

The Research Centre of the School of Economics and Business

cordially invites you to a research seminar

on Monday, 26 May 2025, at 14:00 CET in room P-119

at the School of Economics and Business

Nadia Massoud (Melbourne Business School)

will present the article:

Monitoring, agency costs, and seasoned equity offerings

This study investigates the role of institutional monitoring in mitigating agency costs in the context of seasoned equity offerings (SEOs) in the United Kingdom, with a specific focus on the influence of the Pre-Emption Group (PEG). The PEG's COVID-19 regulatory relief measures to increase access to equity had potentially adverse impacts on investor protection. Key findings emphasize the favorable investor perception of regulatory flexibility and the critical role of monitoring to minimize dilution of shareholder interests. Studying 230 SEOs by UK-main market firms (2017-2023), we document positive announcement returns associated with "Cashbox Placings" issued under the COVID-19 regulatory relief guidelines. Results are particularly pronounced for issues by firms with more opaque information environments, and a higher propensity of pre-existing agency issues, which suggests reduced agency costs and enhanced investor confidence associated with PEG monitoring. Alternative explanations like increased investment opportunities, liquidity relief or bankruptcy risk are unlikely to explain our results. This research contributes to understanding quasi-regulatory oversight's role in safeguarding shareholder interests in the context of SEOs. These insights inform UK policy debates on balancing equity access and shareholder protection, especially in crises like COVID-19.

Keywords: Seasoned equity offering, agency costs, United Kingdom, pre-emption rights, cashbox placings.

We look forward to welcoming you at the seminar.