



Are These 3 CEOs Worth Their Weight in Gold?

Description

Here's a news flash.

The three highest-paid CEOs in 2017 of the 100 largest publicly traded TSX companies received a combined \$65.2 million, with **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) boss Donald Walker bringing home the most at \$26.4 million, 3.5 times the \$7.6 million average.

Coming in second and third place this past year were Keith Creel of **Canadian Pacific Railway Limited** ([TSX:CP](#))([NYSE:CP](#)) and James Smith of **Thomson Reuters Corp.** ([TSX:TRI](#))([NYSE:TRI](#)) who earned \$20.1 million and \$18.7 million, respectively.

Are any of these CEOs worth the weight in gold? Let's have a look at a couple of the metrics for each of the three companies.

Revenue per employee

Company	Revenue	Employees	Revenue per employee
Magna	US\$39.0B	168,000	US\$231,845
CP	\$6.6B	12,163	\$542,629
Thomson Reuters	US\$11.3B	46,100	US\$245,835

It would take revenue from 114 Magna employees to cover Donald Walker's 2017 compensation compared to 37 at Canadian Pacific and 76 at Thomson Reuters.

By this metric, at least, Canadian Pacific CEO Keith Creel delivered the biggest bang for shareholder bucks.

Stock Performance

Company	2017 Total Return
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Magna	24.7%
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CP	21.0%
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Thomson Reuters	-3.7%
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Each percentage point of total return cost Magna shareholders US\$1.07 million in 2017 compared to \$957,142 for CP and negative US\$5.05 million at Thomson Reuters.

By this metric, Canadian Pacific and Magna's CEO's cost about the same based on their respective stock's 2017 total returns, while Thomson Reuters' CEO failed shareholders miserably, a big reason why in late January it ultimately sold [55%](#) of its financial data business to **Blackstone Group L.P.** for US\$17 billion.

Overcooked CEO pay

Neither of the metrics I've provided above are formulas you might see in a chartered financial analyst textbook. Rather, they're meant to merely illustrate why CEO compensation has become such an absurd subject in today's business world.

In January 2017, I [covered](#) this very same subject, noting that the average CEO in Canada in 2015, made \$9.5 million, almost \$2 million higher than in 2017. A big reason for that number being so much higher in 2015 was the result of former **Valeant Pharmaceuticals Intl Inc.** CEO Michael Pearson's egregious \$183 million pay package.

It's uncertain how much money Pearson actually collected on the pay package given it was primarily in stock options and share grants; Valeant's stock collapsed shortly thereafter and hasn't come anywhere close to recovering from its 2015 highs over \$250.

However, it does point out that CEOs of large public companies in this country are paid quite handsomely and often their pay packages don't necessarily fit the performance of the company's financial and/or stock returns.

The bottom line on Magna, Canadian Pacific and Thomson Reuters

Of the three companies at the top of the 2017 CEO compensation, if I had to choose one of the three to own, it would probably be Magna because it's the biggest and most global in scope.

That said, you never want to see the CEO of a company you own at the very top of this kind of list because, more often than not, fate has a way of taking them down a notch or two.

Are any of these CEOs worth their weight in gold? Not in a million years, but beauty is most definitely in the eye of the beholder.

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3. NYSE:CP (Canadian Pacific Railway)
4. NYSE:MGA (Magna International Inc.)
5. TSX:CP (Canadian Pacific Railway)
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