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MJ Gleeson boss booted out following disagreement with board over "his remuneration and succession planning"

MJ Gleeson PLC's (LON:GLE) shares dropped on Monday following news its chief executive officer, Jolyon Harrison, has been booted out with immediate effect after a disagreement with the builder's board "regarding his remuneration and succession planning".

In a statement, the FTSE All-Share-listed firm said that, following extensive discussions with Harrison, who was appointed the Gleeson boss in July 2012, the board concluded that "it was not possible to find a mutually acceptable basis for Mr Harrison to continue as chief executive officer."

READ: MJ Gleeson sees half-year profit soar by over 60% on solid demand for its homes

The group announced that James Thomson, the former chief executive of Keepmoat Homes Ltd - a private equity owned housebuilder selling over 4,000 homes a year - will join Gleeson as its chief executive officer on an interim basis with immediate effect. Thomson will remain a non-executive director and shareholder of Keepmoat.

Gleeson said it is initiating a search process, which will include both internal and external candidates, to identify a long-term CEO appointment.

The group added that believes it is very well placed to continue achieving strong growth in turnover and profits and re-affirmed its previous guidance that it anticipates to deliver a result for the year in line with expectations.

The company is scheduled to issue its next trading update in early July and results for the year ended 30 June 2019 on 16 September 2019.

Shares down 10%

In afternoon trading, Gleeson shares were still over 10% lower at 794p.

In a note to clients commenting on Harrison's departure, analysts at 'house' broker Liberum Capital said: "While this is disappointing and surprising, as he was key to establishing and scaling up Gleeson's business model, we note that the business is not as dependent on him as it once was."

Liberum added: "Gleeson is bringing in James Thomson (ex Keepmoat CEO) as interim CEO and we note that the COO and MD have built up significant experience in the Gleeson model. We are convinced that the model will not be changed and will continue to be scaled up across Northern England and beyond and that this change will not de-rail the Strategic Land process."

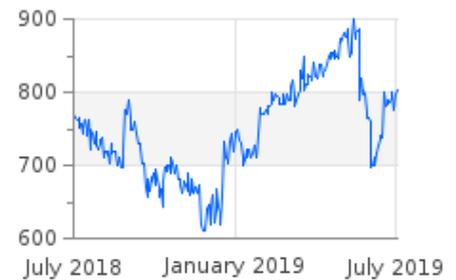
Liberum repeated its 'buy' rating and 900p target price on Gleeson shares.

Pay-related spats

Price: 802p

Market Cap: £437.79M

1 Year Share Price Graph



Share Information

Code: GLE

Listing: LSE

52 week High Low
900.00p 600.00p

Sector: Real Estate

Website: mj.gleeson-homes.co.uk

Company Synopsis:

MJ Gleeson plc specialises in urban housing regeneration and strategic land trading. Within these activities, we employ people with outstanding skills which we are determined to improve continuously and to deploy ever more widely and effectively for the benefit of our customers, our shareholders and society at large.

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Russ Mould, investment director at AJ Bell, pointed out: "The housebuilding sector seems to be developing a reputation for pay-related spats. We've seen Jeff Fairburn leave Persimmon following political and shareholder backlash over a gigantic bonus. Berkeley Group fought a shareholder revolt in 2017 over very large payments to various directors. And now we have Jolyon Harrison leave MJ Gleeson over a row regarding his remuneration."

He added: "The housebuilding industry has enjoyed significant profits for many years but is now facing cost inflation and a slowing property market. If that's not enough, companies in general are under increasing pressure from investors to clamp down on excessive pay."

"Admittedly, Gleeson's shareholders have enjoyed strong returns since Harrison was made CEO on 1 July 2012. Assuming all dividends were reinvested, Gleeson has returned 728% during his time at the top. That's nearly 10 times as much as delivered by the FTSE 100 over the same period (73%)."

"The fact that Harrison has now gone shows that the board are taking a pragmatic view over remuneration and governance in general, which is to be applauded."

-- Adds further analyst comment, updates share price --

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