

## ABSTRACT

*Share Buyback* or *Share Repurchase* is a corporate action conducted by issuers as one option of returning excess-cash to their shareholders besides dividend payment. Share buyback has several advantages compare to dividend payment, such as: giving positive signal to the market about management confidence that their stock price is undervalued, implying a good business prospect and better company performance, lower tax-rate of capital gain than that of dividend income and more flexibility for company in managing their liquidity.

As one of *blue-chips* issuers in Indonesia Stock Exchange (BEI), PT Telekomunikasi Indonesia, Tbk (Telkom) opted Share Buyback which are undertaken from 2006 to 2012. Besides previous reasons mentioned above, management was confident that share buyback program will increase stock price as well as withholding stock price from continuing depreciation during a global crisis.

This research is addressed to analyze the impact of the announcement of share buyback program to stock return (TLKM) and market return (IHSG). Market return is also being an object for this research since TLKM has relatively high portion in IHSG market capitalization. The method to evaluate the impact is by comparing return before and after announcement date. This research is fail to prove that the announcement of share buyback has significant impact on both of stock return and market return, except for one specific period in share buyback IV, which mostly caused by another cosporate action.