

Simon Laffin prepares for last orders at Mitchells & Butlers after a bitter boardroom brawl

Beleaguered chairman of M&B heads for the door after power battle with billionaire rebel shareholders



Julia Finch
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Simon Laffin is a straight-bat sort of businessman: a former FTSE 100 finance director with a background at Mars who was drafted in as a new director of Northern Rock when it faced collapse. Chairing a pub company should really have been a walk in the park. But this weekend Laffin is drinking in the last-chance saloon, expecting to be turfed out of his job on Thursday by a small band of powerful billionaire rebel shareholders.

A full-scale boardroom war has been raging for three months at Mitchells & Butlers, the UK's biggest pub group, whose chains include Harvester and All Bar One. The final battle will take place at the company's annual meeting in Birmingham this week. In one corner is Laffin and the M&B board. In the other, determined to oust Laffin and install new directors, is a band of shareholders led by multibillionaire currency trader Joe Lewis, who runs his empire largely from a super-yacht in the Caribbean.

Lewis owns 23% of M&B through his Piedmont vehicle. Some of his longest-standing business associates – horse racing and property magnates JP McManus, John Magnier, Michael Tabor and Derrick Smith – speak for another 22%. Together the four associates own the glamorous Sandy Lane hotel in Barbados, favourite holiday destination of a celebrity set that includes Hugh Grant, Simon Cowell and Sir Philip Green.

"This could be a John Grisham novel," says Laffin. "It has got billionaire tax exiles, faraway places, horseracing connections and a glamorous location. And those forces are ranged against me and a plucky board in Birmingham.

"I thought I had seen every crisis a board could have – including being nationalised on a Sunday afternoon [at Northern Rock]. I've seen chairman fired, chief executives ousted and sex issues. But this is something else."

The tensions on the M&B board burst onto the public stage last autumn, when the company called in the Takeover Panel to investigate whether Lewis and his chums were acting in concert to seize control of the company without making a bid. The move was prompted when Lewis's two representatives on the M&B board blocked the appointment of first Archie Norman and then former Hamleys boss Simon Burke as the pub group's new chairman. "What an awful shortlist that was," says Laffin sarcastically.

As a result, Laffin, who had joined the pub group's board only nine months before, stepped up to the top job, Lewis's men were ejected – and relations have since gone from bad to dire.

There has been speculation that private investigators have been involved and Laffin has had his home and offices in London and Birmingham regularly swept for listening devices.

It is not as though M&B is performing badly. Respected leisure analyst Mark Brumby at Astaire Securities reckons it is well placed: "While the spat with its major shareholders may be taking centre stage, operationally the company certainly knows what it is doing."

According to Laffin this is a straightforward punch-up that centres on the fact that non-executive directors should represent all shareholders, not just a few. He says he "spent hours" on the phone to outgoing Debenhams boss John Lovering – whom Lewis would like to install as chairman – trying to hammer out a compromise. Last week they thought they had reached one, but it was turned down by Lewis – "he just doesn't seem to want anyone who stands up to him".

"I didn't do this for the money. If I did it was a very bad move – if

I get voted off my pay stops that day. There is no pay-off. I did it because it is the right thing to do, to stand up and lead this board through a tense and difficult time. Piedmont doesn't understand why I don't just go away, but there are 60,000 shareholders, not just a few big wealthy ones, and looking after them all really matters. There is a real prospect that six out of seven non-executive directors will be nominated by one shareholder, who will also choose the chairman."

Piedmont, however, insists it too is fighting for shareholders' rights and doesn't want to control the company.

Both Laffin and his chief executive Adam Fowle say Lewis has never raised any issues with the way the company is being run, although last week Piedmont called for a swift strategic review after Laffin is shown the red card next week.

The *Observer*, however, understands that Lewis has a series of beefs, ranging from mismanagement and greed, to wasting money on central overheads and doubling the pensions of departing directors.

Laffin listens closely to the accusations and dismisses them, variously, as "complete nonsense", "crap" and "blah".

Certainly the London office of M&B does not suggest a company profligate with shareholders' cash. It is a few rooms above an O'Neill's pub near St Pancras station in London. Laffin's small office has a large patch of damp on the wall and there is no radiator – heating is courtesy of a wall-mounted fan heater.

Unusually, the row has galvanised institutional shareholders, who were last year accused by City minister Lord Myners of being "asleep at the wheel" in their duties to police the companies they own. The Association of British Insurers, poked into action by its members, has alerted shareholders to the row with a "red-top" warning of serious corporate governance issues. On Friday, Standard Life went further, describing Piedmont's demands as "both unreasonable and contrary to the interests of the wider shareholder base".

The chances of the rebels being defeated were effectively stymied earlier this month when the Takeover Panel, which could have limited their voting rights, concluded that on the last day any of

the Lewis associates dealt in M&B shares they were not acting together. The panel is now investigating whether they started acting together after that – but it will be too late for Laffin.

The issue has even reached Westminster, where Liberal Democrat City spokesman Vince Cable has written to the FSA about the panel's procedures and an early day motion has questioned Lewis's motives.

Laffin probably only has another three full working days at M&B left. He has never met Lewis, but it is not through want of trying. "It is always best to meet people face to face ... I offered to go anywhere in the world to meet him last week. Their response was to send a letter to shareholders accusing me of running an 'orchestrated, relentless, baseless, yet highly damaging campaign against Piedmont'. So I took that as a no," he says.

"I have regarded this as a business issue. But they have personalised it to me. I don't understand why. "

So how does he regard the prospect of being bundled out the back door? There's a silence and he looks flummoxed. "It's just barmy. The irony of it is that I want to make Joe Lewis richer than he is already. This is a well performing business, with good brands, plenty of potential and good management, who have laid out a clear strategy. Why would anyone want to disrupt that?"

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