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Specialist retailer on scent of IPO

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Specialist perfume retailer The Perfume Connection is considering a sharemarket float to help fund an expansion of its network from 31 stores to as many as 90 and capitalise on growing consumer spending on fragrances running at about \$500 million a year.

The company, based on Queensland's Gold Coast, has hired Mariner Corporate Finance to sound out institutional investors and private equity players about a public offer but is also open to other capital raising options.

A recent private function to launch a new perfume by Salvador Dali was attended by Myer Family company chief executive Graeme Sinclair and fund managers from investment houses Opis Capital and JM Capital.

A float would value The Perfume Connection at about \$50 million. The company is profitable, and its turnover is forecast to increase from \$41 million in 2003-04 to more than \$50 million this financial year.

Mariner managing director David Williams said an initial public offering was one possibility being considered

by the The Perfume Connection founders Pat and Penel McCarthy and their partner in New York.

"Everything is on the table, including a float, and we'll be deciding soon the best way to raise funds and roll out the company's attractive retail concept," he said.

The Perfume Connection has captured 11 per cent of the Australian fragrance market since its first store opened in 1992, ranking it third behind Coles Myer and David Jones, which together control 65 to 70 per cent.

It also acts as a wholesaler and has 2000 chemists, or 25 per cent of the pharmacy market, on its books. The company employs 250. It is able to undercut retail prices charged by the major department stores because it sources perfumes from the secondary market, taking advantage of parallel importing from Asia, the Middle East and Europe to cut out the middleman and costly distributor commissions.

A typical Perfume Connection shop offers more than 700 branded fragrances, against the limited selection offered by shops like Myer and

David Jones.

The Perfume Connection also carries a range of delisted perfumes that still might be sought after by consumers but which have been dropped by the majors.

The company has outlets in shopping centres owned by the likes of Westfield and Gandel. A typical store can generate as much as \$20,000 in annual sales per square metre. The Perfume Connection will open eight more stores by Christmas and is keen to grow that to 90 within a few years.

Shopping centre owners are chasing The Perfume Connection as it especially appeals to women aged 18-35, a key demographic for any centre.

It is believed company executives will soon travel to New Zealand, where shopping centre owners are said to be eager to lease space to the company.

The company was founded by Mr and Mrs McCarthy, both New Yorkers by birth, who emigrated to Australia in the late 1980s.



The Perfume Connection wants to expand its network from 31 stores to as many as 90.

Photo: PETER BRAIG