

Talking trade

'House of Fraser float may be the horse to back'

Dan Coen



It sounds like House of Fraser may be considering a return to the stock market. The business, which has been the subject of takeover interest in the past year, could be valued at between £200m and £300m if a flotation goes ahead.

But will a return to the stock market be good news or bad news for House of Fraser? The truth is probably a combination of the two. The good news is that there's a lot of liquidity in the market at the moment, interest rates are low, and Goldman Sachs is predicting the FTSE 100 will top 7,500 over the next 12 months. As a result, more and more people are turning to the stock market for their investments.

Companies such as Bargain Booze are only helping to fuel this fervour, after shares in Conviviality Retail, the owner of the low-cost off-licence chain, leapt from 30p to 130p on its first day of dealing.

'Fashion retail businesses don't always offer the certainty investors seek'

Fashion retailers, however, may have a bigger fight on their hands, since businesses in this sector don't always offer the certainty investors might seek in a public stock, especially as they are influenced by such a wide variety of economic factors.

Even so, House of Fraser may still be interesting, as it has recently been enjoying record sales, in part due to its highly successful online offering. As a result, the chain posted a gross profit of £403.8m for the year to January 26, an increase of 4.3% on the previous year.

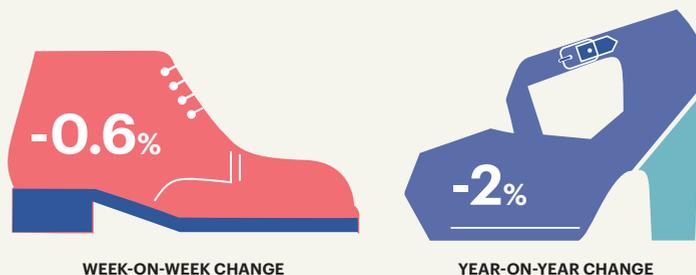
It's also easy to see why going public might be appealing from House of Fraser's point of view: its existing capital structure is extremely complex and so the decision to consolidate this aspect of the business shouldn't come as a very big surprise. From an industry perspective, it will also be good to have another publicly quoted benchmark to consider alongside Debenhams.

Analysts at UBS have already suggested that investors should be browsing the retailers for opportunities and House of Fraser certainly has a few feathers in its cap: record sales up 3.3% on a like-for-like basis, online sales up 53% and like-for-like sales up 4.8% for the 13 weeks to April 27, 2013. No one is saying House of Fraser is the perfect business, but the decision to float may help the company to swim even faster.

Director, corporate advisory firm Zolfo Cooper

WEEKLY FOOTFALL RETAIL INDEX

National UK footfall figures
Week 33 - August 12 to August 18, 2013



This week the UK national retail index from Experian Footfall showed a year-on-year decline of 2% with a week-on-week decline of 0.6%. Throughout the week, the year-on-year figures showed a decline but were static on Saturday and rose 4.9% on Sunday. Families are likely to have been starting their back-to-school shopping and perhaps this is reflected in positive footfall numbers. In the regions, Scotland, Northern Ireland and the East of England showed an uplift on the previous year, with the other regions showing a decline.

HIGH STREET SALES TRACKER

Like-for-like sales figures across the high street
Week ending August 18, 2013

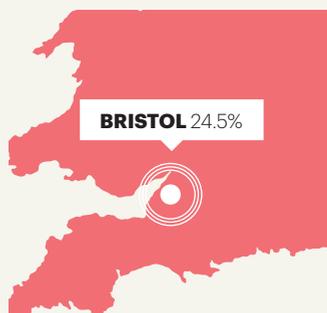


It was a good week for the fashion index. Specialist retailers' results were more subdued this week, while mainstream fashion is beginning to benefit from the pick-up in demand for the recently launched autumn lines. For more information, email Don Williams at BDO on don.williams@bdo.co.uk

DRAPERSJOBS.COM

The UK's employment hot spot and the most popular roles

Drapersjobs.com
Your perfect fashion job



Highest growth location (defined by % increase in traffic to DrapersJobs week on week)

The most applied for jobs

1. Design 8.3%
2. Merchandiser 6.7%
3. Production 6.2%
4. Sales 6%
5. Buying 4.7%

As a percentage of total applications on DrapersJobs last week