

162 Views | 11 CrossRef citations to date | 0 Altmetric

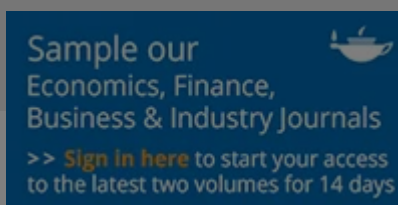
Original Articles

Sources of shareholders' wealth gains from asset sales

Abdul Magid Gadad & Hardy M. Thomas *

Pages 137-141 | Published online: 02 Feb 2007

 Cite this article  <https://doi.org/10.1080/0960310042000297917>



 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

Abstract

This paper uses an event study approach to examine the performance improvements accruing to those UK firms making assets sales in a single divestiture. It is found that a divestiture results in a 0.81% increase in the wealth of shareholders, reducing the wealth gap between the source of

We Care About Your Privacy

We and our 845 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. [Privacy Policy](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Essential Only

Show Purpose



Acknowledgements

We would like to encourage

Adedeji,

Richard Baker, Ephraim Clark, Jo Danbolt, Ronan Powell, Bill Rees, Richard Taffler, Andy

Stark, Bob Wearing and seminar participants at the University of Essex. The usual caveat nevertheless applies.

Notes

The total value of the transaction in the divestiture market is about £108 billion while in the merger market the total value is about £262 billion (for the period 1985–1994). Source: Acquisitions Monthly.

See Saadouni et al. ([1996](#)).

The characteristics of those firms that engage in asset sales have been examined but the study does not investigate the source of any gains that may accrue (Maksimovic and Phillips, [2001](#)).

Efficiency: Jain ([1985](#)), Hite et al. ([1987](#)), Maksimovic and Phillips ([2001](#)); Focus: John and Ofek ([1995](#)), Berger and Ofek ([1999](#)); Financing: Shleifer and Vishny ([1992](#)) and Lang et al. ([1995](#)) for the USA and for the UK Afshar et al. ([1992](#)), Lasfer et al. ([1996](#)).

R_{it} is $\ln(P_{i,t}/P_{i,t-1})$ and $R_{m,t}$ is $\ln(FT_{m,t}/FT_{m,t-1})$ where $FT_{m,t}$ stands for the FT All Share market index on day t .

The Acquisitions Monthly publication defines a divestiture as a firm announcing the divestiture of either a subsidiary of the firm or a division or unit of the company (i.e. any segment of the company other than a subsidiary).

The company must be a public company at the date of the divestiture. The transaction must require shareholder approval and must be completed before or after the announcement of the divestiture. The company must be a public company at the date of the divestiture. The transaction must require shareholder approval and must be completed before or after the announcement of the divestiture.

The company must be a public company at the date of the divestiture. The transaction must require shareholder approval and must be completed before or after the announcement of the divestiture. The company must be a public company at the date of the divestiture. The transaction must require shareholder approval and must be completed before or after the announcement of the divestiture.

When the company is a public company at the date of the divestiture, the transaction must require shareholder approval and must be completed before or after the announcement of the divestiture. When the company is a public company at the date of the divestiture, the transaction must require shareholder approval and must be completed before or after the announcement of the divestiture.

For comparison, Afshar et al. ([1992](#)) have reported that on the announcement day, the shareholders' gain was 0.85% ($t = 5.23$) while Jain ([1985](#)) reported 0.45% ($t = 5.95$).

For $(t-1, t_0)$, the cumulative abnormal return was 0.66% ($t = 1.72$) with the market model 1.04% ($t = 3.09$) with the index model.

The R-squared values are low by conventional standards but not unusual in regressions that use abnormal returns as the dependent variable.

Related research

People also read

Recommended articles

Cited by
11

Asset sales and firm strategy: an analysis of divestitures by UK companies >

David Hillier et al.
The European Journal of Finance
Published online: 9 Jan 2009



Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2024 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)



Taylor & Francis Group
an informa business

Accessib



Registered
5 Howick Pl

