Ardent takes new path

Dreamworld owner unveils plan for restructure

ELIZABETH REDMAN
TOURISM

ARDENT Leisure will restructure its business as it focuses on its two remaining divisions, covering Australian theme parks and US entertainment centres.

The owner of the Dreamworld theme park has decided its stapled structure is no longer appropriate. It will adopt a corporatised structure.

A new company, also called Ardent Leisure Group, will be the head entity.

Shareholders will then hold shares in the new company instead of their existing stapled securities, and there will be no change to ownership levels.

There would be no capital raising program or capital return, and shareholders would not need to pay any cash, the group said yesterday. The board and management will also remain the same.

Ardent chair Gary Weiss said the restructure would deliver various benefits. Among them was "greater flexibility to fund investment into growth of (ten-pin bowling chain) Main Event and Dreamworld", Mr Weiss said.

It would also "reduce the regulatory uncertainty associated with stapled structures".

Broadly, investors with stapled securities in effect own a share in a company and a unit in a related trust — such as a property trust. The two securities cannot be sold separately. Companies sometimes adopt stapled structures for tax reasons, despite the fact such structures tend to have more complexity.

Ardent's overhaul comes as it reshapes its portfolio of assets following the tragedy at Dreamworld, in Queensland, on October 25, 2016. Four people at the theme park died when a ride malfunctioned.

The group has sold its health clubs, marinas and bowling and entertainment arms and used the proceeds to pay down debt.

Its bowling and gym properties had been held in a trust, but Ardent said yesterday that as those properties had been sold, it had no need for a stapled structure.

At its full-year results in August, the group said it was considering a restructure and evaluating the merits of the stapled structure. Removing the stapled structure will require approval from investors, lenders and regulators.

A shareholder vote is proposed to be held on the same day as Ardent's annual meeting, on November 20. Ardent expects to corporatise the company by the end of the year.

The group reported loss of $90.7 million for the year to June as its theme parks continued to struggled following the tragedy at Dreamworld.

THE AUSTRALIAN

LANDLORD IN BUMPER SHOPPING SPREE

ELIZABETH REDMAN
DEALS

RETAIL landlord Vicinity Centres has sold 11 neighbourhood shopping centres for $631 million as it reshapes its portfolio to focus on flagship assets.

Shopping Centres Australasia, a major landlord of Woolworths, is buying 10 of the Vicinity centres for $573 million, including two in Victoria.

A private investor bought the other, Belmont Village, in Geelong, for $58 million in a deal settled late last month.

Shopping Centres, which trades as SCA Property, said the deal made it the biggest owner and manager of "convenience-based retail centres" in Australia.

SCA will pass the hat around to investors to help fund its purchase, raising $259 million by issuing new stock to institutions in an underwritten placement. It will also sell up $50 million worth of new stock to investors in a unit purchase plan that is not underwritten.

The company has a debt facility providing it with up to $365 million in extra cash to help fund the deal.

Vicinity Centres chief Grant Kelley.

SCA also said it would sell down its shares in the Charter Hall Retail real estate investment trust to help pay for the acquisition.

Vicinity has outlined a plan to shift its portfolio towards destination centres by selling up to $1 billion of "non-core assets", taking the view that, in a challenging environment, landlords need to specialise in either flagship or convenience retail, but not both.

Chief executive Grant Kelley said the deals were a "significant achievement".

The sale of the 10 centres to SCA made "strategic sense for both parties".

In Victoria, SCA will buy Bentons Square, in Mornington, and The Gateway in Langwarrin. It will also buy four centres in Western Australia, two in New South Wales and two in Queensland.

Vicinity will reinvest proceeds in retail developments, repay debt and may buy back shares.

SCA chief Anthony Mellowes said the purchase was a "material and important strategic acquisition", acquired on "attractive terms".

MARKET WRAP

THE Australian share market closed higher yesterday as higher commodity prices boosted mining and energy stocks.

The ASX 200 gained 19.9 points, or 0.3 per cent, to 6146.1 points, while the broader All Ordinaries index rose 19.4 points, or 0.3 per cent to 6265.2 points.

CMC Markets chief market strategist Michael McCarthy said commodity-related stocks led the market after strong oil and metal prices overnight.

BHP Billiton rose 1.1 per cent to $35.08, **Rio Tinto** was up 1.8 per cent to $79.50 and **South32** gained 1.3 per cent to $3.96. **Fortescue Metals**, however, was down 4.1 per cent to $3.72.

Oil prices cooled but were still close to four-year highs, pushing the energy sector up 0.8 per cent.

Caltex Australia gained 1.7 per cent to $29.99, **Origin Energy** added 0.5 per cent to $8.42, **Woodside Petroleum** rose 0.6 per cent to $38.64 and **Oil Search** put on 0.1 per cent to $9.05.

Consumer, health care and telco stocks all closed higher, while the financial sector continued its poor run and closed lower.

The **Commonwealth Bank** was the only big four bank to close higher, up 0.06 per cent to $69.61.

Shares in **Myer** jumped as much as 8.8 per cent after its biggest shareholder, Premier Investments — chaired by billionaire Solomon Lew — asked for a list of all its shareholders ahead of an expected challenge to the retailer's board at its annual meeting next month.

The early heat came out of Myer and it closed 2 per cent higher at 52c. **Premier Investments** put on 0.7 per cent to $18.72.

DOLLARS & SENSE by MACCA

Rising costs and weakening demand squeeze retailers

THE SHORT CUT

ANDREW MACKEN

SPARE a thought for those in the business of brick-and-mortar retail.

While never easy at the best of times, life is about to get a lot more challenging.

From increasing costs of new distribution models to slowing consumer demand, retailers are facing a double-whammy of headwinds that have only just begun.

First, on cost pressures.

Typically, retailers would be worried about wage inflation and the associated expense of keeping sales attendants on the floor. But this probably won't be an issue in Australia (sorry, workers).

Instead, it's the incremental cost of distributing online — a model that is now universally demanded by consumers — that is reducing profitability.

And it's not just the technology investments that are required to build and maintain an e-commerce website, app and data management system.

It's the cost of shipping, which consumers are demanding becomes faster and faster.

"Omnichannel" retailers now have the worst of both worlds. They bear the fixed costs of operating brick and mortar stores and then also the additional variable costs associated with shipping and delivery.

And all of this is in competition with Amazon, an online native that has built a massive distribution platform on an eye-watering scale.

As if this were not enough of a headwind, spending by Australian consumers is likely to weaken over the coming months and years.

This will naturally translate into slowing sales for retailers, particularly those that sell discretionary items.

Housing prices in major cities such as Sydney and Melbourne have started to fall.

As a result, property owners will feel less wealthy and less optimistic about the future.

Furthermore, it is no secret that a significant amount of consumption was being funded with mortgage refinancing off the back of higher property valuations.

This won't happen in a declining property price environment.

And then there are mortgage rates, which are experiencing upward pressure.

Why? Because a significant portion of the Australian banking system is financed offshore, particularly from the US where interest rates have started to rise.

Following President Trump's enormous tax cuts nearly one year ago, the trajectory from here is most likely up further.

This is bad news for Australian borrowers.

As Australian mortgage rates raise, the disposable incomes of typical Australian households fall.

Take a look at the Australian household savings rate recently. It has plummeted to about zero.

All of this says that Australian brick-and-mortar retailers will be doing it tough for some time.

And this is likely the best-case scenario. If retailers suffer too much, they will be forced to reduce headcount and potentially close stores.

And businesses reducing investment and employment en masse typically leads to recessions.

That would only exacerbate the decline in many property markets and the weakening Australian consumer.

This is a much worse scenario, but it is a possible one. Here's hoping this is not where we end up.

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