

# Embattled Loblaw shakes up executive suite

## Top-level changes worry analysts; stock tumbles 6.2 per cent

### Reuters

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TORONTO - Loblaw Cos., Canada's biggest grocer, has shaken up its executive suite in the face of sharp competition in the supermarket business, announcing yesterday that deputy chairman Allan Leighton will take replace Mark Foote as president of the company.

The company also said chief financial officer William Wells will leave to become chief executive of drugmaker Biovail Corp., where he was already an outside director.

Mr. Wells' job will be filled by Bob Vaux, CFO of parent company George Weston Ltd., who will take on the additional role until further notice.

Pietro Satriano, executive vice-president of food, will leave the company, Loblaw said.

The changes come after Loblaw has slashed prices to keep up with Wal-Mart , which is opening several Canadian supercentres that sell food, as well as intense competition from Canadian rivals.

"I would suspect that there was a difference in direction, that Foote and Satriano wanted to go in one direction, and Leighton and (chief executive officer Galen) Weston wanted to go in a different direction," said **Peter Holden**, analyst at **Veritas Investment Research**.

"It makes me a little nervous -- obviously big, unexpected changes at the top are rarely an indication of things going really well," **Mr. Holden** said, who said it was too soon to tell what the outcome of the executive shuffle will be.

Loblaw Cos. shares dropped the most in five months, falling 6.2 per cent to \$29.77 on the Toronto Stock Exchange. The stock has lost about 44 per cent of its value over the past year.

Loblaw is also overhauling its supply chain, closing some stores and cutting 1,000 jobs to try to improve results.

"At this crucial juncture, we require more focus and clarity in our leadership structure," Mr. Leighton said in a statement. "These changes will provide this."

Frank Rocchetti, executive vice-president of general merchandise, will take over Mr. Foote's role as chief merchandising officer and will report to Mr. Leighton, who will also continue in his role of deputy chairman.

British-born Mr. Leighton came to Loblaw in September 2006. Among other jobs, he worked as group marketing director and CEO of British supermarket group Asda, which he was credited with turning around before it was sold to Wal-Mart in 1999.

UBS Investment Research analyst Vishal Shreedhar said that he viewed the fact that Mr. Leighton will now be able to devote all of his time to Loblaw as a positive thing.

"We believe that changes will increase uncertainty in the near term, as Loblaw again shifts to adopt revised processes from the new team," said Mr. Shreedhar in a research note. "Given Loblaw's challenged progress against its restructuring plan, we believe that management changes were needed."