RCG ANNOUNCES ANOTHER RECORD HALF-YEAR

24 February 2016

RCG Corporation Limited today announced:

- **Earnings Before Interest Tax and Depreciation (EBITDA) of $30.3m for the half-year ended 27 December 2016, an increase of 287% on the prior year**
- **Underlying[1] Net Profit After Tax (NPAT) of $17.3m, an increase of 208% on the prior year**
- **Underlying diluted Earnings Per Share (EPS) of 3.73 cents per share, an increase of 74% on the prior year**
- **A fully franked interim dividend of 2.5 cents per share, an increase of 25% on the prior year**
- **An upgrade to its FY2016 full-year EBITDA forecast to $58m - $60m**
- **An upgrade to its FY2016 Full-year underlying EPS growth forecast to 40% - 45%**
- **A new Skechers distribution agreement extending the term to 11 years, providing RCG with the ability to accelerate the store rollout**
- **A $50m fully underwritten private placement to pay down debt and fund future growth**

Results for the half-year ended 27 December 2015

RCG Corporation Ltd today announced another record half-year, with Earnings Before Interest Tax and Depreciation ("EBITDA") of $30.3 million, an increase of 287% on the prior year, resulting in underlying Net Profit After Tax rising 208% to $17.3 million for the six months ended 27 December 2015. Underlying diluted Earnings Per Share rose 74% to 3.73 cents.

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 for the half-year, after allowing for the amortisation of distribution licences associated with the acquisition of the Accent Group, rose 188% to $16.2m.
CEO of RCG Corporation, Mr Hilton Brett, said "The results are exceptional and speak for themselves. It is a great testament to the strength of our organisational structure and the quality of our

[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 24 February 2016

management teams that we have been able to consistently deliver outstanding results over an extended period of many years."

The Athlete's Foot (TAF)

TAF recorded like-for-like sales growth of 4.3% for the half-year, after growing total group sales by 3.5% to $98.1m. TAF delivered half-year EBITDA of $5.6 million, 1% up on the prior year.

Positive sales momentum has continued, with the business recording 5.5% like-for-like for the seven weeks since the end of the half-year. Year-to-date like-for-like's to the middle of February 2016 stand at 4.9%.

Mr Brett said "We are very pleased with the performance of the TAF business. Its 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."

"The investment over the last 2-3 years in key business initiatives including CRM, retail management and business intelligence systems is beginning to deliver tangible benefits that are driving growth, and we expect to be able to maintain positive sales momentum for the remainder of the financial year", he added.

"The strategic review of TAF's market position and consumer offering has now been completed. The implementation of the strategic initiatives has begun, with the first trial stores expected to be in the market before the end of the financial year. It is expected that these initiatives will set a platform for growth over the coming years", concluded Mr Brett.

RCG Brands (RCGB)

RCG Brands continues to perform strongly. EBITDA grew 8.5% to 4.3 million for the half-year. Wholesale sales grew 7.6% to $19.1 million, and retail sales grew 15% to $14.6 million, with like-for-like growth of 6.9%.

Positive sales momentum has continued, with the business recording strong sales in January and into February in both wholesale and retail. Year-to-date like-for-like's to the middle of February 2016 stand 8.3%.

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 CAT and Saucony with both brands experiencing growth both through existing and new channels."

"We expect to be able to maintain the positive momentum and deliver mid-to-high single digit sales growth for the full financial year", he added.

RCG has renewed its CAT footwear distribution licence for a new three year term which expires on 31 December 2018.

Accent Group

RCG completed the acquisition of Accent Group in May 2015. Accent is the Australian and New Zealand distributor of a number of international footwear, apparel and accessory brands including Vans, Skechers, Timberland, Dr Martens, Stance, Palladium and K Swiss and also owns and operates the Platypus Shoes sneaker stores, as well as a number of mono-branded Skechers, Vans and Timberland stores.

Accent performed outstandingly for the half-year. It delivered $22.3 million of EBITDA on the back of wholesale sales of $45.3 million, up 7.9% on the prior year, and retail sales of $120.0 million, up 70% on the prior year. Like-for-like retail sales were up 25% on the prior year.

Accent rolled out 18 new stores during the half-year, taking the total number of stores to 127 and expects to rollout additional 35-40 stores over the next 18 months, with 10 of these to be opened before the end of the financial year.

Positive sales momentum has continued, with the business continuing to record exceptionally strong LFL's in January and into February. Year-to-date retail LFL's to the middle of February 2016 stand at 25%.

Mr Brett said "The ongoing performance of the Accent business is unprecedented in the current retail climate, with over 25% 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.

The phenomenal growth of the Skechers globally has resulted in the brand becoming the second largest footwear brand in the US, as well as being named 2015 Company of the Year by Footwear Plus for the seventh time, and Company of the Year by Footwear News twice. Skechers continues to build its presence and grow its sales in the United States and in worldwide markets. In order to capitalise on this growth, RCG has sought and has been granted an additional five-year distribution term, taking the total remaining term to 11 years.

Mr Brett said "With a long term distribution agreement in place, RCG intends to accelerate the rollout of its mono-branded Skechers stores and increase its investment across all Skechers distribution channels. RCG currently expects to be able to open an additional 80 – 100 Skechers stores over the next five years, taking the total number of Skechers stores to between 120 and 140."

In addition, the terms of a new three-year Vans distribution agreement, expiring 31 December 2018, have been agreed in-principle and are in the process of being finalised. Under the agreement, VF Hong Kong Limited ("VF") has an option to terminate the agreement effective anytime from 31 December 2017 by giving 12 months' prior notice. This option relates to a strategic review of the Asia Pacific market that VF is undertaking as part of their five-year planning.

Mr Brett said "VF has indicated to RCG that it is committed to a long term, mutually beneficial relationship with RCG, particularly in light of the importance of the Accent retail business to the Vans brand in this market.

"The NPAT contribution attributable to the Vans distribution agreement is expected to be approximately $1.5m - $2m in FY16. If VF exercises its option, or the distribution agreement is otherwise not renewed at the expiry of the term, the impact to earnings, based on the current expected growth and rollout of the Skechers and Platypus businesses, is not anticipated to be material at that time," he added

Capital raising

RCG announced that it intends to raise $50m via a fully underwritten private placement to institutional and sophisticated investors following the release of its half year results. The purpose of the capital raising is to strengthen the balance sheet and set the platform for accelerated growth.

Mr Brett said "Maintaining a conservatively geared balance sheet is one of our core guiding principles. We intend to use the funds raised to repay the $28 million vendor note used to part fund the acquisition of Accent, and to fund the expected 35 – 40 store rollout over the next 18 months."

"The strengthening of the balance sheet also provides RCG with increased flexibility to take advantage of acquisition opportunities should they arise and increase its future dividends from operating cashflows", he added.

The price per new share to be issued under the capital raising will be determined via a book-build. The new shares to be issued under the capital raising ("**Placement Shares**") will rank equally with existing RCG fully paid ordinary shares on issue. The Placement Shares are expected to be allotted on Thursday, 3 March 2016 on an ex-dividend basis. The number of shares to be issued under the capital raising will be within the 15% threshold contemplated by ASX Listing Rule 7.1 and therefore does not require shareholder approval. Bell Potter Securities Limited is acting as underwriter and lead manager to the capital raising, and Morgans Corporate Limited is acting as co-manager.

The capital raising is not expected to have a material impact on RCG's FY16 earnings per share.

Dividends

RCG announced that it will pay a fully franked ordinary interim dividend of 2.5 cents per share, an increase of 25% on last year's interim dividend. The dividend will be paid on 24 March 20106 to shareholders registered on the2 March 2016 record date. RCG's dividend reinvestment plan will not apply to this dividend.

Mr Brett said "RCG continues to be committed to delivering exceptional returns on shareholders' funds and, as previously indicated, we will raise dividends when cashflow allows. We expect our dividend payout ratio to be between 75% and 80% of underlying earnings per share in respect of FY2016 and for this ratio to increase with the continued growth of its businesses over time."

Outlook

As a consequence of the continued strong performance of all underlying business, particularly through the key December and January trading periods, RCG is upgrading its full-year guidance for FY2016. Consolidated group EBITDA is now expected to be in the range of $58m - $60m for the full financial year. This will result in an increase in underlying EPS of 40% - 45%.

Mr Brett said, "We are very pleased with how the business has performed so far this year and continue to be optimistic about the outlook for the remainder of the financial year and beyond."

Conclusion

Mr Brett concluded "RCG has experienced an outstanding and transformational half-year. 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 cannot 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 FY2016 half-year results by teleconference at 11:00am AEST on Wednesday 24 February 2016. Investors are invited to join by dialling in as follows:
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