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*Così non fan tutte.*

## **An analysis of Italian companies moving abroad**

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## Abstract

A growing number of Italian companies has recently relocated to another country or conducted an IPO in a foreign market. Such an increasing propensity to move abroad has raised concerns about the attractiveness of the Italian environment for corporations, and inspired proposals to introduce pieces of foreign legislation to try and keep companies in Italy. In particular, firms relocating to the Netherlands have received great attention due to forum shopping motivations possibly playing a role. The policy debate to date lacks a solid foundation and is based on – at best – anecdotal evidence. We try to fill this gap.

The purpose of this paper is two-fold: producing the first systematic evidence about Italian firms relocating abroad and/or going public in a foreign market, and investigating the reasons behind the relocation decision.

Italy exhibits the largest number of firms relocating abroad among European countries, while the magnitude of the IPO outflow is limited. Forum shopping appears to be a primary motivation behind firms' decision to relocate. However, not all firms follow the same path (*così non fan tutte*). In particular, while the vast majority of European firms moving to the Netherlands adopt control-enhancing mechanisms (CEMs), provided extensively by that jurisdiction, Italian companies tend to implement solutions which: a) separate ownership from control more aggressively, b) aim at strengthening the position of the controlling shareholder, not the board; c) reinforce the grip of controlling shareholders in a wider range of situations, and d) imply a higher risk of entrenchment, especially in the long run. The divergence between Italian and other European firms moving to the Netherlands is not due to differences in ownership structure.

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**Keywords:** Corporate Relocations, Foreign IPOs, Control-Enhancing Mechanisms, Multiple Voting Rights Shares, Corporate Governance, Regulatory Competition.

**JEL Classification:** G32, G38, K22.

## Introduction

Two types of corporate transaction have become increasingly common over the recent years among Italian firms, namely the transfer of the company's registered office to a foreign country and the decision to conduct an Initial Public Offering (IPO) abroad. This increasing propensity of Italian firms to “move abroad” has drawn the attention of academics, practitioners, and policy makers and stimulated two main streams of debate. On the one hand, relocations have raised the suspect that Italian firms are increasingly engaging in forum shopping practices, and that they strategically move to the country with the most favorable regulation. What is the purpose of relocation is still an open question. On the other hand, the decision to go public abroad has raised concerns about the competitiveness of the Italian financial market, thereby fueling the debate about the need for reforms aimed at improving its attractiveness at an international level. While the decline in the number of listed firms over time is common to other Western economies (see, e.g., Kahle and Stulz, 2017), the extent to which the phenomenon of going public abroad has contributed to such downward trend is still unclear.

This study aims at shedding light on these two corporate decisions. First, we aim at assessing the magnitude of the two phenomena by tracing Italian companies that relocated or conducted an IPO abroad over the past two decades. Then, we investigate the reasons behind the relocation decision of Italian firms. The finance literature provides both theoretical insights and empirical evidence useful to identify a set of possible motivations. For instance, firms may relocate to increase the geographic diversification of their business. Under this perspective, the relocation may be instrumental in facilitating investment or acquisition activities in the country of destination. Alternatively, firms may move to countries where the corporate tax rate is lower (e.g., Chow et al., 2022). Tax advantages are regarded as an important driving force of relocation decisions in the popular press, and international competition on corporate tax rates is often subject to political debate. Furthermore, firms may relocate to countries characterized by a looser regulatory framework in terms of specific corporate governance decisions, a practice known as forum shopping. Anecdotal evidence suggests that this motivation has played a crucial role in recent corporate relocations, which were accompanied by the introduction of mechanisms aimed at separating ownership and control more aggressively than allowed in Italy.<sup>1</sup> This

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<sup>1</sup> For instance, in a February 18, 2020 press release announcing the transfer of its registered office to the Netherlands, Campari refers to the “*introduction of an enhanced voting rights mechanism*” as the main rationale for the transaction ([https://www.camparigroup.com/sites/default/files/downloads/20200218\\_press\\_release\\_transfer\\_of\\_office\\_eng.pdf](https://www.camparigroup.com/sites/default/files/downloads/20200218_press_release_transfer_of_office_eng.pdf)). The Italian legislation provides for two such mechanisms; a) art.127-*quinquies* Consolidated Law of Finance (CLF) allows listed companies to attribute up to two votes to shares held for more than 24 months uninterruptedly by the same subject; b) art. 2351 Civil Code allows unlisted companies (including firms going public, *before* the IPO) to introduce MVR shares (giving up to three votes per share). While the first solution has been adopted widely, only a handful of firms

has aroused a debate about the possible need to further change regulation to shield the Italian market from what is perceived as an unfair legal competition (notably, from the Netherlands)<sup>2</sup>. Control-Enhancing Mechanisms (CEMs) have been extensively discussed in the literature due to their controversial impact on managerial incentives (Gompers et al., 2003). While serving as protection against the threat of hostile takeovers, they may insulate managers from competitive market dynamics with possible negative effects on firm value (Cremers and Ferrell, 2014). Also, recent evidence has warned about CEMs being associated with increased agency costs in the long run (Cremers et al., 2018; Kim and Michaely, 2018).

As for the foreign IPOs phenomenon, our objective is to assess whether it has hampered the development of the Italian financial market and, if so, to what extent. In other words, we aim at quantifying the relevance of foreign listings by Italian firms relative to the size of the domestic IPO market. Commentators have expressed concern that the lack of a vibrant IPO market may be detrimental to a country's wealth by limiting economic development, employment growth and innovation. Consistently, some countries have reacted to a prolonged plunge in IPO activity by introducing regulatory changes, such as the Jumpstart Our Business Startups (JOBS) Act in the United States. It is therefore crucial to gauge the economic significance of the potential loss of capital associated with such IPO outflow. If the Italian stock market had become less attractive than its foreign counterparts, then we might observe many Italian firms going public abroad.

We address the above questions by analyzing data on relocations and foreign IPOs by Italian firms covering the 2000-2021 period. Information on relocations is obtained by combining multiple data sources, such as Refinitiv, databases maintained by Italian economic newspapers and institutions (Il Sole 24 Ore, R&S by Mediobanca), and articles in the press. We focus on transfers conducted by listed firms with a market capitalization of at least €1 bn as of the end of 2021. As for foreign IPOs, our primary source of information is the equity issues section of the Refinitiv database. At the end of

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made recourse to MVR shares. See Bajo et al. (2020) for a more detailed description of the Italian institutional background.

<sup>2</sup> The Green Book published by the Italian Ministry of Economics and Finance (MEF 2022) put forward the idea that a reflection is necessary “*on the effectiveness of the regulatory provisions that allow a strengthening of voting rights (...) and on the opportunity to a possible strengthening of these measures to encourage (...) the choice of Italy as the State of incorporation and listing*”. In 2022, the European Union issued a Directive proposal on “multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market” in an attempt to harmonize national laws on multiple-vote share structures of SMEs going public. The Directive is part of the Listing Act, a regulatory proposal whose stated objective is to “*make public capital markets more attractive for EU companies and facilitate access to capital for SMEs*” ([https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13238-Listing-Act-making-public-capital-markets-more-attractive-for-EU-companies-and-facilitating-access-to-capital-for-SMEs\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13238-Listing-Act-making-public-capital-markets-more-attractive-for-EU-companies-and-facilitating-access-to-capital-for-SMEs_en)). As of March 2023 rumors say that the Italian government is considering the introduction – before IPO – of MVR shares attributing up to 10 votes per share.

the data collection and screening process, we obtain a sample of 15 relocations and 37 foreign IPOs by Italian firms. Three firms are included in both samples.

The frequency of both relocations and foreign IPOs has increased over the recent years: 93% of relocations and 76% of foreign IPOs occurred after 2010. The preferred destination of Italian companies moving abroad is the Netherlands (9 firms, 60%), while the French stock exchange attracts the largest number of foreign listings (13 IPOs, 35%).

Italian firms choosing to go public abroad account for less than 10% of both the number of IPOs and the amount of proceeds raised in the domestic market over the same period. Of the 37 foreign IPOs, only 9 took place in main markets, while the remaining 28 occurred in second-tier markets characterized by looser listing requirements (Bernstein et al., 2020), such as London's Alternative Investment Market (AIM). Thus, the economic relevance of the phenomenon relative to the domestic IPO market appears quite limited. On the other hand, Italy is the European country experiencing the largest outflow of firms, both in general (15 firms) and to the Netherlands (9 firms), followed by Germany (6) and France (5).

We investigate three, non-mutually exclusive motivations behind the decision to relocate: (1) strategic purposes, (2) tax savings, and (3) forum shopping. We first look at variations in investment and acquisition activities around the relocation year, in order to investigate whether strategic considerations, such as geographic expansion, are a driving force. We also monitor changes in capital structure, profitability, and payout policy. We then explore the tax motivation and examine whether the transfer of registered office is accompanied by a transfer of tax domicile. Also, we track how the effective tax rate of firms varies around the relocation year. Finally, we investigate the forum shopping motive by focusing on the introduction of CEMs. We collect data from the companies' Articles of Association about the presence and relevance of the following mechanisms (Shearman & Sterling et al., 2016): multiple voting rights (MVR) shares, priority shares, depository certificates, voting and ownership right ceilings, supermajority provisions.

We do not find any particular increase in investment or acquisition activity around the relocation year. Recent anecdotal evidence indicates that strategic considerations, such as M&A plans, may be one of the rationales behind the relocation.<sup>3</sup> However, no systematic evidence supports this view, at least within the first two years following the relocation. As for the tax saving motive, we find different patterns depending on whether the firm relocates to the Netherlands or to another country.

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<sup>3</sup> For instance, Ariston acquired a multinational firm shortly after relocating from Italy to the Netherlands: [https://investor.aristongroup.com/content/dam/aristoninvestors/documents/press-releases/2022-09-15%20Ariston%20-%20Centrotec%20Climate%20Systems\\_EN.pdf](https://investor.aristongroup.com/content/dam/aristoninvestors/documents/press-releases/2022-09-15%20Ariston%20-%20Centrotec%20Climate%20Systems_EN.pdf).

Specifically, firms relocating in countries other than the Netherlands (namely France, Luxembourg, and the United Kingdom) moved also their tax residency to the country of destination, while only 1 out of 9 firms relocating to the Netherlands did so. Of the remaining 8 firms, 6 kept their tax residency in Italy and 2 moved it to the UK, where the corporate income tax rate is lower. However, we find no significant variation in the effective tax rate around the year of transfer, suggesting that fiscal benefits are not a first-order motivation for firms to relocate.

We instead find wide support to the forum shopping motivation associated with the introduction of CEMs. In this part of the empirical analysis, we focus on the subsample of 9 Italian firms relocating to the Netherlands, a country which has adopted a permissive approach to separating ownership from control (Gurrea-Martínez, 2021). We benchmark Italian firms' adoption of CEMs to two control samples: 13 European (non-Italian) firms that transferred their registered office to the Netherlands, and 41 "native" Dutch firms domiciled in the Netherlands. The vast majority of both Italian and other European firms relocating to the Netherlands have a controlling shareholder (88.9% and 92.3%, respectively). Dutch firms, on the other hand, are mostly widely held (63.4%).

We document substantial differences in CEM adoption across the three samples. Italian firms make an extensive use of MVR shares, as 8 out of 9 (89%) authorized their issuance in the Articles of Association and 7 (78%) have already issued them. In all but 2 cases, MVRs are granted by means of a loyalty scheme that allows long-term shareholders to progressively increase their voting power. In the benchmark samples, only 31% of European firms relocating to the Netherlands and 7% of native Dutch firms issued MVR shares. The preferred CEM among European firms (77%) is supermajority, mostly associated with director appointment and dismissal procedures. On the other hand, Dutch firms tend to rely on depository certificates, issued without voting rights by 32% of firms. Moreover, 54% of them established a protective foundation acting as a takeover defense.

The implications generated by the above CEM policies on corporate governance are profoundly different. First, CEMs adopted by Italian firms do separate control from ownership rather aggressively; this reflects in an average 14.5 percentage points wedge between voting and cash flow rights associated with the position of the controlling shareholder. This wedge decreases by about two thirds (5.4%) among other European firms and is null among Dutch firms. If we assume full completion of the loyalty process, the current controlling shareholder of the average Italian relocating firm would hold 64% of the voting rights, with the control-ownership wedge widening to 23.2%. In this situation, holding 20.8% (12.5%) of the equity allows to control half (one third) of the voting rights. The average fraction of equity required to reach the same control thresholds is instead much

closer to the corresponding voting thresholds both among European (39.9% for half votes, 26.1% for one third) and native Dutch (47.3% for half votes, 31.4% for one third) firms.

Second, the wide recourse to MVR shares by Italian firms allows controlling shareholders to increase their grip on virtually all decisions taken by the General Meeting (GM), while supermajority clauses adopted elsewhere usually apply only to a limited number of issues (e.g. director appointment and/or dismissal). This leaves the Board with the problem of searching for a majority of votes as far as other issues (e.g. approval of directors' remuneration policy, M&A proposals) are concerned.

Third, MVR shares introduced by Italian firms usually follow a loyalty-like mechanism, thereby providing a degree of control-ownership separation which increases (sometimes dramatically) over time. The risk of entrenchment grows in parallel as MVR shares combined with the loyalty-like system not only enable founders to control a majority of the voting rights even if they have a minority equity stake, but also imply that the stake required to control GM decisions decreases over time. While founders often claim that MVR shares allow them to focus on their long-term vision and shield them from the pressure for short-term results by outside investors, they also make it easier to pass control to heirs, who may not necessarily possess the same entrepreneurial talent (see, e.g., Villalonga and Amit, 2006; Pinheiro and Yung, 2015). Also, it is important to note that multiple voting rights acquired by means of a loyalty program are cancelled in case the shares are sold. This implies the risk that controlling shareholders (and especially their heirs) could then be "locked-in", i.e. be unwilling to sell their equity stake, even if a potential buyer with superior managing skills shows up, since they would be unable to monetize the value of control. Entrenchment mechanisms may therefore turn against their creator in the long run. Overall, this mechanism is in sharp contrast with the evidence of a recent body of research which shows that their benefits tend to decline, and their costs to rise, over time, thereby supporting the adoption of time-based sunset provisions that remove MVR shares after a certain period (see, e.g., Bebchuk and Kastiel, 2017).

The contribution of this study is two-fold. We first add to the recent but growing debate about Italian firms relocating abroad. While tax reasons are usually the primary concern of such debate, our evidence supports the forum shopping motivation by unveiling the peculiar CEM policy of Italian firms, as they select instruments increasing the separation of ownership from control, thereby reinforcing the position of the controlling shareholder. On the opposite, firms relocating from other European countries, despite having a similar ownership structure, tend to align to the Dutch standard practice by selecting mechanisms aimed at ensuring managerial continuity and protecting board stability. The implications of MVR shares on corporate governance dynamics are pervasive and long-lasting as they confer long-term shareholders a disproportionate power over *any decision* subject to

shareholder vote. This stands in stark contrast to supermajority provisions and protective foundations, which give no disproportionate power to the Board – or to individual shareholders – on specific GM decisions, except for Board elections. Also, granting superior voting powers by means of loyalty schemes allows controlling shareholders to maintain firms’ control while progressively reducing their equity stake. This is associated with an increasing risk of entrenchment, especially when the control stake passes from the founder to his/her heirs.

Given the importance of the forum shopping motivation, one might expect the magnitude of the relocation phenomenon to increase with the level of strictness associated with the regulatory framework of the country of origin. In other words, firms operating in more restrictive jurisdictions should face a greater incentive to move abroad. However, even in countries where the regulatory approach is similar or even more restrictive than in Italy, relocation frequency is lower than among Italian firms.<sup>4</sup>

The second contribution of this study adds to the debate on the alleged competitive disadvantage of the Italian stock exchange as a listing venue relative to other countries’ exchanges. Our evidence alleviates this concern, as the loss of capital associated with such IPO outflow appears modest. While it is true that foreign IPOs have become increasingly common over the last few years, this may be at least partly explained by the broad globalization process and the increasing integration of international financial markets<sup>5</sup>. The Italian stock market is no exception in this regard; however, the outflow of Italian firms to foreign markets seems still limited in terms of both number of IPOs and capital raised.

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<sup>4</sup> Like in Italy, the maximum number of votes per share for listed firms in France is equal to 2, subject to a 2-year loyalty period (Florange Act). The extra vote is lost in case the loyalty share is sold. In Germany, MVR shares are not permitted. Non-voting shares are allowed in both countries (Shearman & Sterling et al., 2016).

<sup>5</sup> Even unlikely candidates as the London Stock Exchange suffer from an increasing pressure from market competitors attracting issuers with higher liquidity (and higher share prices, in terms of market multiples) and superior associated services: see Asgari et al. (2023).

## Literature Review

Globalization has allowed firms to choose where to operate their business across the world, and the progressive integration of financial markets has given firms more freedom to choose where to raise capital. This has encouraged an increasing number of firms to transfer their registered office to another country or to conduct an IPO abroad. The literature has investigated the motivations and implications of these two decisions, both theoretically and empirically.

### Corporate relocations

The theoretical literature on a firm's decision to relocate identifies three main explanations. First, a firm may relocate for strategic reasons, such as expanding the geographic boundaries of its business or growing by means of acquisitions of firms in the country of destination or elsewhere. Second, a firm may relocate to reduce its tax burden by moving to a country with a lower corporate tax rate. Third, a firm may relocate to a country with a more favorable jurisdiction toward specific corporate policies, a practice referred to as forum shopping.

Multinational corporations have historically been facing the decision to relocate overseas. Strategic considerations typically play a key role in the relocation trade-off (Birkinshaw et al., 2006). For instance, firms may move to countries where they identify promising growth opportunities. This is consistent with the entrepreneurial role of headquarters, which are in charge of creating additional sources of value for the organization (Chandler, 1991). Such growth opportunities may be either new projects that are expected to generate value, such as the establishment of a new production plant, or acquisitions of firms at an international level.

Chow et al., (2022) find a positive association between state corporate tax rate changes and the likelihood of headquarters relocation, with firms strategically choosing their headquarter locations to minimize taxes within the US. More generally, there is evidence in the US that tax rates have an effect on the decision to move particular operations. Williams (2018) finds that there is a significant association between tax incentives and both the likelihood that a foreign country hosts offshored U.S. jobs and the number of U.S. jobs it hosts. Evidence that a relationship exists between taxes and investment locations is found also in Bartik (1985), who observes that high state taxes discourage the establishment of new manufacturing plants, and in Papke (1991), who finds that a high state marginal effective tax rate reduces the number of firm births for most industries. Last, Chirinko and Wilson (2008) show that own-state capital formation is substantially increased by tax-induced reductions in the own-state price of capital and decreased by tax-induced reductions in the price of capital in competitive-states.

There is also evidence that a looser regulatory framework for corporate policies influences firms' decisions. A crucial role in this regard is played by the possibility to introduce control-enhancing mechanisms. Multiple classes of shares with unequal voting rights represent one of the most controversial corporate governance mechanisms. From a theoretical point of view, the literature has highlighted both positive and negative implications.

The main arguments against the deviation from the one-share-one-vote principle refer to agency and entrenchment problems resulting in distortions in investment decisions (Bebchuk et al., 2000), inefficiencies in the market for corporate control (Grossman and Hart 1988; Harris and Raviv, 1988), and excessive perk consumption (Yermack, 2006). In the same vein, creating a wedge between financial interest and voting power may induce shareholders to undertake self-serving actions at the expense of firm value (Burkart and Lee, 2008), whereas single class share structures can increase firm value in the presence of significant private benefits of control (Grossman and Hart, 1988). Bebchuk and Kastiel (2017) warn that the combination of entrenchment via concentrated voting control and diffuse equity holdings can result in a failure by the market for corporate control to discipline management.

On the other hand, rigidly following the one-share one-vote principle may inhibit firm growth by deterring entrepreneurs from going public as they are reluctant to bear the risk of losing control. Also, tying votes to cash flow rights makes it more expensive to acquire or exercise control, exacerbating the free-rider problem in firms with dispersed ownership (Burkart and Lee, 2008). Choi (2018) argues that a moderate amount of private benefits of control, which can be easily extracted in presence of a dual class structure, may enhance long term value by inducing higher commitment and investment by the controlling shareholder. Other studies point at stronger stakeholder relationships and enhanced managerial long-term orientation as possible further advantages (Stein, 1988; Chemmanur and Jiao, 2012).

Most of the empirical literature that tried to test these implications has focused on MVR shares. A significant number of studies provide support to the fact that MVR shares are beneficial to shareholders when firms are young or in their growth phase (e.g., Cremers et al., 2018; Lehn et al., 1990). Consistent with the recent upward trend in the presence of dual class share structures among technology IPOs, their adoption is found to facilitate innovation and is therefore best suited for innovative firms (Lel et al., 2021). Aggarwal et al. (2022) and Field and Lowry (2022) observe that the increase in dual class IPOs is driven by founders' ability to dictate the governance of IPO firms. The more outside opportunities the founders have and the less money they need to operate their business, the greater their bargaining power is when raising capital (Ewens and Farre-Mensa, 2020).

However, a recent stream of literature has documented that the benefits of MVR shares are short-lived. Bebchuk and Kastiel (2017) show that benefits decline and costs rise in the long run; they document that controlling shareholders have perverse incentives to retain MVR shares even after they have become inefficient. This result is confirmed by Cremers et al. (2018), who shows that dual class firms benefit from a valuation premium when they go public; however, this premium dissipates and turns negative due to agency problems becoming more severe with the gradual widening of the wedge over time. Similarly, Kim and Michaely (2018) show that dual-class firms experience a decline in valuation and become less efficient than their single-class counterparts, and suggest the adoption of sunset provisions based on time since IPO. Baran et al. (2018) show that MVR shares are associated with more innovation shortly after an IPO, but within six to ten years their costs outweigh the benefits.

### Foreign IPOs

Like in any other corporate policy, a firm's decision to go public abroad depends on the advantages it expects to get from a foreign listing. While most capital raising occurs predominantly in domestic markets (Kim and Weisbach, 2008), firms seeking to go public should take many factors into consideration when choosing the country where to list, such as the geographical link of their businesses with a particular market (Sarkissian and Schill, 2004), the cost of raising capital (Aggarwal and Rivoli, 1991; Roell, 1996), and the securities market regulation that best suits shareholders' needs (Shi et al., 2012).

Familiarity with markets and investors is a relevant factor for firms to consider when choosing their listing venue, since investors may be reluctant to hold securities they are not familiar with (Dahlquist and Robertsson, 2001). Sarkissian and Schill (2004) employ the proximity of foreign stock exchanges, but also countries' culture and industrial structure to proxy for familiarity. They provide evidence that the higher the geographical proximity of the home country to the potential listing country, the higher will be the probability of listing. Also, language and culture have a positive influence on the probability of listing in a country that is familiar with the issuing firm (Coval and Moskowitz, 1999; Portes and Rey, 2000; Grinblatt and Keloharju, 2001). Moreover, the choice of listing overseas may be dictated by the willingness to expand firms' product and geographic scope, and/or to engage in mergers and acquisitions in the host country (Peng and Su, 2014).

As for the cost of raising capital, the literature shows that going public abroad may allow firms to raise capital at better terms<sup>6</sup>. Caglio et al. (2016) find that firms going public abroad, on average, raise a statistically significant 25% more in proceeds than similar domestic issuers. Also, issuers can access better informed investors who may provide a higher valuation than in the home country (Chemmanur and Fulghieri, 2006; Subrahmanyam and Titman, 1999). Other benefits are associated with securing cheap equity capital for new investment, allowing controlling shareholders to divest on a liquid market, preparing for foreign acquisitions, or simply enhancing the company's reputation.

Another crucial determinant of the choice of the hosting country is the regulatory environment. La Porta et al. (2006) observe that countries with laws that mandate greater disclosure are associated with a stronger development of stock markets. On top of countries' laws, Stulz (2009) highlights the role played by their enforcement. Laws are only valuable to the extent that outside shareholders can act on them, without imposing excessive costs on firms. Therefore, in a world with free capital flows, differences in securities laws across countries can have a large impact on the choice of where to raise capital. Supporting evidence comes from Caglio et al. (2016), in that issuing firms are more likely to choose to list abroad when they originate from countries that have lower disclosure standards. Interestingly, the European countries whose companies have been more eager to seek foreign listings and whose exchanges have been least able to attract or retain foreign listings are those with the highest trading costs and, with the exception of the United Kingdom, with the lowest accounting standards and worst shareholder protection (Pagano et al., 2002).

Other factors that can influence the decision to go public abroad are the recent trends in IPO activity, the extent of countries' financial globalization and the presence of global underwriters in the home country (Caglio et al., 2016). More specifically, the smaller the number of recent IPOs that went public in the same industry as the issuing firm and the greater the number of recent IPOs that went public outside the home country, the more likely a firm will raise capital abroad. Also, issuers that originate from countries with greater financial globalization are less likely to choose to raise capital outside their home country. Finally, the presence of global underwriters in the home country can provide advantages in capital raising that may mitigate the need to go public abroad.

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<sup>6</sup> No similar stream of literature is found for relocation decisions, for good reasons. On one hand, none of the reasons behind the recourse to a different, more efficient financial market applies to the mere relocation of a company's registered office. On the other hand, any possible "country-risk" factor should reasonably be connected to the country where the assets are located (which does not change in a relocation), instead of that where the firm has its registered office.

## Sample and data

The empirical setting of this paper is based on two samples of Italian firms that undertook (1) a relocation and/or (2) a foreign IPO during the period 2000-2021. A relocation is defined as the transfer of the registered office from Italy to another European country, while a foreign IPO consists in an Initial Public Offering conducted in any foreign stock market.

We create our relocation sample by combining information from multiple sources. We first search news about corporate relocations in the LexisNexis database, in databases maintained by Italian economic newspapers and institutions (such as *Il Sole 24 Ore* and R&S by Mediobanca), and web searches. We then cross-check this information with the Refinitiv database, which includes data about firm characteristics and financials. We focus on transfers conducted by listed firms with a market capitalization of at least €1 bn as of the end of 2021. The final sample is composed of 15 relocations by Italian firms.<sup>7</sup> We then build a control sample of corporate relocations of European firms. We look for non-Italian, European companies that transferred their registered office over the same period to another European country and apply the same selection criteria (listed firms whose market capitalization exceeds €1 bn as of the end of 2021). In this way, we can use European firms to isolate the effects of the relocation, if any, and purge the analysis of possible confounding factors and trends that may be common to both Italian and other firms. We obtain a sample of 21 relocations by European firms.

As for foreign IPOs, our primary source of information is the equity issues section of the Refinitiv database. Starting from a population of 167 transactions, we exclude issuers of securities other than stock (such as depository certificates, trust units, rights, etc. - 74 observations), issuance of shares on OTC or grey markets (42 observations), and dual listings (14 observations). Differently from relocations, we do not set any minimum size threshold to be included in the sample. We find 37 Italian firms going public abroad during the period 2000-2021.

Table 1 shows the distribution of the two samples by year (Panel A) and country (Panel B). Panel A shows that both transactions have become increasingly common in the recent years. Out of 15 relocations and 37 foreign IPOs completed during the 2000-2021 period, 14 (93%) and 26 (70%) occurred after 2012. Panel B suggests that the preferred destination of Italian companies transferring their registered office is the Netherlands (9 firms, 60%), while the French stock exchange is the listing venue that attracts the largest number of IPOs (13, 35%).

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<sup>7</sup> We exclude two relocations by Italian firms whose market capitalization is below €1 bn.

[ TABLE 1 ]

Table 2 presents the corporate relocation matrix including both samples of Italian and European firms. Predictably, the three largest economies of Continental Europe, namely Germany, France, and Italy, account for the largest fraction of corporate relocations. The leading country in terms of relocating firms is by far Italy (15)<sup>8</sup>, followed by Germany and France (6 and 5, respectively). Other European countries exhibit no more than two relocations each. The Netherlands are by far the preferred target country for relocations, attracting 22 firms moving abroad (61%), followed by the United Kingdom and Luxembourg with 4 firms each.

[ TABLE 2 ]

## Empirical analysis

Our empirical analysis is divided in two parts. The first part focuses on corporate relocations and investigates the reasons for this decision. The second part focuses on foreign IPOs and aims at quantifying their incidence in terms of number of IPOs and amount of proceeds raised relative to the Italian IPO market over the considered period.

### Why do Italian firms relocate?

In this part of the analysis, we first provide descriptive statistics of the Italian and European samples of firms transferring their registered office abroad. Then, we investigate three possible non-mutually exclusive motivations for firms to relocate: (1) strategic purposes, spanning from expanding the geographic boundaries of the business to undertaking acquisitions in the host country or elsewhere; (2) tax savings, namely the attempt to reduce the fiscal burden; (3) forum shopping, consisting in taking advantage of a country's favorable jurisdiction in terms of corporate governance standards.

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<sup>8</sup> Four of the fifteen Italian firms relocating abroad (notably, they all moved to the Netherlands) belong to a single group controlled by the Agnelli family: CNH Industrial, Exor, Fiat Chrysler Automobiles (which then merged with Peugeot into Stellantis) and Ferrari (Exor is the company at the top of the control chain, holding equity stakes in the other three companies). Even if we considered these four firms as a single entity, Italy would still be the country with the largest number of relocating firms.

## Descriptive statistics

Table 3 shows descriptive statistics about Italian and other firms as of year-end 2021. Panel A reports mean and median values of a number of financial variables, while panel B refers to ownership structure. Panel A shows that the two samples are comparable in size, while Italian firms are larger in terms of revenues (€16.3 vs. €6.3 bn) and total assets (€29.4 bn vs. €15.2 bn, on average). Italian firms are associated with lower capital expenditures, both in mean (2.5% vs. 4.4%) and median terms (2.2% vs. 3.4%). The average Italian firm is slightly more indebted than its European counterpart (28.6% vs. 24.3% leverage) and has a lower level of cash holdings (15.5% vs. 25.9%). Also, Italian firms look more profitable on average in terms of both ROA (4.7% vs. -10.6%) and ROE (14.1% vs. -19.7%), although the median values are almost equal. As for dividends, Italian firms seem to pay out larger amounts than European firms (3.4% vs. 2.8%, on average).

Panel B shows that the two samples look homogeneous in terms of ownership structure, as the majority of firms is controlled by either an individual or another entity such as another firm or a government. Specifically, 86.7% of Italian firms and 76.2% of other firms are controlled. This implies that the fraction of widely held firms is smaller in the Italian sample.

[ TABLE 3 ]

## Motivation 1: strategic purposes

We now move on to investigate the possible motivations behind a firm's decision to transfer its registered office to another country. To understand whether firms relocate for strategic purposes, such as the willingness to expand the business internationally by investing abroad or acquiring firms in other countries, we focus on key financial variables and check whether they exhibit significant variation around the relocation event. These variables refer to investments (CAPEX), capital structure (leverage, cash holdings), profitability (ROA and ROE), dividend policy, and number of acquisitions. We compute their variation over two time intervals:  $[-1,+1]$  and  $[-2,+2]$ , with 0 being the year when the relocation occurs, and test the statistical significance of the difference of such medium-term variations (3 and 5 years, respectively) from zero.

Table 4 reports the results for both the Italian (Panel A) and European (Panel B) samples. Panel A shows a modest decrease in CAPEX among Italian firms following the relocation, equal to -0.6% from the year before to the year after the relocation year, and -1% from year -2 to year +2. This decrease is different from zero, although with limited statistical significance (10% level). As for

capital structure, there is a decrease of 6.2 percentage points in leverage over the period [-1,+1], which – however – is not statistically different from zero. The median value is indeed close to zero (-0.7). Over the longer time interval, the variation is small and mean and median values have opposite signs. Cash holdings increase on average by 3.9% from the year before to the year after the relocation, but then the sign flips over the [-2,+2] time interval producing a negative variation of 0.3%. None of the variations is statistically different from zero. Concerning profitability, ROA and ROE follow similar patterns as their variations over the [-1,+1] time interval are positive on average (4.5% and 28%) but the median values are close to zero (-0.3% and -0.5%). Then, the variation turns negative over the 5-year interval (-1.2% and -4.9% on average) but it is not statistically significant. Dividends, defined as cash dividends divided by the book value of equity, exhibit a modest increase (0.9 and 1.4 percentage points, respectively) over both time intervals. Acquisitions also increase but statistical significance (at the 10% level) is limited to the period spanning from the year before to the year after the relocation, as the average number of acquisitions per year increases by 0.4.

Panel B shows that CAPEX tends to decrease among European firms from the year before to the year after the relocation (-5.9% on average), although this variation tends to disappear over a longer time horizon (-0.6% mean, 0.2 median). Leverage exhibits a conflicting pattern, as its variation is positive over the [-1,+1] interval while it turns negative over the [-2,+2] interval. None of the variations are, however, statistically different from zero. Cash is also associated with a modest decrease on average (-1.6%) over the longer time interval although the median variation over the same period has the opposite sign (1.5%). In terms of profitability, while ROA remains relatively stable (with the exception of an average 4.7 decrease over the 5-year interval, which is not – however – statistically significant), ROE exhibits a certain degree of volatility as it deteriorates from the year before to the year after the relocation (-15.3% mean, -12.7% median), while it improves if measured from year -2 to year +2 (23.6% mean, 5.1% median). Once again, none of these variations are statistically different from zero. Dividends look relatively stable, while acquisitions exhibit a statistically significant (at the 10% level) increase over the [-2,+2] interval. On average, firms conduct 1.1 more acquisitions two years after the relocation.

Overall, financial variables around the relocation year do not reveal any conclusive evidence. Apart from a modest decrease in CAPEX among Italian firms and a moderate increase in acquisition activity common to both Italian and European firms, we find no substantial variation in any corporate policy pointing to a specific motivation for firms transferring their registered office.

## Motivation 2: tax saving

We now investigate whether tax saving plays a relevant role in a firm's decision to relocate. To address this question, we first look at whether firms transferred their tax domicile together with their registered office. Then, we analyze the variation in firms' effective tax rate, computed as the ratio between income taxes and pre-tax income, around the relocation year.

Our evidence is presented in Table 5. Panel A shows – for each country of origin – the country of destination of a firm's registered office as well as the country of destination of its tax domicile. Where country names are reported in bold, the firms actually moved their tax domicile: out of 36 firms transferring their registered office, only 16 (44.4%) transferred also their tax domicile. The other 20 firms kept the tax domicile in their country of origin. Of the 16 firms that transferred their tax domicile, 11 (68.8%) moved it to the same destination country as that of their registered transfer. Among the 5 firms who moved their tax domicile to a different country, the preferred destination is the UK (4 firms), which is consistent with its low statutory corporate income tax rate relative to other European countries. In the Italian sample, 6 out of 15 firms maintained their tax domicile in Italy.

In Panel B, we investigate whether relocation allows firms to benefit from a reduction in the effective tax rate. The panel reports the mean and median variation in the effective tax rate of firms over the [-1,+1] and [-2,+2] time windows centered on the relocation year. Italian firms do actually experience a decrease in the effective tax rate by 7.3 percentage points on average (1.7 in median) from the year before to the year after the relocation. This effect is, however, short-lived as the variation completely reverses over the [-2,+2] window, when the effective tax rate increases by 6.1 percentage points on average (5.3 in median). Among European firms, the variation is – on average – positive over both time windows (9.8% and 13.2%), although median values are close to zero. Also, it is important to notice that none of the reported variations is statistically different from zero. Overall, our evidence does not support tax considerations being relevant determinants of the relocation decision for either Italian or European firms. In unreported tests, we replicate the analysis by distinguishing between firms that moved their tax domicile and firms that did not and find a modest decrease in the effective tax rate of both groups which is comparable in magnitude.<sup>9</sup>

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<sup>9</sup> The absence of significant effects on the effective tax rate can be partly explained by the tax treatment at the holding level. Since the typical relocation transaction occurs by means of a within-group restructuring that leads to the incorporation of a new holding company in the country of destination, the effective tax rate at the holding level mostly reflects the tax rates applicable in the countries where the operating subsidiaries are incorporated. Since the holding company – typically – does not carry out any operating activity, the effective tax rate is mainly determined by the consolidated figure of the tax expenses borne by each subsidiary. However, other tax considerations at the holding level might be relevant: for example, the relocation might affect the tax rate on dividends paid to shareholders of the holding

[ TABLE 5 ]

Motivation 3: forum shopping

We now investigate whether firms choose to relocate in a specific destination country to benefit from a more favorable regulation towards certain corporate governance practices. Here, we focus on the possibility to introduce CEMs and restrict our analysis to the Netherlands as a destination country.<sup>10</sup> In fact, recent anecdotal evidence suggests that introducing CEMs is a primary motivation for firms to relocate. Actually, the Dutch legal system is characterized by a particularly permissive approach towards their introduction (Gurrea-Martínez, 2021). We therefore focus on the 9 Italian firms that relocated to the Netherlands and compare their CEM policy with that of the 13 European firms which moved to the same country and also of 41 native Dutch firms comparable in terms of market capitalization.

Table 6 describes the three samples used in this part of the analysis. Panel A reports descriptive statistics about firm characteristics and financials, while Panel B reports data about ownership structure. According to Panel A, European firms that relocated to the Netherlands are smaller across all size measures (€11.3 bn market cap, €6 bn revenues, and €15 bn total assets, on average). Dutch firms exhibit the largest values of market cap and total assets (€24.6 bn and €62.8 bn, on average), while Italian firms appear to be the largest in terms of revenues (€23.7 bn on average). As for CAPEX, European firms exhibit the largest values (4.3% mean, 3.4% median) and Dutch firms the lowest (2.3% mean, 1.3% median), with Italian firms being somewhere in between (3.2% mean, 2.9% median). Italian firms tend to be more levered, with financial debt accounting for 30% of their total liabilities, on average. European firms tend to be particularly cash-rich with an average cash holdings ratio of 34.9%, compared to 19.3% for Italian firms and 15.6% for Dutch firms. In terms of profitability, Italian and Dutch firms tend to be aligned, while European firms perform worse (-25.3% ROA and -47.8% ROE, on average). As for dividends, Dutch firms are associated with the largest amount paid (6% of their book value of equity, on average), followed by Italian firms (4.6%) and

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company. An analysis of this point is beyond the scope of this paper and would require investigating the tax treatment of dividends paid to foreign shareholders, regulated by bilateral tax agreements which differ from country to country. This is left for future research.

<sup>10</sup> We also collected data on the introduction of CEMs by Italian firms relocating to countries other than the Netherlands; here, the evidence suggests that this was not a primary motivation for their relocation. For instance, only one out of six firms adopted a dual class share structure, with minimal differences in terms of voting rights per share across classes.

other European firms (0.7%). In general, however, the firms from our three samples are, by and large, comparable in terms of fundamentals.

The same is not true for ownership structure. In Panel B, a common ownership pattern stands out for Italian and other European firms, the vast majority of which has a controlling shareholder (88.9% and 92.3%, respectively). Dutch firms, on the other hand, are mostly widely held (63.4%).

[ TABLE 6 ]

In line with Shearman & Sterling et al. (2016), we monitor the implementation of the following CEMs as their introduction generates a discrepancy between cash flow and voting rights, thereby providing a relevant shareholder with the possibility to increase his/her control without holding a proportional stake of equity:<sup>11</sup>

1. Multiple voting rights (MVR) shares: shares giving different voting rights for an investment of equal value. We collect data on both MVR shares that are authorized in the firm's Articles of Association and MVR shares that have already been issued. Loyalty-like MVR shares are MVR shares whose attribution is conditioned on holding the shares for a predetermined time period. Specifically, a shareholder who owns an ordinary share uninterruptedly for the required period receives a special voting share for each ordinary share held, which progressively increases its voting power to an extent that depends on which stage of the loyalty program is achieved. An important feature of the loyalty mechanism is that multiple voting rights are cancelled in case the ordinary share is sold.<sup>12</sup>
2. Priority shares: shares granting their holders specific powers irrespective of the proportion of their equity stake. These powers vary from firm to firm and span from the entitlement to propose specific candidates to the board of directors, to the right to directly appoint board members or to veto a decision taken at the shareholders' GM.

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<sup>11</sup> We also collected data about preference shares and non-voting shares. We found that preference shares are always issued with the same voting rights as ordinary shares, while no firm issued non-voting shares. Thus, no discrepancy between cash flow and voting rights arises from these two mechanisms.

<sup>12</sup> An example of loyalty mechanism: an ordinary share held for an uninterrupted period of 2 years entitles the holder to receive a special voting share A granting 1 vote per share, increasing the shareholder's votes to 2. If the same ordinary share is held for another 3 years (uninterrupted period of 5 years), the special voting share A converts into a special voting share B granting 4 votes per share, increasing the shareholder's votes to 5 as the ordinary share remains in the hands of the shareholder. In case the ordinary share is sold, the voting rights connected to the special voting shares expire and the special voting shares are transferred back to the firm without payment of any consideration.

3. Depository certificates: financial instruments representing the underlying shares in a firm which are held by a foundation. Sponsored certificates are issued with the cooperation of the firm and provide their holders with the possibility to exercise voting rights if they request a voting proxy from the foundation, while unsponsored certificates have no such option and therefore work as CEMs.<sup>13</sup>
4. Ceilings: we distinguish between voting right and ownership ceilings. Voting right ceilings prohibit shareholders from voting their shares above a certain percentage threshold, while ownership ceilings prohibit potential investors from purchasing an equity stake above a certain threshold.
5. Supermajority: a provision requiring a majority of shareholders larger than 50% + 1 vote to approve certain important corporate changes. We identify four main such circumstances:
  - i. Director nomination: resolution to remove the binding character of a director nomination proposed by the board.
  - ii. Director dismissal: resolution to suspend or remove a director (other than pursuant to a proposal by the board).
  - iii. Amendment to Articles of Association: resolution to amend the firm's Articles of Association.
  - iv. Company sale or dissolution: resolution to sell the firm to an acquirer or dissolve it.

Although not strictly categorizable as a CEM, we also monitor the presence of a protective foundation serving as a takeover defense, common among Dutch firms. The foundation is provided with specific powers that can be deployed in presence of a hostile takeover bid.<sup>14</sup>

#### *CEMs adoption*

Table 7 shows the adoption rate of each CEM across the three samples. The adoption of MVR shares is predominant among Italian firms, with 8 out of 9 (88.9%) having authorized and 7 (77.8%) having already issued such shares. The issuance of MVR shares is much less frequent among other European (4 firms, 30.8%) and Dutch (3 firms, 7.3%) firms. For the majority of Italian firms which authorized and issued MVR shares (66.7% authorized, 55.6% issued), the increase in voting power occurs through a loyalty-like mechanism. This feature is peculiar to Italian firms: no firm in the other samples has adopted loyalty programs. Of the 6 Italian firms that authorized MVR shares subject to a loyalty program, 3 designed a mechanism allowing shareholders to double their voting rights after

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<sup>13</sup> See Article 2:118a of the Dutch Civil Code.

<sup>14</sup> A protective foundation typically holds a call option on a number of preference shares of the firm. It can call for the issuance of shares at its discretion and at nominal value. After exercising the option, the equity interest of all other shareholders is diluted to such extent that the foundation usually holds the majority of the voting rights.

holding an ordinary share uninterruptedly for 3 years; two firms implemented a three-stage loyalty program that allows shareholders to increase the number of voting rights to 2 for each ordinary share held for 2 years, 5 for each ordinary share held for 5 years, and 10 for each ordinary share held for 10 years;<sup>15</sup> and one firm adopted a two-stage loyalty program that allows to increase the number of voting rights per share to 5 after a 5-year period and to 10 after a 10-year period. Only two firms implemented no loyalty scheme; however, they adopted a particularly aggressive dual class structure, where each MVR share carries 20 voting rights.

Priority shares are adopted in a minority of cases, ranging from 14.6% in Dutch to 30.8% in other European firms, with Italian firms being in between at 22.2%. Typically, priority shares allow their holders to either exercise veto right on a number of resolutions that are particularly relevant or propose binding director nominations.

Depository certificates are most frequent among Dutch firms (28, 68.3%), sensibly less common among other European (3, 23.1%), and non-existent among Italian firms. In the Dutch sample, depository certificates function as CEMs in 13 out of 28 cases where they are issued as unsponsored and the attached voting rights are administered by a protective foundation. In the remaining 15 firms, certificates are sponsored and provide holders with the possibility to vote at GMs. It is important to note that the actual separation between ownership and control associated with depository certificates may be stronger than it appears since sponsored certificate holders can vote only after receiving a voting proxy from the foundation which owns the underlying shares. If no voting proxy request is advanced by certificate holders, the foundation retains the voting rights. This mechanism has been created to prevent occasional minorities of shareholders from controlling the decision-making process as a result of absenteeism at GMs (Shearman & Sterling et al., 2016).

As for ceilings, limitations based on a voting right threshold exist in 2 Italian firms (22.2%) and 4 other European firms (30.8%), while no Dutch firm has introduced this restriction. At the same time, ownership ceilings have been adopted by 2 European firms (15.4%) but are absent both in the Italian and the Dutch samples. Voting right ceilings are fixed, ranging from 10% to 31%, except for one Italian firm in which the ceiling is determined as a function of its share capital structure (e.g., number of shares issued for each class) at the time of the relevant GM of its shareholders.

Supermajority provisions are adopted by approximately one third of the Italian (33.3%) and Dutch (36.6%) firms and by more than three fourths (76.9%) of the other European firms. The resolutions more frequently subject to supermajority are associated with director nomination, namely the

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<sup>15</sup> One firm authorized shareholders having already achieved 10 votes per share to further double their voting power to 20 votes per share conditioned on issuing a formal request to the firm in two designated time windows.

deprivation of the binding character of a director nomination proposed by the board, and director dismissal, i.e. the suspension or removal of a director. A fraction of Dutch and other European firms has introduced supermajority provisions also to amend the firm's Articles of Association and to approve the dissolution or sale of the firm. Finally, protective foundations are set up by more than half of our Dutch sample of firms (22 firms, 53.7%) but are almost absent in the other two groups (no Italian firm and one European firm).

Overall, our evidence suggests important differences in the CEM policy across the three samples, that can be summarized as follows. Italian firms tend to rely substantially on the introduction of MVR shares, the majority of which are issued according to a loyalty scheme. Other European firms prefer supermajority provisions, most of which apply to resolutions on the appointment and removal of board members. Dutch firms tend to use depository certificates, which – however – lead to a separation between ownership and control rights only in about one third of the sample (unsponsored depository certificates) and to set up a protective foundation as a defense mechanism against a hostile bidder or shareholder aiming to seize control of the firm.

[ TABLE 7 ]

#### *The governance implications of MVR shares*

In this section, we take a closer look at the introduction of MVR shares by analyzing their relevance on the overall share capital and the resulting implications on firm ownership and control patterns. Table 8 reports some statistics about the characteristics of the MVR shares introduced, as reported in the Articles of Association of our sample firms. Panel A depicts the situation in terms of authorized share capital, while Panel B refers to the issued share capital. According to Panel A, there is no substantial difference in the number of share types authorized. Italian firms exhibit the largest mean value (2.6), but the median value (2.0) equals that of Dutch firms, while other European firms report somewhat smaller values (1.7 mean, 1 in median). On the other hand, there is a striking difference in the weight of MVR shares on the total number of shares outstanding. In the average Italian firm, MVR shares account for 41% of the total number of authorized shares, while this percentage falls to 5.2% and 1.6% among other European and Dutch firms, respectively. Furthermore, the average number of votes per shares is much higher (2.6) for Italian firms than among European and Dutch firms (1.2 and 1.1 votes per share, respectively). In terms of maximum voting ratio, the average value of 191.3 associated with Dutch firms is inflated by the presence of four firms that

authorized MVR shares whose voting power is 800 (1 firm), 1,000 (2 firms), and 5,000 (1 firm) times than that of an ordinary share. These shares are functional to the activation of anti-takeover defenses and account for a negligible fraction of the total number of authorized shares (no more than 0.11%). Comparing the median values arguably provides a more meaningful picture, with Italian firms exhibiting a maximum voting ratio of 10 against 1 for both other European and Dutch firms.

Panel B reports the same set of statistics relative to the share capital already issued. Italian firms are associated with the largest mean (1.8) and median (2) values of the number of share types. Also, they exhibit by far the largest incidence of MVR shares, with an average of 26.2% (24.6% median) compared to 6.2% among other European firms and 0.5% among Dutch firms. The mean (3.3) and median (1.3) values of the number of votes per share are also highest in Italian firms. In terms of maximum voting ratio, Dutch firms exhibit the largest mean value, which is again inflated by a single outlier (a firm that issued a small number of MVR shares with an 800:1 voting ratio, entirely held by the protective foundation). The mean value of 9.5 associated with other European firms is also due to a single firm having issued one single share with a voting ratio of 100:1, again held by a protective foundation. Italian firms exhibit the lowest maximum voting ratio, equal to 5:1. In terms of median values, which are not influenced by outliers, the situation flips as Italian firms are associated with a maximum voting ratio of 2:1, against 1 for the other two samples.

[ TABLE 8 ]

We finally investigate the implications of the adoption of MVR shares on corporate control dynamics. In Table 9, Panel A shows descriptive statistics about the position of the main shareholder and the degree of separation between ownership and control as of year-end 2021. Panel B depicts the situation after assuming full accomplishment of the loyalty program on the main shareholder's equity stake at the same date, while keeping the position of other shareholders constant.<sup>16</sup> The latter statistics are indicative of the degree of control potentially achievable by the main shareholder by keeping its position as it is till the completion of the loyalty scheme.

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<sup>16</sup> Keeping the position of other shareholders constant seems a reasonable assumption due to the liquidity concerns of institutional investors and asset managers, which make them unlikely to refrain from trading their shares for long time horizons. Besides, the concentrated ownership structure of Italian firms puts minority shareholders at a disadvantage relative to the controlling shareholder due to their sensibly lower equity stake, serving as a starting point for the loyalty scheme.

Panel A shows that Italian firms in our sample are characterized by a concentrated ownership structure: the main shareholder holds 40.8% of the cash flow rights, on average, relative to 39.2% and 22.4% for other European and Dutch firms, respectively. Concentration becomes even more pronounced in terms of voting rights, with 55.3% of Italian firms' capital being in the hands of a main shareholder; this percentage decreases to 39.2% and 22.4% among other European and Dutch firms, respectively. As a result, the separation between ownership and control, measured by the voting-cash flow rights wedge associated with the position of the main shareholder, shows its peak among Italian firms, with an average difference of 14.5 percentage points (11.8 median) compared to 5.4 (0) among other European firms. In Dutch firms, there is virtually no difference between the fraction of voting and cash flow rights held by the main shareholder. Overall, both Italian and European firms are characterized by concentrated ownership and some ownership-control separation, while Dutch firms exhibit a more fragmented ownership and no wedge.

Panel B shows that a variation in the fraction of voting rights and the control-ownership wedge is bound to occur only among Italian firms since no loyalty program is present in the other two samples. Assuming full completion of the loyalty scheme boosts the main shareholder's control on the firm, which equals 64% of the voting rights, and widens the wedge up to 23.2 percentage points, on average. Such a pronounced separation between ownership and control makes it interesting to compute the ownership stake necessary to control two voting right thresholds that are often considered critical for corporate decision making, namely 50% and 33.3% of the votes<sup>17</sup>, based on the maximum voting ratio achieved in a firm's share capital at loyalty completion. In the average Italian firm relocating to the Netherlands, holding 20.8% of the ownership rights is sufficient to control half of the votes in the shareholders GM (the median value is 9.1%). In two firms, this figure is as low as 4.8%. In the other two samples, the fraction of ownership rights is much closer to the corresponding voting right threshold. Mean values are, indeed, only slightly below 50% for other European and Dutch firms, while the median values are exactly 50%. The same pattern holds for the fraction of ownership rights necessary to control one third of the votes. This is equal to 12.5% on average (4.8% in median) among Italian firms, while it is again close to the 33% threshold among other firms. This seems to happen by no chance: controlling shareholders have a simple alternative to increase their grip over the company GM, namely the loyalty shares mechanism provided by the Italian legislation allows to control half (one third) of the votes in the GM with one third (half) of

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<sup>17</sup> The 50% threshold identifies situations where the main shareholder controls most decisions of the Shareholders' GM, while the 33.3% threshold corresponds to situations where he/she has the power to veto GM decisions requiring a 2/3 supermajority.

ownership rights<sup>18</sup>. Consequently, only firms interested in *strongly* separating ownership from control have a true incentive to relocate. Our results are consistent with this interpretation.

Overall, our evidence indicates that forum shopping plays a relevant role in Italian firms' decision to relocate, as they exhibit not only the highest adoption rate of MVR shares, but also the largest impact of this CEM type on the share capital. In fact, the median values of number of share types, relevance of MVR shares, number of votes per share, and maximum voting ratio are persistently higher among Italian firms. Within the forum shopping motivation, the different patterns in CEMs adoption across the three samples unveil different strategies. Italian firms are different, in that they tend to select mechanisms that protect the position of the *controlling shareholder*, while other European and especially Dutch firms rely on instruments aimed at protecting the *board*. Divergence in ownership structure does not explain the above documented CEM policies, as they sensibly differ between Italian and European firms despite the fact that their ownership characteristics are similar.<sup>19</sup> In a nutshell, not all firms do so... (*così non fan tutte*). In a sense, Italian firms relocating to the Netherlands seem not interested in adopting the Dutch governance model (which attributes a central role to the board of directors) and prefer, instead, to exploit MVR shares to achieve a high degree of separation while, at the same time, keeping control solidly in the founding family's hands.

Actually, Italian firms' CEM policy has pervasive and long-lasting effects on the governance structure because MVR shares work differently from most other CEMs. First, they confer long-term shareholders a disproportionate power over *all* shareholder meeting decisions, from the approval of the remuneration policy to those concerning M&As and other extraordinary transactions. The implications of supermajority provisions, mainly used by other European firms, and protective foundations, prevalent among Dutch firms, are instead limited to *a small number* of key corporate decisions, such as the nomination or dismissal of board members, and defense against possible takeover threats. With these provisions in place, the board still needs to find a majority in the GM to get approval of its proposals on all other issues under a one-share-one-vote system; this is in stark contrast with firms issuing MVR shares, where the main shareholder enjoys disproportionate control over *all* GM decisions.

Furthermore, MVR shares allow shareholders to tighten their level of control of the firm over time or, alternatively, to keep control unchanged while progressively reducing their equity stake, thereby

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<sup>18</sup> On the opposite, Italian MVR shares do not represent – in this regard – an attractive solution for a company already listed, since they confer only three votes per share and, above all, their issuance would require a lengthy and costly process of de- and re-listing.

<sup>19</sup> Cash flow and voting rights are measured as of the end of 2021, i.e. after relocation. Since Italian firms exhibit a more aggressive adoption of CEMs than their European peers, their ownership structure before the relocation is likely to have been even closer to that of other European firms.

– in both cases – potentially exacerbating agency conflicts. Not only is the wedge between ownership and control rights higher in Italian companies, but its size is bound to increase dramatically over time, as the loyalty scheme displays its effects. This is potentially problematic in light of the recent literature showing a growing risk of entrenchment in the long-run in companies deviating from the one-share-one-vote principle. Overall, loyalty schemes are at odds with cost-benefit analyses suggesting the adoption of time-based sunset provisions for MVRs.

[ TABLE 9 ]

The evidence from Italian firms which have relocated to the Netherlands allows us to infer the most likely impact of possible reform proposals of the Italian legislation: in particular, the possible introduction of MVR shares conferring up to 10 votes per share for unlisted companies. Will this solution increase the attractiveness of the instrument for Italian firms, combat what is perceived as unfair competition by the Netherlands and succeed in “keeping Italian companies home”? The answer is: probably not. The reason differs for firms at the IPO stage and for companies already listed.

In the former case, the attractiveness of MVR shares depends crucially on the IPO price (of the ordinary shares, the only category to be listed): the deeper the discount investors require to buy these shares, the less will controlling shareholders be attracted by complex shareholding structures. History shows that, so far, MVR shares have not been very successful: only 6 companies (in 10 years) have issued such shares before going public.<sup>20</sup> It is legitimate to doubt that 10-vote shares will be more attractive than 3-vote shares, since the discount of ordinary shares would probably increase proportionally.

In the latter case, “enhanced” MVR shares would have little or no impact on the decision of listed companies to move abroad<sup>21</sup>. Actually, the recourse to such MVR shares would require a (lengthy and costly) process of de- and re-listing; relocation to a foreign country (notably, to the Netherlands)

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<sup>20</sup> 65 Italian companies preferred introducing loyalty shares which – though accompanied by a smaller increase in voting power – often allowed controlling shareholders to reach critical thresholds in terms of control of the GM. The introduction of loyalty shares requires a mere approval by the GM (although generally with a supermajority vote) and may therefore easily have redistributive effects. On the other hand, 3 of the 6 firms which introduced MVR shares have chosen to go public not through the traditional IPO process but by merging with a Special Purpose Acquisition Company (SPAC), which shortens execution times and imposes lower disclosure requirements. Also, going public by merging with a SPAC avoids to explicitly quantify the discount at which shares are placed (namely underpricing).

<sup>21</sup> At least if MVR shares may be issued only by firms which are not yet listed. We ignore the alternative case (where MVR shares could be issued also by companies already listed), since it has not apparently been considered by the Italian government, and for good reasons: the issuance of MVR shares by listed firms could imply huge redistributive effects to the detriment of ordinary shareholders.

would therefore continue to represent a more attractive solution, implying only some transaction costs and the risk that some shareholders could exercise their withdrawal right.

### Italian firms going public abroad

In this section, we focus on foreign IPOs conducted by Italian firms with the aim of quantifying their incidence in terms of number of IPOs and amount of proceeds raised relative to the Italian IPO market. Table 10 reports our results. Panel A shows the annual number of foreign IPOs benchmarked against the annual number of IPOs taking place in Milan, while Panel B shows the annual proceeds raised by Italian firms going public abroad benchmarked against the amount raised by firms going public in Milan. Data on domestic IPO activity are obtained from Borsa Italiana and cross-checked with the Refinitiv database. We also distinguish between IPOs taking place on main markets from those taking place on second-tier, exchange-regulated markets, typically designed to provide small firms with an easier access to public equity markets by applying looser listing requirements (Bernstein et al., 2020). Notable examples of second-tier market is the Alternative Investment Market of the London Stock Exchange and AIM-Italia in Milan (now Euronext Growth Market or EGM).

Panel A shows that foreign IPOs by Italian firms account for 9.8% of the 377 IPOs that took place in the Milan stock exchange during the period 2000-2021. Also, of the 37 IPOs conducted abroad, only 9 led to the listing of an Italian firm on a main market, while the remaining 28 occurred on second-tier markets. Panel B shows that Italian firms raised €4.69 bn by going public abroad, which corresponds to 8.61% of the domestic IPO market. Despite being smaller in number, IPOs on foreign main markets account for almost the entirety of the amount of capital raised, namely €4.17 bn. This is consistent with both firm and offer size being larger in main markets relative to second-tier markets.

Overall, our evidence about IPOs seems to alleviate concerns about the alleged decreased attractiveness of the Italian stock market relative to other countries, as the loss of capital associated with such IPO outflow appears modest. While it is true that foreign IPOs have become increasingly common over the last few years, this may be at least partly explained by the broad globalization process and the increasing integration of international financial markets. Most importantly, it does not seem to be a first-order motivation for the decline in the number of Italian listed firms. This downward trend is indeed common to developed western economies, where increasing delistings have not been matched by new listings (OECD, 2021). If the Italian stock market had truly become less attractive than its foreign counterparts, then we should have observed more Italian firms going public abroad.

## Conclusions

This study aims at shedding light on two types of corporate transaction that have become increasingly common among Italian firms, namely the transfer of the registered office to a foreign country and the decision to go public abroad. Both phenomena have raised concerns at the academic, industrial, and political levels about an alleged competitive disadvantage of Italy vis-à-vis other countries in terms of regulatory framework for corporations as well as attractiveness of its financial market. We contribute to the debate by documenting the frequency and economic relevance of the two types of transaction. Also, we delve into the possible driving forces leading firms to relocate abroad, such as investment and acquisition opportunities, tax saving, and forum shopping.

Our empirical evidence allows to draw the following conclusions. Italian firms' decision to relocate abroad seems to be primarily driven by forum shopping considerations. Other motives behind relocations, such as strategic and fiscal reasons, seem to play, at best, a minor role. This is especially the case for firms moving to the Netherlands, as their degree of ownership-control separation becomes much higher than both that prevalent before relocation and that allowed by domestic legislation through MVR shares<sup>22</sup>. Furthermore, the degree of separation after moving to the Netherlands is way more pronounced than that of Italian firms moving elsewhere, of other European firms relocating to the Netherlands and also of native Dutch firms. Finally, Italy is the European country that exhibits the largest firm outflow, both in general and to the Netherlands, despite CEM regulation in other countries being sometimes equally or even more restrictive than the Italian one.

The CEM policy of Italian firms differs remarkably from that of their peers. They selectively introduce CEMs preserving or strengthening the voting power of the controlling shareholder, such as MVR shares. On the opposite, other European firms tend to introduce supermajority provisions, thereby conforming to the standard Dutch practice of protecting board stability, not shareholder power. This aim is reached by Dutch firms, typically widely held, mostly through a protective foundation serving as a takeover defense. In a nutshell, when going to the Netherlands, not all firms follow the same path (*così non fan tutte*). In particular, only Italian firms don't do as the Dutch do.

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<sup>22</sup> A similar degree of separation would still be accessible in Italy through alternative CEMs, such as non-voting shares and/or pyramidal structures, which – however – have become increasingly unpopular among institutional investors and have therefore been substantially dismantled.

The difference between Italian and European firms relocating to the Netherlands is apparently not explained by large differences in ownership structure.

The implications of MVR shares adopted by Italian firms differentiate from those of CEMs adopted by other firms, in that the former: a) separate ownership from control more aggressively, b) select mechanisms that protect the position of the controlling shareholder, while the latter aim at protecting the board, c) confer the main shareholder a disproportionate power over all GM decisions, while the latter still leave the board in need of a majority in the GM to get approval of its proposals, and d) imply a higher risk of entrenchment, especially in the long run. The increasing separation between ownership and control triggered by loyalty mechanisms is at odds with the evidence of recent studies which find that the benefits of MVR shares are short-lived and turn into significant costs in the long run. These costs can be exacerbated when a loyalty mechanism is in place. Contrary to the case where MVR shares are a separate “class” of shares, freely tradeable by their owners, under a loyalty mechanism the superior voting power obtained by loyal shareholders is cancelled in case they decide to sell their shares. This weakens the incentive for controlling shareholders and especially their heirs to exit the business, should they receive a potential “good offer” (i.e., one at a price higher than the value of shares would have under the incumbent control shareholders)<sup>23</sup>. This may happen if they sell part of the original block of shares (a rational assumption, for diversification reasons) because in this case they would be unable to monetize the value of control while - at the same time - they would be insulated from the disciplinary role of the market for corporate control (i.e., a takeover would be extremely unlikely). Since prior literature has extensively documented that heirs rarely possess the same entrepreneurial skills of their predecessors, this may result in firms that are inefficiently managed and uncontestable at the same time.

As for the foreign IPOs phenomenon, we document that its economic relevance is limited, in terms of both the number of IPOs and the amount of capital raised in the domestic market. Also, most Italian firms conducting a foreign IPO actually go public on second-tier markets tailored to small firms,

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<sup>23</sup> An example can make this point clearer. Assume that the capital of a firm is represented by 100 shares attributing one vote each. The value of the firm is €100 (cash-flow rights, i.e. the expected value of future dividends) + €30 (value of corporate control, which is indivisible and may only be transferred with the control block) = €130 in total. The founder holds 50 shares worth  $50+30=€80$ . Assume then that loyalty MVR shares are issued over time (say in 10 years), so that the founder (or her heirs) owns 50 votes, while the other shareholders (short-term institutional investors) hold the remaining 50 shares, giving them one vote each. The founder’s heirs may sell 40 shares to diversify their holdings and still retain control of the firm by keeping 10 shares with 100 voting rights. In this case, their block would be worth  $10+30=€40$ . However, no bidder would be willing to pay that price (unless she is able to multiply by four the value of cash-flow rights), since she would need another 10 years to gain full control (and enjoy the value associated with it) through the loyalty mechanism. The founder’s heirs would then be locked-in, unless their management of the firm is so poor that the value of their block (cash-flow rights + control rights) decreases to the point that it becomes rational for them to accept the offer. Of course, the above numerical example is built on somewhat “extreme” hypotheses; however, the rationale behind it still holds for more reasonable assumptions.

given their looser listing requirements compared to main markets. This evidence alleviates concerns about an alleged competitive disadvantage of the Italian stock market.

Transferring the company seat and/or going public abroad are complex phenomena. In this paper we showed the size of both and investigated the reasons behind the former. We showed that foreign IPOs of Italian firms are still limited in number and economic significance, that the decision to relocate abroad is driven mainly by forum shopping reasons and that Italian firms tend to replicate their home governance model while other European firms tend to conform to that of the country of destination. Still, we are left with a puzzle concerning the profound reasons why Italian firms apparently follow a different path from their foreign counterparts. The old story of Italian firms being accustomed to a system where investor protection is low and minority expropriation is high is both outdated (Belcredi and Enriques, 2015) and unable to explain why they choose to move to allegedly superior legislatures. While the Netherlands clearly attract firms trying to escape rigid home legislation, the different pattern followed by Italian companies remains hard to explain. Further analysis of this point is left for future research.

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## Tables

**Table 1. Year and country distributions of relocations and foreign IPOs by Italian firms.** Year and country distributions of the sample of 15 registered office transfers and 37 foreign IPOs by Italian firms during the period 2000-2021. For registered office transfers, country represents the country of destination; for foreign IPOs, the country of the stock exchange.

<i>Panel A. Year</i>	Relocations		Foreign IPOs	
	obs.	%	obs.	%
2000	0	0.0	1	2.7
2001	0	0.0	0	0.0
2002	0	0.0	0	0.0
2003	1	6.7	0	0.0
2004	0	0.0	2	5.4
2005	0	0.0	1	2.7
2006	0	0.0	3	8.1
2007	0	0.0	2	5.4
2008	0	0.0	0	0.0
2009	0	0.0	0	0.0
2010	0	0.0	0	0.0
2011	0	0.0	1	2.7
2012	0	0.0	1	2.7
2013	1	6.7	0	0.0
2014	2	13.3	4	10.8
2015	3	20.0	3	8.1
2016	1	6.7	2	5.4
2017	0	0.0	3	8.1
2018	2	13.3	2	5.4
2019	1	6.7	4	10.8
2020	1	6.7	2	5.4
2021	3	20.0	6	16.2
<i>Panel B. Country</i>				
Austria	0	0.0	6	16.2
France	2	13.3	13	35.1
Hong Kong	0	0.0	1	2.7
Luxembourg	2	13.3	0	0.0
Malta	0	0.0	1	2.7
Netherlands	9	60.0	0	0.0
Romania	0	0.0	1	2.7
Sweden	0	0.0	1	2.7
Switzerland	0	0.0	4	10.8
United Kingdom	2	13.3	6	16.2
United States	0	0.0	4	10.8
Total	15	100.0	37	100.0

**Table 2. Origin-destination matrix of relocations.** Number of registered office transfers for each pair of country of origin (rows) and destination (columns) occurring during the period 2000-2021 by firms with a market capitalization of at least €1 bn as of year-end 2021.

Origin	Destination						Total
	BE	FR	IE	LU	NL	UK	
Austria					1		1
France	1			1	3		5
Germany			1		5		6
Ireland					1	1	2
Italy		2		2	9	2	15
Russia					1		1
Spain					1		1
Switzerland			1				1
Ukraine				1		1	2
United Kingdom			1		1		2
Total	1	2	3	4	22	4	36

**Table 3. Descriptive statistics on relocations.** Descriptive statistics of the sample of 15 Italian firms and 21 non-Italian, European firms transferring their registered office to other European countries during the period 2000-2021 with a market capitalization of at least €1 bn as of year-end 2021. The nationality of Italian and other (European, non-Italian) firms is identified based on their country of origin, i.e. where their office was registered before the transfer. All variables are measured as of year-end 2021. In Panel A, CAPEX is capital expenditures divided by total assets. Leverage is total financial debt divided by total assets. Cash is cash and equivalents divided by total assets. ROA (ROE) is return on assets (equity). Dividends is the amount of cash dividends paid divided by equity. In Panel B, controlled are firms having at least one shareholder holding 20% or more of the voting rights. Widely held are firms in which no single shareholder owns 20% or more of the voting rights.

<i>Panel A. Financials</i>	Italian firms (15 obs.)		Other EU firms (21 obs.)	
	mean	median	mean	median
Market cap (€bn)	18.0	6.8	17.5	2.5
Revenues (€bn)	16.3	2.9	6.3	2.6
Total Assets (€bn)	29.4	6.7	15.2	3.5
CAPEX (%)	2.5	2.2	4.4	3.4
Leverage (%)	28.6	22.8	24.3	19.2
Cash (%)	15.5	11.9	25.9	16.3
ROA (%)	4.7	5.6	-10.6	3.5
ROE (%)	14.1	11.5	-19.7	8.2
Dividends (%)	3.4	2.6	2.8	0.0
<i>Panel B. Ownership structure</i>	no.	%	no.	%
Controlled	13	86.7	16	76.2
Widely held	2	13.3	5	23.8
Total	15	100.0	21	100.0

**Table 4. Variations in financial variables around the relocation year.** Changes in variables of the sample of 15 Italian firms and 21 non-Italian, European firms transferring their registered office abroad during the period 2000-2021 with a market capitalization of at least €1 bn as of year-end 2021. The variation of each variable is computed over the [-1,+1] and [-2,+2] year time intervals, with 0 being the year of the transfer. CAPEX is capital expenditures divided by total assets. Leverage is total financial debt divided by total assets. Cash is cash and equivalents divided by total assets. ROA (ROE) is return on assets (equity). Dividends is the amount of cash dividends paid divided by equity. Acquisitions is the number of acquisitions completed by the firm in the year. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels, respectively, of the t-test (means) and Wilcoxon rank-sum test (medians) of the difference from zero.

	Variation [-1,+1] (12 obs.)		Variation [-2,+2] (11 obs.)	
	mean	median	mean	median
<i>Panel A. Italian firms</i>				
CAPEX (%)	-0.6*	-0.5*	-1.0*	-1.0*
Leverage (%)	-6.2	-0.7	-0.9	1.3
Cash (%)	3.9	1.4	-0.3	-4.1
ROA (%)	4.5	-0.3	-1.2	-1.5
ROE (%)	28.0	-0.5	-4.9	-4.1
Dividends (%)	0.9	0.2	1.4	0.5
Acquisitions (no.)	0.4*	0.0	0.2	0.0
	Variation [-1,+1] (16 obs.)		Variation [-2,+2] (14 obs.)	
	mean	median	mean	median
<i>Panel B. Other EU firms</i>				
CAPEX (%)	-5.9	-0.2	-0.6	0.2
Leverage (%)	6.1	2.2	-2.8	-0.8
Cash (%)	-4.3	-1.0	-1.6	1.5
ROA (%)	0.4	-0.8	-4.7	1.7
ROE (%)	-15.3	-12.7	23.6	5.1
Dividends (%)	-2.5	0.0	-1.7	0.7
Acquisitions (no.)	0.2	0.0	1.1*	0.0

**Table 5. Tax saving motive for relocations.** Panel A shows the tax domicile of the sample of 15 Italian firms and 21 non-Italian, European firms transferring their registered office abroad during the period 2000-2021. The panel shows the country of origin, the country where the registered office is transferred (destination), and the country where the firm is tax domiciled after the transfer. Countries in bold indicate firms actually transferring their tax domicile. Panel B reports the variation in the effective tax rate computed over the [-1,+1] and [-2,+2] year time intervals, with 0 being the year of the transfer. Effective tax rate is the ratio between income taxes and pre-tax income.

<i>Panel A. Transfer of tax domicile</i>						
Origin	Reg.office destination	no.	Tax domicile destination	no.		
Austria	Netherlands	1	Austria	1		
France	Belgium	1	France	1		
	Netherlands	3	France	3		
	Luxembourg	1	<b>Luxembourg</b>	<b>1</b>		
Germany	Netherlands	5	Germany	4		
			<b>Netherlands</b>	<b>1</b>		
Ireland	Ireland	1	<b>United Kingdom</b>	<b>1</b>		
	Netherlands	1	Ireland	1		
Italy	United Kingdom	1	Ireland	1		
	France	2	<b>France</b>	<b>2</b>		
Italy	Luxembourg	2	<b>Luxembourg</b>	<b>2</b>		
	Netherlands	9	Italy	6		
			<b>Netherlands</b>	<b>1</b>		
			<b>United Kingdom</b>	<b>2</b>		
United Kingdom	2	<b>United Kingdom</b>	<b>2</b>			
Russia	Netherlands	1	Russia	1		
Spain	Netherlands	1	Spain	1		
Switzerland	Ireland	1	<b>United Kingdom</b>	<b>1</b>		
Ukraine	Luxembourg	1	<b>Luxembourg</b>	<b>1</b>		
	United Kingdom	1	<b>Switzerland</b>	<b>1</b>		
United Kingdom	Netherlands	1	United Kingdom	1		
	Ireland	1	<b>Ireland</b>	<b>1</b>		
<i>Panel B. Effective tax rate variation</i>						
	Variation [-1,+1]			Variation [-2,+2]		
	mean	median	n	mean	median	n
Italian firms	-7.3	-1.7	12	6.1	5.3	11
Other EU firms	9.8	1.8	16	13.2	-2.1	14

**Table 6. Relocations to the Netherlands: comparative statistics.** Descriptive statistics of the samples of (1) 9 Italian firms transferring their registered office to the Netherlands, (2) 13 non-Italian, European firms transferring their registered office to the Netherlands, and (3) 41 Dutch firms with registered office in the Netherlands. Transfers occurred during the period 2000-2021. All firms have a market capitalization of at least €1 bn as of year-end 2021. All variables are measured as of year-end 2021. In Panel A, CAPEX is capital expenditures divided by total assets. Leverage is total financial debt divided by total assets. Cash is cash and equivalents divided by total assets. ROA (ROE) is return on assets (equity). Dividends is the amount of cash dividends paid divided by equity. In Panel B, controlled are firms having at least one shareholder holding 20% or more of the voting rights. Widely held are firms in which no single shareholder owns 20% or more of the voting rights.

<i>Panel A. Financials</i>	Italian firms (9 obs.)		Other EU firms (13 obs.)		Dutch firms (41 obs.)	
	mean	median	mean	median	mean	median
Market cap (€bn)	17.6	14.9	11.3	2.4	24.6	9.3
Revenues (€bn)	23.7	2.9	6.0	2.2	9.4	4.5
Total Assets (€bn)	36.4	5.2	15.0	1.2	62.8	9.7
CAPEX (%)	3.2	2.9	4.3	3.4	2.3	1.3
Leverage (%)	30.0	30.4	25.6	20.3	25.8	22.6
Cash (%)	19.3	16.0	34.9	21.0	15.6	8.6
ROA (%)	5.7	6.4	-25.3	-2.6	7.0	7.5
ROE (%)	16.3	14.0	-47.8	-9.3	18.3	16.9
Dividends (%)	4.6	2.7	0.7	0.0	6.0	3.3
<i>Panel B. Ownership</i>	no.	%	no.	%	no.	%
Controlled	8	88.9	12	92.3	15	36.6
Widely held	1	11.1	1	7.7	26	63.4
Total	9	100.0	13	100.0	41	100.0

**Table 7. Relocations to the Netherlands: CEMs adoption.** Number of firms using Control-Enhancing Mechanisms (CEMs) in the samples of (1) 9 Italian firms transferring their registered office to the Netherlands, (2) 13 non-Italian, European firms transferring their registered office to the Netherlands, and (3) 41 Dutch firms with registered office in the Netherlands. Transfers occurred during the period 2000-2021. All firms have a market capitalization of at least €1 bn as of year-end 2021. Multiple voting right shares are shares giving different voting rights based on an investment of equal value. Loyalty-like are multiple voting right shares whose attribution is conditioned on holding the shares for a predetermined time period. Authorized and issued refers to shares authorized in the firm's Articles of Association and shares that have already been issued. Priority shares grant their holders specific powers irrespective of the proportion of their equity stake. Depository certificates are financial instruments representing the underlying shares in a firm which are held by a foundation; holders of unsponsored certificates have no voting rights. Voting right ceiling prohibits shareholders from voting above a certain threshold irrespective of the number of voting shares they hold. Ownership ceiling prohibits potential investors from purchasing an equity stake above a certain threshold. Supermajority is a provision requiring a majority of shareholders larger than 50% + 1 vote to approve certain important corporate changes, applying to: a) director nomination: if the board nominates a candidate director for each vacant seat and this nomination is binding, the general meeting of shareholders can deprive the nomination's binding character; b) director dismissal: resolution to suspend or remove a director (other than pursuant to a proposal by the board); c) amendment to Articles of Association; d) company sale or dissolution. Protective foundation is a foundation acting as a takeover defense with specific powers that can be deployed in presence of a hostile takeover threat.

	Italian firms (9 obs.)		Other EU firms (13 obs.)		Dutch firms (41 obs.)	
	no.	%	no.	%	no.	%
Multiple voting right shares						
Authorized	8	88.9	4	30.8	7	17.1
Authorized, loyalty-like	6	66.7	0	0.0	0	0.0
Issued	7	77.8	4	30.8	3	7.3
Issued, loyalty-like	5	55.6	0	0.0	0	0.0
Priority shares	2	22.2	4	30.8	6	14.6
Depository certificates	0	0.0	3	23.1	28	68.3
Unsponsored	0	0.0	2	15.4	13	31.7
Ceiling						
Voting right ceiling	2	22.2	4	30.8	0	0.0
Ownership ceiling	0	0.0	2	15.4	0	0.0
Supermajority	3	33.3	10	76.9	15	36.6
Director nomination	2	22.2	6	46.2	8	19.5
Director dismissal	3	33.3	8	61.5	9	22.0
Amendment art.of association	0	0.0	4	30.8	7	17.1
Company sale/dissolution	0	0.0	3	23.1	8	19.5
Protective foundation	0	0.0	1	7.7	22	53.7

**Table 8. Relocations to the Netherlands: focus on MVR shares.** Comparative statistics on multiple voting right shares for the samples of (1) 9 Italian firms transferring their registered office to the Netherlands, (2) 13 non-Italian, European firms transferring their registered office to the Netherlands, and (3) 41 Dutch firms with registered office in the Netherlands. Transfers occurred during the period 2000-2021. All firms have a market capitalization of at least €1 bn as of year-end 2021. Panel A refers to shares authorized in the Articles of Association, and Panel B refers to shares that have already been issued. No. share types is the number of existing share types, including preference shares. MVR shares weight is the number of multiple voting rights shares divided by the total number of shares. Votes per share is the weighted average of the number of votes per share, with the weights being the number of shares of each type. Maximum voting ratio is the number of votes attached to the share having the maximum voting power, divided by the number of votes attached to each ordinary share.

	Italian firms (9 obs.)		Other EU firms (13 obs.)		Dutch firms (41 obs.)	
	mean	median	mean	median	mean	median
<i>Panel A. Authorized capital</i>						
No. Share types (incl. Pref.)	2.6	2.0	1.7	1.0	2.0	2.0
MVR shares weight (%)	41.0	42.0	5.2	0.0	1.6	0.0
Votes per share (no.)	2.6	1.4	1.2	1.0	1.1	1.0
Maximum voting ratio	8.6	10.0	9.5	1.0	191.3	1.0
<i>Panel B. Issued capital</i>						
No. Share types (incl. Pref.)	1.8	2.0	1.3	1.0	1.2	1.0
MVR shares weight (%)	26.2	24.6	6.2	0.0	0.5	0.0
Votes per share (no.)	3.3	1.3	1.2	1.0	1.0	1.0
Maximum voting ratio	5.0	2.0	9.5	1.0	20.6	1.0

**Table 9. Relocations to the Netherlands: ownership and control implications.** Comparative statistics on Control-Enhancing Mechanisms (CEMs) for the samples of (1) 9 Italian firms transferring their registered office to the Netherlands, (2) 13 non-Italian, European firms transferring their registered office to the Netherlands, and (3) 41 Dutch firms with registered office in the Netherlands. Transfers occurred during the period 2000-2021. All firms have a market capitalization of at least €1 bn as of year-end 2021. Panel A describes the situation as of year-end 2021. Panel B assumes full accomplishment of the loyalty program on the main shareholder's current equity stake. Ownership (voting) rights is the amount of ownership (voting) rights held by the main shareholder. VR-OR wedge is the difference between the main shareholder's voting and ownership rights. In Panel B, OR to control 1/2 (1/3) of VRs is the fraction of ownership rights necessary to control half (one third) of the total voting rights based on the maximum voting ratio of issued shares.

	Italian firms (9 obs.)		Other EU firms (13 obs.)		Dutch firms (41 obs.)	
	mean	median	mean	median	mean	median
<i>Panel A. Current situation</i>						
Ownership rights (%)	40.8	49.3	33.8	26.4	22.4	13.3
Voting rights (%)	55.3	61.8	39.2	45.3	22.4	13.3
VR-OR wedge (%)	14.5	11.8	5.4	0.0	0.0	0.0
<i>Panel B. At loyalty completion</i>						
Voting rights (%)	64.0	65.9	39.2	45.3	22.4	13.3
VR-OR wedge (%)	23.2	15.4	5.4	0.0	0.0	0.0
OR to control 1/2 of VRs (%)	20.8	9.1	39.9	50.0	47.3	50.0
OR to control 1/3 of VRs (%)	12.5	4.8	26.1	33.3	31.4	33.3

**Table 10. Italian firms going public abroad.** Domestic and foreign IPOs by Italian firms in terms of number of transactions (Panel A) and proceeds raised (Panel B). Domestic IPOs refer to IPOs completed in the Italian stock exchange. Foreign IPOs are 37 transactions by Italian firms in foreign stock exchanges during the period 2000-2021. The ‘Main market’ column refers to IPOs taking place on official regulated markets.

<i>Panel A. No. IPOs</i>	Domestic IPOs	Foreign IPOs		
		Total	% Total	Main market
2000	39	1	2.6	0
2001	17	0	0.0	0
2002	7	0	0.0	0
2003	4	0	0.0	0
2004	10	2	20.0	0
2005	16	1	6.3	0
2006	22	3	13.6	2
2007	31	2	6.5	1
2008	6	0	0.0	0
2009	4	0	0.0	0
2010	5	0	0.0	0
2011	4	1	25.0	1
2012	2	1	50.0	0
2013	6	0	0.0	0
2014	13	4	30.8	0
2015	27	3	11.1	2
2016	12	2	16.7	0
2017	31	3	9.7	0
2018	23	2	8.7	0
2019	35	4	11.4	0
2020	21	2	9.5	0
2021	42	6	14.3	3
<b>Total</b>	<b>377</b>	<b>37</b>	<b>9.8</b>	<b>9</b>

<i>Panel B. Proceeds (€bn)</i>	Domestic	Foreign IPOs		
		Year	IPOs	Total
2000	6.10	0.01	0.17	0.00
2001	3.84	0.00	0.00	0.00
2002	1.22	0.00	0.00	0.00
2003	0.53	0.00	0.00	0.00
2004	3.16	0.02	0.75	0.00
2005	2.98	0.01	0.44	0.00
2006	5.33	0.13	2.39	0.12
2007	4.27	0.18	4.16	0.03
2008	0.13	0.00	0.00	0.00
2009	0.14	0.00	0.00	0.00
2010	2.57	0.00	0.00	0.00
2011	0.59	1.70	290.27	1.70
2012	0.18	0.00	2.43	0.00
2013	1.23	0.00	0.00	0.00
2014	2.62	0.04	1.40	0.00
2015	5.51	1.05	19.11	1.05
2016	1.44	0.01	0.81	0.00
2017	5.37	0.07	1.31	0.00
2018	1.74	0.04	2.41	0.00
2019	2.54	0.04	1.63	0.00
2020	0.70	0.05	6.93	0.00
2021	2.26	1.33	58.80	1.27
Total	54.47	4.69	8.61	4.17