

MANAGEMENT BUYOUT ANNOUNCEMENTS AND SECURITIES RETURNS: A UK STUDY 1984-1989

R.J. Bbriston, B. Saadouni, C.A. Mallin, J.A. Coutts

First published: June 1992

<https://doi.org/10.1111/j.1468-5957.1992.tb00649.x>



This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

MANAGEMENT BUYOUT ANNOUNCEMENTS AND SECURITIES RETURNS: A UK STUDY 1984–1989

R.J. BRISTON, B. SAADOUNI, C.A. MALLIN AND J.A. COUTTS*

INTRODUCTION

The response of security prices to the divestment decision of a firm has attracted a considerable amount of empirical research in the USA. Such divestment can take several forms, ranging from equity carve-out, spin-off and sell-off through to the management buyout (MBO). The general view is that the wealth of the parent company's shareholders increases following these events. Many empirical studies, most of which are based on American data, e.g. Hite and Owers (1983), Miles and Rosenfeld (1983), Schipper and Smith (1983 and 1986), Rosenfeld (1984), Klein (1985), Denning (1988) and Afshar et al. (1990) have examined cross-sectionally the relationship between the first three forms of restructuring (equity carve out, spin-off and sell-off) and security returns around the announcement dates. Their findings suggest that on balance the announcements have a positive effect on security returns. Boudreaux (1975) considered voluntary divestments, Hearth and Zaima (1984) concentrated on parent to parent sell-offs, Hite and Vetsuypens (1989), and Madden et al. (1990), focused on MBOs, all these studies reported positive excess returns. Alexander et al. (1984) and Denning and Shastri (1990), find statistically insignificant announcement period returns associated with divestment announcements.

The primary objective of this paper is to examine the fourth form of divestment, namely the management buyout, which has so far received little attention, especially in the UK context. In the 1980s the MBO became not just commonplace, but a major force in the restructuring of the United Kingdom private sector. For example, in 1989 there were over 500 MBOs to a total value of £7.5 billion. These transactions accounted for 22 per cent of all mergers and acquisitions by value (see Wright et al. 1991). Management buy-outs are generally concerned with voluntary divestment rather than with business failure. Although MBOs of extremely high value can and do take place, a very high

* The first and second authors are from the Department of Accounting and Finance, University of Hull; the third author is from the School of Management and Finance, University of Nottingham;

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Afshar, A.K., R.J. Taffler and P.S. Sudarsanam (1990), ' The Effects of Corporate Divestments on Shareholders Wealth: The UK Experience. *Paper presented at the British Accounting Association Conference, Dundee University (April 1990).*

[Google Scholar](#) 

Alexander, G.J., P.G. Benson and J.M. Kampmeyer (1984), ' Investigating the Valuation Effects of Announcements of Voluntary Corporate Selloffs', *Journal of Finance* (June 1984), pp. 503-517.

[Google Scholar](#) 

Boudreaux, K.J. (1975), ' Divestiture and Share Price', *Journal of Financial and Quantitative Analysis* (November 1975), pp. 619-626.

[Google Scholar](#) 

Brown, S.J. and J.B. Warner (1980), ' Measuring Security Price Performance', *Journal of Financial Economics* (September 1980), pp. 205-258.

[Google Scholar](#) 

DeAngelo, L. (1986), ' Accounting Numbers as Market Valuation Substitutes: A Study of Management Buyouts of Public Stockholders', *The Accounting Review* (July 1986), pp. 400-420.

[Google Scholar](#) 

Denning, K.C. (1988), 'Spin-offs and Sales of Assts: An Examination of Security Returns and Divestment Motivations', *Accounting and Business Research*, Vol. 19, No. 73 (1988), pp. 32-42.

[Google Scholar](#) 

Denning, K.C. and K. Shastri (1990), ' Single Sale Divestments: The Impact on Stockholders and Bondholders', *Journal of Business Finance & Accounting* (Winter 1990), pp. 731-743.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential

Hearth, D. and J.K. Zaima (1984), ' Voluntary Corporate Divestitures and Value', *Financial Management* (Spring 1984), pp. 10-16.

[Google Scholar](#) 

Hite, G.L. and J.E. Owers (1983), 'Security Price Reactions Around Corporate Spin Off Announcements', *Journal of Financial Economics*, Vol. 12 (1983), pp. 409-436.

[Web of Science®](#)  | [Google Scholar](#) 

Hite, G.L. and R. Vetsuypens (1989), ' Management Buyouts of Divisions and Shareholders Wealth', *Journal of Finance* (September 1989), pp. 953-970.

[Google Scholar](#) 

Kaplan, S.N. (1989), 'Campeau's Acquisition of Federated Value Destroyed or Value Added', *Journal of Financial Economics*, Vol. 25 (1989), pp. 191-212.

[PubMed](#)  | [Web of Science®](#)  | [Google Scholar](#) 

Klein, A. (1986), ' The Timing and Substance of Divestiture Announcements: Individual, Simultaneous and Cumulative Effects', *Journal of Finance* (July 1986), pp. 685-696.

[Google Scholar](#) 

Klein, A. (1986), Discussant's comments on 'The Timing and Substance of Divestiture Announcements; Individual, Simultaneous and Cumulative Effects', *Journal of Finance* (July 1986), pp. 696-70.

[Google Scholar](#) 

Madden, G.P., L.W. Marples and L.C. Chugh (1990), ' A Stock Market Evaluation of Management Buy-Outs', *Journal of Business Finance & Accounting* (Summer 1990), pp. 325-358.

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) | [Google Scholar](#)

Rosenfeld, J.D. (1984), 'Additional Evidence on the Relation Between Divestiture Announcements and Shareholder Wealth', *Journal of Finance* (December 1984), pp. 1437-1448.

[Google Scholar](#)

Schipper, K. and A. Smith (1983), 'Effects of Recontracting on Shareholder Wealth: The Case of Voluntary Spin-offs', *Journal of Financial Economics*, Vol. 12 (1983), pp. 437-467.

[Web of Science®](#) | [Google Scholar](#)

Schipper, K. and A. Smith (1986), 'A Comparison of Equity Carve-outs and Seasoned Equity Offerings: Share Price Effects and Corporate Restructuring', *Journal of Financial Economics*, Vol. 15 (1986), pp. 153-186.

[Web of Science®](#) | [Google Scholar](#)

Wright, M. and J. Coyne (1985), *Management Buyouts* (Croom-Helm, Beckenham, England, 1985).

[Google Scholar](#)

Wright, M. S. Thompson and K. Robie (1991), 'Management Buyouts: Past, Present and Future', *Business Studies*, Vol. 3, No. 3 (1991), pp. 2-7.

[Google Scholar](#)

Citing Literature



[Download PDF](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential

Contact Us
Training and Support
DMCA & Reporting Piracy
Sitemap

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential