



## **RCG ANNOUNCES ANOTHER RECORD HALF YEAR PROFIT**

**25 February 2014**

### **RCG Corporation today announced:**

- **Net Profit After Tax (NPAT) from continuing operations of \$5.03 million for the half-year ended 29 December 2013, an increase of 9.2% on the prior year**
- **Consolidated Earnings Before Interest Tax and Depreciation (EBITDA) from continuing operations of \$7.1 million for the half-year ended 29 December 2013, an increase of 4.7% on the prior year**
- **A fully franked interim dividend of 2.0 cents per share, an increase of 14.3%**
- **That it continues to target 15% earnings growth for FY2014**

RCG Corporation Limited (ASX: RCG) today announced another record half-year profit for the six months ended year ended 29 December 2013.

### ***Results for the half-year 29 December 2013***

From continuing operations, RCG lifted consolidated Net Profit After Tax 9.2% from \$4.61 million to \$5.03 million, while Earnings Before Interest Tax and Depreciation increased 4.7% from \$6.77 million to \$7.1 million. Diluted Earnings Per Share from continuing operations rose 5.8% from 1.89 cents to 2.00 cents.

As a result of generating cash from operations of \$9.33 million, the Company has net cash on hand at the end of December (after interest bearing liabilities) of \$10.77 million, after the Saucony, Podium and four partnership store acquisitions as well as the rollout of five new Merrell stores.

CEO of RCG Corporation, Mr Hilton Brett said "First half earnings growth was exactly in line with our plans. We are confident in, and excited about, the prospects for the second half and we are still targeting full-year earnings growth of 15%".

### ***The Athlete's Foot (TAF)***

TAF Australian stores recorded like-for-like sales growth of 2.1% for the half-year. Total group sales increased 2.0% to \$94.3 million and EBITDA grew 2.3%.

The business delivered a number of major long-term projects during the half-year including:

- The substantial completion of the rollout of Fitzi®, TAF's proprietary new fitting technology which is believed to be the most advanced system of its type
- The substantial completion of the rollout of Erply, TAF's new generation point of sale and retail management solution.

- The successful implementation of phase one of its new, enterprise grade, best-of-breed, customer relationship management and cross-channel marketing platform.
- The successful launch of the 'Partnership Program', with four partnership stores now operational.
- Continued advancement of, and investment in, the leveraging off the internet as an enabler to get closer to customers, both existing and new, by delivering a fully integrated cross channel experience

Mr Brett said, "The projects have all been in the pipeline for some time and it is gratifying and exciting to see them to come to fruition. Managements' focus will now shift from implementation to leveraging off the opportunities created by these initiatives."

During the during the all-important back-to-school month of January, Australian store like-for-like sales rose 8.1%, lifting like-for-like sales for the year to the middle of February to 3.3%. TAF expects to get full year like-for-like sales growth of 3% - 4%.

Mr. Brett said, "We continue to be very pleased with the performance of the TAF business and are particularly pleased with the January results, as the business continues to win market share in this key period. We are confident that these results, together with the anticipated contribution from partnership stores for the back half, will result in TAF enjoying strong earnings growth for the remainder of the year."

#### RCG Brands (RCGB)

RCG Brands (RCGB), RCG's wholesale, distribution and vertical retail division, grew total sales by 25.3% from \$16.37 million to \$20.51 million for the half-year. Wholesale sales grew 9.5% and retail sales through its own stores grew 113% for the period. EBDITDA grew 17.9% from \$2.42 million to \$2.85 million.

The business opened five new Merrell retail stores, taking the total number stores to 13 at the end of December, with another two stores expected to open before the end of the financial year.

"This is an excellent result for a business which did not exist four years ago," said Mr Brett, "and these results are a testament to the efforts of the team and the quality of the brands that they distribute.

"Each of our major brands continues to grow strongly, as does the performance of our retail stores," he added.

The business is expecting the CAT brand to grow across all categories in the second half of the financial year. Moreover, as Merrell continues to grow in the key channels, it is expected to experience significantly higher year-on-year growth in the second half, as a result of there now being 13 Merrell retail stores for the full six months as compared with six in the previous year.

In addition to the strong performance of its pre-existing business, RCGB completed the acquisition of the Saucony and Podium Sports business in December and became the Australian and New Zealand distributor for the Sperry Top-Sider brand from 1 January 2014.

Mr Brett said, "The new brands and business have been transferred to RCG without disruption in a very short space of time. These businesses are trading to expectation and we are confident of them achieving their targets for the second half of the-year."

***Dividends***

RCG has announced that it will pay a fully franked ordinary interim dividend of 2.0 cents per share on 25 March 2014 to shareholders registered on the 7 March 2014 record date. This represents an increase of 14.3% over the dividend for the same period in the prior year. RCG's dividend reinvestment plan will not apply to this dividend.

***Outlook***

RCG continues to target full year earnings growth of 15%.

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