

OWNERSHIP AND CONTROL IN ITALIAN LISTED COMPANIES

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ABSTRACT

Purpose- Dual class shares and shareholder agreements are among the most commonly mechanisms that listed companies use for separating voting rights from cash flow rights. The paper provides an analysis of the diffusion of these mechanisms in Italian listed companies.

Methodology- The analysis to separate voting rights and ownership rights was carried out on all companies listed in the Milan Stock Exchange from 2009 to 2020. The investigation refers to the entire population of listed companies in the Italian market. Data on ownership structures was gathered through the analysis of Consob archives and publications. The dual-class companies were identified considering among companies listed on the MSE those with limited voting shares, and then reconstructing for each company, the percentage of voting rights held by the majority shareholder and the percentage of non-voting shares on the total share capital. In order to estimate the extent to which shareholder agreements are diffused between companies listed on the Italian Stock Exchange, agreements in force between 2009 and 2020 were analyzed, reconstructing the duration, number and kind of members, eventual variations in dates of commencement and dates of expiry, renewals as well as the percentage of share capital subject to a shareholders agreement and shares held by the parties involved. For the same period, the change in the ownership concentration of the Italian market is also analyzed using the Shapley-Shubik and Banzhaf indices.

Findings- We find that dual class model in Italy record a sharp decrease in the last 11 years due to corporate transactions that changed the shareholding structure. In most of these companies the first shareholder exercises first degree control maintaining an absolute majority of votes. As regards the shareholder agreements, analysis exhibit the significant decline in the number of companies that recur to these agreements especially in the last three years. The evolution of the Shapley-Shubik and Banzhaf indices show the reduction in ownership concentration.

Conclusion- This paper has examined the intensity of two separation mechanisms between ownership and control for Italian companies in the period of 2009-2020. Analysis revealed that the issue of shares with limited voting rights is conceived by the shareholder in order to consolidate its position as controller, rather than to obtain control. The study shows a stability of the leverage on voting rights and a progressive decrease in the leverage on control and in the leverage demonstrating that in recent years it has been possible to exercise control in companies by binding smaller shares of shareholdings in the agreements.

Keywords: Dual class share, shareholder agreements, voting rights, cash flow rights, controlling shareholder

JEL Codes: G10, G30, G32

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