

LONG-TERM AND SHORT-TERM RETURNS OF EQUITY CARVE-OUTS: EVIDENCE FROM THE MALAYSIAN STOCK MARKET

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ABSTRACT

Prior research has shown that equity carve-outs have a positive short-term impact on the share price of parent firms. Long-term evidence, however, has been mixed. This study examines the impact of equity carve-outs on a sample of 54 Malaysian firms from year 2000 to 2008. Using an event study approach to analyze the short-term price performance, it is found that equity carve-outs have a positive impact on parent firms' share prices; around the announcement period. This suggests that investors in Malaysia welcome equity carve-outs as good news. Analysis of the long-term price performance after equity carve-outs shows that the share prices of parent firms perform in line with the benchmark. The results of this study are generally consistent with other researchers' findings overseas. Future research recommendations are also offered in this study.