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## Corporations Making Record Profits in the Pandemic

Analysis by Canadians for Tax Fairness reveals that 34 large Canadian corporations have record high profits during the first three quarters of 2020.<sup>1</sup> These companies added a combined \$8.1 billion to their bottom lines. Record profits have allowed these companies to increase their cash holdings by \$11 billion.

A majority of the 111 large corporations considered—those with profits of over CAD\$100 million in the first three quarters of this year—have already recorded higher profit rates this year than they had on average over the past 20 years. Some of these large and profitable corporations used public subsidies, including the Canada Employment Wage Subsidy (CEWS), to boost their profits for the benefit of their shareholders and billionaire owners (see Appendix).

Decades of corporate-friendly tax policies have contributed to record profits, which have further worsened inequalities. While our governments are taking on record deficits and debt to protect Canadians through this pandemic, it is concerning to see dozens of Canada's largest corporations rake in record profits and in some cases using public subsidies to do so.

Canadians for Tax Fairness is calling for three measures to address the problem: 1) introduce an excess profits tax; 2) restore corporate tax rates; 3) improve transparency and accountability for government spending, corporate ownership and corporate finances.

### *2020's Record Profit-makers*

**TC Energy** (formerly TransCanada Pipelines, and developer of the controversial Keystone XL and Coastal GasLink pipelines) recorded the highest profits among the record-setters. The company had \$3.5 billion in profit on \$9.7 billion in sales, for a profit margin of 35.6%. TC Energy's profits over the first three quarters of this year were almost half a billion dollars more than the same period last year. It had its highest ever quarterly profits in the first and second quarters of 2020.

**Hydro One Ltd** (Ontario's recently privatized electric transmission and distribution utility) had the largest absolute gain, with its profits jumping from \$580 million to \$1.6 billion. Another corporation that saw an increase of more than one billion dollars in profits was **Couche-Tard**, controlled by billionaire

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<sup>1</sup> Analysis used data available through the S&P Compustat database, considering the 111 publicly-traded corporations headquartered in Canada that recorded profits of over \$100 million through the first three-quarters of 2020. Values reported in U.S. dollars were converted to Canadian dollars using average exchange rates reported in Compustat. See the appendix for our method of analysis.

Alain Bouchard. The convenience store company's profits of \$2.9 billion through three quarters already surpassed its full year profits in 2019, a previous record for the company.

Among the 34 record-setters are seven mining companies, which added a combined \$2.4 billion to their coffers.<sup>2</sup> There are also six real-estate investment trusts (REITs), which took in \$687 million more in 2020 than 2019. One of those includes real estate company **Minto Apartment REIT**, whose largest single owner is the billionaire Greenberg family of Ottawa. Minto had the largest percentage increase, with profits 60,609% higher in 2020. The company recorded just \$258,000 in profit through the first three quarters in 2019 but booked \$157 million in 2020.

Seven companies went from red to black in 2020. The biggest gainer among them was the cannabis grower and retailer **Canopy Growth**. From losses of \$306 million, the company recorded \$316 million in profit in 2020. The highest profile member of this group is the e-commerce platform company **Shopify**—headed by Canada's second wealthiest billionaire, Tobi Lütke—which turned losses of \$166 million into profits of \$258 million.

One of the corporations with record profits is the **Metro** grocery store conglomerate. While the company was booking record profits through this year, it cancelled its bonus pay for at-risk frontline workers in June.<sup>3</sup>

#### *TD Bank's Record Third-quarter Profits*

**TD Bank** did not make record-setting profits for the *first three quarters* of 2020, but it did record its highest ever quarterly profit in the *third quarter* of 2020. In fact, TD's profits of \$5.1 billion in the third quarter of 2020 are the second highest quarterly profits by a Canadian company ever. With a third quarter profit margin of 40.8% on revenue of \$12.6 billion, TD also recorded the second highest profit margin by a Canadian bank during the 83 quarters analyzed.

#### *Profits and Cash-holdings*

High profits at a time of economic uncertainty have led to record cash holdings by Canada's largest corporations. Already a concerning trend over the past decade, corporate cash-holdings have exploded during the pandemic. Of the 34 record-setters, 24 increased their cash-holdings to a combined \$30.3 billion from \$19.1 billion a year earlier. **Shopify** had the largest jump, increasing its cash by \$4.6 billion. **Couche-Tard** was second, with an increase of \$3.2 billion. Large cash-holdings—or “dead money” as former Bank of Canada Governor Mark Carney dubbed them—are signs corporations are overly profitable and have too much cash that they are not re-investing in the economy.<sup>4</sup>

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<sup>2</sup> Agnico Eagle Mines, B2Gold, Centerra Gold, Dundee Precious Metals, Kinross Gold, Kirkland Lake Gold, and Trilogy Metals.

<sup>3</sup> Grocery chains scrap \$2 hourly pay bump for workers implemented at start of COVID-19, CBC News, June 12, 2020: <https://www.cbc.ca/news/business/grocery-chains-covid-pay-1.5609290>

<sup>4</sup> Free up dead money, Mark Carney exhorts corporate Canada, the Globe and Mail, Aug 22, 2012: <https://www.theglobeandmail.com/report-on-business/economy/free-up-dead-money-carney-exhorts-corporate-canada/article4493091/>

## Policy recommendations

While our governments are taking on record deficits and debts to keep Canadians safe and solvent during the pandemic, dozens of large corporations are raking in record profits and some are doing so with public subsidies. Many Canadians are asking how we are going to pay for these costs. This report shows there are some obvious places to start.

Our research shows that nearly one-third of the 111 corporations analyzed are enjoying record profits, while many people across the country are struggling. To promote a more inclusive recovery, the federal government should introduce a series of measures to ensure that those who have profited significantly through the crisis, sometimes with public funds, cover a greater share of the costs.

### 1. Introduce an excess profits tax

Canada can learn from past experiences in financing international crises, such as WWI and WWII. The federal government introduced an excess profits tax during these wars of up to 80% on excess profits of Canadian corporations. These taxes often raised more than the general corporate income tax at the time.

There is not only a past precedent for Canada to introduce an excess profits tax, but there is much discussion among international peers and at the OECD about introducing excess or super-profits taxes. Recent national polling by Abacus Data found a large majority of Canadians support the idea of an excess profits tax on corporations to help pay for a bold recovery plan.<sup>5</sup> In times of crisis, fairness requires that larger corporations doing extraordinarily well while so many others are struggling, contribute more.

### 2. Restore corporate tax rates

Over the past 25 years, the actual effective rate that corporations pay on their taxable income has been cut in half. Decades of corporate tax cuts have eroded government revenues and contributed to wealth inequality with little in return for workers or the economy.

These cuts did not produce the promised employment and economic growth. As corporate tax rates plummeted, Canada has seen declining rates of business investment and sluggish growth.<sup>6</sup>

Multiple studies have documented how corporate tax cuts trickle up, rather than down, leading to increased corporate concentration and power, rising cash balances for larger corporations, record share buybacks and dividend payments, as well as sky-rocketing CEO pay.<sup>7</sup> Restoring corporate tax rates would help address worsening inequality and its social harms.

Canada's largest trading partner will soon welcome a new President, Democrat Joe Biden, who pledged to [restore the federal U.S. corporate tax rate to 28%--almost double Canada's federal rate](#). The Canadian

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<sup>5</sup> Abacus Data survey, Nov 19, 2020: <https://abacusdata.ca/wealth-tax-canada-poll/>

<sup>6</sup> Corporate Income Tax Freedom Day, Canadians for Tax Fairness, January 2020, p.6  
<https://www.taxfairness.ca/en/resource/corporate-income-tax-freedom-day>

<sup>7</sup> Fifty years of tax cuts for rich didn't trickle down, study says, Bloomberg, Dec 15, 2020:  
<https://www.bloomberg.com/news/articles/2020-12-16/fifty-years-of-tax-cuts-for-rich-didn-t-trickle-down-study-says>

government should seize this opportunity to reverse years of regressive corporate tax cuts and restore our federal corporate tax rate to 18%.

### **3. Increase transparency and accountability**

It is concerning to see anyone profiting from a pandemic but especially large profitable corporations that accepted public funding while doing so.

When the federal government first announced its CEWS program back in the spring, Canadians for Tax Fairness called for greater transparency and accountability attached to this spending.<sup>8</sup>

CEWS was intended to help workers by providing companies with funding to retain jobs, but a recent investigation by the Financial Post found that 68 companies that collected billions in public aid continued to pay out dividends and share buybacks to shareholders.<sup>9</sup>

It should not require significant investigative work by reporters to uncover how corporations spent public money. To ensure the CEWS and all other government funding for business goes to supporting workers, not making shareholders richer, the federal government should publish further details on which businesses received federal support.

As we recommended early in the pandemic, corporations that received federal aid should be prohibited from engaging in corporate stock buybacks, executive bonuses, golden parachutes and shareholder dividend payouts for at least one year and companies that engaged in these activities should return federal funding.

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<sup>8</sup> Stronger terms needed to keep public dollars from helping tax dodgers, Canadians for Tax Fairness, May 11, 2020: [https://www.taxfairness.ca/en/press\\_release/2020-05/media-release-stronger-terms-needed-keep-public-dollars-helping-tax-dodgers](https://www.taxfairness.ca/en/press_release/2020-05/media-release-stronger-terms-needed-keep-public-dollars-helping-tax-dodgers)

<sup>9</sup> FP Investigation: As CEWS flowed in, dividends flowed out. Financial Post, Dec 7, 2020: <https://financialpost.com/investing/fp-investigation-as-cews-flowed-in-dividends-flowed-out>

## Appendix: Canada's Most Profitable Corporations in 2020: Results and Methodology

Canadians for Tax Fairness used the S&P Compustat database to identify Canadian corporations with more than CAD\$100 million in profits (Compustat code NIQ) through the first three quarters of 2020. This netted 111 companies, which are listed in Appendix 3, ranked by their total profit. The 111 companies were then analyzed historically to compare total profits through the first three quarters of the calendar year, going back to 1980.

Profit margins were calculated as the ratio of profits to revenue (Compustat code SALE). Three-year average profit margins were calculated for 2017-2019. Profit margins for 2020 were total profits as a share of total revenue over the first three quarters.

Note that two of the companies are included just on their performance through two quarters as third quarter results were not yet reported in Compustat when the data was gathered: Dollarama and Empire Co.

Cash-holdings were compared between third quarter figures for 2020 and 2019 from Compustat code CHE, which is 'cash and cash equivalents.'

The following table lists the 111 corporations identified in our search. It includes columns with total profits, whether the profits through the first three quarters of 2020 are a company record, their three-year average profit margin, their 2020 profit margin, and whether or not they received the Canada Emergency Wage Subsidy (CEWS). Note that the results for CEWS recipients may be incomplete due to the complex ownership structures of many of the companies on the list.

Corporation	1 <sup>st</sup> 3Q 2020 profit (millions)	Record profit to date?	3-yr avg profit margin 2017-2019	2020 profit margin to date	CEWS recipient?
TD Bank	\$8,906		22.1%	24.2%	
RBC	\$7,928		20.5%	18.3%	
ScotiaBank	\$4,491		20.1%	14.2%	
Manulife	\$4,091		7.3%	6.8%	
Bank of Montreal	\$3,505		16.4%	14.3%	
TC Energy	\$3,453	Yes	27.2%	35.6%	
Couche-Tard	\$2,863	Yes	3.4%	7.0%	
CIBC	\$2,585		19.4%	14.5%	
CNR	\$2,541		33.2%	25.0%	
Barrick Gold	\$2,224		15.3%	17.5%	
Great-West Life	\$2,131		5.8%	4.9%	
Sun Life	\$1,730		7.9%	5.5%	
BCE	\$1,713		13.0%	10.2%	Yes
CPR	\$1,642		31.4%	28.8%	
Hydro One	\$1,627	Yes	7.5%	30.0%	
Enbridge	\$1,492		8.1%	5.1%	
National Bank	\$1,447		19.9%	17.7%	
Power Corp	\$1,410		2.6%	3.0%	

Rogers	\$1,143		13.4%	11.2%	Yes
Telus	\$947		11.7%	8.4%	Yes
Fortis	\$926		15.4%	14.1%	
Pembina	\$885		18.3%	19.6%	Yes
Restaurant Brands	\$834		22.4%	16.9%	
CGI	\$828		9.9%	9.1%	
Thomson-Reuters	\$764		41.9%	12.8%	
Loblaw	\$760		2.4%	1.9%	
Kinross Gold	\$759	Yes	11.3%	18.5%	
Kirkland Lake Gold	\$759	Yes	31.8%	31.4%	
Intact	\$704	Yes	7.2%	7.6%	
Emera	\$699	Yes	9.3%	17.6%	
George Weston	\$664		1.1%	1.6%	
Metro	\$626	Yes	6.7%	4.5%	
B2Gold Corp	\$621	Yes	13.2%	34.8%	
Molson Coors	\$556		8.9%	5.5%	
IGM Financial	\$535		22.5%	24.3%	
Shaw Communications	\$526		10.8%	13.0%	
Altagas	\$487		4.0%	12.5%	Yes
Wheaton Precious Metals	\$477		23.1%	43.2%	
IA Financial	\$456		5.2%	3.5%	
Quebecor Inc	\$447		11.5%	14.1%	Yes
Canadian Apt REIT	\$441		147.3%	66.1%	
Centerra Gold	\$421	Yes	6.0%	23.7%	
Allied REIT	\$417	Yes	109.2%	97.2%	
West Fraser	\$410		7.8%	9.9%	
Agnico Eagle Mines	\$409	Yes	5.3%	13.6%	
Saputo	\$401		5.8%	3.7%	
Constellation Software	\$392	Yes	10.4%	10.0%	
CCL Industries	\$384	Yes	9.3%	9.9%	
Algonquin Power	\$373		17.4%	21.6%	
CI Financial	\$371		26.7%	25.3%	
Empire Co	\$370		1.3%	2.6%	
Lululemon	\$350		14.0%	9.6%	Yes
Northland Power	\$337	Yes	16.6%	21.5%	
Turquoise Hill Resources	\$334		13.5%	36.6%	
Choice REIT	\$334		14.1%	35.2%	
Canadian Utilities	\$323		17.1%	13.7%	
Norbord Inc	\$323		11.9%	14.7%	
Genworth Canada	\$317		52.8%	49.6%	
Canopy Growth	\$316	Yes	-143.6%	81.9%	Yes
Atlas	\$298		29.3%	20.6%	
Cogeco	\$291		15.9%	16.2%	

Canadian Tire	\$263		5.3%	2.6%	
Granite REIT	\$262		154.7%	105.4%	
Shopify	\$259	Yes	-6.9%	9.8%	
Tfi International	\$256		5.0%	7.1%	
WPT Industrial REIT	\$241	Yes	68.3%	142.6%	
Trilogy Metals	\$233	Yes	-	-	
Dollarama	\$229		15.4%	12.3%	
Teekay Tankers	\$225	Yes	-3.1%	21.6%	
Open Text	\$210		9.3%	6.3%	
Canfor	\$209		3.1%	5.4%	Yes
Element Fleet	\$209		1.0%	15.5%	
Nutrien	\$208		11.4%	0.9%	
TMX Group	\$208		39.3%	32.2%	
WSP Global	\$207		3.1%	3.2%	Yes?
Dundee Precious Metals	\$199	Yes	-2.8%	31.2%	
Canadian Solar	\$196	Yes	4.9%	5.9%	
Franco-Nevada	\$194		31.0%	19.6%	
Canadian Western	\$193		20.0%	17.9%	
Dream Unlimited	\$191	Yes	47.2%	64.0%	
Inter Pipeline	\$190		22.4%	10.7%	Yes
ATCO Ltd	\$186		7.6%	6.4%	Yes?
HSBC Bank Canada	\$183		20.0%	7.6%	
Stella-Jones	\$176	Yes	7.6%	8.7%	
Northwest Healthcare	\$171	Yes	11.9%	55.5%	
Morguard NA REIT	\$168	Yes	57.5%	90.7%	
Linamar	\$166		7.3%	4.0%	
Toromont Industries	\$166		7.5%	6.7%	Yes
Ritchie Bros	\$165	Yes	10.0%	12.1%	
Dream Office	\$162		39.6%	91.3%	
Finning International	\$160		3.3%	3.5%	Yes
Minto	\$157	Yes	47.0%	164.6%	
Stantec	\$154	Yes	3.2%	5.5%	
Labrador Iron	\$153		105.5%	103.8%	Yes
Equitable Group	\$152	Yes	19.1%	17.2%	
Yamana Gold	\$138		-4.6%	9.2%	
Keyera	\$137		9.8%	5.9%	Yes
Capital Power	\$133		13.2%	10.1%	
Interfor	\$131	Yes	1.7%	8.6%	Yes
Cascades Inc	\$125		4.5%	3.2%	
First National	\$121		15.4%	12.2%	
Home Capital Group	\$120		10.7%	16.8%	
Dream Industrial REIT	\$119	Yes	69.9%	67.6%	
Onex	\$114		12.1%	27.6%	Yes?

Summit Industrial REIT	\$111		129.5%	78.6%	
Leon's	\$110	Yes	4.7%	7.1%	Yes
Eldorado Gold	\$110		-20.4%	10.8%	Yes
Gibson Energy	\$109		1.9%	3.0%	Yes
Winpak Ltd	\$108		12.9%	12.3%	Yes
North West Co	\$108	Yes	3.9%	6.0%	
Waste Connections	\$104		11.2%	1.9%	Yes