

Publicly listed foundation-owned firms around the world: an overview¹

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Some of the largest listed firms around the world are in part owned by foundations. Examples include Anheuser Busch, ThyssenKrupp, Hershey, Lindt, Tata Consultancy, Evonik, Maersk, and Associated British Foods. Although foundation-ownership is prevalent around the world, relatively little is known about it outside Northern Europe. This paper aims to close the gap by providing a descriptive overview of listed foundation-controlled companies around the world.

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Figure 1: A heatmap depicting the geographical distribution of listed foundation-owned firms



Figure 1 uncovers compelling insights about the representation of listed foundation-owned firms per country. A plethora of firms are located in Western Europe, however, in particular in Denmark, Sweden, Finland and Norway. The significant representation of the Nordic countries is consistent with Thomsen (2017). Examples from the sample include DFDS, Carlsberg, and Novo Nordisk (Denmark), Atlas Copco and Trelleborg (Sweden), Wartsila OYJ and Olvi OYJ (Finland), Olav Thon Eiendomsselskap and Sparebanken (Norway). Foundation-owned companies are also relatively common in the DACH region³. Examples from the sample include Thyssen Krupp, Carl Zeiss, Fielmann (Germany), Lenzing AG, AMAG Austria Metall AG (Austria), and Lindt & Spruengli AG Callebaut (Switzerland). Also in Italy and Spain, we identified a few enterprise foundations. Italy is home to multiple banking foundations and, for example, the Fondazione di San Paolo controls Intesa Sanpaolo, the largest Italian bank by asset size. In Spain, a prominent example of a listed foundation-owned company is Unicaja Banco, whose main shareholder is the banking foundation Fundación Bancaria Unicaja.

Moreover, the significant representation of India is noteworthy, which can be explained by the inclusion of multiple listed subsidiaries of the Tata Group (a large Indian conglomerate) including Tata Consultancy Services and Tata Steel. The Tata Group is one of the most admired companies in India and the main holding company Tata Sons is majority-owned by charitable trusts. Although enterprise foundations are few and far between in the United States due to the 1969 Foundation law⁴, we have located a few firms that come close to foundation ownership: namely Hershey, Anaptysbio and Otonomy (the latter two in which the Novo Foundation holds a controlling ownership stake). Likewise, in the UK we have only been able to identify two listed foundation-owned companies: Associated British Foods and Convatec⁵. Interestingly, we were able to identify a Chinese example of enterprise foundation ownership: the HNA

³ The DACH region comprises three German-speaking countries in Europe: Germany (D), Austria (A) and Switzerland (CH).

⁴ The 1969 Foundation law effectively prevents US foundations from having ownership control of business companies (Fleishman, 2001).

⁵ Legally speaking, British foundations are trusts rather than foundations in the European sense of the word (Thomsen, 2017).

Group. Its largest shareholder is the Cihang Charity Foundation, which has largely philanthropic goals⁶. Finally, we also identified an example of foundation ownership in Turkey: ASELSAN A.Ş., a large Turkish defense company, which was founded in 1975 and is still largely controlled by the Turkish Army Foundation (holding 74.2% of the shares).

Figure 2: Foundation-owned companies' % of total market capitalization per country (2019 year-end)

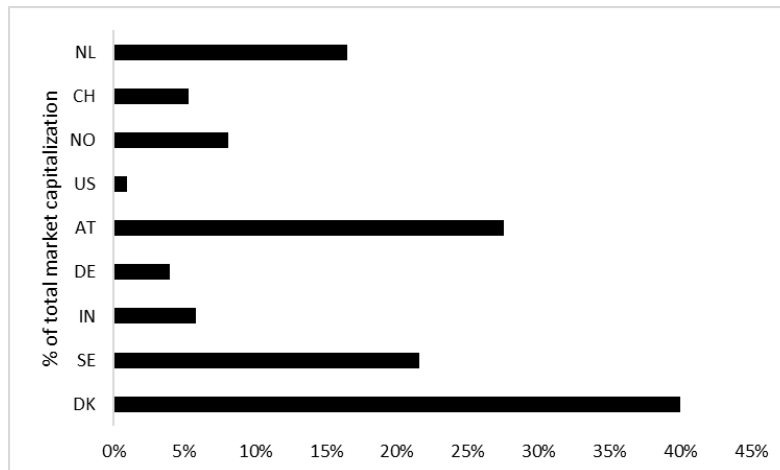


Figure 2 shows the foundation-owned companies' share of total market capitalization per country. The share is highest in Denmark (40%), where foundation-owned firms are valued at more than 300 USD bn (2019 year-end). The second-highest share is in Austria (28%) and the third-highest in Sweden (22%). In India, foundation ownership accounts for a respectable 6% of aggregate market capitalization, while in the United States it accounts for a negligible 1%. In sum, listed foundation-owned companies (or their functional equivalents) are found around the world, however, nowhere else do enterprise foundations play such a large role as in Western Europe.

In addition to the representation of foundation-owned firms per country, figure 3 shows the distribution of firms per industry as indicated by the SIC code. Notably, there is a strong focus on manufacturing firms with 49% of the firms stemming from this industry, while the financial industry encompasses 19% of the firms. More specifically, many of the world's largest chocolate producers including Lindt, Cloetta, Barry Callebaut are in part owned by a foundation. Similarly, in the brewing industry, there is a number of firms, which are in part controlled by a foundation. Prominent examples include Carlsberg, Anheuser Busch, Royal Unibrew and Olvi. Foundations also hold controlling share positions in multiple banks including Danske Bank, Jyske Bank, Von Tobel, VP bank, Sparebanken, Unicaja, Intesa Sanpaolo and Salling Bank. The long-sighted governance model by enterprise foundations may be a unique advantage in these particular industries.

⁶ Note that HNA was transferred into the hands of the Hainan Cihang Charity Foundation in 2017 (Barboza, 2017).

Figure 3: A graphical depiction of the listed foundation-owned companies' per industry

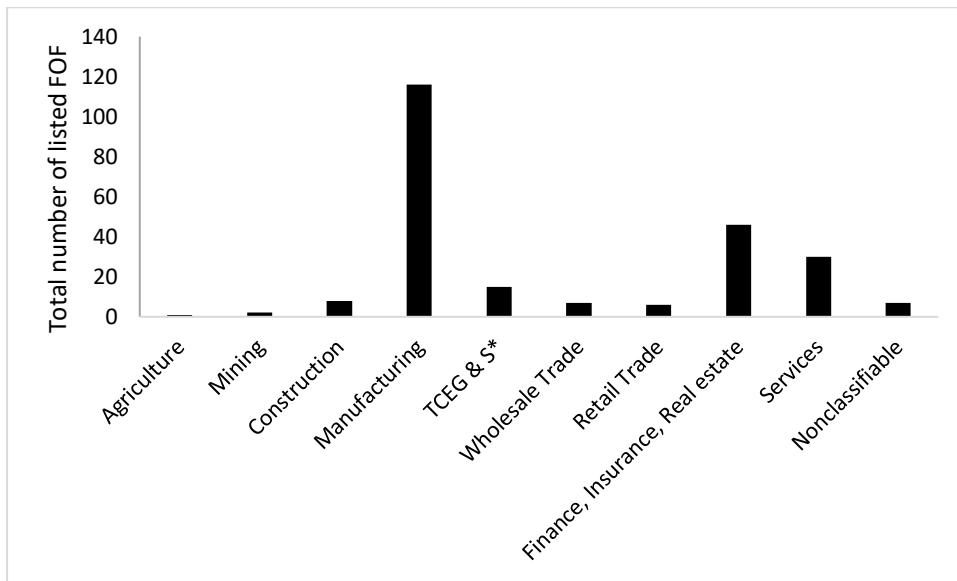


Figure 4: A graphical depiction of the listed foundation-owned companies' aggregate and average total assets 2004-2019 (balanced panel)

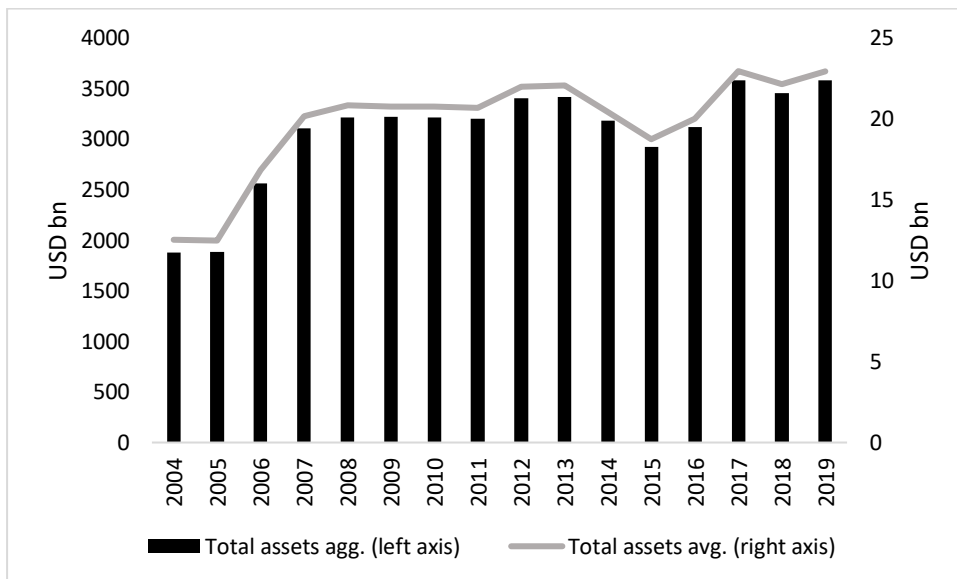


Figure 4 distinguishes between the aggregate (left axis) and average (right axis) company assets of the listed foundation-owned companies. We see that both the aggregate and average measures grew rapidly until a breakpoint in 2009, after which they have stagnated for an extensive period. While the cumulative growth from 2005 to 2009 was 80%, the cumulative growth in the period from 2009-2019 was only 10%, which is a significant drop. Since this is based on balanced panel data we can rule out that it is driven by an increase in observations.

Figure 5: A graphical depiction of the aggregate and average market capitalization of listed Foundation-Owned Companies' overtime (balanced panel)

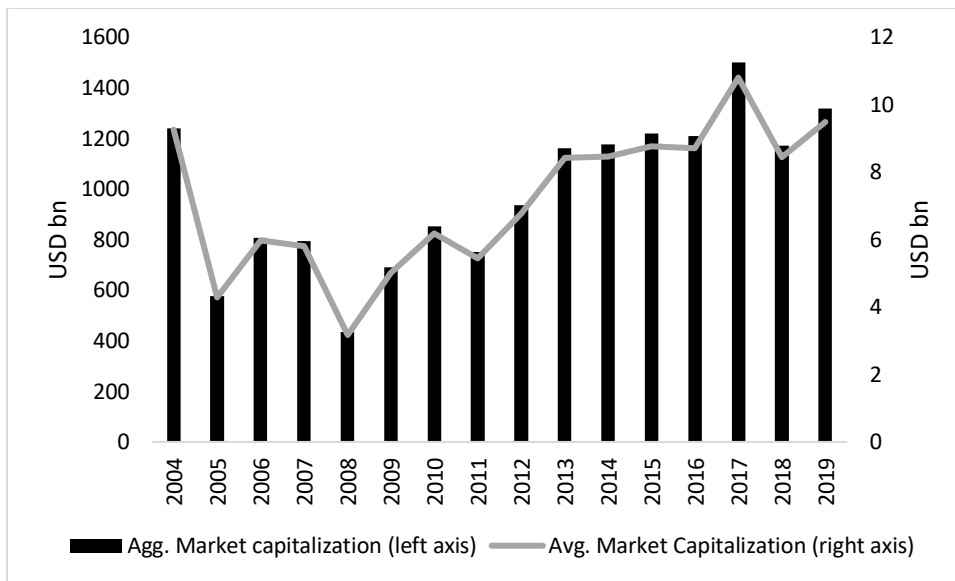
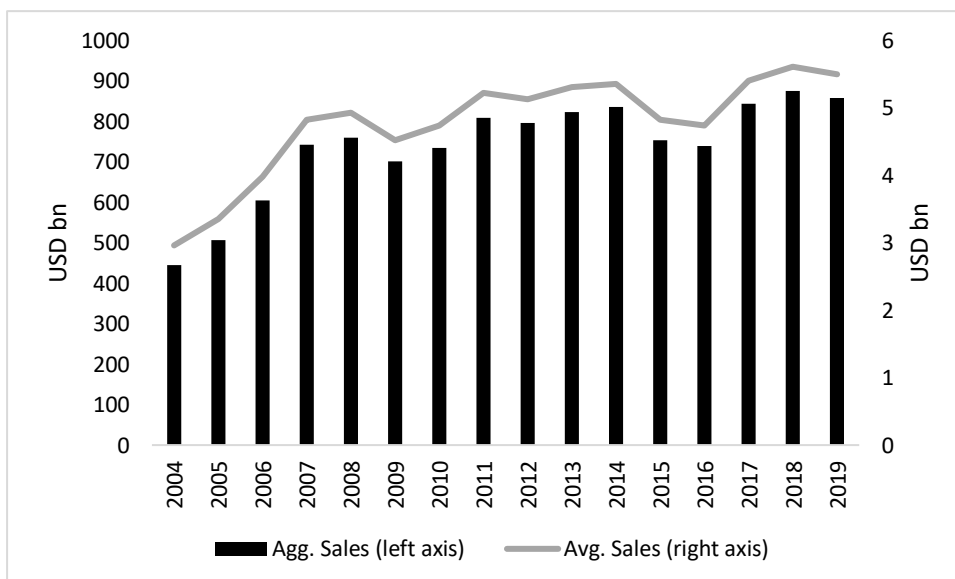


Figure 5 shows how the aggregate and average market capitalization of a balanced panel of listed foundation-owned companies vary over the sample period. The aggregate market capitalization is on the left axis, while the average market capitalization is shown on the right axis. Notably, the downturn of 2008 affects both measures to a similar degree. Also, the growth in both measures from 2011 to 2017 seems to be relatively well-aligned. As a result, changes in aggregate market capitalization are driven by the composition of firms as well as value reactions to variables that are not observed in Figure 5. The market valuations of listed FOFs peaked in 2017 (1.5 trillion USD in aggregate) and have fallen to a somewhat reasonable level in 2019 (1.3 trillion USD in aggregate).

Figure 6: A graphical depiction of the aggregate and average Sales of listed Foundation-Owned Companies' over time (balanced panel)



In figure 6, we track the evolution of total and average sales in listed foundation-owned companies. Similar to figure 4, there is steady growth in the early observation period. Growth in average sales is slightly smaller than the growth in aggregate sales from 2004 to 2008. The

following period (2010 to 2013) is characterized by a better match in changes between aggregated and average sales measures. Consistent with previous figures we observe a decline in 2009 during the financial crisis. Moreover, we can see stagnation and decline in both measures from the year 2012 and onwards, which may be related to a slowdown in growth rates also observed in figure 5.

Figure 7: Assets, Sales and Market Capitalization of the 10 largest listed foundation-owned firms (by asset size, excluding financial firms) as of 2019

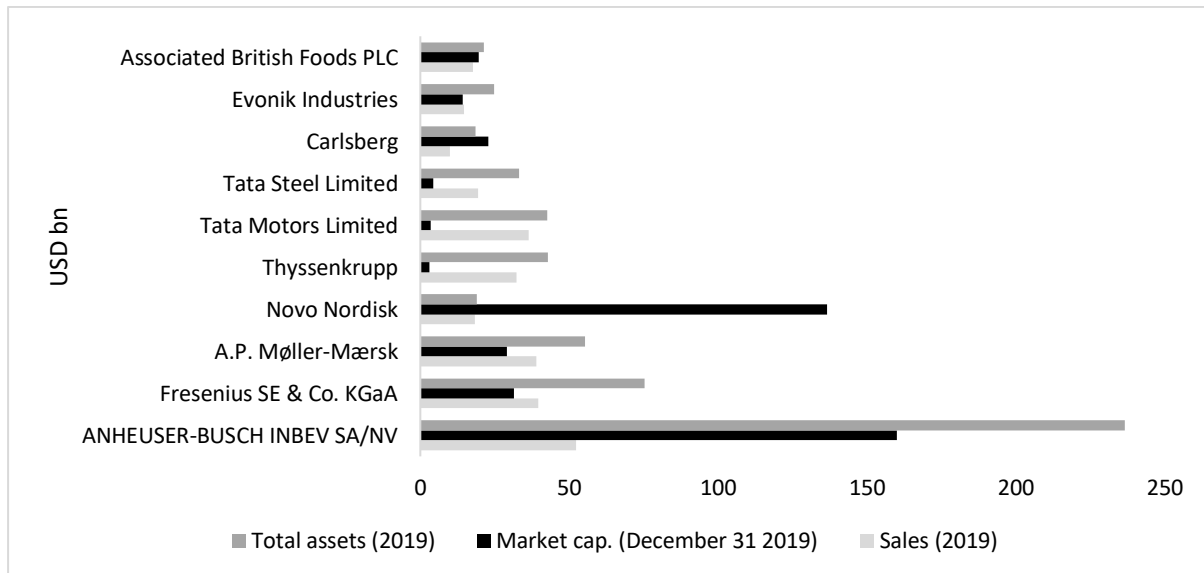
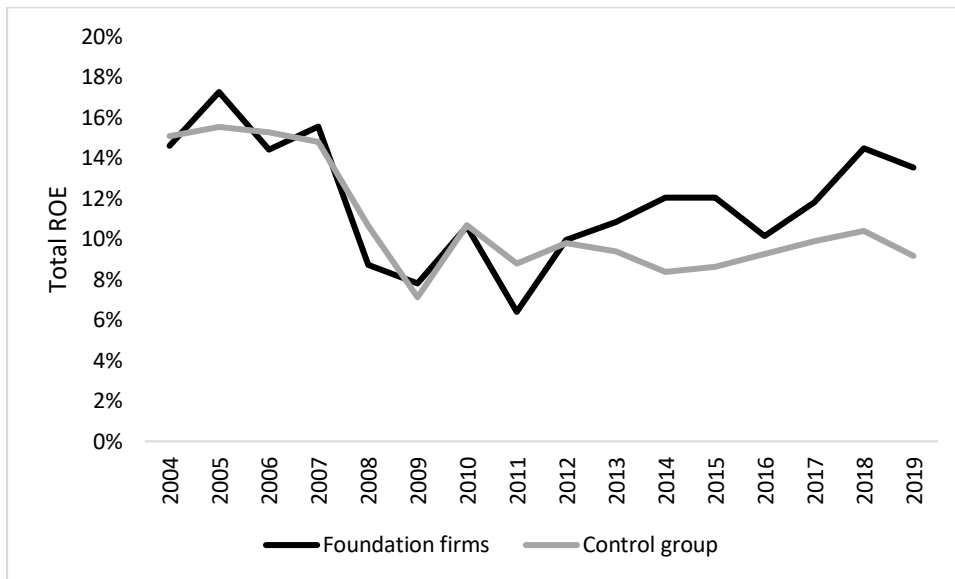


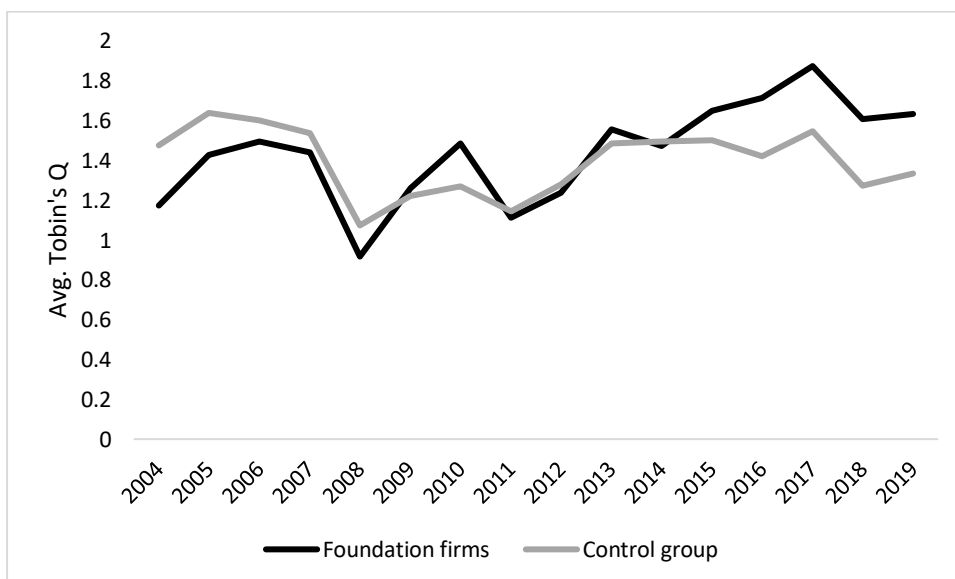
Figure 7 elucidates the assets, revenue and market capitalization of the 10 largest (by asset size) listed foundation-owned firms (excluding financial firms) as of 2019. Notably, Anheuser-Busch Inbev, which is the world's largest brewer, displays the largest asset size (236 USD bn) and market capitalization (160 USD bn). What is particularly compelling in the graph is the relatively low market capitalization of Thyssenkrupp (steel production), Tata Motors (cars and lorries) and Tata Steel (steel production) compared to asset size, which is likely to be explained by challenges to business efficiency and wider industry trends.

Figure 8: Total Return on Equity in listed Foundation-Owned Companies (balanced panel)



In figure 8, we examine the evolution of profitability (Return on Equity) of listed foundation-owned firms compared to a control group consisting of family and investor-owned firms. To avoid outlier bias we measure ROE as total profits divided by total equity in all listed foundation-owned firms and non-foundation-owned firms respectively which is equivalent to a size-weighted average. The average ROE is a respectable 12% for foundation-owned companies in accordance with previous research. In line with economic intuition, the average ROE ratio seems to decrease at the depth of the financial crisis in 2009 but recovered relatively quickly. However, in the Euro area, a second recession took place towards the end of 2011, which can be seen in the decline of the total ROE. Profitability then improved markedly in 2012-2015 and during 2019 decreased to a somewhat reasonable level of 14%.

Figure 9: Average Tobin's Q in listed Foundation-Owned Companies (balanced panel)



Finally, in figure 9 the average firm value (Tobin's Q) of listed foundation-owned firms compared to non-foundation-owned firms is graphed. As can be seen above, there is relatively fast growth in the average firm value from 2004 to 2006. Subsequently, the value drops to a

low of 0.9 in 2008 (during the recession). In contrast to ROE (an accounting-based profitability measure), firm value is a market-based measure of profitability, and there are apparent differences in the development of these measures. Interestingly, the average firm value starts increasing already in 2009 (amidst the financial crisis). This indicates that the market anticipates an economic upswing, causing higher Tobin's Q ratios of all firms. The performance then improved markedly in the period 2012-2019 and remains at a reasonably high level of 1.6 in 2019. If firm value is greater than 1 this implies that the market value is greater than the value of the company's recorded assets, suggesting that listed foundation-owned companies have obtained relatively large economic profits over the observation period.

Contemporary philanthropy by Enterprise Foundations

In a contemporary context, enterprise foundations have mobilized a significant amount of grants and resources to support society as a whole during the Covid-19 pandemic. Examples include the Sajida Foundation, the majority owner of Renata Ltd., a pharmaceutical company, which has provided critical infrastructure to deal with COVID-19 in Bangladesh. Similarly, "One Against Covid" is the Tata Trusts' initiative to deal with the health crisis by leveraging technology, funds and manpower and providing training and equipment to healthcare professionals. In the UK, the Garfield Weston Foundation, the majority owner of Associated British Foods, has donated £30m to cultural institutions in relief from the 'devastating impact' of Covid-19. In Denmark, the Carlsberg Foundation has donated DKK 95 million to accelerate efforts against COVID-19.

Conclusion

Taken together, foundation-owned companies, or their functional equivalents, are observed in multiple regions around the world. However, they are of particular importance in Scandinavia and the DACH region and they are likely to be active in the manufacturing industry. The descriptive analysis appears to indicate that controlling equity ownership by foundations is associated with financial success based on its past performance but recently their sales growth and financial returns have stagnated.