



## Why Are Yamana Gold Inc. Shareholders So Fed Up?

### Description

On Wednesday shareholders of **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) strongly voted against the company's compensation plan at its annual "say on pay" vote. The vote is non-binding, but it still prompted CEO Peter Marrone to return part of his non-cash bonus.

So, why did so many shareholders vote no? And are Mr. Marrone's actions enough? Most importantly, how should you react as an investor?

### Christmas came early at Yamana

According to Yamana's Management Information Circular form, Mr. Marrone was paid roughly \$5.8 million last year. That doesn't seem like such a big number—after all, he was paid over \$10 million the year before.

But that's not the end of the story. Early last year Yamana teamed up with **Agnico Eagle Mines Ltd.** to buy out Osisko Mining Corp. for \$3.9 billion. For helping to complete that transaction, Mr. Marrone was paid a \$2.7 million cash bonus, plus 450,000 performance share units (PSUs).

Shareholders were not amused, nor should they have been. Mr. Marrone was essentially receiving a special bonus for doing his job. I'm not surprised at all by the vote's results.

In response, Mr. Marrone is returning the 450,000 PSUs (although he seems to be keeping the \$2.7 million). Is that enough?

### A look back

To answer this question, let's take a look back at the Osisko Mining deal. It came at the end of a bidding war, one that **Goldcorp Inc.** started. Goldcorp even raised its bid by \$1 billion at one point, and still lost.

When Yamana and Agnico made its \$3.9 billion bid, Osisko CEO Sean Roosen didn't even wait for a counteroffer from Goldcorp. He said, "I believe this is the best outcome we can possibly come to."

Yamana's shareholders were not so excited—the company's stock price declined by nearly 4% that day.

When looking at all of this, Yamana and Agnico clearly paid a hefty price to win that bidding war. And for this reason, Mr. Marrone didn't deserve any special bonus at all. So, even after returning the PSUs, he was still overpaid by \$2.7 million.

### **How should you react as an investor?**

Mr. Marrone's bonus will not make a significant dent in Yamana, whose total market value is over \$4 billion. So, why are we worrying about this so much?

Well, Yamana has sent a very powerful message: poor performance gets rewarded at the company. And if I'm looking for stocks I can hold for 30 years, that's something I don't want to see. For that reason (along with a few others), Yamana is not part of my portfolio, and I would encourage you to sell your shares, too.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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### **Date**

2025/07/22

### **Date Created**

2015/04/30

### **Author**

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