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## Moody's reacts to post-tax reform capital return plans by Tech companies

Moody's sampled twenty large US technology companies that have increased capital returns due to the benefits of tax reform. In general, these increases have not materially weakened credit profiles.

- Tax reform has set the framework for companies to support increased capital returns without raising incremental debt.
  - This has been particularly notable where the trend of debt issuance used to support capital returns was beginning to weaken a company's credit position.
- Eight out of the twenty technology companies announced dividends and incremental share buyback programs.
  - None of the companies' ratings or outlooks have changed because their shareholder return plans are within the company's existing credit parameters.
  - New share buyback authorizations among the twenty technology companies increased by a total of $153.5 billion, with Apple and Cisco accounting for $125 billion of this total.
- Moody's also believes:
  - Liquidity will remain strong despite higher capital returns, with cash balances of each company exceeding the aggregate of annual R&D, capex, and near term debt maturities.
  - M&A activity is not likely to change; tax reform will enable companies to deploy repatriated cash to fund acquisition opportunities as they present themselves.

### Key Takeaways

- Despite an uptick in capital return programs by tech companies, Moody's does not expect credit profiles to weaken, since these distributions will be largely funded through increased access to cash rather than debt issuance.

- None of the top ten holders of offshore cash have issued debt year-to-date, supporting the notion that tax reform is reducing the debt-funding need for select companies.

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