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VALUATION CHANGES ASSOCIATED WITH THE FOX/DISNEY DIVESTITURE TRANSACTION

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ABSTRACT. The purpose of this paper is to examine and calibrate valuation changes associated with the negotiating firms in a significant Corporate Control Contest and Media Restructuring. It identifies, discusses, and measures the valuation consequences for the shareholders of Fox, Disney, and Comcast of each step. In the restructuring, Mergers and Acquisitions of whole firms get most of the attention in the headlines, but often Divestiture transactions involving PARTS of firms are large and significant transactions for the firms involved. Media firms have been undertaking an extremely high level of restructuring as they work to manage the consequences of regulatory change, technological developments and their implications for the delivery of media products, and the associated changes in the competitive structure of the industry. The large scale of DIVESTITURE restructuring by media firms is illustrated by the 2018 transaction involving substantial portions of 21st Century Fox. The whole Fox company is not being sold. But in this study we document the significant value changes for the firms involved as the transaction evolved from November 2017 through July 2018. The transaction created added value for the shareholders of 21st Century Fox of $36 billion. Given that Mr. Murdock created Fox, some were puzzled that he was interested in selling such a substantial portion of the firm. His decision reflects the maxim of successful business people that "all assets are for sale at the right price."

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Introduction

In pursuit of their responsibility to maximize the value of the firm to its shareholder owners, top management frequently reviews the set of Strategic Business Units (SBUs) a firm has and makes decisions as to whether the firm is optimally structured from an Industrial Organization (IO) perspective. If significant changes are required, restructuring is often employed. There are two types of restructuring: making a firm larger (Mergers & Acquisitions) and making a firm smaller (Divestitures). There is now a large body of research and professional literature for each of these strategies. (see, for example, Alexander & Owers, 2009). From both research and professional perspectives, the consistent profile of findings with Mergers and Acquisitions are that the firm being bought always increases in value while the acquiring firm most often incurs losses in value (see Peltier, 2004). In contrast, with divestitures the profile of findings is that both seller and buyer firms gain (see Hite, Owers, & Rogers, 1987; Sicherman & Pettway 1987).

Firms in the media industries have faced particularly challenging circumstances in recent times, and many media firms are restructuring in response to the challenges associated with the consequences of regulatory change, technological developments and their implications for the delivery of media products, and the associated changes in the competitive structure of the industry. In response to these significant challenges, many media firms have engaged in Mergers and Acquisitions, while others have undertaken divestitures. In some cases, the same firm has undertaken both Mergers and Acquisitions, and Divestitures. One prominent such firm is 21st Century Fox.

This research paper employs established financial economics methodology to examine the recent Fox major Divestiture. This was a classic Corporate Control Contest as there were two explicit potential buyers for the Fox assets being divested in addition to the typical prospective bidders "waiting in the wings." Mostly all the previous research into the valuation consequences of Divestitures has measured their impact on the transacting firms in percentage metrics. In this research paper, we add to the literature by calibrating the valuation consequences of strategic steps in the transaction in monetary (dollar) terms. This emphasizes the major value influencing implications of these divestiture Corporate Control Contests for the firms involved.

In the next section the profile of the Fox/Disney divestiture is outlined, followed by the empirical methodology employed. The body of the paper identifies 11 significant "Event Dates" on which material new initiatives were revealed. The valuation consequences for Fox, Disney and Comcast are calibrated, and the findings are placed in the context of both the theoretical frameworks that pertain and the results from previous Divestiture research. An epilogue follows, and the paper concludes with a summary and review of the contributions of the article.

The Fox Divestiture

In November 2017, it was reported in the Financial press that Rupert Murdock of 21st Century Fox had held discussions with Robert Iger CEO of The Walt Disney Company about the potential sale of a substantial portion of Fox's assets to Disney. That set off a sequence of events that saw multiple bidders for those Fox assets, and what is termed a "control contest." In addition to Disney, Comcast made a formal bid. The initial Disney bid of $51.4 Billion was topped by the subsequent Comcast bid of $65 Billion. Disney responded with an increased bid and changes the form of consideration (the type of payment) from all stock to a 50/50 stock/cash mix, of $71 Billion. Comcast withdrew, and that Fox shareholders accepted Disney bid on July 27, 2018.

This sequence of events created massive amounts of value for both Fox and Disney shareholders. This is in line with the overall profile of previous research findings (for example, those found in the foundational research paper of Hite, Owers, and Rogers (1987), but the value gains, especially for the buyer, are more significant than identified in previous studies. This case study identifies the sequence of bids, the associated value changes of the parties involved, and provides insights from prior studies and auction theory to explain what occurred. The subset of Fox assets being sold is described. Then the sequence of 11 significant steps in the sale process are identified, and the associated changes in value for the firms involved calibrated. These valuation changes are discussed in the context of previous research findings, auction theory, and the changing structure of the Media Industries.

The value creation for Fox shareholders as a result of Mr. Murdock practicing the principle that "all assets are for sale at the right price" was large and impressive. Before the transaction was rumored, the total value of 21st Century Fox to its shareholders (its "Market Cap[italization]") was $47.020 Billion. By the time the auction had was completed in July, the Market Cap of 21st century Fox was $82.956 Billion. Thus, $36 Billion of additional value was created for the shareholders of Fox as a result of this divestiture whereby two well-financed and motivated bidders competed for the Fox assets being sold off. Of the value created, more than $4.8 Billion belonged to Mr. Murdock personally. In one weekend when competing bids were announced, his wealth increased by approximately $1.9 Billion.

The Fox 21st Century Assets being sold

With 21st Century Fox being a major media conglomerate, and the fact that this is a sale divestiture rather than a whole firm acquisition, delineating the specific parts of Fox to be sold requires particular attention. The assets of 21th Century Fox that were being sold include Fox 2000, Fox Searchlight, majority control (60%) of Hulu, the entire Fox movie library (i.e. the original Star Wars, Avatar, Deadpool, etc.), major tv franchises (i.e. The Simpsons, Modern Family, etc.), international media companies (i.e. Sky, Star India, etc.), FX, National Geographic Pictures, regional sports networks (i.e. YES Network, Fox Sports Florida, etc.).

Fox would retain control of Fox Broadcasting, Fox News, Fox Business News, FS1/FS2, and the Big Ten Network.

Methodology

The methodology employed to measure the value changes associated with major steps in the transaction is the direct comparison of stock prices at the end of the day of the announcement, with the stock price at the end of the day preceding the announcement. The price at the end of the day of the announcement reflects the valuation implications of the announcement after they have been impounded in stock prices as analysts and investors consider the consequences of the new development. Unlike the longer-horizon examination of the impact of announcements, this short-horizon study does not employ "event-study" econometric regression methodology.

The "Market Cap" is the total value of the firm's shares, a figure arrived at by simply multiplying the stock price by the number of shares outstanding.[1]

Sequence of Events

The transaction by which Fox 21st Century sold a major portion of its assets to Disney took place over approximately 7 months. This started with a report on:

[1] This is the measure that on saw the total value of all Apple shares cross over the $1 Trillion benchmarks on August 02, 2018.

November 6, 2017 (Event #1): On this date, CNBC reported that Disney is working with Rupert Murdoch to acquire much of 21st Century Fox and that such talks have "taken place over the last few weeks."

The valuation impacts of Disney's announcement on December 14 were marked and significant as calibrated in Table 1.

Table 1. Value changes associated with First Press report of talks between Fox and Disney; November 05, 2017

Date 11/06/2017	Previous day (11/03)	Announcement day (11/06)	% change	Market Cap on Previous Day	Value change
Disney Stock Price	$98.64	$100.64	2%	$149.000B	$2.959B
Fox Stock Price	$24.43	$26.62	9%	$45.260B	$4.073B
Comcast Stock Price	$35.68	$35.54	-0.3%	$166.760B	-$0.500B

At once that this word got out, other potential bidders for those Fox assets emerged or were rumored to be interested in making a bid. This reflects the dynamic nature of the market for major media assets, and the competition between several potential bidders to make offers – i.e., start an "auction." And thus on:

November 16, 2017 (Event #2): reports in the financial press circulate that Comcast and Verizon have approached 21st Century Fox for the same assets that Disney is interested in purchasing. These reports stated that no deal has been reached with any party, but that Rupert Murdoch is "genuinely motivated to sell." Some observers had opined that Murdock would be disinclined to sell such a large part of 21^{st} Century Fox that he had created.

Table 2. Value changes associated with the Press report that Comcast and Verizon had expressed interest in these Fox assets: November 16, 2017

Date 11/15/2017	Previous day (11/15)	Announcement day (11/16)	% change	Market Cap on Previous Day	Value change
Disney Stock Price	$103.69	$103.60	0%	$156.600B	$0
Fox Stock Price	$27.95	$28.60	2%	$51.780B	$1.035B
Comcast Stock Price	$37.18	$37.07	-0.2%	$173.770B	-$0.347B

Interestingly, indications that an explicit auction might develop had no impact on the Disney stock value and a minor negative consequence for Comcast. This proves yet again that typically the primary beneficiary of large-scale corporate transactions is the seller. Fox continued to enjoy a value increase of an additional 2%, creating additional value of $1.035 billion for Fox stockholders taken together.

As the prospective bidders undertake their "due diligence" media industry observers come to conclude on:

December 5, 2017 (Event #3): It was noted that Disney is seen to have an “inside track” as the favorite to buy 21st Century Fox, with Disney valuing the company at $60 billion. Given that Fox is a large media "conglomerate" there is a discussion of just what parts of Fox will be included in the deal. In the “gossip” in the financial press, segments of Fox that are considered to be potential parts of the set of assets sold include National Geographic, Star, Hulu, Sky, and the regional sports networks.

After admitting its interest in purchasing the Fox assets, Comcast rethinks and on:

December 11, 2017 (Event #4): announces that it has “abandoned its bid for most of the assets of Twenty-First Century Fox.” Verizon did not follow through on the rumors that it might bid, and with Comcast “out of the picture” it left Disney as the only major media company with both the resources and interest to make the purchase.

After this “positioning” by Fox and Comcast, the first firm bid emerged on:

December 14, 2017 (Event #5): Formalizing its stated interest, The Walt Disney Company announces a $52.8 Billion deal to purchase much of 21st Century Fox. The offer was all stock, a package that is generally less welcomed by sellers in divestitures as it leaves them exposed to the risk that the purchaser’s stock price might decline after the sale.

It was to be expected that this formalization of an offer by a qualified buyer would increase the stock value of Fox, which had already been trending up following the rumors starting in November 2017. The making of a specific offer reduces the uncertainty regarding whether a deal would come about, and not surprisingly had the effect of increasing the value of Fox’s stock. While in whole firm acquisitions buyers typically drop in value, prior research of divestitures both for media firms (Alexander & Owers, 2011), and firms in general (Hite, Owers, & Rogers, 1987) acquirers also gain.

This is the case because, with divestitures, it has been shown that acquiring firms purchase only business units that are a “good fit” (Sicherman & Pettway, 1987) whereas when a firm acquires all of a target company in an M&A transaction, likely some parts will fit, and others will not. Plus, there is a concern that in the desire to prevail against other bidders, the buyer will “overpay” for the shares of the target firm, and experience “Winner’s Curse” – winners do not “win,” they "prevail." Research has documented that approximately 75-80% of all whole- firm acquisitions are not successful in the eventual outcome.

The valuation impacts of Disney’s announcement on December 14 were marked and significant, as calibrated in Table 3.

Table 3. Responses of stock values when The Walt Disney Company announced a formal bid for the identified Fox assets: December 14, 2017

Date 12/14/2017	Previous day (12/13)	Announcement day (12/14)	% change	Market Cap on Previous Day	Value change
Disney Stock Price	$107.61	$110.57	3%	$162.200B	$4.866B
Fox Stock Price	$32.34	$34.22	6%	$59.910B	$3.594B
Comcast Stock Price	$38.58	$39.12	1%	$180.310B	$1.803B

Table 3 shows notable and large valuation responses for ***both*** the seller (Fox) and the bidder (Disney). As noted previously, the profile of earlier findings is that both seller and buyer gain in corporate divestitures. What is notable with this transaction, is that the gains to the bidder Disney are larger than found in previous overall divestiture studies. This shows that the financial analysts considered this acquisition of assets to supply unique and major strategic benefits for Disney.

The positive response in the stock price of Comcast is also notable. Given that the formal Disney bid lowered the probability that Comcast would become the acquirer, the positive reaction in Comcast's stock could be interpreted as being a positive signal that Comcast is less likely to make a high-cost purchase of the Fox assets, potentially suffering from "Winner's Curse" as is often found in such large transactions. There was also concern at the time that potential borrowings by Comcast to finance an offer could leave it with too high a level of debt.

Table 3 documents a remarkable creation of value on the December 14, 2017 announcement day. The value of Fox increased by $3.594 Billion, and that of Disney by $4.966 Billion. Comcast had just announced 3 days earlier (December 11) that it was not going forward with a bid for the Fox assets being sold. Investors in Comcast considered it good news that Disney was going forward with the transaction, and the value of Comcast increased by $1.803 Billion on the Disney announcement.

However, reflecting the dynamic nature of this transaction, Comcast reversed its previous decision not to make a bid and emerged into the scene again on:

February 5, 2018 (Event #6): When it was rumored on Wall Street (CNBC) that Comcast might be back in the bidding war for the Fox assets being discussed. While Disney had made an offer, there was still the potential for another bidder to emerge. It is to the potential benefit of the seller for this to occur. Any later bidder must make a superior bid (at a higher price point and accompanied by a more attractive cash/shares package), and that results in an additional gain for the seller.

A contemporary contextual development was the pending decision as to whether AT&T's purchase of Time Warner would be approved by the federal government. It was considered that if that transaction got approval (the Judge was considering that case at this time), then it would make it most likely that other major media transactions (such as this Fox transaction) would be approved.

Table 4. Value changes associated CNBC report on February 05, 2018 that Comcast might be back in the bidding

Date 02/05/2018	Previous day (02/04)	Announcement day (02/05)	% change	Market Cap	Value change
Disney Stock Price	$108.70	$104.70	-4%	$163.450B	-$6.538B
Fox Stock Price	$36.22	$35.56	-2%	$67.100B	-$1.342B
Comcast Stock Price	$41.11	$39.20	-5%	$190.940B	-$9.547B

These valuation responses are of note and provide substantial insights into the contributions of this study into the valuation consequences of Corporate Control Contests. The interpretation of Comcast's material loss of value is a reflection of investors' concerns that it might "overpay" for the assets in "the heat of the chase/auction." Losing $9.5 Billion shareholder value in a day is a very large negative commentary from the market on the possibility that Comcast might get back "in the ring." The drop in Disney's value is less apparent. Investors had presumed that Disney would make the purchase and that there would be "synergy" from the purchase - that is now potentially foregone. The decline in Fox's value is most difficult to explain. Maybe investors became concerned that the emergence of another bidder would decrease the probability that the asset sale would be completed.

At this time, there was another major media transaction evolving – the sale of the 61% of Sky (UK) that Fox did not already own. Fox has been seeking to acquire that 61% for some time but had been thwarted by UK regulators. Fox's most recent initiative to make that purchase was also under regulatory consideration at this time.[2]

And thus, the financial markets were tracking Fox transactions in both the USA and the UK simultaneously. The USA transaction was the sale of major parts of its US assets, and the UK transaction was the hoped-for purchase of the remaining 61% of Sky not already owned by Fox.

This context makes the following announcement relevant to consideration of the Fox USA divestiture:

February 27, 2018 (Event #7): On this date, Comcast announced plans for a $31 billion bid to buy the 61% of Sky, a European media and telecommunications company. This bid was 15% more than the outstanding Fox bid for that 61% of Sky. Fox currently owned 39% of Sky, which along with the potential 61% up for sale, would be given to the purchaser of 21st Century Fox.

Media firms must work with often aggressive regulatory guidelines and rulings, and these transactions are vivid illustrations of that. This is in addition to strategizing for position compared to the actions of others (actual or potential) competing bidders.

After an almost 2-month delay following its announcement of "plans" to bid for the 61% of Sky under consideration, Comcast formally made its bid on April 25, 2018. On this date, Comcast made its formal $30.7 billion bid to buy the outstanding 61% of Sky. This bid is much larger than Fox's bid of $16 billion, and not surprisingly Sky withdraws its recommendation to accept the Fox bid.

Throughout this whole 7-month interval since the first talk of a Fox divestiture, financial observers were following the initiatives by Brian Roberts, the CEO of Comcast. That attention was seen to be called for when on:

May 7, 2018 (Event #8): It was reported by Reuters that Comcast is working with investment banks to raise loans to enable it to make a $60 billion *all-cash* bid for 21st Century Fox. This potential bid would be higher than the $52 billion *all-stock* bid by Disney. As noted above, sellers have an understandable preference for cash bids. That preference is well founded as several researchers have found when examining what happens to later stock prices when sellers accept stock rather than cash. There is an average pattern for that stock to decrease in value. [3]

Given the very large "market cap" valuations of all 3 companies involved, the responses are minor. Any potential for added bids can be expected to increase the value of Fox, but the small positive implications for Disney, and especially Comcast, are not easily explained.

[2] As this has evolved, there is a planned auction over the weekend of September 22-23, 2018 by UK authorities to decide whether Comcast or Fox (now backed by Disney) gets to make the purchase.

[3] Insights into bidder's choice of offering either stock or cash as the form of consideration are gleaned from "signaling theory." The primary logic is that if the buyer offers stock for payment, they are "signaling" that their stock is currently "overvalued" in the marketplace.

Table 5. Value changes associated Reuters report on May 07, 2018 that Comcast is raising loans to enable it to make a $60B all-cash bid for the Fox assets

Date 05/07/2018	Previous day (05/04)	Announcement day (05/07)	% change	Market Cap	Value change
Disney Stock Price	$101.15	$102.48	+1%	$150.7700B	+$1.507B
Fox Stock Price	$37.16	$37.48	+1%	$68.840B	+0.688B
Comcast Stock Price	$31.96	$32.39	+1%	$147.070B	+1.470B

May 30, 2018: On this date, 21st Century Fox and Disney set July 10th as the date for a shareholder vote on the proposed divestiture of large parts of Fox to Disney. While the Fox Board of Directors still recommends the Disney offer, it emphasizes its awareness of a potential Comcast offer. [4]

As previously noted, a relevant regulatory/legal process developing while the Fox divestiture transaction was playing out, was the pending ruling on the AT&T acquisition of Time Warner. This uncertainty was resolved on June 12, 2018, when the presiding Judge approved the AT&T-Time Warner merger, clearing the way for Comcast to make a formal offer for 21st Century Fox. Comcast wasted no time in taking this step, and the very next day:

June 13, 2018 (Event #9): Comcast formally submitted a $65 billion all-cash bid for the 21st Century Fox assets under consideration to be sold.

Table 6. Value changes associated with Comcast formally submitting its all-cash $65B for the Fox assets being sold

Date 06/13/2018	Previous day (06/12)	Announcement day (06/13)	% change	Market Cap	Value change
Disney Stock Price	$104.33	$106.31	+2%	$155.110B	+$3.102B
Fox Stock Price	$40.39	$43.41	+7%	$74.820B	+$5.237B
Comcast Stock Price	$32.38	$32.32	-0.18%	$149.000B	-$0.001B

In contrast to the major decline in the value of Comcast on February 05th when it was rumored to be going to make another bid when it formally submitted this bid, there was essentially no market reaction for the value of Comcast. This presumably reflects either a revised perception that Comcast can make better use of the Fox assets, or that given the "inside track" held by Disney it is unlikely that the Comcast bid could succeed. Reflecting the ongoing auction nature of many corporate sale transactions (whether for part of a firm, i.e., a divestiture, or all of a whole firm, M&A), it was anticipated that Disney might return with another, higher offer. This intuition reached the level of discussion whereby the financial press reported on:

June 18, 2018: That Disney is expected to add cash to their previous $55 billion all-stock bid for Fox. The Fox board was scheduled to meet on June 20th to discuss the offers. Reflecting the "inside track" that Disney had in these negotiations, it was decided that in the

[4] Interestingly, regulatory filings reveal that Comcast had made a $64 billion all-stock offer for 21st Century Fox in November 2017, a month before Disney and Fox announced their deal.

event Fox decided to accept the Comcast offer, Disney would be given five days to match Comcast's offer.

In this intense and rapid resolution of uncertainty about the related Fox transactions in the USA and UK, the next day, on:

On June 19, 2018, Disney agreed with British Authorities to operate Sky for 15 years and not sell the company for that time unless agreed with the government. The agreement with British regulators was contingent on the Fox acquisition of Sky being completed. With that development in hand, the following day, on:

June 20, 2018 (Event #10): Disney and Fox agree to a new, $71.3 billion price for the Fox assets. Moving in the direction of recognizing the desirability for sellers of cash in a sale, this new offer was 50/50 stock and cash. The offering was equivalent to $38 per share for Fox; this deal is $10 more than Disney's previous offer and $3 more per share than Comcast's June 13th offer. The Fox Board deems this offer "superior" to the Comcast offer. The scheduled July 10th shareholder vote to discuss this new offer was postponed.

Table 7. Value changes associated with Disney making a revised and higher $71.3B bid including cash

Date 06/20/2018	Previous day (06/19)	Announcement day (06/20)	% change	Market Cap	Value change
Disney Stock Price	$106.10	$107.15	+1%	$157.140B	+$1.557B
Fox Stock Price	$44.29	$47.50	+7%	$80.050B	+$5.743B
Comcast Stock Price	$32.81	$33.39	+2%	$150.980B	+$3.019B

With the "sweetened" and higher offer, it was not surprising that Fox stock rose by $5.743 billion. Presumably reflecting shareholder "relief" that the Comcast bid is unlikely to succeed and experience "winner's curse" in the auction, the value of Comcast also increased materially. There had been a widespread discussion of how much debt Comcast would have had to take on to finance its all-cash offer.

The importance of regulatory approval for such deals is clear, and the long drawn out approval of the AT&T acquisition of Time Warner proved how this could be time-consuming. However, in the Fox sell-off divestiture, Fox and Disney were able to secure rapid approval when the Justice Department on:

June 27, 2018: Approved the proposed acquisition of the Fox assets by Disney. As is often the case, some follow-on asset sales by the acquirer were required. In this case, Disney was needed to divest Fox's regional sports networks to "ensure that sports programming competition is preserved in the local markets where Disney and Fox compete for cable and satellite distribution."

In major corporate restructuring transactions, the legalese often notes that "time is of the essence." That was surely the case in this media transaction, as on the next day:

June 28, 2018: July 27th was established as the date for a Fox shareholder vote on the proposed $71.3 billion sales. This put pressure on Comcast to decide on whether to make another offer. In addition, on July 14, 2018, Disney's $71 Billion Fox bid was backed by Influential Proxy Firms, advising Fox shareholders to approve the Disney bid at the July 27 shareholder meeting. Maybe reflecting the support for the Disney bid and the concern about it overpaying, after taking three weeks to decide and announce its strategy, Comcast decided not to make another bid for the Fox assets, and on:

July 19, 2018 (Event #11): dropped out of the contest, leaving Disney as the prevailing bidder.

Table 8. Value changes associated with Comcast announcing on July 19, 2018, that it was withdrawing from the auction

Date 07/19/2018	Previous day (07/18)	Announcement day (07/19)	% change	Market Cap	Value change
Disney Stock Price	$110.69	$112.13	+1%	$164.570B	+$1.645B
Fox Stock Price	$46.32	$46.20	-0.2%	$85.810B	-$0.01B
Comcast Stock Price	$34.04	$34.91	+3%	$156.640B	+$4.699B

The resolution of uncertainty about a Comcast bid was priced as very good news for Comcast shareholders (Market Cap up by $4.699 billion), and also for Disney (Market cap increase of $1.645 billion), The market had apparently fully priced this outcome into the Fox share price, and it was essentially unchanged.

Conclusion

The divestiture transaction auction had now played out, and the approval by Fox shareholders was almost assured, as underscored when on July 25, 2018, TCI, Fox's second-largest shareholder, voted to approve the Disney bid with the shareholder meeting approaching on Friday, and on July 27th Fox shareholders did approve the Disney acquisition of the identified set of 21st Century Fox assets. This much-discussed transaction had major value implications even though it was a Divestiture and not a Merger & Acquisition. It illustrates how the ongoing restructuring in the Media Industries sees significant changes as firms position themselves to better compete in the changing technological, regulatory, and competitive environment. Some observers were surprised that Rupert Murdock was willing to sell such a large part of a company he has created and built up over approximately 4 decades. His actions are a dramatic reflection of the principle adhered to by most extraordinarily successful business people: namely, “that all assets are for sale at the right price.”

The value creation for Fox shareholders as a result of Mr. Murdock practicing that principle was large and impressive. Before the transaction was rumored, the total value of 21st Century Fox to its shareholders (its “Market Cap[italization]”) was $47.020 Billion. By the time the auction had was completed in July, the Market Cap of 21st century Fox was $82.956 Billion. Thus, $36 Billion of additional value was created for the shareholders of Fox as a result of this divestiture whereby two well-financed and motivated bidders competed for the Fox assets being sold off. Of the value created, more than $4.8 Billion accrued to Mr. Murdock. In one weekend alone when competing bids were announced, his wealth increased by approximately $1.9 Billion.

There was also major value creation for the shareholders of Disney. When the scenario started, the Market Cap of Disney was $149 billion, and by the time the transaction was completed, it was $164 billion. Thus, this divestiture transaction dramatically illustrates how with divestitures both seller and buyer typically gain. The contrast with whole-firm M&A where the seller/target firm gains, and the buyer/acquirer typically suffers losses is stark.

There are extensive research and professional literature on restructuring, and media divestiture restructuring. As assets are transferred to those who believe that they have the "highest value" uses of the assets, the gains can be shared between the selling firm and the purchasing firm. This contrasts with whole-firm M&A where the overwhelming profile is that all the gains go to the selling firm shareholders, and the buying firm shareholders typically experience losses. It is this not surprising that many restructuring experts see divestitures having greater potential benefits for both transacting companies than M&A activity.

The implications of the analysis of this Divestiture transaction for knowledge and practice are large. This is the first major divestiture study that has measured the stock price changes in terms of both percentages and monetary/dollars metrics. While percentages changes employed in previous studies can be precisely evaluated for statistical significance, the addition of monetary measures calibrates the economic materiality of changes associated with such restructuring transactions.

The implications for practice are that it is established that divestiture transactions have the potential to create value in the order of magnitude of whole-firm mergers and acquisitions, and for both transacting firms, not just the targets/sellers as in mergers and acquisitions.

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