



He Made \$123 Million in 2013. Is He Worth It?

Description

It's a number so big that it looks like a mistake.

But on Thursday Canadian private equity giant **Onex Corp** (TSX: OCX) revealed that Chairman and CEO Gerald Schwartz earned over \$129 million in 2013. The company's shareholders are certainly used to big payouts to senior executives – Mr. Schwartz earned over \$60 million back in 2011 – but 2013's payout bumped the standard to a whole new level.

The funny part is that his base salary was only \$1.3 million. Half his pay was based on options, while the rest came from incentive bonuses, carried interest, and dividend payments.

Pay for performance

So was Mr. Schwartz worth the price tag? Well, in 2013 Onex shares returned over 37%, including dividends. To put that into context, Onex's share performance added about \$1.8 billion in shareholder value. Over the past five years, the story has been even better – the company's share price has returned 29% per year. So Onex's shareholders are certainly in a good mood, and should be willing to accept Mr. Schwartz's pay package.

At the same time, Onex is not the only company to generate such great returns for shareholders. And while it is important to compensate executives fairly for their performance, Mr. Schwartz's pay is excessive by practically any standard. His dual role of Chairman and CEO plays a part.

But at the end of the day, this payment is the kind of thing shareholders have come to expect from Onex. They knew what they were signing up for when they bought the shares. So while Mr. Schwartz's compensation is excessive, investors have no right to complain – especially since they have done all right too.

The other side of the coin

Compare this with **Barrick Gold** ([TSX: ABX](#))(NYSE: ABX), another company that has recently been emphasizing pay for performance. But unlike Onex, the company has performed very poorly, and

shareholders have suffered – over the past three years, the stock price has lost 25% per year.

Yet in 2013, the CEO made \$7.7 million, and two other board members made a combined \$13.4 million. So even though the numbers don't jump off the page as much as Onex's, these executives are without doubt more overpaid than Mr. Schwartz.

Foolish bottom line

Whenever one of these enormous pay packages is announced, one cannot help but think of Warren Buffett, who pays himself only \$500,000 and says he doesn't need stock options to motivate himself.

But at the same time, Onex's shareholders have done very well, and they know what they've signed up for. So Onex should be able to justify its compensation packages. Not all companies in Canada can say the same thing.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:ONEX (Onex Corporation)

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