

## Agency Costs and Strategic Considerations behind Sell-offs: the UK Evidence

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### Abstract

We analyse the impact of the motivation behind the sell-off and the use of the proceeds from the sale on the value of UK firms divesting assets during 1984–94. We find that managers do not create value when they divest assets in order to raise cash, in order to reshuffle assets without increasing corporate focus and when they do not announce the motivation behind the sale. In contrast, we find value increases for firms refocusing during the 1990s and for firms divesting loss-making assets. Returning the proceeds from the sale to shareholders or reducing leverage were also associated with value increases, whereas reinvesting the proceeds for growth had a negative impact during the 1980s, which disappeared in the 1990s, possibly as a result of the disciplinary role of the economic downturn on the investment behaviour of firms.

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