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Glimmer of hope as Myer picks UK 'turnaround' retailer as chief

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Downtrodden Myer investors will be hoping new chief executive John King will bring some of the retail magic he sprinkled over British department store owner House of Fraser as its boss before it was sold to Chinese owners for a bumper price tag of £450 million, with the appointment already winning the support of Myer's second-biggest shareholder.

Investors Mutual chief executive Anton Tagliaferro told The Australian last night the appointment of the British retail veteran was a win for Myer.

Mr Tagliaferro said he was impressed with Mr King's credentials as well as the "sense of urgency" brought in by Myer chairman Garry Hounsell as he steered the nation's biggest department store through the most tumultuous time in its recent corporate history.

"He (Mr King) is an experienced retail executive and we are very impressed with the hard work that Garry is doing at Myer at the moment," Mr Tagliaferro said. "It makes 100 per cent sense to have someone like John King come here with a strong background in retail, (from) a place where retail is highly competitive, where online has been a threat, and when you look at House of Fraser stores, they are roughly the same size as Myer. It looks like a good appointment." Investors Mutual is Myer's second-biggest shareholder, sitting behind Solomon Lew's Premier Investments with a stake of almost 10 per cent.

Mr Lew has been leading a shareholder revolt since last year, and wants to eject the entire Myer board — including Mr Hounsell — and replace directors with his own candidates.

A spokesman for Mr Lew declined to comment on the appointment of Mr King. Mr Lew has failed to gain the support of Mr Tagliaferro, and it looks like the two biggest shareholders are still on opposite sides of the Myer brawl. When he refused to support Mr Lew's boardroom coup at the last Myer AGM, the billionaire publicly savaged the veteran fund manager. And that situation is unlikely to change soon. The Investors Mutual fund manager last night took the opportunity to repeat his support for Mr Hounsell, who has been acting as executive chairman since the departure of former Myer chief executive Richard Umbers in February.

"They (the Myer board) have re-energised the place, and they are working as hard as possible to push that further. We are very supportive of what Garry Hounsell is doing at Myer." Mr Hounsell will remain executive chairman for a little longer while Mr King secures a visa. The former boss of the House of Fraser, the 165-year-old retailer that once owned the prestigious Harrods department store in London, carries the hopes of long-suffering Myer shareholders.

Myer ejected Mr Umbers in February after he presided over three profit downgrades and his \$600m strategic plan to transform Myer failed to get any traction, with losses growing and revenues sinking further.

Mr King now inherits arguably the toughest job in retail as he is charged with ending two decades of flatlining earnings and sales at Myer. He will also have to contend with a board distracted by a barrage of attacks from Mr Lew.

Mr King started his career at British chain Sainsbury's and ran House of Fraser for eight years before it was sold to Chinese conglomerate Sanpower for £450m in 2014.

Mr Hounsell said Mr King brought over 30 years of “highly relevant retail experience” in department stores, speciality retailing, premium global brands, wholesale apparel and discount retail. “John will bring a new perspective to Myer and has been given a full mandate by the board to deliver an improvement in financial performance,” Mr Hounsell said.

Mr King said in a statement: “I’m excited to lead this iconic Australian company, which like all global retailers, is facing significant change in both the retail environment and consumer shopping habits.

“I’m looking forward to the challenges and opportunities of this role.” There are high hopes Mr King can fashion a turnaround at Myer similar to the one he pulled off at House of Fraser where during his tenure he improved the product differentiation, decreased debt, improved earnings and repositioned the business as the leading premium department store in Britain.

Since his departure in 2015 the House of Fraser has suffered slumping sales and a leap in costs with the retailer facing similar problems to Myer, such as crippling rents and a downturn in consumer sentiment exacerbated by intense competition in the British department store sector.

Mr King earlier successfully led apparel and housewares retailer Matalan from 2003 to 2006, and since departing from House of Fraser has been involved in a number of consulting roles with retailers. A note from Macquarie Wealth Management to its clients last night said a key challenge for the incoming chief executive will be a lack of balance sheet capacity to invest for a turnaround, especially as Myer edges dangerously close to breaching its banking covenants.

“While it is pleasing a new CEO has been appointed in a reasonably quick timeframe (and hence minimising change of leadership disruption), we suggest financial capacity (covenant proximity) limits investment capacity and ultimately turnaround potential.

“We see earnings and share price risk skewed to the downside yet some (admittedly increasingly modest) potential for corporate activity.”DATAROOM P18

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