

RCG

CORPORATION

Proposed acquisition of
Accent Group Limited



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Transaction highlights and overview



Transaction highlights: overview

Transaction Summary

- Subject to certain conditions, RCG is to acquire 100% of the shares in Accent Group Limited ("AGL"), a New Zealand company with operating subsidiaries in Australia and New Zealand.
- The purchase price is expected to be between \$180m and \$200m and is to be based on 6 times AGL's normalised maintainable EBITDA for the financial year ending 30 April 2015
- The purchase price is to be funded as follows:
 - \$25 million underwritten placement to professional and sophisticated investors¹
 - \$100 million placement to the AGL vendors which will be subject to a two year escrow
 - \$25 million unsecured vendor note (subject to the adjustment described on page 9)
 - Up to \$50 million by way of secured senior bank debt

Impact of transaction on RCG

- As a combined entity on a pro-forma historical basis for the 12 months ending December 2014²:
 - EBITDA would have increased by approx. 150% to \$44.1m
 - EPS would have increased by approx. 26%
 - The debt to equity ratio³ would have been 0.2 times
 - The gearing ratio³ would have been 0.7 times
- Following completion of the transaction, RCG's existing shareholders will be offered an opportunity to acquire additional shares in RCG under a share purchase plan
- The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs)⁴
- RCG does not expect the transaction to adversely impact its ability to pay dividends at or above historical levels (in cents per share).

1. This excludes the proceeds of a share purchase plan which will raise up to \$10 million (subject to RCG's discretion to accept oversubscriptions and scale back applications).

2. These calculations are based on unaudited pro-forma consolidated historical numbers for the 12 months ending 31 December 2014 adjusted for the expected change in finance costs, but excluding any acquisition related amortisation, synergies or integration costs .

3. Please see page 10 for the basis of this calculation.

4. This statement should be read in conjunction with the transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Transaction highlights: about AGL & strategic rationale

About AGL

- AGL is an importer, distributor and retailer of international branded footwear and related accessories, with operations across Australia and New Zealand. Its business activities include:
 - Exclusive distribution of Skechers, Vans, Dr Martens, Timberland¹, K Swiss, Palladium and Stance in Australia and New Zealand. Ownership and operation of the Platypus Shoes retail chain as well as a number of mono-branded Skechers, Vans and Timberland stores in both Australia and New Zealand.

Strategic rationale

- Subject to completion of the transaction, the acquisition of AGL by RCG will result in the creation of a regional leader in the retail and distribution of branded footwear with over 270 stores and exclusive distribution rights for 13 international brands across Australia and New Zealand. The retail and distribution operations of the combined entity will look like this:

Company	Retail brands	Wholesale brands
	  	     
	   	      

1. Timberland distribution agreement does not include New Zealand

Transaction highlights: overview

The Board believes that the acquisition of AGL is highly strategic for the reasons summarised below.

	Immediate financial benefit	Medium & long term financial benefits	
		Benefit of scale	New opportunity
Immediate EBITDA and EPS accretion ¹	✓		
Portfolio diversification	✓	✓	
Growth engine for RCG		✓	
Creates a market leader in branded footwear		✓	✓
Opportunities through increased size	✓	✓	
Cross-brand distribution opportunities		✓	✓
Enhanced vertical strategy		✓	
New retail formats		✓	✓
Complementary management skills			✓
Complementary geographical expertise		✓	✓
Cost and revenue synergies		✓	✓

1. The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs). See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Transaction highlights: key metrics

Pro-forma for the 12 months to 31 Dec 2014 ¹	RCG Standalone	Merged entity ²	Impact
No. of stores	174 stores	269 stores	↑ 55%
No. of brands	6 brands	13 brands	↑ 117%
Total group sales	\$267.7m	\$450.0m	↑ 68%
Revenue	\$93.1m	\$276.4m	↑ 197%
EBITDA	\$17.6m	\$44.1m	↑ 151%
NPAT	\$12.3m	\$26.3m	↑ 113%
Basic EPS	4.8 cents	6.0 cents	↑ 26%
Gearing	Nil	0.7 times	↑ N/A

1. All the calculations and figures in this table are based on unaudited pro-forma consolidated historical numbers for the 12 months ending 31 December 2014. Subject to the completion of the transaction, AGL will be acquired with effect from 1 May 2015 and the purchase price will be based on a multiple of 6 times normalised maintainable EBITDA of AGL for its financial year ending 30 April 2015. See page 9 for more details.
2. The merged entity pro-forma figures are based on the unaudited aggregate combined historical financial results of both businesses for the 12 months to 31 December 2014, adjusted for the expected change in finance costs, but excluding any potential synergies, additional costs and the impact of the amortisation of intangibles.

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The transaction explained



The transaction explained

Purchase price calculation and adjustment mechanism

- AGL has an April year end. Prior to completion of the transaction, the parties will agree on an estimate of AGL's FY15 EBITDA and will calculate the purchase price accordingly. The purchase price will be equal to a multiple of 6 times AGL's normalised maintainable FY15 EBITDA. 20% of the cash consideration will be held back by RCG until AGL's FY15 audited financial accounts have been signed off, following which a purchase price adjustment will be made, if applicable.
- To the extent that the purchase price adjustment ("PPA") is a positive amount, the issue price of the vendor note will be increased. If the PPA is a negative amount, the purchase price will be reduced by decreasing the retention amount by that PPA and, in circumstances where the PPA is more than the retention amount, then the amount of the PPA above the retention amount will be reduced against the vendor note.
- Given that the purchase price is based on normalised maintainable EBITDA for the 12 months to 30 April 2015, the final purchase price will not be known at the time of completion. The table on the following page shows what the purchase price will be at different EBITDA amounts:

The transaction explained

Purchase price metrics at different EBITDA levels

AGL Maintainable EBITDA

Purchase price multiple

Purchase price

Funded as follows:

Private equity placement

RCG equity issued to vendors

Unsecured vendor note

Secured senior bank debt

Total

Gearing ratio¹

Debt to equity ratio²

Pro-forma for 12 months to Dec 14

26,516

6

159,096

25,000

100,000

25,000

9,096

159,096

0.7

0.2

28,000

6

168,000

25,000

100,000

25,000

18,000

168,000

0.8

0.2

Expected Range³

30,000

6

180,000

25,000

100,000

25,000

30,000

180,000

1.1

0.3

31,500

6

189,000

25,000

100,000

25,000

39,000

189,000

1.2

0.3

33,000

6

198,000

25,000

100,000

25,000

48,000

198,000

1.3

0.4

34,000

6

204,000

29,000

100,000

25,000

50,000

204,000

1.4

0.4

1. The gearing ratio has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the pro-forma consolidated EBITDA
2. Debt to equity has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the total pro-forma value of the equity after the private placement, but before taking into account the impact of the SPP.
3. See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

The transaction explained

Institutional capital raising, equity placement, and share purchase plan

Share price

- Shares issued under the private placement, equity placement to the AGL vendors, and the share purchase plan will be issued at \$0.70¹
- This price represents a discount of approximately 3.4% to the volume weighted average price of RCG's shares for 5 days up to the 18 of March 2015

Private placement

- \$25 million is to be raised through the issue of 35.7 million RCG shares under a private placement to sophisticated and professional investors. The private placement, which will be conducted on the date of this announcement, will be managed and fully underwritten by Bell Potter Securities Limited.
- The number of shares to be issued under the private placement will be within the 15% threshold contemplated by ASX Listing Rule 7.1 and therefore does not require shareholder approval.

Equity placement to vendors

- \$100 million in RCG shares will be issued to the AGL vendors as part consideration at the same price as the private placement and the share purchase plan¹.
- These shares will be subject to voluntary escrow for two years from their issue date.
- Immediately following completion of the transaction no AGL vendor will have an interest in more than 17% of RCG's shares.

Share purchase plan

- Subject to RCG obtaining shareholder approval for the transaction, RCG's existing shareholders will be given the opportunity to subscribe for shares at the discounted price of no more than \$0.70 under a share purchase plan. Under the terms of the SPP, shareholders registered on 18 March 2015 will each be entitled to subscribe for up to \$15,000 of RCG shares to raise up to a maximum of \$10 million (subject to RCG's discretion to accept oversubscriptions and scale back applications).

1. Shares issued under the share purchase plan will be issued at no more than \$0.70

The transaction explained

Debt funding	Vendor note	<ul style="list-style-type: none">▪ The purchase price will be part-funded by an unsecured vendor note of \$25 million (the note is subject to the adjustment described on page 9).▪ The vendor note is repayable by RCG two years from the date of issue, but RCG may elect to repay all or part of the note earlier at its discretion.
	Bank debt	<ul style="list-style-type: none">▪ RCG has entered into a binding funding commitment letter with National Australia Bank ("NAB") whereby NAB has agreed (subject to the satisfaction of certain conditions precedent) to advance RCG up to \$50 million in debt financing to partially fund the purchase of AGL¹.▪ Based on the estimated final purchase price range, bank funding for the transaction will be in the range of \$30 million - \$48 million, which is less than 1 x the EBITDA of the combined entity.
Transaction timing and deal costs	Timing considerations	<ul style="list-style-type: none">▪ AGL has an April year end and the purchase price is to be based on AGL's normalised maintainable EBITDA for the financial year ending 30 April 2015.▪ Completion of the transaction is expected to take place on 26 May 2015. However, subject to completion of the transaction, RCG will acquire the business with an effective date of 1 May 2015.
	Impact of the two months	<ul style="list-style-type: none">▪ The profit that AGL is expected to make in the two months between the end of April and the end of June will be offset against deal and acquisition costs and as a result no net P&L impact has been factored in to RCG's calculations.

1. RCG has a binding commitment letter from National Australia Bank for a \$90m facility, which includes up to \$50m to part fund the purchase of AGL and \$40m for working capital and other facilities.

The transaction explained

Approvals, conditions precedent and regulatory consider- ations

- RCG has received written confirmation from ASX that shareholder approval for the transaction under ASX Listing Rule 11.1.2 is **not** required¹, nor is RCG required to meet the requirements in Chapters 1 and 2 of the ASX Listing Rules for the purposes of ASX Listing Rule 11.1.3 in relation to the transaction.
- The Company does however require shareholder approval under ASX Listing Rule 7.1 to issue RCG shares to the vendors as such issue will exceed the 15% cap imposed by ASX Listing Rule 7.1. Completion of the transaction is conditional on obtaining this approval.
- Completion of the transaction is also conditional on obtaining shareholder approval in respect of the appointment of three of the existing AGL shareholders to the board of RCG (Michael Hapgood, Craig Thompson and Daniel Agostinelli). See page 33 for details of these individuals.
- Shareholder approval is also required in respect of financial assistance being provided in connection with the transaction pursuant to section 260B of the Corporations Act.
- Additional conditions precedent to the transaction include:
 - RCG and AGL receiving consent from various prescribed key third parties on terms acceptable to them (acting reasonably);
 - RCG obtaining necessary approvals from ASIC to enter into the proposed escrow deeds with the AGL vendors; and
 - No director of RCG having withdrawn or adversely modified their recommendation of the transaction or having made any public statement that they no longer recommend that RCG's shareholders vote in favour of the resolution to approve the transaction.

1. Notwithstanding that ASX has confirmed that shareholder approval for the transaction is not required under ASX Listing Rule 11.1.2, RCG has commissioned an Independent Expert (Lonergan Edwards and Associates Limited) to opine on whether the transaction is in the best interests of shareholders. The Independent Expert's Report will accompany the notice of extraordinary general meeting that will be sent to shareholders in connection with the transaction

The transaction explained

Post completion capital structure

The indicative capital structure of RCG post completion of the transaction is as follows:

Description	No. of shares
Existing unrestricted shares	254,693,625
Shares classed as treasury shares for accounting purposes ¹	13,715,000
Placement shares	35,714,285
AGL vendor shares (subject to two year voluntary escrow)	142,857,124
Total shares prior to share purchase plan	446,980,052
Shares expected to be issued under the share purchase plan ²	14,285,714
Total after allocation under the share purchase plan³	461,265,766

1. Includes shares issued under RCG's Employee Share Scheme and other employee shares which are subject to escrow.
2. Assuming RCG raises \$10 million under the share purchase plan at an issue price of \$0.70 per share.
3. RCG also has 5,450,000 options over ordinary shares on issue.

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About AGL

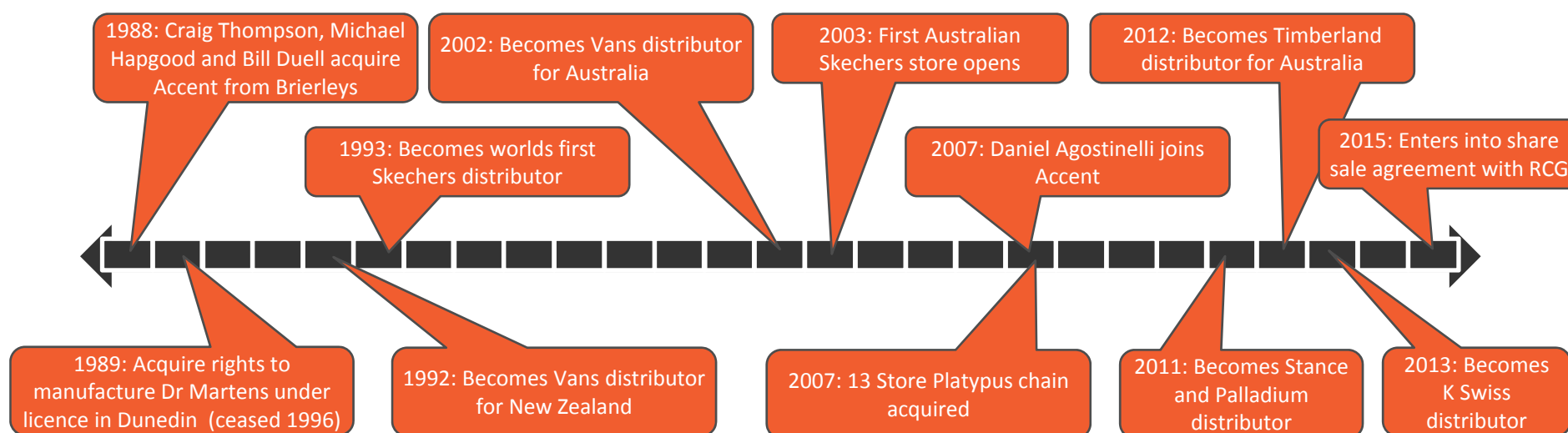


About AGL

AGL is a New Zealand based company with operations in both Australia and New Zealand. It imports, distributes and wholesales seven international brands of footwear and related accessories, and has 97 stores (as at the end of February 2015) operating under four different retail brands. The business employs more than 1,500 people in Australia and more than 200 people in New Zealand.

For the 12 months to the end of December 2014, it generated over \$62 million of external wholesale sales through its exclusive distribution of the Vans, Skechers, Dr Martens, Timberland, Stance, K Swiss, Stance and Palladium brands in Australia and New Zealand.

The business also operates 97 stores, including mono-branded Skechers, Vans and Timberland stores, as well as the market-leading multi-branded sneaker business, Platypus Shoes. Its retail sales for the 12 months ended December 2014 were approximately \$120 million.



About AGL: the brands



- Platypus Shoes was acquired by AGL in 2007 when it had 13 stores.
- Having spent several years getting the format right, AGL embarked on a aggressive rollout strategy 2-3 years ago.
- There are 52 Platypus stores in Australia and New Zealand. Of these, 12 have been opened since the beginning of 2014, with plans to rollout more.
- Platypus is the market leader in multi-branded sneaker retail in Australia. It stocks a wide range of iconic and aspirational sneaker brands and is built around a USP of exciting, leading edge, ever changing sneaker fashion and culture.
- The brand encourages and embraces a staff commitment to "Make It Happen".



- In 1966, the Van Doren Rubber Company opened up for business in Anaheim, California creating a simple canvas shoe that soon became a staple for skaters and surfers. Today Vans has extended out to street culture as the company continues to re-create the original "Classic". With a strong heritage in action sports, Vans prides itself in being grounded in youth, authenticity and individual style.
- Vans is one of the leading youth lifestyle footwear brands in the world, with worldwide sales approaching \$2 billion.
- AGL became the New Zealand Vans distributor in 1992 and the Australian distributor in 2002.
- In addition to wholesaling the brand to premium retailers, AGL operates 10 mono-branded Vans stores. The brand is also one of the key brands in the Platypus business.

About AGL: the brands



- Established in 1992 Skechers USA, Inc. is based in Manhattan Beach, California. An award-winning global leader in the lifestyle footwear industry, Skechers designs, develops and markets lifestyle footwear that appeals to trend-savvy men, women and children.
- The Skechers brand has experienced rapid growth over the last few years and was ranked last year as the fifth largest sports footwear brand in the US¹.
- AGL became the first distributor of Skechers in the world in 1993.
- In addition to operating an extensive Skechers wholesale business, AGL also owns and operates 33 Skechers mono-branded stores in Australia and New Zealand.
- The rollout of stores has been rapid, with no fewer than 10 stores rolled out since the beginning of 2014, with plans to rollout more.



- Dr Martens was founded in 1960 as a collaboration between Bill Griggs, an English boot maker, and Dr Martens and Dr Funck, a pair of German inventors who invented an air-cushioned sole in response to a skiing injury.
- In 1989 AGL obtained the right to be the first manufacturer outside the UK to manufacture Dr. Martens, which they did in their Dunedin factory for seven years.
- AGL is the exclusive distributor of Dr Martens in Australia and New Zealand

¹= Sneakernomics, April 2014

About AGL: the brands



- Originally founded in 1952 as the Abington Shoe Company, the company was one of the first to use injection-moulding to create virtually waterproof boots. In 1973 it introduced an iconic waterproof range of boots called "Timberland", which were so successful that the company changed its name. The brand does approximately \$1.5 billion in worldwide revenue.
- AGL became the Australian Timberland distributor in 2012.



- K-Swiss was founded in 1966 by two Swiss brothers, who moved to California to pursue their dream of starting their own footwear company. They drew inspiration from leather ski boots to create the first all-leather tennis shoe. This is how the K-Swiss classic sneaker was born, and it remains one of the most iconic and classic sneakers of all-time.
- AGL became the K Swiss distributor in 2013.



- Founded by Skullcandy founder Rick Alden in 2010, Stance is a brand of action-sports socks with cutting edge style, and the perfect accessory brand for the Platypus business.
- AGL became the Stance distributor in 2011.



- Palladium was founded 1920 as a tyre manufacturer and turned to footwear after World War II, designing the famous Pampa boot which was adopted by the French Foreign Legion. Today it is a brand that combines authenticity with cutting edge styling.
- AGL became the Palladium distributor in 2011.

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Strategic rationale



Strategic Rationale

Natural Alignment

- RCG's strategy is *"to identify and acquire brands and/or businesses which are synergistic with its existing business. In particular, the Company's strategy is to acquire distribution and retail businesses in the footwear and active lifestyle space"*.
- The Board believes that the acquisition of AGL is closely aligned with the strategic objectives of RCG and will provide RCG with significant opportunity.
- In addition to the strategic alignment, RCG and AGL operate similar businesses. Both businesses:
 - are distributors and retailers of international footwear brands in the athletic and active lifestyle space;
 - have wholesale arms that import and distribute footwear and related accessories; and
 - operate several different retail brands, in each case operating both fully vertical retail stores as well as multi-branded stores that purchase footwear from third party suppliers (who in many cases are the same suppliers).
- The Board believes that the two businesses similarities make them naturally aligned and their business operations should integrate easily and effectively.
- The Board believes that this natural alignment provides a number of other strategic benefits that flow from the transaction. These are outlined on the pages that follow.

Strategic Rationale

EBITDA and EPS accretion

- The table on page 7 shows what impact the ownership of AGL would have had on RCG for the 12 months to 31 December 2014 had RCG owned AGL for that period. As the table shows, on a pro-forma historical basis, the merged entity would have generated materially greater EBITDA and EPS than RCG did as a stand-alone business for that period¹.
- The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs)².

Portfolio diversification

- By more than doubling both the number of brands it distributes and the number of retail formats it operates, RCG will significantly diversify the risk associated with reliance on any one brand or retail concept.
- Significantly, the reduction in risk is accompanied by an *increase* in expected return, not the decrease in return that usually accompanies risk reduction.

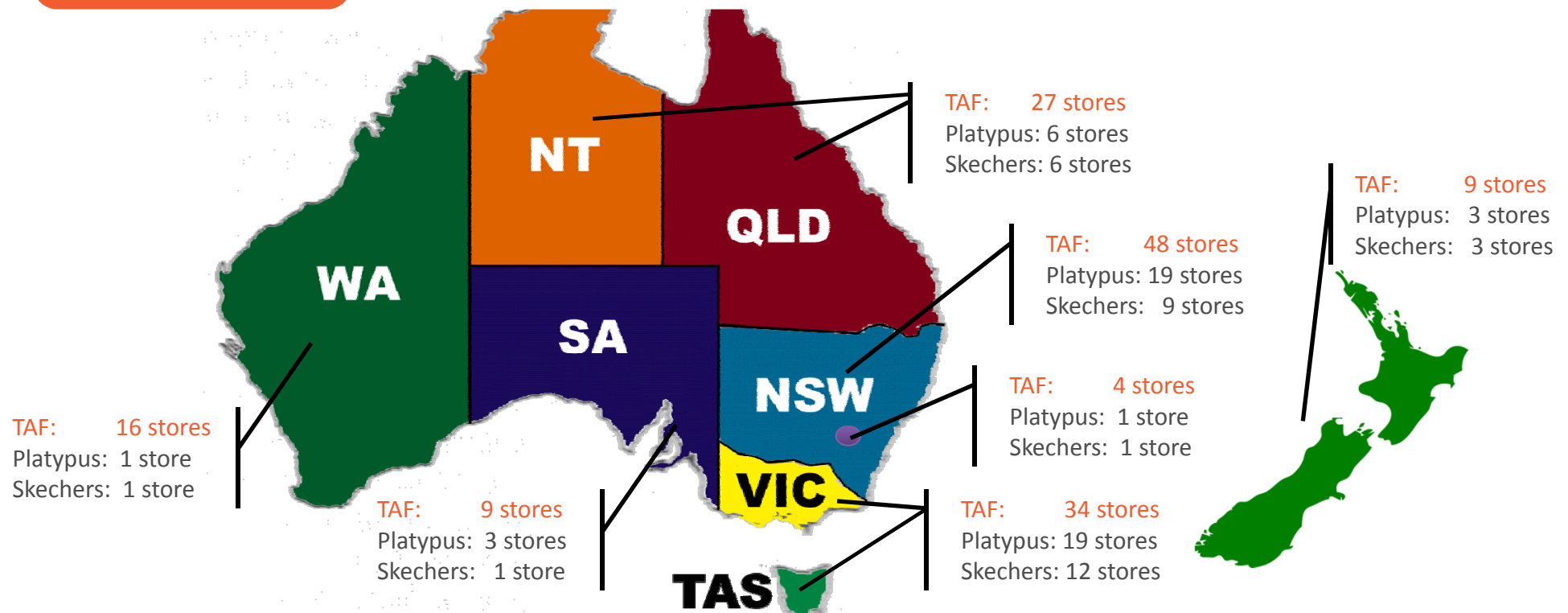
1. The merged entity pro-forma figures are based on the unaudited aggregate combined historical financial results of both businesses for the 12 months to 31 December 2014, adjusted for the expected change in finance costs, but excluding any potential synergies, additional costs and the impact of the amortisation of intangibles.

2. See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Strategic Rationale

A new growth engine for RCG

- AGL's businesses, particularly Platypus and Skechers, have experienced significant sales and profit growth over the last two years. This growth has come both through like-for-like sales growth and the opening of new stores, many of which are still in the establishment phase.
- Growth, both from existing stores and wholesale customers, and from the establishment of new stores, is expected to continue. The map below shows the potential opportunity for new sites relative to The Athlete's Foot:



Strategic Rationale

Creation of a market leader in branded footwear

- The acquisition of AGL by RCG will result in the creation of a regional leader in the retail and distribution of branded footwear with over 270 stores and exclusive distribution rights for 13 international brands across Australia and New Zealand.
- The Board believes that this will enable RCG to better respond to changes in the competitive landscape.
- Equally, with its extensive and varied retail network, and substantial wholesale customer base, the Board believes that RCG will become an attractive partner for other international brands seeking a distributor in Australia or New Zealand.

Opportunities through increased size

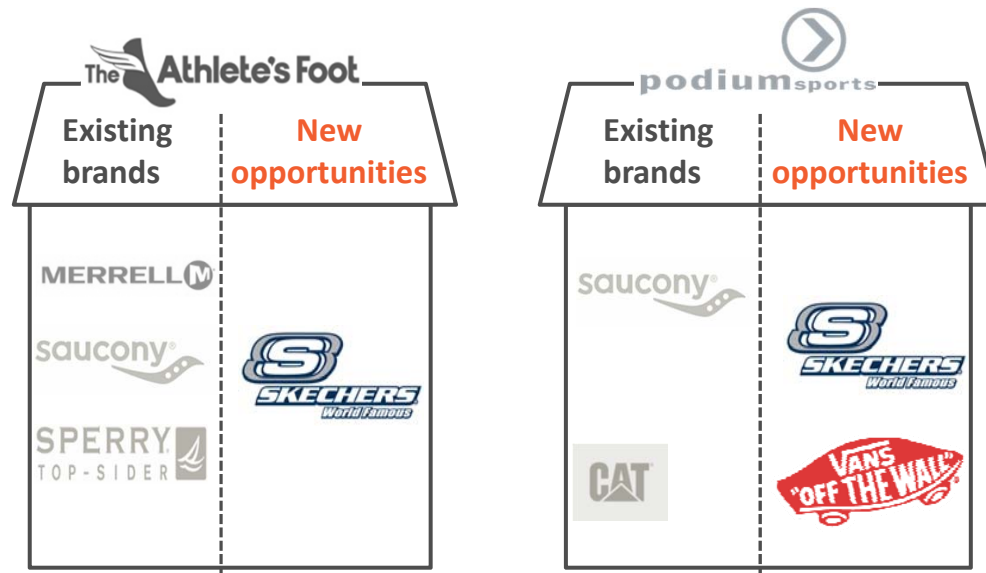
- The acquisition is expected to more than double the size of RCG in terms of turnover, sales volumes and profit.
- The Board believes that by virtue of its increased size RCG will:
 - have greater flexibility and scale to explore both new revenue opportunities and potential cost-saving and efficiency improvements; and
 - become an increasingly large and attractive strategic partner to its customers, suppliers and service providers.

Strategic Rationale

Cross-brand distribution opportunities

- Each of RCG's and AGL's businesses has a number of successful retail formats which could be complemented by additional product opportunities through the merger of the two businesses.
- The Skechers brand is already distributed by a number of TAF stores and the Platypus business has recently placed orders for some of RCG's brands. By closer association under the same roof, these and other distribution opportunities will be more fully explored to the mutual benefit of the brands, retail stores, franchisees and consumers.
- The graphic below shows some of the new and enhanced cross-brand distribution opportunities that potentially exist:

RCG owned businesses



AGL owned business



Strategic Rationale

Enhancement of vertical strategy

- The Board believes that the increase in the percentage of own brands available for sale through the multi-branded retail channel of both businesses will provide a greater level of protection, control, opportunity and profitability for the combined business.
- Both RCG and AGL have been pursuing a vertical distribution / retail strategy for some time. The Board believes that the merged entity will be in a position to accelerate the rollout of this strategy which will be more likely to bring greater certainty both for the brands it distributes and the retail channels it supports.

New retail formats

- Each of the two businesses has already been exploring the possibility of new retail formats. A number of existing barriers to rolling out new concepts are likely to be mitigated or removed altogether under the merged entity. Benefits in this regard include:
 - Access to the combined stable of brands.
 - Greater access to third-party brands and product ranges through each other's existing relationships.
 - With six or more retail formats, the combined entity will have more flexibility to use any particular site for the most appropriate format.
 - Opportunities to acquire the most appropriate sites at the best rents, making new formats more viable.
 - Greater capacity and opportunity to build and manage new retail concepts.

Strategic Rationale

Complementary management skills

- Both RCG and AGL have outstanding, long-term, senior management teams with proven track records of delivering exceptional results.
 - The Board believes that as a combined group these teams will make a formidable unit. Further, the Board believes that AGL's skills in identifying and rapidly growing trending brands and leading edge retail will complement RCG's existing skills in managing and delivering low-risk sustainable growth over an extended period.
-

Complementary geographical expertise

- AGL's corporate office is located in Auckland, New Zealand. With a full infrastructure, including offices, showrooms and a sales team to support it, RCG's brands are likely to receive a significant boost in that market.
 - RCG has significant retail experience in regional markets, which AGL will be able to leverage off to accelerate the growth of appropriate retail formats into those markets.
-

Cost and revenue synergies

- Additional opportunities may accrue to the combined group over time as a result of its scale and financial strength.
- No cost synergies or savings have been factored into the consideration of this transaction by the RCG board and none are expected in the short term. However, over the longer term as the business continues to grow, certain savings and efficiencies may become apparent.

5

Pro-forma financial information



Pro-forma financial information



Pro-forma consolidated statement of profit & loss for the 12 months ending 31 December 2014

\$'000	RCG ¹	AGL ¹	Pro-forma adjustments ²	Pro-forma consolidated
Total Group Sales (including franchised stores)	267,774	181,431		449,205
Total Revenue	93,178	181,900		275,078
EBITDA	17,617	26,516		44,133
Depreciation and Amortisation	(1,320)	(4,163)		(5,483)
EBIT	16,297	22,353		38,650
Interest received (paid)	850	-	(2,046)	(1,196)
Profit before taxation	17,147	22,353	(2,046)	37,454
Income tax expense	(4,790)	(6,963)	614	(11,139)
Net profit after Tax	12,357	15,390	(1,432)	26,315
Non-controlling interests	(123)	-		(123)
Profit attributable to owners of the company	12,234	15,390	(1,432)	26,192
No. of shares on issue (million) ³	254,694		178,571	433,265
Basic Earnings Per Share	4.80 cents			6.05 cents

1. The figures for each entity are the unaudited historical figures for the 12 months ending 31 December 2014. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. Pro-forma adjustments have been made in respect of the finance costs that would have been incurred had AGL been acquired and paid for using the financing structure shown in the table on page 10. No pro-forma adjustments have been made in respect of any potential synergies, additional costs or the impact of the amortisation of intangibles. There is expected to be a material non-cash charge associated with the amortisation of the value of the brand licences over the remaining contract terms. Whilst this will not have an impact on EBITDA, it is expected to have a material impact on the calculation of EPS.
3. The number of shares on issue excludes shares issued under the employee share scheme and other treasury shares. The pro-forma adjustment in respect of the number of shares on issue is based on the issue of \$125m of shares at \$0.70 in respect of the acquisition, but excludes the dilutive effect of any shares to be issued under the SPP.

Pro-forma financial information



Pro-forma summary consolidated statement of financial position as at 31 December 2014

\$'ooo	RCG ¹	AGL ¹	Pro-forma adjustments ²	Pro-forma consolidated
Current assets				
Cash & equivalents	11,828	-	(1,432)	10,396
Receivables, inventory & other	28,355	51,497	-	79,852
Total current assets	40,183	51,497	(1,432)	90,247
Non current assets				
Tangibles	8,646	15,249	-	23,895
Intangibles	24,502	-	117,592	142,094
Total non current assets	33,148	15,249	117,592	165,989
Current liabilities	(18,090)	(24,016)	-	(42,106)
Non current liabilities	(386)	(1,224)	(34,097)	(35,707)
NET ASSETS	54,855	41,506	82,062	178,423
Issued Capital	70,860	1,269	123,731	195,860
Reserves and other	(16,004)	40,236	(41,668)	(17,436)
TOTAL EQUITY	54,855	41,506	82,062	178,423

1. RCG's figures as at December 2014 has been subject to half-year audit review. AGL's figures are unaudited. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. The following pro-forma adjustments have been made to reflect the consolidated financial position of the group as if AGL been acquired on the basis of six times EBITDA for the 12 months to 31 December 2014:
 - a) The cash equivalents have been reduced by the after tax value of the interest that would have been paid on the debt component of the purchase price.
 - b) The value of intangibles has been increased to reflect the excess of the pro-forma purchase price over pro-forma net tangible assets. No amortisation of the intangibles has been reflected.
 - c) The non-current liabilities have been adjusted to reflect the value of the debt component of the purchase price.
 - d) Issued capital has been adjusted to reflect the value of the equity component of the purchase price. The impact of the SPP has not been accounted for.

AGL historical financial performance

AGL historical results \$ooo's	Actual results for the 12 months ending		
	April 2013	April 2014	Dec 2014
Wholesale sales			
Australia	60,419	50,262	48,362
NZ	11,902	13,319	13,425
Total wholesale sales	72,321	63,581	61,787
Retail sales			
Australia	52,210	77,427	112,070
NZ	153	4,975	7,574
Total retail sales	52,363	82,402	119,644
Total sales	124,684	145,983	181,431
Cost of goods sold	(55,554)	(65,156)	(79,008)
Gross profit	69,130	80,827	102,423
Other income	500	400	468
Net operating expenses	(49,483)	(63,347)	(76,375)
EBITDA	20,147	17,880	26,516
Depreciation	(2,322)	(3,271)	(4,163)
EBIT	17,825	14,609	22,353
Number of retail stores			
Platypus (Australia)	30	39	49
Sketchers (Australia)	19	20	30
Vans (Australia)	3	8	9
Timberland (Australia)	1	2	2
Platypus (NZ)	1	3	3
Sketchers (NZ)	0	1	2
Total stores	54	73	95
Retail sales comp growth	10%	13%	25%

Wholesale sales

Wholesale sales revenue has declined primarily as result of a market oversupply of some products in FY13 and the increasing proportion in distribution of AGL's brands through the expansion of its own store network.

Retail sales

Retail sales growth has been driven by a combination of rapid store rollout and double digit comp growth over the historical period. The comp growth rates are a result of both the global strength of AGL's brands and the refinement of the Platypus Shoes consumer offering.

As at the end of February 2015 there were 97 AGL group stores. AGL anticipates opening an additional 9 stores prior to the end of April 2015. The Board believes that 15 - 20 new stores (across all brands) can be rolled out each year for the next 2 - 3 years. AGL has confirmed that it has entered into leases or concluded commercial negotiations for 5 new stores for the period beyond the end of April 2015.

In considering its proposed acquisition of AGL, RCG has assumed that AGL's comp sales growth will be in the mid-single digit range for FY16 and beyond.

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Board and operating structure



Board and operating structure

It is envisaged that no changes will be made to the existing operating structure of either RCG or AGL in the short term and until such time as the combined management team is confident that any proposed changes will have corresponding benefits.

Assuming completion of the transaction, the existing RCG Board will be augmented by the addition of three of the existing AGL shareholders, two of whom are actively engaged in the day to day management of the business. Hilton Brett will remain CEO and Ivan Hammerschlag will continue as Non-Executive Chairman. The following AGL shareholders will be joining the RCG Board:

Michael Hapgood AGL Executive Chairman¹

- A founding director & shareholder of AGL, Michael has been the CEO since 1998.
- He is familiar with AGL's current and past activities and has been intimately involved in the development of all major strategic initiatives of the business since its inception.
- Michael is highly experienced and has extensive experience and knowledge of working with global brands.

Daniel Agostinelli AGL CEO¹

- Based in Melbourne, Daniel oversees all the day to day operations of AGL.
- He has over 30 years retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business.
- Daniel has been with AGL since 2006 and is the primary driver of AGL's day to day business operations and strategy execution.

Craig Thompson *BCA, LL.B, Dip Acc, ACA* Non-executive Director¹

- Craig is a co-founder of AGL and has been the Chairman since its inception.
- He is a widely experienced company director and has been intimately involved in businesses in multiple sectors.
- He has held directorships in listed and private companies in the media, insurance, finance, retirement village, retailing, and on-line trading sectors.

¹ = These new titles under the proposed merged structure. Both Michael and Daniel have entered into executive service agreements, subject to completion of the transaction.

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Indicative timetable



Indicative timetable

<ul style="list-style-type: none"> Trading halt, transaction announcement and placement: <ul style="list-style-type: none"> Transaction announcement and trading halt request Bookbuild opens Bookbuild closes Trading halt lifted Settlement of placement Placement shares allotted and commence trading 	<p>19 March 15 before 10:00am¹</p> <p>19 March 15 at 10:00am¹</p> <p>20 March 15 at 2:00pm¹</p> <p>23 March 15</p> <p>27 March 15</p> <p>30 March 15</p>
<ul style="list-style-type: none"> Notice of EGM dispatched to shareholders together with the Independent Expert's Report 	<p>10 April 15</p>
<ul style="list-style-type: none"> RCG shareholder meeting 	<p>12 May 15</p>
<ul style="list-style-type: none"> Effective date of acquisition of AGL 	<p>1 May 15</p>
<ul style="list-style-type: none"> Expected completion of acquisition of AGL 	<p>26 May 15</p>
<ul style="list-style-type: none"> Share purchase plan offer to open 	<p>29 May 15</p>
<ul style="list-style-type: none"> Share purchase plan offer to close 	<p>26 June 15</p>

1. Sydney time

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Key risks



Key risks of an investment in RCG

There are a number of risks inherent in the acquisition of AGL that could affect the future operational and financial performance of RCG and the value of RCG's shares. The following is a summary of some of the key risks. This is not an exhaustive list of the relevant risks. If any of the following risks materialise, RCG's business, financial condition and operating results are likely to be adversely impacted. Before investing in RCG, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on RCG, carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision. Additional risks and uncertainties that RCG is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect RCG's operating and financial performance and the value of RCG's shares.

Risks specific to the acquisition of AGL

- **Completion risk** – There is a risk that the transaction may not complete due to a failure to satisfy any of the conditions precedent (for example, a failure to obtain the required RCG shareholder approvals). Where the transaction is not completed, RCG intends to use the proceeds raised under the placement for other potential acquisitions or for general corporate purposes.
- **Integration risk** - There are risks that any integration between the businesses of RCG and AGL may be more complex than expected. A failure to fully integrate the operations of AGL, or a delay in the integration process, could impose unexpected costs that may adversely affect the financial performance and position of RCG.
- **Funding risk** – The availability of the debt facility from NAB is subject to various conditions precedent. However, the provision of debt finance is not a condition to the transaction. As such, there is a risk that RCG may have an obligation to pay the purchase price for AGL under the transaction but, due to the unavailability of the debt facility, does not have the necessary amount of funding available. In this instance RCG would need to seek to put in place new financing arrangements, the terms of which may be less attractive than the proposed transaction funding mix.
- **Debt funding** – The use of debt finance to fund the transaction means that RCG will be exposed to risks associated with gearing. For example, RCG will be more exposed to any movements in interest rates.
- **AGL's future earnings** – RCG has undertaken financial and business analysis of AGL in order to determine its attractiveness to RCG and whether to pursue the transaction. To the extent that the actual results achieved by AGL are weaker than those anticipated, there is a risk that the profitability and future earnings of the operations of the combined group may differ (including in a materially adverse way) from the current performance as reflected in this presentation. Future earnings could be materially impacted by the factors outlined on the following page:

Key risks of an investment in RCG

- Factors which could have a material adverse impact on AGL's future earnings:

- Foreign currency fluctuations** – AGL is exposed to fluctuations in the AUD/USD, AUD/NZD and NZD/USD exchange rates. A material movement in any of these exchange rates could potentially have a material impact on the profitability of the business. In particular, all of the brands that AGL distributes are purchased in USD and therefore fluctuations in the USD exchange rate may have a material impact on the landed cost of the items. For the financial year ending on 30 April 2015, AGL's purchases have been made at a weighted average exchange rate of USD/AUD of 0.89. For FY16, AGL has forward cover at an average rate of USD/AUD of 0.77 for approximately 22% of its expected USD purchases and has no cover in respect of the remainder. In conducting its financial and business analysis of AGL, RCG has assumed an average AUD/USD exchange rate of 0.75 for FY16¹ and has also made certain assumptions regarding increases in wholesale and retail prices that are likely to flow as a result. If the actual average USD exchange rate is materially lower than the expected rate and no further consequential adjustments are made to retail and wholesale prices, this could have a material adverse effect on AGL's earnings in FY16.
- Loss of distribution licence** - The loss of a major distribution licence, such as Vans or Skechers, could have a material impact on the profitability of AGL's business. The table below shows term of the current distribution agreements for all brands:

Brand	Start	End	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Skechers	Jan-07	Dec-21										
Vans	Jan-11	Dec-16										
Dr Martens	Nov-10	Nov-15										
Timberland	Jul-12	Dec-15										
Palladium	Jan-14	Dec-18										
Stance	Jun-12	Jun-15										
Kswiss	Jun-14	Dec-18										

- Rates of sale and sales growth** – A number of factors could have a material impact on AGL's retail and wholesale sales and like-for-like growth rates. Such factors include, but are not limited to:
 - Significant changes in consumer sentiment and other macro-economic factors
 - Changes in trends associated with the retail categories that AGL operates in and/or brands it sells
 - Inappropriate selection of retail sites

1. NAB "Global FX Strategist" at 9 March 2015 forecasts the AUD/USD exchange rate to be 0.74 at December 2015, and 0.73 at March and June 2016. Westpac "Australia & NZ Weekly" for the week beginning 2 March 2015 forecasts the AUD/USD exchange rate to be 0.79 at December 2015 and 0.81 at March 2016 (no forecast is given for June 2016). 0.75 is considered by the Board to be a reasonable mid-point for FY16.

Key risks of an investment in RCG

- **Factors which could have a material adverse impact on AGL's future earnings, continued:**
 - **Failure to adequately manage growth** – The AGL store network has grown rapidly in recent years and the continued success and future profitability of the business depends on sustainably managing the recent and expected future growth. Failure to do so could have a material impact on the profitability of the business.
 - **Misstatement of historical financial information and reliance on information provided** – Although the annual financial statements of AGL are audited, the pro-forma financial information in this presentation in respect of AGL has not been subject to audit. A material unidentified misstatement of the recent financial performance of the business would potentially have flow-on effects into the future. RCG undertook a due diligence process in respect of AGL, which relied in part on the review of financial and other information provided by the AGL vendors. Despite taking reasonable efforts, RCG has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, RCG has prepared (and made assumptions in the preparation of) the financial information relating to AGL on a stand-alone basis and also to RCG post-completion included in this presentation in reliance on limited financial information and other information provided by the AGL vendors. Some of this information was unaudited. RCG is unable to verify the accuracy or completeness of all of that information. If any of the data or information provided to and relied upon by RCG in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of AGL and the combined group may be materially different to the financial position and performance expected by RCG and reflected in this presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the transaction have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on RCG (for example, RCG may later discover liabilities or defects which were not identified through due diligence or for which there is no protection for RCG (in the form of insurance, warranties, representations or indemnities)). This could adversely affect the operations, financial performance or position of RCG. Further, the information reviewed by RCG includes forward looking information. While RCG have been able to review some of the foundations for the forward looking information relating to AGL, forward looking information is inherently unreliable and based on assumptions that may change in the future.

Key risks of an investment in RCG

General Risks

- **Foreign exchange risk** – RCG distributes products that are purchased in USD and therefore fluctuations in the USD exchange rate may have a material impact on the landed cost of the items. For FY15 RCG's purchases have been made or hedged at a weighted average exchange rate of US/AUD of 0.90. For FY16, RCG has forward cover at an average rate of USD/AUD of 0.81 for approximately 64% of its expected USD purchases and has no cover in respect of the remainder. If the actual average USD exchange rate continues to fall and no further consequential adjustments are made to retail and wholesale prices, this could have a material adverse effect on RCG's earnings in FY16.
- **Loss of distribution licence** – The loss of a major distribution licence, such as Merrell, Saucony or Caterpillar, could have a material impact on the profitability of RCG's business.
- **Economic risks** – General economic conditions may negatively affect RCG's performance and the performance of RCG shares. Any protracted slow down in economic conditions or factors such as movements in inflation or interest rates and industrial disruption may have a negative impact on RCG's costs and revenue. These changes could adversely affect RCG's operations and earnings, and impact on RCG's share price.
- **Market conditions** – Investors should be aware that there are risks associated with any investment in a company listed on the ASX. The market value of RCG will fluctuate depending on the price at which RCG shares are traded on the ASX, and may rise above or below the current RCG share price depending on:
 - the financial and operating performance of RCG; and
 - external factors over which RCG and its directors have no control. These external factors (which are unpredictable and may be unrelated or disproportionate to the performance of RCG) include:
 - economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
 - changing sentiment in the local and international stock markets;
 - changes in domestic or international fiscal, monetary, regulatory and other government policies;
 - developments and general conditions in the various markets in which RCG operates (and proposes to operate); and
 - which may impact on the future value and pricing of shares.

Key risks of an investment in RCG

General Risks

- **Operational risk** – While RCG has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions, technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.
- **Liquidity** – There can be no guarantee of an active market in the shares in RCG or that the price of the shares in RCG will increase. There may be relatively few potential buyers or sellers of RCG shares on the ASX at any time. This may increase the volatility of the market price of RCG shares. It may also affect the prevailing market price at which shareholders are able to sell their shares in RCG.
- **Competition** – RCG operates in an industry with many competitors. RCG competes on the basis of a number of factors, including the quality of products, reputation and price. However, there is no assurance that competitors will not succeed in offering products that are more economic or otherwise more desirable than those being offered by RCG.

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International offer restrictions



International offer restrictions

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

International offer restrictions

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United Kingdom

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