



# Family-owned companies show 'resiliency' coming out of economic downturns

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Canada's big family-controlled companies appear to be coming out of the COVID-19 pandemic with more stock market momentum than widely-held corporations as they maintain a long-term vision of their businesses and show proof of grit built up over previous crises.

The latest report by National Bank of Canada NA-T +0.87% increase tracking the performance of the country's major family-controlled companies such as retailer Canadian Tire Corp. CTC-T N/A no change and convenience store chain Alimentation Couche-Tard Inc. ATD-T +0.31% increase shows they tallied an average weighted return of 14.3 per cent in 2020, besting the 5.6-per-cent return for the S&P/TSX Composite Index.

The gap was smaller through the first half of 2021, though the family-held companies still performed better with a return of 19.5 per cent versus 17.3 per cent. A similar trend also played out during the 2008 financial crisis.

About 70 per cent of the 44 companies included in the bank's Canadian Family Index report this year have seen at least two generations of family owners.

"One can ask whether family-controlled companies particularly inspire confidence in times of uncertainty over widely held peers," said Vincent Joli-Coeur, vice-chairman of financial markets at National Bank, who co-authored the report. "Many of the family-controlled corporations included in the index have already shown proof of resiliency, having successfully dealt with various economic downturns in the past."

The stock market results bolster the case for supporters of family-controlled corporate structures, who've argued for years that the tendencies among family firms toward more cautious borrowing and better labour relations among other things lead to strong financial performance. Still, that won't extinguish criticism of such arrangements, which flares up periodically as it did in very spectacular and public fashion recently at Rogers Communications Inc. RCI-B-T -0.98% decrease

Family firms offer a stability that enhances the leadership bonds between directors and management, a key advantage during times of uncertainty, said Maureen Sabia, Canadian Tire's long-serving chairwoman who retired last month after 37 years on the board. She said during the height of the COVID-19 crisis the board met Sunday afternoons for months as they dissected what the pandemic meant for the retail chain, which translated to quick and agile decision-making by senior executives.

"During that time, we always said progress over perfection," Ms. Sabia said in an interview. "There was no playbook for how you dealt with the pandemic. And so as long as you were forging ahead with courage and foresight, that was all you really could do."

For Couche-Tard, being a family-controlled company has also played positively into its merger and acquisition activity, said Karinne Bouchard, a corporate director who cut her teeth as the company's treasurer and now sits on the board.

First, it gave the board and management the freedom to push into the United States and Europe with deals that might have faced resistance otherwise, Ms. Bouchard said. Second, it has often smoothed the way in talks with potential acquisition targets that are themselves family-controlled, she said.

That dynamic played out clearly in Couche-Tard's takeover of U.S.-based Holiday Stationstores Inc. in 2017, Ms. Bouchard said. Couche-Tard's was not the highest bid but a chemistry developed between the founders of each company and it was Couche-Tard's bid that won over Holiday in the end, she said.

"This happened other times with other deals" as well, she said, including some that didn't close. In the report, she told an interviewer that being perceived as a family-controlled company was "definitely an advantage" in Couche-Tard's abandoned effort to merge last year with French grocer Carrefour SA, whose anchor shareholders include France's Moulin family.

Couche-Tard is controlled by a group of four founders, including Ms. Bouchard's father, Alain Bouchard, which together holds about 22 per cent of the company's equity. The founders used to have special voting rights but those expired last December.

Montreal-based National Bank is the principal lender to several major Canadian firms that are controlled by families. Its NBC Canadian Family Index includes companies with a market capitalization of at least \$1-billion where the founders hold at least 10 per cent of the company's voting rights or companies where individuals hold a minimum one-third of the voting power.

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