Last call for Daniel O'Neill

Will leave May 31: 'I have delivered on the synergies commitment' vice-chairman says

Paul Brent, *Financial Post*
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It is a subject of some debate whether Daniel J. O'Neill was good for Molson during his six years running Canada's iconic brewer. There is no doubt, however, that Molson has been good for Mr. O'Neill.

The former Campbell Soup Canada president and H.J. Heinz Co. executive has collected tens of millions worth of salary and stock options since taking on the job of executive vice-president of brewing operations. (A year later he took the top job as president and CEO of Molson Inc.)

Critics and supporters alike acknowledge Molson changed dramatically under Mr. O'Neill, who zeroed in from the start on the company's moribund share price. He had good reason to: his first year pay packet (which was nearly four times his predecessor's), included a signing bonus of $2-million which, after-tax, was invested in Molson shares.

Under Mr. O'Neill's leadership Molson energetically hacked at its cost base in his first year, firing white collar workers and closing the Barrie, Ont. brewery - and dumping the company's longtime ad agency. Perhaps his most notable accomplishment was to convince the hockey-mad Molson family to sell the storied Montreal Canadiens and its Bell Centre home to American businessman George Gillett in 2001. Investors took notice and Molson's shares more than tripled over the O'Neill era on a stock-adjusted basis.

For investors who bought Molson shares around the time of Mr. O'Neill's arrival, there is little doubt of his impact on the company.

By other, more traditional measures of health in the brewing industry, Molson came out of the Dan O'Neill era weaker than it started. Its flagship Molson Canadian brand, wrapped in patriotic maple leaf since the 2000 Rant television commercial, has lost its cool factor with the 19-to-25 year old target demographic and looks to be in long-term decline. Molson's all-important national market share was 45.3% when Mr. O'Neill started in 1999. (One share point is worth about $25-million in annual profit). In February, Molson said Canadian market share fell to a record low of 41.8%. Yesterday, Molson Canada president Kevin Boyce admitted market share has again fallen by more than a full share point as sales of key brands such as Canadian and Molson Dry falter. "What is his legacy? His legacy is he lost five market share points and destroyed the rganization, both in terms of morale and personnel," said longtime Molson critic **Michael Palmer**, an analyst with **Veritas Investment Research**.

Molson's long stock market run made Mr. O'Neill a Bay St. favourite and a rich man. As of last fall, Mr. O'Neill had collected $14-million in salary and bonus for his years at Molson along with $13.9-million from exercising stock options plus $34-million worth of unexercised stock options prior to the February merger with Adolph Coors Co.

The bulk of those options, worth $32.6-million, were converted into Molson Coors shares with the merger, which also allowed him to qualify for $8.16-million in dividends.

In the acrimonious six-month fight with some Molson institutional investors to secure the necessary twothirds shareholder approval for the merger with Coors, Mr. O'Neill gave up the right to receive a golden parachute payout at the deal's closing.

Mr. O'Neill, who vowed to quit the company if the merger failed to gain shareholder approval, in the end will have stayed on for four months. His mission as vice-chairman of synergies and integration, to deliver US$175-million in annual cost savings over three months, is apparently finished, or will be when the Molson Coors board of directors meet to approve the plan on May 11.

"I am satisfied that I have delivered on the synergies commitment and I am leaving the company in good hands with a bright future," Mr. O'Neill said.

In a regulatory filing, Molson Coors said Mr. O'Neill will receive a $2.8-million bonus upon board acceptance of his cost-cutting plan, another 800,000 options worth $1.35-million will vest and he will receive payments worth $3-million over 36 months.

That gibes with Molson's Dec. 9, proxy circular which states in the event of an involuntary termination of Mr. O'Neill's employment after a change of control, he is entitled to 36 months salary or about the same amount he gave up when he turned down his change of control package in the runup to the merger.