The billionaire versus the board

Terry McCrann, Herald Sun,October 16, 2017 11:30pm
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THERE are three big things to understand about Melbourne billionaire Solomon Lew. They all come together, provocatively, in the seriously challenged Myer retail group.
The most important is that he doesn't like losing money. Right now, his Premier Investments is losing around $35 million on its shareholding in Myer — give or take the odd million between friends.
Although, trust me, neither new Myer chairman — more exactly, as Premier noted yesterday, "chairman-elect" — Garry Hounsell or CEO Richard Umbers could be classified as a "Lew friend", or more pertinently, is ever likely to be any time soon.
Furthermore, Lew is losing that money in barely six months. He spent $101 million buying an 11 per cent stake in Myer only in March. It's now worth barely $65 million — and indeed, the very fact of the Lew presence has probably kept the Myer share price from falling even further.

This is both annoyance and opportunity to Lew. He doesn't like losing money, even if $35 million really is petty change to him these days. He will seek any opportunity to get it back, but he will be aiming to make a profit.
Second point: he is persistent. He showed that with his near-two decade-long sojourn on the Country Road register, where he held a similar stake to that Premier has in Myer.

He was sitting there despite Country Road being controlled by someone else, the South African Woolworths (no relation) group — interestingly, and importantly, not the case at Myer, where there is no bigger, controlling, shareholder to Lew.
At various times over the two decades he was losing money on his Country Road play. He exited profitably.
Indeed, Myer itself makes the point about his persistence even more emphatically.

We are in the process of reminiscing about the Great — indeed, the greatest ever — share market crash of 1987, all of 30 years ago.

Lew launched his first raid on Myer, what was then Australia's greatest and most profitable retailer, before the 1987 crash. Although, somewhat differently to today, it was actually done to help the incumbent, embattled, Myer family, not to dislodge it.
He held both his nerve and his stake through the 1987 crash, while leveraging up the stake in the subsequently merged Coles and Myer combine to an — importantly almost, but not quite — controlling stake.

He would then hold that stake — through times, that were variously, 'interesting' — all the way to 2007, when he became a real billionaire by selling out of the Coles Group to Wesfarmers at the very peak, in so many ways, of the market.
It was close to the pre-GFC peak for the share market overall. It was close to the peak for the Coles Group in its broad spread of retailing. It was also clearly — with the benefit of hindsight — close to the peak for especially department store, bricks-and-mortar, retailing.

That adds an immediate note of caution in relation to getting too excited about where the Lew interest in Myer might lead, because of the third critical characteristic.

Lew knows — and I mean knows — retail, like no other person in Australia except perhaps for Gerry Harvey. He's lived it or lusted for it his entire life. So the idea that he will just pay a big premium to buy again control of his first real retail love, or lust, should not just be treated with caution but dismissed. His first and overriding ambition in Myer will be to make money.

He's also 'moved on', both in retail — with the development of a highly successful portfolio of category-killer brands in Premier: Peter Alexander, Smiggle, etc — and more broadly.

The other idea that seemed to take root in the media and, embarrassingly and ineptly, inside the Myer boardroom, is that he could be appeased by a change in chairman from Paul McClintock to Hounsell.

That he would step back to give the new-old team — new chairman/old CEO — some breathing space.
Pu-lease; at least take some sort of look at Lew's retail record over, say, the last 35 years. It's all hiding there, in plain sight.

His ‘intentions’ should have been made blindingly clear yesterday. He wants to bend Myer board and management to his will. They have a simple choice: bend or fight. Choose the latter and be prepared to fight to the death.

There is one overriding reason for the soaring power prices, writes Terry McCrann.

POWER PRICES ALL WIND

THERE are three broad points to be made about the ACCC’s ‘purported’ explanation for soaring electricity prices.

First, the report has missed the forest (of bird-killing wind turbines) for the trees — the supposedly important detail of the generation companies, retail dynamics and so-called network ‘gold-plating’. There is one overriding reason for the soaring power prices: the forced use of ever more renewables and the way this forced use of especially wind has impacted so negatively on both generation and retail prices.

That’s the second point: the ACCC’s claim that the ‘green’ element — the forced use of so-called renewables — is only responsible for 7 per cent of today’s price.

Utterly false. As energy analyst Alan Moran, correctly, points out, the green element is effectively everything not directly related to the network gold-plating, the poles and wires. In truth, renewables, so-called, are to blame for

closer to 60 per cent. And that is only going to get worse, dramatically worse, as we increase that renewables percentage.

Third point: you have to understand what this, deliberately pejorative and misleading, term ‘gold-plated’ means. It means a better, more reliable network. You know, the network we want that won’t start bushfires or get destroyed by them after they’re started.