

**Expropriation through unification? Wealth effects of dual class share
unifications in Italy**

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Abstract

An increasing number of firms with dual class shares are deciding to unify their shares around the world. Though the return to one share-one vote system is usually considered good news for voting shareholders, the unification can give rise to a wealth transfer between the two classes of shares, especially in the presence of high voting premia and no form of compensation to voting shareholders. These conditions characterize most of Italian dual class unification (DCUs) made in the 1982-2005 period. Different from any other country, in Italian DCUs, voting shares earn significantly negative returns. Changes in firm's value are positively correlated with larger ownership of the largest and second largest shareholders, and negatively correlated with high voting premia and large fractions of non-voting equity, indicating greater potential for wealth transfer between controlling and non-controlling shareholders. We also provide more detailed, and more direct, evidence on five cases where the majority shareholder buys relevant blocks of non-voting shares, sells voting shares or approves stock option plans on non-voting shares a few months before the unification announcement.

JEL Classification: G32, G34

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