



Sears Canada's Executive Chairman Rescuing the Company Is a Really Bad Idea

Description

The Toronto Star reported August 17 that Sears Canada executive chairman Brandon Stranzl was stepping down from his role at the company to prepare a bid to buy it out of bankruptcy.

Is that good news? No, it's not.

The only worse idea than Stranzl buying the company is for **Sears Holdings Corp.** (NASDAQ:SHLD) CEO Eddie Lampert to buy it instead.

Hey, if you're a laid-off Sears Canada employee or are still working there, I feel for you and honestly hope the company finds a lifeline, but if you think that either of these two gentlemen is up to the task, you're sadly mistaken.

Putting either of them in charge of rescuing Sears Canada is like **Royal Caribbean Cruises Ltd.** asking the Captain of the Costa Concordia to take the helm of Allure of the Seas — a ship that cost US\$1.4 billion to build.

Beggars can't be choosers

I realize that almost anything is better than liquidation — a fate Sears Canada is sure to face if it can't find its way out of the massive hole it's built for itself — but sometimes you just have to say no, regardless of the consequences.

Do yourself a favour and look through some of the court documents for Sears Canada's CCAA application. Right there in bold print is a stunning set of numbers.

In the course of the last four fiscal years, Sears Canada managed to take a profitable business with \$4.4 billion in revenue and \$73.5 million in adjusted EBITDA and turn that into an adjusted EBITDA loss of \$282.9 million from \$2.6 billion in revenue.

By almost any measure, that's a colossal collapse, but doubly so because its former parent's business had been losing ground to other retailers in the U.S. since 2008.

Enter Brandon Stranzl

Unless you're an aficionado of obscure information or a long-time follower of Sears Canada, you probably don't have a clue who he is; I didn't, and I follow the retail industry fairly closely.

It turns out that Stranzl worked for Eddie Lampert's investment firm, ESL Investments Inc., for a couple of years and if *Bloomberg's* bio of Stranzl is accurate, he's been affiliated with Lampert since 2003.

A chartered financial analyst, he certainly would understand his way around financial statements and be able to analyze public companies, but running a large department store, especially one that's hemorrhaging cash, is not something he's qualified to do; he's not unlike Eddie Lampert, only on a smaller scale.

Because Sears Canada's stock has been delisted, it's likely that Stranzl made little profit from the 500,000 restricted stock units granted on September 1, 2015. I say little because he was to receive one-third of them on the first anniversary, which translates into a \$605,000 benefit on top of his US\$1.2 million annual salary.

That's pretty generous when former employees had to beg to receive any severance from the company. I'm sure Mike Myers's brother Peter, a long-time Sears Canada [employee](#), could and would have done a better job for less.

Bottom line

I don't know Brandon Stranzl from Adam, but the fact he moved from Greenwich, Connecticut, to Toronto to do the job, tells me he's far more privileged than most of us.

If Sears Canada is to get a second life, current employees better hope it's not Stranzl who gives it to them, because every instinct in my body tells me that's got *liquidation* written all over it.

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