

FINANCIAL REVIEW**Retail Cube hit by discounters**

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Retail Cube chief executive Robert Estcourt has blamed aggressive discounting by department store chains Myer and David Jones for some of the woes experienced by the company in a period he described as "absolute bloody hell".

Retail Cube owner of the Athlete's Foot, King of Knives and Amazing Paints retail chains has suffered a share-price belting and suspended dividend payments as it tries to turn around the performance of its operations in a tough market.

The issue price of the shares in the \$20.5 million float last year was 50 ¢ and the stock is now hovering around 19 ¢. It traded as high as 62 ¢ in July 2004.

"It's been absolute bloody hell but I think we're over the worst," Mr Estcourt said. "We're not taking any short-term knee-jerk actions".

King of Knives, which sells cutlery and other kitchenware, had been hit hard by discounting by larger rivals such as Coles Myer's department store chain, Myer, and David Jones in the same sector.

"They have both been really very aggressive discounters in the past nine months," Mr Estcourt said.

With national retail sales down 0.5 per cent in April, fuelled by an 11.3 per cent drop in department-store sales and a 7 per cent decline in clothing sales because of unseasonably warm weather, Myer and David Jones brought forward their stocktake clearances to this week.

Part of the King of Knives fix-it plan revolved around franchising out more stores.

Last month it signed the first two franchise deals for King of Knives and aims to undertake a further 10 to 12 franchise deals over the next 12 months.

King of Knives would finish this financial year with about 66 outlets around the country, Mr Estcourt said.

Amazing Paints, with 34 outlets, had been hurt by the downturn in the housing sector and the company has warned that business is likely to only break even for 2004-05.

"I don't think it will be much more than that," Mr Estcourt said.

Sales to the building trade had fallen, along with those to home renovators.

"We've had a fall in sales volumes. The paint market is very weak and particularly weak in NSW," he said.

A plan to rebrand and reprice upwards certain paint lines had not been able to deliver the hoped-for higher profit margins.

The one bright spot for Retail Cube had been the performance of The Athlete's Foot stores. There are 113 outlets in Australia and New Zealand.

While other sporting footwear retailers, such as Rebel Sport, had suffered downgrades, Mr Estcourt said The Athlete's Foot was "going very well".

He attributed the stronger performance to the specialised service offered by the stores, which had helped the chain withstand the slowdown in the broader retail sector.

Mr Estcourt said he was mystified as to why the share price had been hit so hard.

"It's a little bit illogical," he said.

"For this price you're buying The Athlete's Foot and getting the other two chains for nothing. It's absurd," he said.

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