



Galen Weston Jr.: He's 1 of the 3%

Description

The dye was cast once Galen Weston Jr. pulled the trigger on the Shoppers Drug Mart deal back in 2013.

It was clear the then 40-year-old executive chairman of **Loblaw Companies Limited** ([TSX:L](#)) would soon be moving up the ranks to not only run day-to-day operations at the grocery store but to also take over from his dad as executive chairman of **George Weston Ltd.** ([TSX:WN](#)), the Weston family-controlled holding company.

Statistics from the Boston-based Family Firm Institute suggest the younger Weston, in his role as the fourth generation operating George Weston, is part of a very exclusive crowd. Only 3% of family businesses, the Institute finds, survive into the fourth generation.

Bravo. If only more families could follow the Weston recipe. Investors who bought Weston stock in 1977 and held for 35 years until 2012 would have achieved a 14% annualized return—400 basis points higher than non-family firms during the same period.

The Clarkson Centre for Board Effectiveness studied the stock performance of 23 family-controlled TSX companies in 2013, and with the exception of two or three of the companies studied—**AGF Management Limited** and **Bombardier, Inc.** come to mind—most have continued to flourish in the four years since the release of the study's results.

Interestingly, many of those companies have [dual-class](#) share structures, a corporate governance practice most institutional investors are opposed to. As an individual investor, I don't have a problem with it as long as the performance is there. The fact the Westons have been able to retain control of the business without resorting to two or more classes of shares is an argument in itself against the dual-class structure.

It's been more than two years since Loblaw closed the Shoppers Drug Mart deal, an acquisition that took George Weston's ownership in the grocer from a majority control position at 63% to its largest shareholder at 46%. At the time of the Shoppers deal, a George Weston company spokesman suggested it would ultimately take control of Loblaw either by acquiring more shares or from Loblaw

buying back stock.

Given Galen Weston Jr.'s appointment to the top executive position at George Weston, I'd expect that to happen sooner rather than later. Long-time shareholders will no doubt be glad to see it happen.

However, what I'd really like to see is George Weston buy Selfridges Group, the family's privately owned luxury retail conglomerate. While luxury retail is having a tough time of it lately, long term, it's one of the best segments in retail. The inclusion of Holt Renfrew Selfridges and its other retail holdings on the George Weston balance sheet would really get the stock to pop.

These are all wonderful possibilities if you are a George Weston shareholder. The future with the 43-year-old Weston in charge appears bright. Let's hope he can get it to a fifth generation.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:WN (George Weston Limited)

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