

Who Are Canada's Most Overpaid CEOs?

Description

Is there anything worse than an overpaid CEO?

Down in the U.S., CEO pay (or shall we say "overpay"?) is a constant discussion in the media, and yet nothing is ever done to solve the problem.

The U.S.-based nonprofit shareholder advocacy group As You Sow put out a 49-page report in February called "The 100 Most Overpaid CEOs: Are Fund Managers Asleep at the Wheel?" It looks at the reasons CEOs are overpaid and how it hurts the overall U.S. economy as a result.

"CEO pay is a core contributor to America's extreme and growing income inequality," states the report's introduction. "The Economic Policy Institute (EPI) notes that over the period of 1978 to 2015, the inflation-adjusted pay of a typical worker grew by about 0.4% a year (a total of 10% over 35 years) while the pay of a typical CEO grew almost a hundred-fold. CEO pay grew an astounding 943% over the past 37 years, nearly doubling the growth of the S&P 500 at 544% and the Dow Jones Industrial Average at 543% over the same time period."

If you think it's any better in Canada, think again. We just do a better job hiding it. As investors, we have an obligation to speak out when we're not happy with CEO compensation.

As You Sow found **CBS Corporation** (NYSE:CBS) CEO Les Moonves to be the most overpaid CEO in the S&P 500. Who are the most overpaid CEOs in Canada?

There are many criteria you could use, but the simplest method would be to look at a list of the highest paid CEOs and narrow the choices to those whose stocks have seriously underperformed the S&P/TSX Composite Index over the past five years.

To qualify, they must still be in the job and have been CEO for the entire five-year period. This disqualifies former **Valeant Pharmaceuticals Intl Inc.** CEO Michael Pearson.

Here are my three choices.

Jeffrey Orr

According to *Canadian Business*, the CEO of **Power Financial Corp.** (TSX:PWF) made \$11.7 million in 2016 and has been in the top job since 2005. In the past five years, PWF stock has delivered to shareholders an annualized total return of 8.6% — 120 basis points better than the S&P/TSX Composite Index.

I know what you're thinking: "How can a CEO whose company stock outperformed the TSX be on a list of the most overpaid?" Well, you could ask the same question about Les Moonves. CBS stock achieved an 18.4% annualized total return over the last five years, and yet he's at the top of As You Sow's list.

I'm a fan of the Desmarais family, but paying a guy almost \$12 million to run a holding company is downright silly.

George Cope

Named Canada's Outstanding CEO of the Year in 2015, Cope was the 16th highest-paid CEO of a public company in 2016, pulling in \$11.5 million. That's not a bad payday for a company whose stock achieved an annualized total return of 5.6% over the past five years, underperforming the TSX by 177 basis points.

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) is probably one of Canada's most despised media companies, yet it continues to attract lots of income investors who love its 4.9% dividend yield. Fool.ca contributor Andrew Walker might [like](#) it, but once you back out the dividend, BCE stock basically has gone sideways for the last five years.

That's not being responsible to shareholders.

Edward Sonshine

Ask anyone who's anti-development in Toronto about **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) and they'll probably give you a piece of their mind. I live in the centre part of Toronto, very close to RioCan's head office; it has at least three projects in various stages of completion within a 15-minute walk of my apartment.

Don't get me wrong; I'm not anti-development, but when the CEO is also the founder of the company, it seems crazy to pay Sonshine \$5.7 million when he already owns \$11 million in company stock.

But most egregious is the performance of RioCan stock. Over the past five years, it's generated an annualized total return of 3.9% — 346 basis points worse than the index. By comparison, **First Capital Realty Inc.** ([TSX:FCR](#)), which also own a fair bit of real estate in central Toronto, achieved an annualized total return of 6.5% over the same period.

CATEGORY

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