



Asset sales and increase in focus ☆

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Abstract

We find that asset sales lead to an improvement in the operating performance of the seller's remaining assets in each of the three years following the asset sale. The improvement in performance occurs primarily in firms that increase their focus; this change in operating performance is positively related to the seller's stock return at the divestiture announcement. The announcement stock returns are also greater for focus-increasing divestitures. Further, we find evidence that some of the seller's gains result from a better fit between the divested asset and the buyer.

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