

New SurfStitch boss Mike Sonand slams previous management

ELI GREENBLAT THE AUSTRALIAN 1:42PM JUNE 9, 2016



Mike Sonand, pictured when head of Globe in the early 2000s.

The new chief executive of disaster-prone online retailer SurfStitch, Mike Sonand, has delivered a damning assessment of the company's previous management, declaring a frenetic pace of capital raisings and acquisitions since its 2014 float had distracted the group.

The business model was unsustainable, compounded by a "unhealthy" focus on top-line sales growth, worsened by a failure to properly integrate the string of acquisitions to squeeze out efficiencies.

This would end under his watch, Mr Sonand vowed today, as he returned the business to be a true retailer, with acquisitions and constant deal-making now pushed off the agenda.

He also said the business had been overly-exposed to discounting that turned off customers.

Mr Sonand was speaking after SurfStitch ([SRF](#)) today reported another [sharp downgrade to its forecasts](#), which sent its shares plunging over 30 per cent.

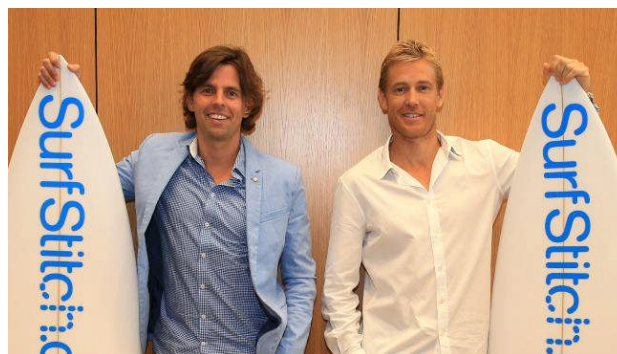
He takes over as CEO following the shock departure in March of co-founder Justin Cameron.

Mr Sonand said Mr Cameron's sudden departure, announced in an email to the board, had left the business "bewildered".

"We had a very charismatic and visionary CEO who suddenly walked out, kind of left the business a bit bewildered, and somewhat lost," Mr Sonand told *The Australian*.

He emphatically denied reports Mr Cameron had approached the SurfStitch board to return as CEO and was knocked back.

"Not true. He didn't come to the board and the board did not rebuff him."



The departure of Justin Cameron, left, pictured with co-founder Lex Pedersen, had left the business "bewildered", says Mr Sonand. Pic: Toby Zerna

A retail veteran, Mr Sonand once again finds himself at a company in crisis, having also led rival surfwear retailer Globe through a similar near-death experience.

Once again the CEO had suddenly quit and Mr Sonand was drafted in to revive the business's sliding fortunes.

SurfStitch's guidance downgrade was its [third profit warning this year](#).

It said it now expected revenue to fall \$20.3 million short of expectations due to an issue with the treatment of a licensing deal, resulting in its

financial year 2016 earnings forecast shifting from a \$2m-\$3m profit to an expectation of a \$17.3m-\$18.3m loss.

Mr Sonand declined to further discuss the contract with a third party which triggered the \$20 million revenue reversal, or who that contract was with.

The company only said in a statement that “recent information had come to hand” that would require further investigation into the contract and the termination of \$20m in revenue for 2016. An update is expected at the full-year results in August.

Turning to the underperforming SurfStitch business, Mr Sonand said the retailer had been too frenetic since its 2014 sharemarket float and taken its attention off the engine of the company, its retail platform.

“Three capital raisings, six acquisitions and one closure, and that was in less than 12 months,” Mr Sonand said.

“And the failure to drive any operational improvements off our new acquisitions or properly integrate them.

“The pace was frenetic and created a lot of distraction, complexity and lack of accountability across the group, there was too much happening.”

Mr Sonand also said management was too focused on top-line growth, to the cost of profit.

“There is a real unhealthy focus on top-line growth, I accept it’s an e-commerce company and people value e-commerce companies on sales, and if it’s not growing by more than 30 per cent it’s not good, I think that focus on top-line growth came at a significant cost to the business.”

SurfStitch had also been discounting too heavily, he said.



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