

Myer CEO exits, shareholder revolt grows

14 February 2018

Australia's No. 1 department store chain Myer Holdings said on Wednesday CEO Richard Umbers would step down after its third profit warning in a year, ratcheting up demands from the company's biggest shareholder for a board overhaul.



Myer

The move adds momentum to major shareholder and billionaire retail veteran Solomon Lew's campaign to oust the board for what he says is its failure to prepare the 118-year-old company for the explosion in online shopping.

It suggests the board no longer has faith in its own turnaround plan, conceived by Umbers after he took over as CEO in March 2015, involving the closure of underperforming stores and building an online presence to take on global giants like Amazon and Britain's ASOS.

“We are impatient for a turnaround in the company’s performance and the board has determined that it is in the interests of all shareholders for there to be a fresh approach to drive our future direction,” Chairman Garry Hounsell said.

Hounsell, who started as chairman three months ago, has been promoted to executive chairman, effective immediately, Myer added in a statement. The search for a new CEO was under way, it added.

Last week Umbers had said the company expected to post its worst half-year profit since 2009 and write down the value of its assets, while expressing confidence in his recovery plan.

Lew, who is lobbying Myer’s smaller shareholders to support a board shake-up, said the removal of its CEO and elevation of its chairman “demonstrates a total lack of judgement from the Myer board and a complete abdication of responsibility”.

Hounsell had “demonstrated a total lack of judgement in the way he has acquitted himself in the role, and deserves neither to be appointed nor paid as executive chairman”, Lew added, citing Hounsell’s public defence of the company’s strategy.

Myer shares bounced from record lows to be trading up 4 percent at 56 Australian cents by late afternoon, while the broader market was down. The stock has never traded over its 2009 issue price of A\$4.10.

“I don’t think the strategy was the problem, I think the business environment is the problem, and Solly Lew’s not going to be able to fix that,” said Steve Johnson, chief investment officer at Forager Funds Management.

Forager, which specialises in distressed and undervalued companies, routinely considers buying Myer shares but has refrained because “it’s very hard to get comfortable that there’s going to be a business there in five or 10 years’ time”, Johnson added.