



Couche-Tard founders to lose special voting rights

NICOLAS VAN PRAET >

+ FOLLOW NICOLAS

PUBLISHED 2 DAYS AGO

FOR SUBSCRIBERS

3 COMMENTS SHARE - A A+ TEXT SIZE BOOKMARK

00:00 Voice 1x



A person walks past a Couche-Tard in Montreal on May 21, 2020.

CHRISTINNE MUSCHI/THE GLOBE AND MAIL

Alimentation Couche-Tard Inc. will let the sun set on the special voting rights held by its four founders.

Executive chairman Alain Bouchard says that he and the three other men who built the Canadian convenience-store empire will let their 25-year-old special stock rights, which give them control over the company, expire next year as scheduled without asking shareholders for an extension.

“It’s over,” Mr. Bouchard said in an interview Wednesday following the company’s annual shareholders meeting. “We won’t do anything on this front. I feel better today about this with the evolution of the company in the last years.”

In theory, the decision will leave Laval, Que.-based Couche-Tard exposed to a takeover attempt as soon as next year when the voting rights end. In practice, Couche-Tard’s \$48.5-billion stock market capitalization makes it a massive morsel to swallow for any potential acquirer.

The founders together hold about 23 per cent of Couche-Tard’s equity, Mr. Bouchard said. After their rights expire, that stake, along with the support of friendly shareholders, will still give them “almost a blockage type of group if there’s something we don’t like,” he said.

While that might be true, Couche-Tard is “not totally immune” from outside pressure, said François Dauphin, chief executive of Montreal’s Institute for Governance of Private and Public Organizations. Even if its size limits the number of companies that could raise the amount of money that would be needed to acquire the company, it’s still a possibility, he said.

The fate of the special stock rights has been a big unknown looming over Alimentation Couche-Tard for years. The rights give the four men a separate class of 10-for-one multiple voting shares that have allowed them to exercise majority control of the company despite owning less than a quarter of the equity.

A so-called sunset clause – put in place in 1995 when the founders were in their 30s and 40s – stipulates that their voting rights end when the youngest of them turns 65 or dies. That will happen in December, 2021, when the youngest founder, Jacques D’Amours, celebrates his birthday.

In 2016, the founders proposed extending the voting rights, but the company cancelled a shareholder vote on the proposal at the last minute after concluding that it did not have the two-thirds support needed from Class B subordinate shareholders. Behind the scenes, investors expressed uneasiness about the founders’ children inheriting control of Couche-Tard. Two proxy advisory firms, Institutional Shareholder Services and Glass Lewis & Co., issued recommendations to vote against the plan.

Mr. Bouchard took the rejection personally. But time – and the company’s growth since then – appears to have healed what was once a raw wound for the billionaire chairman.

“I’m in a better place” on this issue today, Mr. Bouchard said. He said the concern at the time was an unwanted bid for Couche-Tard or the involvement of investor activists. Since then, the company’s

market value has ballooned along with its profits.

Couche-Tard's net earnings grew 28 per cent to US\$2.4-billion and sales totalled US\$54.1-billion in its 2020 fiscal year ended April 28. Mr. Bouchard has given company chief executive Brian Hannasch a goal to double net earnings again within five years and he's one-third of the way there, the chairman said Wednesday.

Couche-Tard operates more than 14,000 stores, mostly under the Circle K brand, in 26 countries. The company wants to continue growing but will not chase big acquisition deals just to keep expanding and discourage potential suitors, management said. The company was recently in the running to take over Marathon Petroleum Corp.'s Speedway chain, but was outbid by Japan's Seven & i Holdings Co.

"The best way to discourage these guys to come after us is performance," Mr. Bouchard said. "Brian [is leading] this company in the right direction and we're performing quite well even in the pandemic."

Mr. Bouchard started Couche-Tard in 1980 with Mr. D'Amours, Réal Plourde and Richard Fortin. He said the founders have no plans to make their children senior leaders of the company unless they show interest and prove themselves, adding they see their kin more as "good shareholders" acting in the best interest of the company.

© Copyright 2020 The Globe and Mail Inc. All rights reserved.

351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

Phillip Crawley, Publisher