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Retail Cube plans \$20.5m sharemarket float

Liam Walsh

A SHOE, knife and paint seller is planning on using a share float to buy into even more specialty stores and expand existing outlets.

Retail Cube -- made up of The Athlete's Foot, King of Knives and Amazing Paints -- yesterday lodged a prospectus with plans to raise \$20.5 million.

The listing of Retail Cube comes despite recent floats stumbling.

But chief executive officer Robert Estcourt was confident of strong interest, saying the float included a fully franked yield of 6.5 per cent and a price earnings (PE) multiple of nine.

"This is about creating space for medium-sized enterprises to grow," he said.

The capital would help the rollout of stores, partly through acquisitions, he said.

It could even buy into other specialised sectors such as food or electronics.

Growth could also occur by having King of Knives and Amazing Paints adopt The Athlete's Foot's franchising model.

CommSec will manage the release of 41 million shares at 50 each.

FW Holst & Co investment analyst Michael Heffernan said some recent floats had gone "underwater".

"There's just been too many floats frankly," he said. "The market generally is conducive to floats if the market is going up . . . during 2004, the market hasn't done that much."

He highlighted the float of home entertainment product retailer JB Hi-Fi as one which had been successful, partly due to shares being priced appropriately.

Mr Heffernan also said enthusiasm waned after vendors took out money after recent floats, such as Just Group.

Mr Estcourt stressed Retail Cube's vendors, who take \$14 million, would also keep a 44.5 per cent stake for at least two years.

"There hasn't been this huge push to get the best possible price, and cut and run," he said.

Mr Heffernan said this should give "a bit more confidence to investors".

Retail Cube would be worth \$42 million on listing. Net profit after tax -- before write-downs of assets is forecast at \$4.6 million in 2004-05.

The company expects to float in July.