

**SHARE PRICE PERFORMANCE SURROUNDING  
SHARE BUYBACK EVENT IN MALAYSIA**

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2004

Submitted to the Graduate School of Business

Faculty of Business and Accountancy

University of Malaya, in partial fulfillment

of the requirements for the Degree of

Master of Business Administration

November 2010

## **ABSTRACT**

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Since 1997 Asian financial crisis, companies listed in Bursa Malaysia are allowed to repurchase its share. Since then share buyback has become a common tools for the companies to signal undervaluation of share price and to sustain share price. This paper studies the CAR surrounding share buyback event over a sampling period from 2006 until 2009 for companies listed in FBM Top 100 index. The result shows that cumulative abnormal return subsequent a share buyback event is 0.26% and 0.53% for CAR (0, 2) and CAR (0, 20) respectively that signifies positive share price performance after share buyback. This paper also reaffirmed that share buyback are performed when share price is underperforming the market, where the CAR (-21,-1) is recorded at -0.44%. Market capitalization size is found to be inversely related with share price performance subsequent from share buyback event. On the other end, share price performance presented consistent increasing pattern across BTM quartile from low BTM to high BTM. This mean share price performance is direct related to the book-to-market ratio, but the regression model found to be not significant. Share buyback volume does not show particular pattern and the regression model also found that it is not significantly related to the share price performance.

## **ACKNOWLEDGEMENTS**

Firstly, I would like to thank Dr Edward Wong Sek Khin for his supervision and invaluable advices throughout the entire final year project period. He has taught me the principles in conducting a research. This knowledge is priceless and very helpful in helping me in my career. Besides that, he has helped me in solving problems and ambiguity in this research project.

Apart from that, I would like to present my gratitude to Dr Lim Chee Seong, who has given me the ideas on conducting this research for my final year project. His invaluable suggestion has provided me a platform to research more deeply into a topic that I personally interested.

Last but not least, I would like to thank my beloved family, my friends and lecturers as well as my colleagues who gave me full support and encouragement in completing my final year project.

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## List of Symbols and Abbreviations

AGM	Annual General Meeting
BTM	Book-to-Market Ratio
CAPM	Capital Asset Pricing Model
CAR	Cumulative Abnormal Returns
DAX	Deutscher Aktien Index
EPS	Earnings per Share
KLCI	Kuala Lumpur Composite Index
KLSE	Kuala Lumpur Stock Exchange
NASDAQ	National Association of Securities Dealers Automated Quotations
NPV	Net Present Value
NYSE	New York Stock Exchange
OMR	Open Market Repurchase
S&P	Standard and Poor
SC	Security Commission
SSM	Suruhanjaya Syarikat Malaysia (Companies Commission of Malaysia)
$\alpha$	Stock Alpha
$\beta$	Beta Coefficient
$R$	Return
$i$	Company
$m$	Market
$t$	Time period
$\varepsilon$	Error