RCG CORPORATION

Extraordinary General Meeting

12 May 2015

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Investors should have regard to the key risks outlined in the investor presentation released by RCG to the market on 19 March 2015.

Acquisition of AGL – A refresher

- On 19 March 2015, RCG ("the Company") announced that it had entered into a Share Sale Agreement to acquire all of the shares in New Zealand company, Accent Group Limited ("AGL") ("the Transaction").
- AGL is an importer, wholesaler and retailer of international footwear brands and related accessories. It is the exclusive distributor of the Vans, Skechers, Dr Martens, Timberland, K Swiss, Stance and Palladium brands primarily in Australia and New Zealand.
- The AGL business also operates a number of retail formats, including mono-branded Skechers, Vans and Timberland stores, as well as the market-leading multi-branded sneaker business, Platypus Shoes.
- The business employs more than 1,500 people in Australia and more than 200 people in New Zealand.

Acquisition of AGL – A refresher

- The total consideration payable by the Company under the Transaction will be based on 6 times normalised maintainable EBITDA of AGL for the financial year ending 30 April 2015. The consideration is excepted to be toward the higher end of the previously announced range of $180 million and $200 million. Further information in this regard can be found on slide 8 of this presentation.
- The consideration will be payable to the current AGL shareholders as follows:
  - a $100 million equity placement to the AGL shareholders via the issue of 142,857,124 Shares to the AGL shareholders; and
  - the balance by way of cash.
- The cash component of the consideration will be funded as follows:
  - approximately $25 million raised under the private share placement to institutional and professional investors, which was completed on 23 March 2015;
  - approximately $25 million funded by an unsecured interest bearing vendor note advanced by the AGL shareholders; and
  - a $50 million secured senior debt facility.

Strategic rationale

The Board believes that the acquisition of AGL is highly strategic for a number of reasons. These are set out in some detail in the Company's notice of extraordinary meeting and explanatory statement dated 10 April 2015 ("the Notice of Meeting") and the investor presentation which was attached as Appendix B to the Notice Of Meeting. In brief, these include, but are not limited to the following:

- **Earnings accretion** – Significant earnings accretion as described in the investor presentation set out in Appendix B of the Notice of Meeting.
- **Natural alignment** – The acquisition is closely aligned with the Company's stated growth strategy. Moreover, the businesses are similar in many ways, making them easy to integrate and operate.
- **Portfolio diversification** – By more than doubling both the number of brands the Company distributes and the number of retail formats it operates, the Company will significantly diversify the risk associated with reliance on any one brand or retail concept.
- **Growth engine for the Company** – AGL's businesses, particularly Platypus and Skechers, have experienced significant sales and profit growth over the last two years. Growth, both from existing stores and wholesale customers, and from the establishment of new stores, is expected to continue.
- **Creation of a market leader in branded footwear** – With over 270 stores and exclusive distribution rights for 13 brands, the Company will become a regional leader in the retail and distribution of branded footwear.

Strategic rationale

- **Opportunities of scale** – With a business more than double the size of its existing business, the Company will have greater flexibility and scale to explore both new revenue opportunities and potential cost-saving and efficiency improvements.
- **Cross-branded distribution opportunities** – The businesses already retail some of each other's brands on a relatively small scale. Under single ownership, further cross-branded distribution opportunities will be more fully explored to the mutual benefit of the brands, retail stores, franchisees and consumers.
- **Enhanced vertical strategy** – Both the Company 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** – With the combined stable of brands, existing retail network and management expertise, new retail formats will be easier to develop and rollout.

Why is RCG seeking shareholder approval?

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- The Transaction is subject to the satisfaction of a number of conditions which are set out in the Share Sale Agreement. These conditions include:
    - the Company's shareholders approving all the resolutions in the Notice of Meeting (other than Resolution 6);
    - AGL obtaining written consents from third parties under key AGL contracts consenting to the Transaction; and
    - no director of the Company having withdrawn or adversely modified their recommendation of the Transaction or having made any public statement that they no longer recommend that shareholders vote in favour of the resolutions to approve the Transaction.
- Accordingly, the Company is seeking shareholder approval for the resolutions in the Notice of Meeting (other than Resolution 6) in order to satisfy the shareholder approval condition under the Share Sale Agreement.
- In addition, the Company is also seeking shareholder approval in respect of resolutions 1 and 5 in the Notice of Meeting as such matters require shareholder approval under the ASX Listing Rules and the Corporations Act, respectively.
- Finally, the Company is seeking shareholder approval in respect of resolution 6 in order to replenish its ability under ASX Listing Rule 7.1 to issue further securities (up to 15% of its issued capital) without requiring shareholder approval.

AGL trading update

- The Notice of this meeting, together with the Explanatory Statement and Annexures, contained certain pro-forma historical financial and trading information in respect of AGL for the 12 months to 31 December 2014.
- AGL has now provided the Company with updated information for its financial year that ended on 30 April 2015. This information is indicative only and has not been reviewed or checked by the Company. It is still subject to audit and adjustment.

	For the 12 months ending:		
Results	**30 Apr 2014**	**31 Dec 2014**	**30 Apr 2015**
Wholesale sales	$63.6m	$61.8m	$68.8m
Retail sales	$82.4m	119.6m	$145.9m
Total sales	$146.0m	$181.4m	$214.7m
EBITDA	$17.9m	$26.5m	$32m - $34m[a]
No of stores	73	95	106
Comp store sales	13%	25%	29%

a = Year end financial statements have not yet been produced. This is a current "best estimate".

Questions?