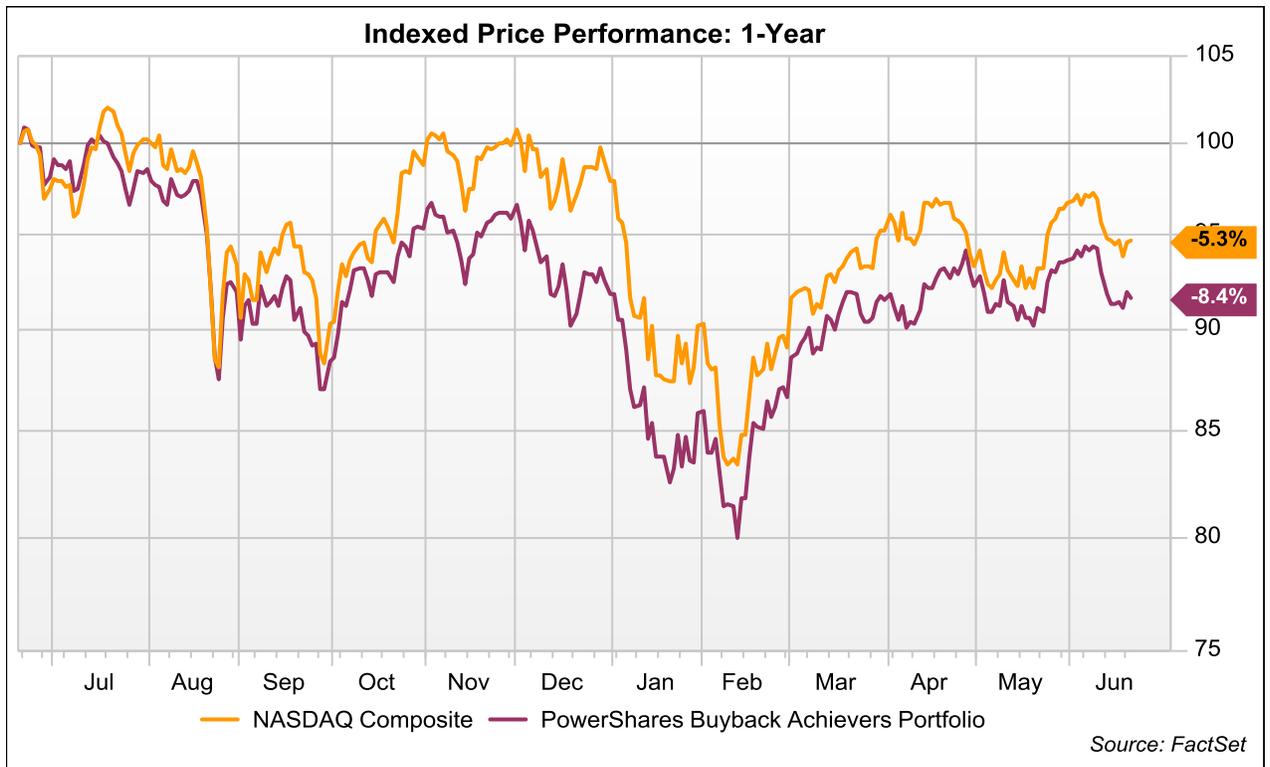
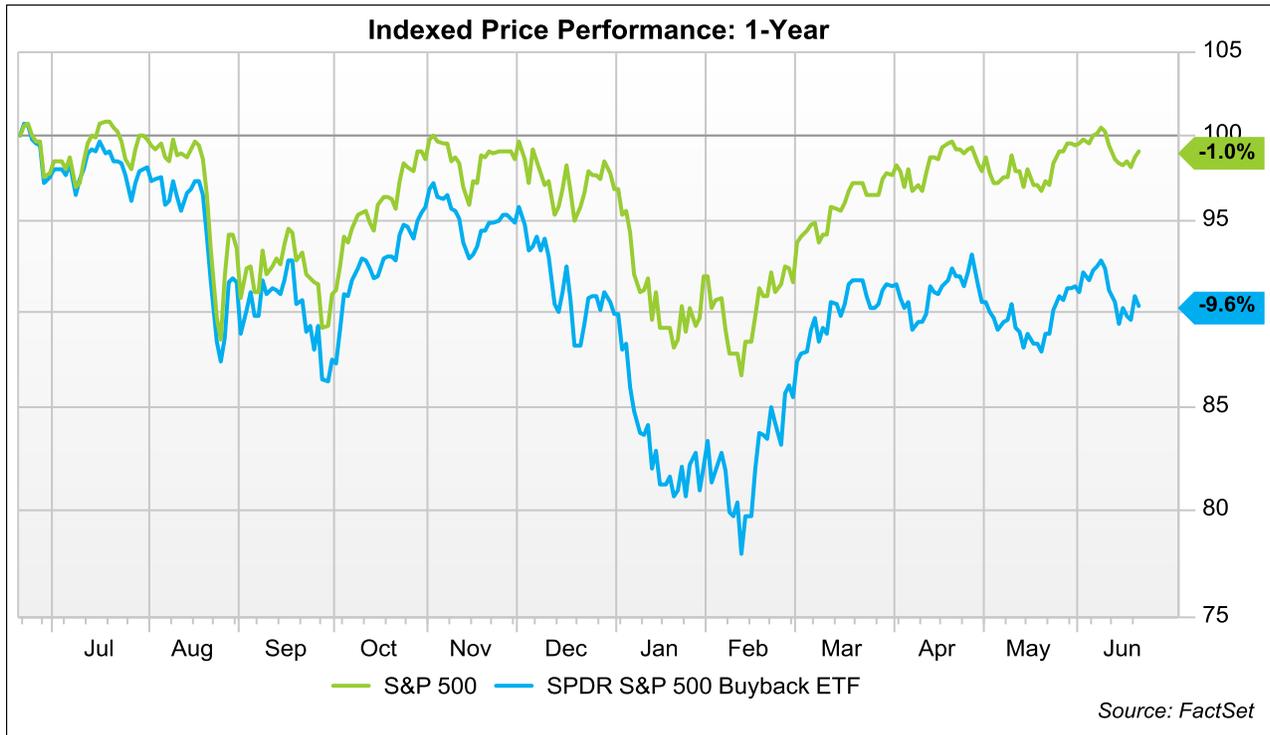
ID	Company	Sector	Qtr Dividends	Qtr Buybacks	Qtr Shareholder Distributions	1 Yr Total Return
PFE	Pfizer Inc.	Health Care	\$1,854	\$8,136	\$9,990	3.7%
AAPL	Apple Inc.	Information Technology	\$2,902	\$7,000	\$9,902	(23.2%)
GE	General Electric Company	Industrials	\$2,234	\$6,156	\$8,390	16.0%
GILD	Gilead Sciences, Inc.	Health Care	\$587	\$7,377	\$7,964	(29.7%)
PG	Procter & Gamble Company	Consumer Staples	\$1,856	\$5,213	\$7,069	6.8%
MSFT	Microsoft Corporation	Information Technology	\$2,842	\$3,600	\$6,442	11.8%
WFC	Wells Fargo & Company	Financials	\$2,244	\$2,529	\$4,773	(15.9%)
JNJ	Johnson & Johnson	Health Care	\$2,069	\$2,402	\$4,471	19.1%
MCD	McDonald's Corporation	Consumer Discretionary	\$781	\$3,679	\$4,460	31.3%
BA	Boeing Company	Industrials	\$717	\$3,576	\$4,293	(7.8%)

Source: FactSet

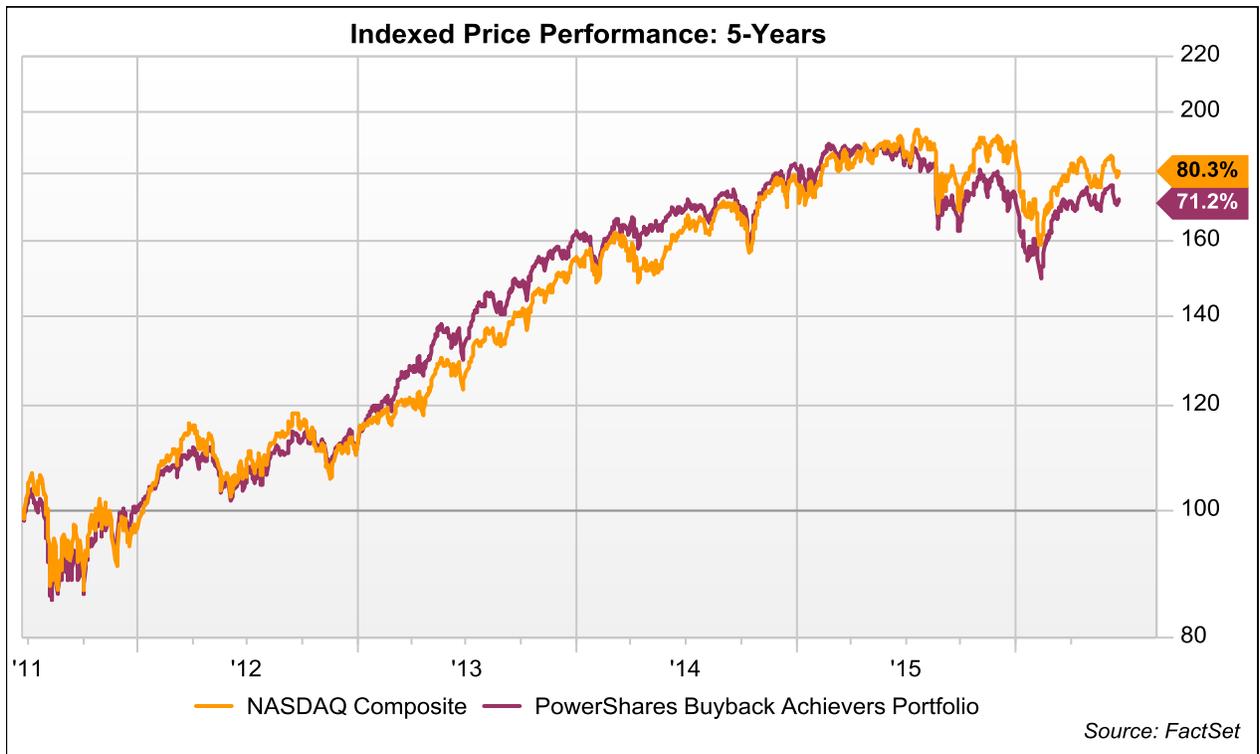
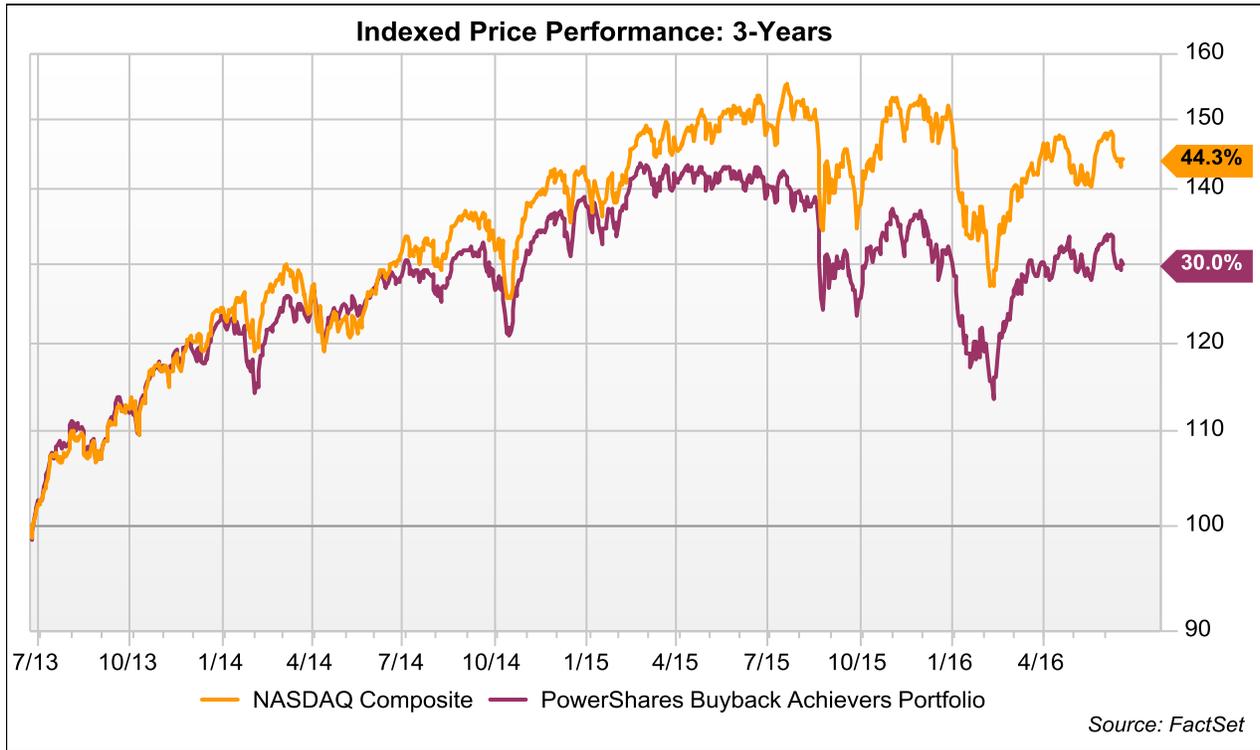
Shareholder Activism



1-Yr Indexed Price Performance: Buyback ETFs vs Benchmark



3-Yr and 5-Yr Indexed Price Performance: PKW vs NASDAQ



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