



RCG ANNOUNCES ANOTHER RECORD YEAR

26 August 2015

RCG Corporation Limited today announced:

- **Underlying¹ Earnings Before Interest Tax and Depreciation (EBITDA) of \$21.8m for the year ended 28 June 2015, an increase of 27.6% on the prior year**
- **Underlying Net Profit After Tax (NPAT) of \$13.7m, an increase of 16.0% on the prior year**
- **Underlying Earnings Per Share (EPS) of 4.71 cents per share, an increase of 2.8% on the prior year**
- **EBITDA from its pre-existing businesses (excluding the effects of the acquisition of Accent Group) of \$18.5m, an increase of 8.5% on the prior year**
- **A fully franked final dividend of 2.5 cents per share, taking total ordinary dividends for FY2015 to 4.5 cents**
- **FY2016 EBITDA guidance of \$55m - \$57m, which will increase underlying EPS by 25% - 30%**

RCG Corporation Ltd today announced another record year, with underlying Net Profit After Tax rising 16% to \$13.7 million in the 12 months to June 30, 2015.

The group completed the acquisition of the Accent Group in May, 2015, resulting in the creation of a regional leader in the retail and distribution of branded footwear with over 300 stores and exclusive distribution rights to 12 iconic international brands.

Statutory Net Profit After Tax, after allowing for \$3.6 million of one-off costs associated with the acquisition of Accent Group, fell 10.4% to \$10.5 million.

Results for the year ended 28 June 2015

Including the impact of Accent Group for the five weeks from 27 May 2015 to 28 June 2015, RCG lifted underlying EBITDA by 27.6% from \$17.1million to \$21.8 million, and underlying Net Profit After Tax by 16.0% from \$11.8 million to \$13.7 million. Underlying Earnings Per Share increased 2.7% to 4.71 cents per share.

¹ All reference to “underlying” results are references to non-IFRS financial information, which RCG believes is more meaningful for investors than reported (IFRS) financial information. A reconciliation between underlying and statutory reported financial information is provided in the Appendix to RCG’s investor presentation which was released to the market on 26 August 2015

If the impact of the acquisition of the Accent Group is excluded, underlying EBITDA from RCG's pre-existing businesses increased 8.5% from \$17.1 million to \$18.5 million.

Over the seven years to 28 June 2015, RCG has delivered total a shareholder return of 547%, at a Compound Annual Growth Rate (CAGR) of 31%. This is in stark contrast to both the Small Ordinaries and the Emerging Companies accumulation indices, both of which delivered negative returns over the same period.

CEO of RCG Corporation, Mr Hilton Brett, said "It is a great testament to the strength of our organisational structure and the quality of our management team that we have been able to consistently deliver outstanding results over an extended period of years, and RCG continues to be defined by the exceptional returns it delivers on shareholders' funds."

The Athlete's Foot (TAF)

TAF recorded like-for-like sales growth of 1.2% for the year ended 28 June 2015, after a difficult start to the year. Like-for-like sales for the second half of the financial year were up 2.8% on the prior year. Total group sales grew 2.5% to \$216.0m. TAF delivered full year Earnings Before Interest Tax and Depreciation of \$13.1 million, 1.1% up on the prior year.

Mr Brett said "Given the challenging environment that The Athlete's Foot has operated in, we are pleased with the results. TAF has repeatedly demonstrated its ability to withstand tough market conditions.

"The business's uncompromising focus on service and the customer experience provides it with a clearly differentiated and defensible market position that sets it apart from all other market participants. As a consequence, it has been able to maintain its position as a premium full-price retailer, despite ongoing aggressive price activity in its sector," he added.

The business is undertaking a full strategic review of its market position and consumer offering. This review is nearing completion and the implementation of the outcomes will begin in earnest over the coming months. It is expected that this will set a platform for growth over the coming years.

RCG Brands (RCGB)

RCG Brands continues to grow and thrive. EBITDA grew 24.3% to \$8.6 million. Total sales grew 35.6% to \$63.2 million, comprising wholesale sales growth of 24.3% to \$37.0 million, and retail sales growth of 55.7% to \$26.2 million.

The business opened three new Merrell retail stores, taking the total number stores to 18. Together with the nine store Podium Sports business, RCGB now operates 27 stores across Australia.

Mr Brett said "The outstanding results are a testament to the efforts of the team and the quality of the brands that they distribute. We are particularly pleased with the performance of Saucony, CAT and Sperry with all three brands experiencing growth both through existing and new channels.

"This growth has more than compensated for the lacklustre performance of the Merrell brand, which has been impacted by a lack of innovative lifestyle product. These issues are being proactively dealt with by Wolverine Worldwide Inc, owner of the Merrell Brand", he added.

Accent Group

RCG acquired Accent Group with effect from 27 May 2015 and has consolidated Accent's earnings since that time. Accent 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, Timberland, K Swiss, Palladium and Stance in Australia and New Zealand, as well as a number of retail businesses, including Platypus Shoes and a number of mono-branded Skechers, Vans and Timberland stores in both Australia and New Zealand.

Accent was acquired for \$203 million, a price based on six time normalised earnings for its financial year ended 30 April 2014. For the five weeks between 27 May 2015 and 28 June 2015, Accent contributed EBITDA of \$3.3 million to RCG's consolidated earnings, on sales of \$29.5 million. Like-for-like sales growth for the period was 31% and total sales growth for the period exceeded 80%.

Mr Brett said "The ongoing performance of the Accent business is unprecedented in the current retail climate, with over 30% like-for-like growth over the last 12 months and double digit like-for-like growth in each of the two years before that.

"We are naturally delighted with the ongoing performance of the Accent business and we are providing all the necessary support to the Accent team to enable it to continue to outperform the market and maintain its current momentum," he added.

Dividends

RCG has announced that it will pay a fully franked ordinary final dividend of 2.5 cents per share on Friday, 25 September 2015 to shareholders registered on the 10 September 2015 record date. RCG's dividend reinvestment plan will not apply to this dividend.

The ordinary final dividend takes the total of ordinary dividends in respect of the 2014 financial year to 4.5 cents per share, in line with the prior year.

Mr Brett said "RCG continues to be committed to delivering exceptional returns on shareholders' funds and has not increased the final dividend because it believes that continued investment in the growth of its businesses, particularly the Accent retail division, will deliver enormous long-term value accretion. We intend to at least maintain the historical dividends per share with a view to increasing this over time, when operating cashflow allows".

Outlook

RCG is forecasting consolidated group EBITDA of \$55m - \$57m for FY16. This will result in an increase in underlying EPS of 25% - 30%.

Mr Brett said, "Market conditions have been, and continue to be, volatile and unpredictable. Moreover, the unprecedented recent sales performance of the Accent business, and the short time that it has been owned by RCG, make projecting the future even more challenging.

“Notwithstanding this, we are optimistic about the year ahead. Based on a number of forecast assumptions, many of which are articulated in our Investor Presentation, RCG is forecasting a year of strong earnings growth,” he added.

Conclusion

Mr Brett concluded “RCG has had another excellent financial year which culminated in the transformative acquisition of the Accent Group. The efforts of the staff, management and franchisees of all of our business have been extraordinary and the results are reflective of both their skill and their dedication. They can not be praised highly enough.”

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Hilton Brett, together with RCG’s Chairman Ivan Hammerschlag and Finance Director Michael Hirschowitz, will be presenting the FY2015 results by teleconference at 11:00am AEST on Wednesday 26 August 2015. Investors are invited to join by dialling in as follows:

*Australia: 1800 200 232
Hong Kong: 800 9687 88
New Zealand: 0800 1702 23
Singapore: 800 6163 060
UK: 0800 9170 557
USA: 1866 30056 202*

Use the following code to log on to the call: 3575123

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