Determinants of Stock Repurchase: An Empirical Study on Egypt

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Abstract

The purpose of this research paper is to investigate the motives and characteristics that distinguish companies conducting share repurchases in Egypt. The study is conducted on companies listed on EGX100 index from 2018 to 2023. The developed empirical model is tested using a pooled least squares regression, as well as Logistic and Probit regression models. The results show that stock repurchase decisions in Egypt are more dependent on external factors such as natural hazards or nationwide reforms rather than on firm specific factors. Most of the firm specific characteristics are found to have insignificant impact on stock repurchase, indicating that globally accepted theories of stock repurchase may not be applicable in a developing country like Egypt. This research provides policy makers with empirical evidence that reforms regarding share repurchase are very influential, thus, such reforms need to be cautiously made. This research paper adds value to the literature of share repurchase in Egypt and may also be used as preliminary study in further investigating the real motives behind this decision.

***Keywords**: Stock Repurchase, Free Cash Flow Hypothesis, Signaling Theory, Dividend Substitution Theory, Egypt.*

Introduction

A stock repurchase is when the company buys back its own shares. This is a commonly used financial strategy that companies use for various reasons. Such reasons may be that management is perceiving their stock as undervalued in the market or that the company has better current and future financial prospects. A share repurchase can also be a mechanism used to compensate shareholders instead of distributing dividends. Also, companies sometimes decide to repurchase their stocks when they have a surplus of cash and no investment opportunities to spend this cash on. Some of these reasons may be perceived positively by investors while others may be perceived negatively and do more harm than good for the organization.

Often, management do not disclose their reasons for having a share repurchase. When Bukalska (2014) conducted their study in Poland, it was found that most companies undertaking a stock repurchase did not announce to the market the real reason behind it. Similarly, in a market like Egypt with low levels of disclosure and transparency and not a highly developed financial system, companies conducting a share repurchase are not mandated to disclose the reasons behind this decision.

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In Egypt, companies are required by law to repurchase no more than ten percent of its shares. Also, they were required to notify the General Authority for Free Zones and Investment (GAFI) of this repurchase at least three business days in advance. However, since the COVID19 pandemic, authorities overlooked this rule and allowed repurchase to occur on the same day of notification. Companies were also mandated to dispose of the repurchased shares by no later than one year or they must reduce their capital by the nominal value of these shares. The disposed amount cannot be sold to any party that is a subsidiary or under the control of the company. There are no clear regulations though that mandate the company to disclose the reasons behind having to do stock repurchase.

During November of 2023, the Financial Regulatory Authority in Egypt announced further amendments to make it easier for listed companies to perform stock repurchase. Such amendments include allowing treasury stock trading on the open market and granting companies a one-month limit after they inform the EGX that they are in the market for their own shares. Also, more reforms regarding the protection of minority shareholders are taken to prevent insiders from selling shares prior to a treasury stock sale.

It is very important to investigate the determinants of share repurchase to better understand the motives behind taking such a decision. This is because it is very important that investors feel that management are not misusing this strategy and that it is used for their own benefit. Conducting this study is also important to narrow the gap in the literature with regards to this topic since the literature greatly concentrates on developed nations with minimal focus on the less developed economies. The outcomes of this study will be important for policy makers and investors to better understand the reasons and motives behind having stock repurchases in companies operating in Egypt. This is especially important since Egypt suffers from major disclosure and transparency issues as well as from a weak regulatory system.

The remainder of the paper is organized as follows. Section 2 will proceed with the theoretical framework and literature review. Based on the theories and literature provided in this section the research hypotheses will be developed. Section 3 will then provide the research methodology including the research model as well as the statistical techniques used to test this model. The results and discussion will be provided in section 4 followed by the conclusion and recommendations for future studies.

Theoretical Framework and Literature Review

Many theories have been developed to explain why a company would repurchase its own shares. Among the most popular theories are the undervaluation theory, the signaling theory, the free cash flow theory, the earnings per share theory, dividend substitution theory, and the capital structure theory. Each theory will be explained along with the relevant literature to develop the research hypotheses.

The undervaluation hypothesis provides the most logical explanation as to why companies conduct a stock repurchase. It suggests that companies repurchase their stocks when they believe they are undervalued and by purchasing them at a discount they will create value for shareholders (Voss, 2012; Asness et al., 2018; Chen and Obizhaeva, 2022). Logically, when stocks are overvalued, companies should issue new stocks to generate more funds, and when they are undervalued, they should repurchase them. This hypothesis is also based on the notion that information asymmetry is present between insiders and shareholders leading to the stock being misvalued (Dittmar, 2000). Since insiders are more informed, if they believe that their shares are undervalued, they will repurchase them as an attempt to positively impact on the company's financial performance.

Moreover, the signaling hypothesis suggests that if the company is repurchasing their stocks because of being undervalued, then it will be signaling to the market that the price of the stock does not accurately reflect its true value or performance and this should be positively perceived by the market (Dittmar, 2000; Voss, 2012; Asness et al., 2018). The company simply perceives repurchasing its stocks as a defense mechanism

against possible takeovers and as an attempt to increase its market value (Prisacaru and Patrascu, 2013). According to the signaling hypothesis, the information conveyed to investors by conducting a share repurchase are that the company has better financial prospects or higher intrinsic value (Bukalska, 2014; Chen and Obizhaeva, 2022). Guffey and Schneider (2004) also argue that companies conducting a share repurchase tend to have greater profitability levels than non-repurchasing companies. The theory then mainly indicates that companies conduct a share repurchase when their performance is better than perceived by the market. Testing this theory is important because it will show whether companies do repurchase out of really having better financial prospects or they are just mimicking companies with good financial positions in attempt to manipulate the market into thinking that they also have good financial prospects and higher intrinsic value.

Consistent with the undervaluation and signaling theories, if the company has good or stable financial performance, management will be more motivated to conduct a stock repurchase to signal to the market their true financial status (Asness et al., 2018; Chen and Obizhaeva, 2022). Many researchers (e.g., Guffey and Schneider, 2004; Hamouda and Ben Arab, 2009; Mahoney et al., 2021; Arora, 2022) supported a positive association between profitability and stock repurchase. So, in accordance with the theories discussed, the following hypotheses are developed.

H1: It is expected that there is a significant association between the company's financial status and stock repurchase.

H1a: There is a positive relationship between the company's financial performance and stock repurchase.

H1b: There is a positive relationship between the company's financial stability and stock repurchase.

The free cash flow hypothesis is also very logical and is often complimentary to the undervaluation and signaling theories. This theory indicates that if the company has more cash than investments opportunities to spend it on, management will be more motivated to repurchase back its own stock when they feel they are undervalued (Dittmar, 2000; Firth and Yeung, 2005; Dixon et al., 2008). Also, sometimes having excess cash and not enough profitable investment opportunities by itself is a good enough reason for a stock repurchase and this was greatly evident during the COVID19 crisis (Voss, 2012; Asness et al., 2018; Chen and Obizhaeva, 2022). The company may also prefer to have a share repurchase rather than distribute dividends when they have extra cash because there is no expectation that a repurchase will recur on a regular basis unlike distributing dividends (Dittmar, 2000).

Many researchers confirmed the validity of the excess cash theory or that there is a positive association between having excess cash and performing share repurchase (e.g., Pirgaip and Karacaer, 2013; Mietzner, 2017; Mahoney et al., 2021). Therefore, in accordance with the theory and literature, having excess capital can be considered a main driver for stock repurchase, leading to the next hypothesis and sub-hypotheses.

H2: It is expected that there is a positive relationship between having excess capital and stock repurchase

H2a: There is a positive relationship between having excess cash and stock repurchase.

H2b: There is a positive relationship between retained earnings and stock repurchase

Management is often motivated to conduct a stock repurchase to increase earnings per share (Dixon et al., 2008; Voss, 2012). Brailsford et al. (2008) tested the impact of earnings per share on intended buyback activity and found that lower earnings per share is associated with a greater proportion of shares to be repurchased. This means that firms may resort to share repurchases to manage earnings per share levels. But, in a sense a repurchase may not truly have a positive impact on the value of the company, because simply earnings per share may increase just because of a decline in the number of share outstanding. Furthermore, management may resort to stock repurchase as an attempt to increase earnings per share when

they realize that earnings per share are low and below the level required to meet earning per share growth targets (Pirgaip and Karacaer, 2013; Voss, 2012). It must be noted that increasing earnings per share this way does not necessarily signify value added to investors. Really naïve investors are the ones that would look at an increase in earnings per share due to a stock buy-back alone as a positive sign. This is simply because at many times companies tend to window dress their financial statements to make them look better.

A better way to access this is by perceiving a stock repurchase as a way of compensating shareholders instead of distributing dividends. Many believe that distributing dividends and having a stock repurchase can be perceived as substitute payout mechanisms (e.g. Jiang et al., 2013; Pirgaip and Karacaer, 2013; Brown et al., 2015). This goes in accordance with the dividend irrelevance theory (Miller & Modigliani, 1961) suggesting that stock repurchase and distribution of dividends can be perceived as perfect substitutes. So, according to this it is hypothesized that a stock repurchase may be conducted instead of distributing dividends which leads to the following proposed hypothesis.

H3: It is expected that there is an inverse relationship between the dividend payout and stock repurchase.

Lastly, stock repurchase can be used to adjust the company's capital structure. It is believed that stock repurchase is motivated by having low leverage ratios (Firth and Yeung, 2005; Andriosopoulos and Hoque, 2010; Asness et al., 2018) and that companies may use the approach of share repurchase to reach their optimal capital structure. Bonaime et al. (2014) concluded that a share repurchase would greatly benefit underleveraged firms since this would help them move towards their optimal debt ratio and that these benefits would be much greater if the firm's equity is undervalued. This means that both capital structure and equity mispricing greatly impact decisions related to share repurchase (Bonaime et al., 2014).

So, according to the capital structure theory, companies would conduct a share repurchase if its actual debt to equity ratio is less than the target ratio (Dittmar, 2000). It is also believed that low leverage ratios may motivate companies in using share repurchase in order to benefit from the tax privileges of debt financing (Guffey and Schneider, 2004; Dixon et al., 2008). Consistent with the capital structure theory, the findings of many researchers (e.g. Guffey and Schneider, 2004; Weisbenner, 2004; Moin et al., 2020) show a significant negative association between financial leverage and share repurchase. So, in accordance with the theory and previous literature, hypothesis four is as follows.

H4: It is expected that there is a negative relationship between the company's financial leverage and stock repurchase.

The firm's size has been found to be greatly associated with share repurchase and that is why its inclusion is relevant in the study. Andriosopoulos and Hoque (2010) confirm that firm's size has a significant impact on stock repurchase announcements. Many researchers (e.g. Guffey & Schneider, 2004; Weisbenner, 2004; Hamouda & Ben Arab, 2009; Moin et al. 2020; Arora, 2022) support a significant positive relationship between firm's size and share repurchase.

Also, it is relevant to consider two important external variables that may play a key role in the decision to announce a share repurchase. First, is the COVID 19 pandemic; and secondly, are the reforms concerned with stock repurchase that took place during the tested period.

Research Methodology

Data

The study is conducted on companies listed on the EGX100 index from 2018 to 2023. Since companies in this index differ every year, the sample just included companies that were listed in the index during all six years. This time-period was selected because it included the COVID 19 crisis and during this time many companies thought it is better to repurchase some of their stocks to avoid a deterioration in their value

due to this catastrophe. Firms belonging to the financial sector were also removed from the sample due to the different regulatory requirements they are subject to. This results in a total number of 74 companies included in the study. All the data are collected from the companies' annual reports.

During years 2020 to 2022, the COVID19 crisis was at its peak in Egypt causing more companies to conduct a stock repurchase. This might be because they had excess cash and there were no investment opportunities available during this time. Therefore, a dummy variable accounting for those three years will be included in the tested regression models to consider the impact of an external crisis such as the COVID19 pandemic on a repurchase decision. Another variable accounting for the year reforms related to stock repurchase were made will also be included in the model.

Empirical Model

$$Stock\_Rep_{it} = B_{0it} + B_1 FinPerf_{i(t-1)} + B_2 FinStab_{it} + B_3 Cash_{i(t-1)} + B_4 Retention_{i(t-1)} + B_5 DivPayout_{i(t-1)} + B_6 Lev_{i(t-1)} + B_7 Size_{i(t-1)} + B_8 Covid\_Years + B_9 Reforms\ \varepsilon_t$$

Dependent Variable:

- $Stock\_Rep_{it}$: a binary dichotomous variable for stock repurchases, which takes the value of 1 if the firm has conducted a stock repurchase during year t and zero if it did not.

Independent Variables:

- $FinPerf_{t-1}$: Financial performance (proxied by return on equity); measured by the ratio of net income to total equity at year t-1.
- $FinStab_{t}$: Financial stability (proxied by the earnings volatility); measured by the standard deviation of net earnings at year t (i.e. standard deviation of earnings for 2019 is calculated over 2018 and 2019).
- $Cash_{t-1}$: Cash ratio; measured by the ratio of total cash & cash equivalents to current liabilities at year t-1.
- $Retention_{t-1}$: Retention ratio; measured by the ratio of retained earnings to net income at year t-1.
- $DivPayout_{t-1}$: Dividend payout; measured by the ratio of dividends per share to earnings per share at year t-1.
- Lev_{t-1}: Leverage (proxied by debt ratio); measured by the ratio of total liabilities to total assets at year t-1.

Control Variables:

- $Size_{t-1}$: Size; measured by natural logarithm of total assets at year t-1.
- Covid_Years: a dummy variable for the years when the Covid pandemic was at its peak in Egypt. It takes the value of 1 for years 2020, 2021 & 2022 and zero otherwise.
- Reforms: a dummy variable for the year amendments regarding stock repurchase were taken by Financial Regulatory Authority in Egypt. It takes the value of 1 for year 2023 and zero otherwise.

Statistical Methods

Firstly, descriptive statistics will be provided for the tested variables. Afterwards, a multivariate analysis will be conducted to test the constructed empirical model. The model will be tested using a pooled least squares model, a Random Effects least squares model, and for more robustness Logistic and Probit regression models. According to the results of the Hausman test, the random effects GLS model is found to be more appropriate than the fixed effects model. Since, the dependent variable is a dummy variable, a binary variable with a 0 or 1 outcome, it is relevant to run regression model that deal with binary dependent variables such as the Logistic and Probit regressions.

Results and Discussion

Descriptive Statistics and Bivariate Analysis

The descriptive statistics for all the variables are provided in Table I. As provided in the table, the mean return on equity is 0.3104, which means that on average during the tested period, companies generated 0.3104 in net profits for every pound in equity. Also, the mean cash ratio is 0.3995, meaning that on average 39.95 percent of total current liabilities can be covered by cash. Furthermore, the mean debt ratio is 0.6632, meaning that on average companies relied more on debt than equity in financing their assets. The average retention ratio is 8.1352, meaning that on average companies retain eight times their earnings. Lastly, the mean dividend payout ratio is 0.0980, which means that companies distribute about 9 percent of the earnings per share to shareholders.

Multivariate Analysis

As provided in Table II, the F-statistics for both the pooled and the random effects models is highly significant (F-sig = 0.000), indicating the overall usefulness of the models. Also, the adjusted coefficient of determination (R^2) for both models are 0.0787 and 0.0735, respectively. This means that according to the pooled and random effects of the least squares models, the predictor variables explain about 8 percent of the reasons or motives leading to a stock repurchase.

Table I: Descriptive Statistics

	Mean	SD	Skewness	Kurtosis
Repurchase	0.1374	0.3446	2.1066	5.4380
ROE	0.3104	4.3184	20.7026	433.8757
Earning volatility	301000000	762000000	4.7373	28.6357
Cash ratio	0.3995	0.9903	7.0558	68.1781
Retention	8.1352	67.0529	14.6378	235.1167
Dividend payout	0.0980	6.6138	-19.6775	407.0360
Leverage	0.6632	1.0221	8.4224	79.3438
Size	21.7841	1.7346	-0.0662	3.0471

According to the results of the multiple regression models provided in Table II and with regards to the company's financial performance, return on equity has a significant positive result in both the pooled and random effects models, with a p-value = 0.000 and 0.067, respectively. This means that the better the company's financial performance, the more likely it will conduct a stock repurchase. As was previously discussed, this goes in accordance with the undervaluation and signaling hypotheses since better performing companies are more likely to repurchase their stocks to signal to the market their good performance. This is consistent with the results of Pirgaip and Karacaer (2013) which also supported the signalling hypothesis as a motive for stock buybacks in Turkey. So, according to the results and consistent with the discussed theories and previous literature (e.g., Guffey and Schneider, 2004; Asness et al., 2018; Mahoney et al., 2021), H1a is accepted.

Moreover, regarding financial stability, earnings volatility did support a significantly inverse impact ($p < 0.05$) as provided by the results of the random effects model in Table II, thus consistent with H1b. This means that the greater the volatility, hence less stability, the less likely the company will take a repurchase decision. On the other hand, more stability indicates more repurchase decisions. However, the results of the pooled model did not support this significant inverse relationship.

Table II: Ordinary Least Squares (OLS) Results

Variable	Pooled OLS (Robust)		Random-effects GLS	
	Coef.	Sig.	Coef.	Sig.
Constant	-0.932	0.000	-0.963	0.010
ROE (-1)	0.009	0.000	0.006	0.067
Earnings volatility	-0.0004	0.141	-0.0005	0.049
Cash (-1)	0.019	0.131	0.014	0.319
Retention (-1)	-0.0006	0.320	-0.0002	0.938
Dividend payout (-1)	0.006	0.332	-0.0002	0.994
Leverage (-1)	0.046	0.124	0.061	0.128
Firm's size (-1)	0.046	0.000	0.050	0.004
Covid years	0.161	0.000	0.164	0.000
Reforms	0.104	0.035	0.164	0.021
N	369		369	
R^2	0.1012		0.0977	
Adjusted R^2	0.0787		0.0735	
F(sig.)	4.49(0.000)		4.243(0.000)	
Durbin Watson			1.868	

Notes: This table reports the multiple regression results testing the influence of firm level characteristics on stock repurchase. 1) A pooled OLS with robust standard errors is run to overcome the problem of heteroscedasticity. 2) The results of the Hausman test supported the usage of the random effects over the fixed effects, so a Random-effects least squares regression is run.

Regarding excess capital, the regression results in Table II indicate that cash and retained earnings have no significant impact on stock repurchase in both the pooled and random models. These results are inconsistent with the excess cash theory that indicates that companies with excess cash and not enough investment opportunities to spend this cash on will tend to repurchase their stocks, thus, H2a and H2b are rejected. This contradicts many of the previous literature from different regions, such as Firth and Yeung (2005) (Hong Kong); Pirgaip and Karacaer (2013) (Turkey); Dixon et al. (2008) (United Kingdom); Mietzner (2017) and Mahoney et al. (2021) (United States). This may indicate that in a country like Egypt, having excess capital by itself does not play a key role in motivating companies to repurchase their stocks.

Also as shown in Table II, the dividend payout ratio shows no significant results in both models. This means that having a low dividend payout ratio does not indicate that a company will conduct a share repurchase in the following year. These results are not consistent with the third hypothesis that companies may choose to repurchase their shares as an alternative to distributing dividends. This outcome contradicts the conclusions generated by Brailsford et al. (2008), Voss (2012), and Dixon et al. (2008), thus leading to the rejection of H3. But it must be noted that earnings per share are highly impacted by a stock buy-back, and such an impact may be greater than the change in distributed dividends. However, regarding a country like Egypt, it may be suggested that dividend payouts and repurchase decisions cannot be considered perfect substitutes as was suggested by the theory. This result is in line with Moin et al. (2020) who evidenced an insignificant impact of dividends on share repurchase in the Indonesian market. Also, Wesson et al. (2018) find that in South Africa stock buybacks and dividend payouts are not perfect subsitutes and that the choice between them depends on many other company specific characteristics.

Lastly, the results in Table II indicate that having a low debt ratio has no significant impact on stock repurchase decisions in Egypt. The coefficient results for both models are positive and not statistically significant. These results are consistent with the outcomes provided by Pirgaip and Karacaer (2013) when conducting their study on the Turkish market. Similarly, a positive association between debt levels and open market share repurchases was also supported by Wesson et al. (2018) when conducting their study in South Africa. However, these results contradict the assumptions of the capital structure theory which assume that underleverage firms would be more motivated to conduct a share repurchase to move towards their optimal debt ratio. Thus, the results oppose the outcomes generated by Guffey and Schneider (2004); Weisbenner (2004); Andriosopoulos and Hoque (2010); Asness et al. (2018); Moin et al. (2020). This leads to the rejection of H4. With respect to the tested companies, capital structure plays no significant role in conducting a stock repurchase. This may be due to the already existing high reliance on debt by companies operating in Egypt, meaning that most of them have probably already reached their optimal debt ratio.

Regarding the control variables included in the study, the results in Table II show a highly significant ($p < 0.01$) positive impact of the firm's size on repurchase in both regression models. This is consistent with the discussed theories and literature that larger firms are more likely to conduct a share repurchase than their smaller counterparts. Furthermore, regarding the COVID crisis, it is evident from the results in Table II that there is a highly significant ($p < 0.01$) positive impact of the COVID 19 pandemic on share repurchase. This indicates that during this catastrophe, many companies found themselves with no appealing and profitable investment opportunities to spend their excess cash on, so they resorted to repurchasing their shares. Also, as presented in Table II, the results for reforms supported a significant ($p < 0.05$) impact on both models. This means that the reforms that took place in Egypt during 2023 motivated companies to take more repurchase decisions.

For more robustness, a logistic and probit regressions are run, and their results are provided in Table III. As can be noted by the results, the log likelihood of the logistic and probit regression models is -112.807 and -112.687, respectively. Also, as noted in the table, the LR Chi squared for both models is highly significant (F-sig = 0.000).

As provided in Table III, the log likelihood of the logistic and probit regression models is -112.807 and -112.687, respectively. Also, as noted in the table, the LR Chi squared for both models is highly significant (F-sig = 0.000), indicating the overall usefulness of the models.

Also, as can be noted from Table III, the results of the logistic and probit regression models are consistent with the results generated from the previous tested models, except for the results for return on equity. The results for the return on equity are insignificant under the logistic and probit regressions. However, the results of earnings volatility are still inverse and significant at the 10 percent significant level under both models. This again emphasizes the importance of financial stability in the decision to announce a share repurchase. Also, as provided in Table III, firm size, the COVID pandemic, and reforms still all have a highly significant positive impact on share repurchase, consistent with previously generated results.

Table III: Logistic and Probit regression results

Variable	Random-effects logistic		Random-effects probit	
	Coef.	Sig.	Coef.	Sig.
Constant	-23.196	0.001	-12.793	0.001
ROE (-1)	0.054	0.635	0.029	0.577
Earnings volatility	-0.0007	0.089	-0.0004	0.092
Cash (-1)	0.299	0.203	0.164	0.208
Retention (-1)	-0.043	0.266	-0.023	0.282
Dividend payout (-1)	-0.019	0.606	-0.009	0.646
Leverage (-1)	0.953	0.150	0.512	0.166
Firm's size (-1)	0.842	0.007	0.463	0.006
Covid years	3.546	0.000	1.953	0.000
Reforms	2.722	0.011	1.453	0.009
N	369		369	
Log likelihood	-112.807		-112.687	
LR Chi^2(sig.)	43.30(0.000)		43.02(0.000)	
LR test of rho=0 (sig.)	48.14(0.000)		47.97(0.000)	

Notes: This table provides the results of two regression models for binary dependent variables: 1) Random Effects logistic regression – Gaussian; 2) Random Effects probit regression – Gaussian.

Conclusion and Recommendations for Future Research

The results of this research provide a basis in understanding the nature of share repurchase in Egypt by shedding the light on some of the reasons that might cause companies to take such decision. From the generated results, many important outcomes have been realized. First, it can be noted that the behavior of firms in Egypt regarding buyback decisions does not align with global trends, and hence, cannot be fully explained by the rational share repurchase theories. Secondly, it may be concluded that firms in Egypt may tend to rely more on net earnings to finance share repurchases rather than on using dividend payments. Third, it can also be realized that the decision to announce a stock repurchase is more prone to external factors such as natural hazards or nationwide reforms, rather than on firm-specific characteristics. So, in a country like Egypt, characteristics such as the dividend payout, degree of leverage, cash and retained earnings, fail to explain the decision to announce a share repurchase. However, a company's financial status (assessed by return on equity and earnings volatility) to a certain degree plays an important role in explaining this decision.

Even though this research is applied on a time-period that included a pandemic, which played a main role in the repurchase decision, it was very important to empirically test its impact. However, future research can include different time periods to see if consistent results will be generated. Also, another recommendation for further research is to investigate the consequences of such stock repurchases to determine whether companies in Egypt use share repurchase for reasons that truly benefit the company in the long-run or to just manipulate their financial figures in the short-run.

Furthermore, future studies may integrate macro-economic variables such as currency fluctuations or political instability. It is important to note that the study suffers from various limitations, one of which being the limited number of stock buyback transactions in Egypt. Another limitation is the very limited literature on stock repurchase in emerging markets. However, this study is still very useful as initial research in understanding the reasons and consequences of share repurchase in an emerging market like Egypt's.

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