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Bocconi

AIDAF–EY Chair
of Strategic Family Business
in memory of Alberto Falck

XIV AUB Observatory

The share buyback in Italian family firms

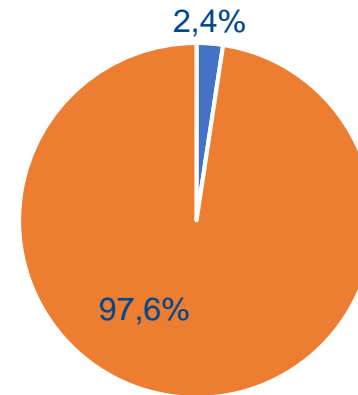
By Guido Corbetta and Fabio Quarato



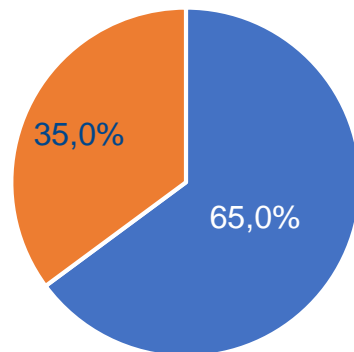
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The population of companies analyzed is composed as follows:

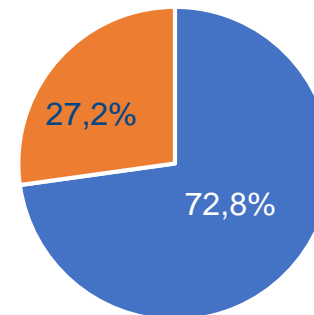
- **97.6%** are not listed on a listed market
- **65.0%** are family-controlled
- **72.8%** have a shareholder with a stake higher than 50%



■ Listed business ■ Unlisted business



■ Family business ■ Non-family business



■ First shareholder with share > 50%
■ Shareholders with shares < 50%

The share buyback is something that has affected an increasing number of companies over the past decade, especially among family-controlled firms (rising from 8.7% in 2013 to 15.8% in 2021)

<i>% average of shares</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Family firms</i>	8,1%	9,2%	9,4%	9,8%	10,3%	10,6%	10,9%	10,8%	11,0%
<i>Non family firms</i>	5,5%	6,5%	6,5%	6,8%	7,4%	7,2%	7,1%	7,1%	6,9%
Total	7,5%	8,5%	8,7%	9,0%	9,5%	9,8%	9,9%	9,8%	9,9%

<i>% of companies</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Family firms</i>	8,7%	9,7%	10,6%	11,6%	12,3%	13,3%	14,2%	15,2%	15,8%
<i>Non family firms</i>	5,2%	6,0%	7,0%	7,5%	8,0%	8,4%	9,2%	10,0%	10,3%
Total	7,4%	8,4%	9,3%	10,1%	10,8%	11,6%	12,4%	13,3%	13,9%

Even among non-family companies, the share buyback is more common among firms with more concentrated ownership (first shareholder with a stake higher than 50%)

<i>% of companies</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
Family firms	8,7%	9,8%	10,6%	11,6%	12,3%	13,4%	14,2%	15,2%	15,8%
<i>Shareholders < 50%</i>	3,3%	3,9%	4,3%	4,5%	4,8%	5,2%	5,6%	5,9%	6,2%
<i>First shareholder > 50%</i>	5,3%	5,9%	6,4%	7,0%	7,5%	8,1%	8,7%	9,3%	9,6%
Non family firms	5,2%	6,0%	7,0%	7,4%	8,0%	8,4%	9,2%	10,0%	10,3%
<i>Shareholders < 50%</i>	2,5%	2,8%	3,3%	3,4%	3,7%	3,9%	4,4%	4,6%	4,8%
<i>First shareholder > 50%</i>	5,2%	6,0%	7,0%	7,4%	8,0%	8,4%	9,2%	10,0%	10,3%
Total	7,4%	8,4%	9,3%	10,1%	10,8%	11,6%	12,4%	13,3%	13,9%

In terms of number of companies, the share buyback increased more among listed companies; the average portion of treasury shares held is higher in unlisted firms

<i>% average of shares</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Listed firms</i>	5,1%	4,8%	4,6%	5,8%	5,9%	5,8%	6,6%	5,6%	6,1%
<i>Unlisted firms</i>	7,6%	8,7%	8,8%	9,2%	9,7%	9,9%	10,1%	10,1%	10,1%
Total	7,5%	8,5%	8,7%	9,0%	9,5%	9,8%	9,9%	9,8%	9,9%

<i>% of companies</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Listed firms</i>	12,2%	12,7%	14,8%	13,9%	16,5%	21,1%	24,5%	28,7%	29,5%
<i>Unlisted firms</i>	7,4%	8,3%	9,2%	10,0%	10,6%	11,4%	12,2%	12,9%	13,5%
Total	7,4%	8,4%	9,3%	10,1%	10,8%	11,6%	12,4%	13,3%	13,9%

More mature companies, with a probably more fragmented ownership structure, are those that make greater use of share buyback

<i>% average of shares</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Less than 10 years old</i>	4,0%	7,8%	10,5%	9,7%	9,3%	9,2%	9,5%	8,6%	9,5%
<i>Between 10 and 25 years old</i>	7,0%	8,3%	8,4%	8,8%	9,5%	9,7%	9,4%	9,0%	9,1%
<i>Between 25 and 50 years old</i>	7,9%	8,9%	9,0%	9,6%	10,1%	10,1%	10,4%	10,5%	10,5%
<i>Over 50 years old</i>	7,4%	8,2%	8,2%	8,4%	8,6%	9,2%	9,6%	9,5%	9,8%
Total	7,5%	8,5%	8,7%	9,0%	9,5%	9,8%	9,9%	9,8%	9,9%

<i>% of companies</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Less than 10 years old</i>	1,3%	1,5%	1,6%	1,9%	2,7%	4,0%	5,3%	6,3%	6,8%
<i>Between 10 and 25 years old</i>	5,9%	7,0%	8,1%	8,9%	9,6%	10,6%	11,2%	12,1%	12,8%
<i>Between 25 and 50 years old</i>	8,1%	9,1%	10,0%	10,8%	11,5%	12,2%	13,2%	14,0%	14,4%
<i>Over 50 years old</i>	10,3%	11,3%	12,3%	13,1%	13,5%	14,2%	14,9%	16,1%	16,5%
Total	7,4%	8,4%	9,3%	10,1%	10,8%	11,6%	12,4%	13,3%	13,9%

In larger companies, there is a greater propensity to carry out share buyback transactions

<i>% average of shares</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Between 20 and 50 mln</i>	7,9%	9,5%	9,4%	10,0%	10,6%	11,1%	11,2%	11,2%	11,3%
<i>Between 50 and 100 mln</i>	8,5%	9,0%	8,9%	9,3%	10,1%	9,9%	10,3%	10,2%	10,3%
<i>Between 100 and 250 mln</i>	7,1%	7,9%	8,4%	8,4%	8,5%	8,9%	8,9%	9,0%	8,9%
<i>> 250 mln</i>	5,7%	6,5%	6,7%	7,0%	7,2%	7,0%	6,8%	6,8%	7,1%
Total	7,5%	8,5%	8,7%	9,0%	9,5%	9,8%	9,9%	9,8%	9,9%

<i>% of companies</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Between 20 and 50 mln</i>	6,4%	7,4%	8,2%	9,1%	9,9%	10,6%	11,4%	12,0%	12,4%
<i>Between 50 and 100 mln</i>	7,3%	8,2%	9,0%	9,9%	10,2%	11,2%	12,3%	13,1%	13,8%
<i>Between 100 and 250 mln</i>	8,0%	8,8%	10,1%	10,9%	11,5%	12,4%	13,0%	14,1%	14,5%
<i>> 250 mln</i>	11,4%	12,3%	13,3%	13,7%	14,4%	15,3%	16,3%	18,4%	18,7%
Total	7,4%	8,4%	9,3%	10,1%	10,8%	11,6%	12,4%	13,3%	13,9%

The results show a noticeable increase in companies buying their own shares in the last decade, especially unlisted ones. The phenomenon is greater:

- **in family-controlled firms;**
- **in companies with more concentrated ownership (first shareholder > 50%)**
- **in larger companies**
- **in the longest-running companies**

By contrast, no differences emerged between the incidence of firms that purchased their treasury shares and:

- **the enterprise's net financial position**
- **the business sector and the CAGR of the industry revenues**
- **the geographical area of the firm**

These results allow us to conclude that the main purpose of share buyback in family firms can be traced back to phenomena of re-arrangement of the ownership structure.

Starting from the entire Italian population of 17.901 companies with a turnover exceeding 20 million euro:

- subsidiaries were eliminated in the case of monobusiness groups and parent companies (often financial holding companies) in the case of multibusiness groups**
- branches of foreign companies (with a non-Italian headquarter) were excluded**

As a result, the AUB Observatory analyzed the shareholding of 9.871 groups in the years from 2013 to 2021.

The analysis was also extended to the first-tier shareholders of the 9.871 firms mentioned above, i.e. all shareholders with the legal form of «spa» with a share higher than 25% (10% for companies with fragmented ownership).