

Hard man too tough for Boral

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A tough manager with a forceful personality, Mark Selway set a cracking pace in overhauling Australia's largest building materials group.

After being hired by Boral in January 2010 as a self-proclaimed "Mr Fix-it", Selway went to work with a series of write-downs, a large capital raising, chunky acquisitions, sale of underperforming businesses, and cost cutting.

On Monday night, just two years into his tenure, it all came to an end when chairman Bob Every and his board decided to dump the 53-year-old Adelaide expatriate with a taste for expensive cars.

Boral told the market yesterday it required "a chief executive with a leadership style suited to harmonising the changes that have occurred over the last two years throughout the company".

It came as a shock to shareholders.

Perpetual Investments head of equities Matthew Williams said: "Amid a very tough cycle, Mr Selway had begun reshaping the business. You could quibble on some of the prices paid for acquisitions but otherwise he was employed as a change agent and to us he seemed to be fulfilling that role. It's very surprising."

Shareholders supported Selway's strategy despite a downgrade in April.

He had arrived at Boral with strong credentials, earned in part by restoring the performance of Scottish engineering company Weir Group, and he was using a similar approach at Boral.

But internally, there was friction. Staff complained that he micro-managed, down to the point of insisting they clear their desks before leaving each night. There were stories of his fiery temper.

"Mark was a very determined and forceful personality, and was looking to give Boral's culture a makeover, which was probably needed after the previous regime," says Philo Capital Advisers' head of listed equities, Hugh Dive.

Industry sources say investment analysts had been put offside by Selway's attempt to control information flow, citing his decision to ditch the established pattern of investment analysts on the James Hardie North American tour, nipping over to look at Boral's US division.

Every denied any rift between the board and Selway, stressing the decision was mutual.

"We knew we were on a journey. We just realised there was a point that the journey had come to an inflection point," Every told *The Australian Financial Review* yesterday.

Only Every and the board know what that inflection point was. The investment community didn't see it coming.

Less than a month before, Selway – who downgraded earnings in April – had appeared to be in the job for the long haul. He met investors and analysts in Asia for a two-day site tour to showcase the group's latest acquisition, an Asian plasterboard business.

It was all fairly upbeat, and investors and analysts came back supportive, if not enthusiastic. Perhaps this recent investor trip partly explains analysts' refusal to take the board's statement at face value.

JPMorgan's analyst, Jason Steed, described Boral's statement as "obscure" in a flash note to clients.

He also wondered whether the dismissal signalled more bad news ahead for the company in the form of another profit downgrade.

Citigroup's Trevor Huynh questioned "whether Mr Selway fell out with the board over the speed and magnitude of rationalisation of Boral's underperforming businesses (i.e. Mr Selway wanted to do more, faster?)"

Under the terms of his rolling contract, Selway will leave with a payout of one year's salary or \$1.8 million and about \$5.4 million in unvested shares, subject to performance hurdles. Boral building products boss Ross Batstone, who is retiring later this year, will act as chief until a replacement is found.

"There's no implied criticism of Mark, you have a turnaround situation in the company. We now have a clear strategy. Lean manufacturing is entrenched in that process," Every said. "We have got the market winds against us, the Australian market at a very low ebb. We still have a tough market in the US, albeit with signs of a slow recovery."

Every denies there was any specific reason for Selway's exit and says the strategy is unchanged at the company, which makes cement, construction materials, plasterboard, bricks, roof tiles and masonry products in Australia, Asia and the United States.

Boral shares closed 1.4 per cent higher at \$3.61 yesterday in line with the market. But some investors said the real concern was whether the board and the new chief executive would be able to keep the same strategy, which shareholders had supported with a large capital raising at \$4.10 a share in July 2010 when Selway first unveiled his grand plan. On the agenda remains further internal restructuring, including possibly the merging of the sales and marketing divisions.

Another key focus is bedding down acquisitions, the most significant of which was a \$530 million buy-out of Boral's joint venture partner, Lafarge.

It was a price that was branded expensive at the time but defended by Selway as appropriate given the growth opportunity.

Selway declined to comment last night. He will remain at Boral until the end of July.

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