What Do Barrick Gold Corp. and Canadian Imperial Bank of Commerce Have in Common?

Description

Companies rarely want to be compared with **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX), but that's what's happening to **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Unfortunately for CIBC, it's a well-deserved comparison.

Both companies have had plenty of past difficulties, with shareholders paying a heavy price. Now, they are coming under fire for their compensation practices. Understandably, investors are not pleased and are making their opinions known.

So, what exactly are these companies doing, and does it mean you should avoid their shares?

Barrick Gold: no bad deed goes unrewarded

Barrick is the world's largest gold miner, and also one of the industry's worst performers. Its past mistakes are well known, most notable are the Pascua Lama disaster and the Equinox acquisition. In the past three years its shares have slumped by more than 60%, with plenty of management turnover along the way.

Shareholders are not in any mood to hear about generous pay packages, yet that is exactly what the company has announced. Executive Chairman John Thornton received US$13 million in 2014, 35% more than the previous year. Co-Presidents Jim Gowans and Kelvin Dushnisky also got paid handsomely. Combined, the three people pulled in US$25 million.

Even worse, this comes at a time when Barrick is laying off employees; the company plans to reduce the headcount at its head office from 260 to 140 this year. There's no doubt this sends the wrong message.

CIBC: the gift that keeps on giving

Like Barrick, CIBC has had its share of past issues. Most notable was its $11 billion of write-downs during the U.S. financial crisis, which pummeled the company's share price. To illustrate, the company's stock price is down 3% in the past eight years. All the other big five banks are up by at least 10% (**Toronto-Dominion Bank** shares are up more than 60% in this span).

Granted, CIBC's shareholders have not suffered as much as Barrick's have, but they are still in no mood to hear about big pay packages.

Yet CIBC revealed that outgoing executives Gerry McCaughey and Richard Nesbitt received "post-employment arrangements" worth $25 million last year. In response, the bank failed its non-binding "say-on-pay" vote at its annual meeting Thursday.

Does this mean you should avoid these stocks?

In my opinion, this shouldn't prevent you from buying CIBC shares. The company has performed much better in the past five years, and has acknowledged why it failed the say-on-pay vote. It's still a very solid company, one that investors can count on for years.

Barrick is a different story. This is the second time in three years it has enraged investors like this. Even worse, the business is still struggling. At this point, there are just too many issues with this company, so I would avoid the stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:ABX (Barrick Mining)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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Date
2025/07/22
Date Created
2015/04/24
Author
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