

FINANCIAL REVIEW

Merger not in Repco's headlights

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Automotive parts retailer Repco signalled yesterday that a future merger with rival Super Cheap Auto might make sense from a cost synergies perspective, but it had higher priorities on its list.

The managing director of Repco, Peter Mummery, emphasised yesterday there had been no talks between the two companies.

Asked if he would contemplate a future merger with Super Cheap Auto, Mr Mummery said that because they were in the same industry, on a conceptual basis it would be logical, particularly on cost savings.

"I would not rule it out but it's not the top of the list. We see other opportunities," Mr Mummery said.

Repco, which listed on the stock exchange in late 2003 in a \$405 million raising following three years in the hands of private equity owners, posted yesterday a first-half net profit of \$18.7 million.

The bottom-line net profit was 14 per cent higher than last year when one-off events were stripped out, while sales revenue increased 5.1 per cent to \$416.9 million.

Like-for-like retail sales growth across the group for Australia and New Zealand in dual format stores, which have a retail and a trade arm, was 3.7 per cent for the first half, with NZ a big drag on the figure.

Like-for-like retail sales growth in Australia only reached 4.9 per cent.

Super Cheap Auto reported last week a comparable store sales rise of 5.1 per cent for its first half across Australia and NZ.

The portfolio manager with small-cap fund **Cadence Capital**, Karl Siegling, said Repco's store roll-out program should underpin solid sales growth and should benefit from more product sourcing from China.

"I think Repco is being reasonably well run at the moment," Mr Siegling said.

Mr Mummery said Repco's sales had accelerated by 7 per cent from October to the end of December, after some tough times in the previous three months when high fuel prices caused motorists to crimp their spending.

"It's been a half of two quarters," he said.

Mr Mummery said Repco's strong performance in the second quarter, and solid trading in January and February, meant it was a "glass half-full result" where investors should be focusing on the positives.

Like-for-like sales of 11 per cent in December showed the momentum in the business, he said.

Repco will pay a fully franked interim dividend of 6.5 ¢ per share on April 18.