

## Asset Sales, Method of Payment in M&As, and their Value Effects

**Christos Mavrovitis (Mavis)**

University of Surrey, Guildford, England

**Nathan P. Mcnamee**

University of Surrey, Guildford, England

**Nickolaos G. Travlos \***

University of Surrey, Guildford, England

### Abstract:

In line with increased liquidity offered by asset sales, our findings show that firms selling assets are more likely to subsequently conduct cash acquisitions. Additionally, we find that in subsequent cash acquisitions firms using cash stemming from asset sales experience higher announcement abnormal returns compared to firms using cash from other sources of funds such as internally generated cash flows, debt financing, and equity issuance which are linked to agency costs and information asymmetry effects. The higher wealth effects suggest that funds from asset sales are inflicted with relatively lower adverse valuation effects that are associated with other sources of funds.

**JEL Classification:** G14, G32, G34.

### Keywords:

Abnormal Returns, Acquisitions, Asset Sales, Method of Payment.