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Cashed - Up Paint Retailer Set To Splash Out

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Australia's 5000 independent paint store retailers are poised for a shake-up in the \$2 billion sector as the parent entity of one of the big players eyes further expansion.

Retail Cube, which is poised to float on the Australian Stock Exchange with Amazing Paint Discounts as one of three retail chains in its portfolio, has a war chest of \$17.5 million for acquisitions.

Retail Cube chief executive Robert Estcourt said expansion in the architectural and decorative paints sector was a key focus for the company. There are several smaller chains among the estimated 5000 independent operators of paint stores, which may prove to be possible targets.

He predicts substantial rationalisation in a sector where Wesfarmers' Bunnings stores hold 30 per cent of the paint market.

"I suggest that market will shake up," Mr Estcourt said.

Amazing Paint Discounts owns and operates 36 stores in Sydney, Wollongong, Newcastle and Canberra and will sit alongside two other retail chains, The Athlete's Foot and King of Knives in the Retail Cube structure.

Mr Estcourt said all three businesses were in growth sectors where the long-term demographics and societal trends could underpin steady expansion. He said the trio of businesses were largely immune from cyclical swings in the broader retail sector.

The Athlete's Foot holds about 12 per cent of Australia's sporting footwear market, which is worth up to \$700 million annually.

The Australian and New Zealand operations of the athletic footwear retailer generate sales of about \$90 million, and pay a licensing fee of 1 per cent of sales annually to the US parent company. Its major competitors locally are Foot Locker and the listed Rebel Sport.

Of the 45 countries in which The Athlete's Foot trades, Australia has the second-largest number of outlets behind the US.

Retail Cube yesterday lodged a prospectus with the Australian Securities and Investments Commission for a planned raising of \$20.5 million, with CommSec to handle the float.

The business will have a market capitalisation of \$42 million upon listing and the management of the three arms will hold 45 per cent of the company.

Mr Estcourt said future acquisitions would be paid for using a general model of 50 per cent internal funds with the remainder in Retail Cube scrip to ensure that management responsible for the success of any acquired business continued to be a part of it.