

RCG CORPORATION LIMITED

2016 ANNUAL GENERAL MEETING

RCG
CORPORATION

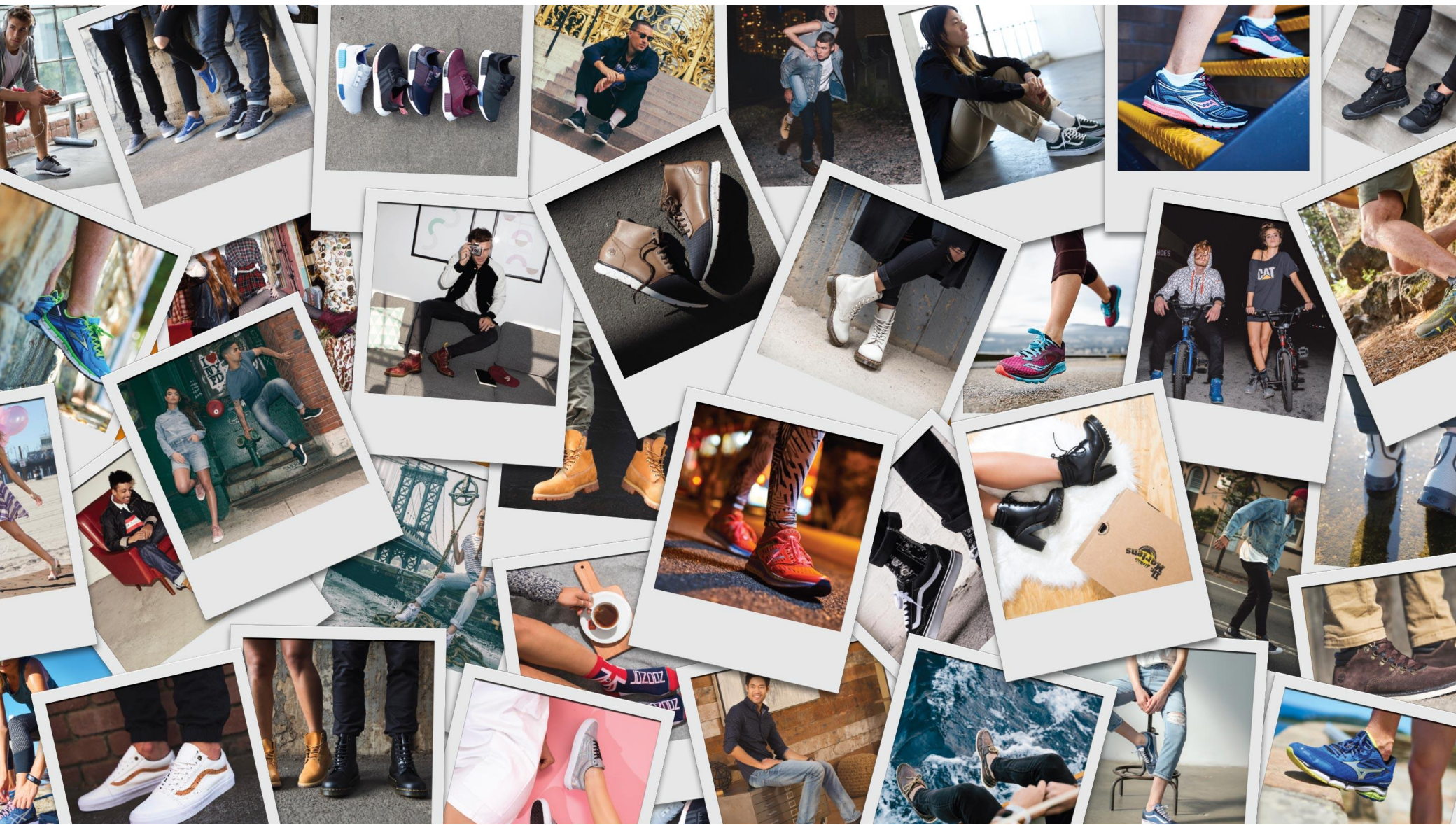


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About RCG

RCG Corporation Limited (RCG) is an investment holding company which owns and operates a number of footwear businesses in the performance and active lifestyle sectors. The acquisitions of the Accent Group in May 2015 and Hype DC in August 2016 has resulted in the creation of a regional leader in the retail and distribution sectors of performance and lifestyle footwear, with over 380 stores across 9 different retail chains and exclusive distribution rights for 11 international brands across Australia and New Zealand. Our brands include^(a):



The Athlete's Foot

With 147 stores, The Athlete's Foot (TAF) is Australia's largest specialty athletic footwear retailer, known for its exceptional in-store customer service experience.



Dr. Martens

Dr Martens range of footwear was born in 1960, and has transformed from a reliable work boot to a popular representation of rebellion and free-thinking youth culture.



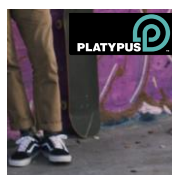
Vans

A staple for skaters and surfers, Vans has a strong heritage in action sports, and prides itself on being grounded in youth, authenticity and individual style. RCG operates 15 Vans stores.



Sperry

Sperry Top-Sider is the original and authentic boat shoe brand, and is for people drawn to the surf, sun and soul of the ocean.



Platypus Shoes

With over 75 stores across Australia and NZ, Platypus is the region's largest multi-branded sneaker destination, offering a wide range of iconic sneakers from around the world



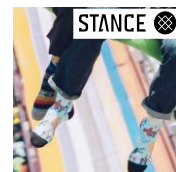
Skechers

Skechers is a global leader in lifestyle and performance footwear. RCG operates over 45 Skechers stores across Australia and New Zealand.



Timberland

Inspired by the company's New England heritage, Timberland is a brand true to the outdoor lifestyle. RCG operates 4 Timberland stores.



Stance

Dedicated to the spirit of individuality, the Stance range of action-sport socks offers cutting-edge style, extreme comfort and exceptional durability.



Hype DC

Hype DC is a retailer of premium, exclusive and limited edition sneakers, curated from the world's leading brands. It has approximately 60 stores across Australia.



Merrell

Merrell is one of the worlds leading brands of performance outdoor and adventure footwear. RCG operates 17 Merrel stores.



CAT

Cat Footwear and apparel has been designed and engineered to live up to the hard-working reputation of the Caterpillar brand. Made with uncompromising toughness and style.



Saucony

Saucony exists for runners. This focus and passion drives Saucony to create the world's best running shoes and apparel.

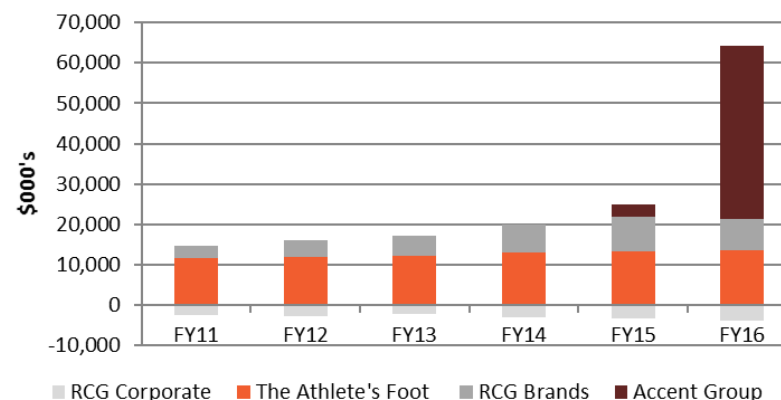
a) Other brands include: Podium Sports (9 stores), Shubar (3 stores), Instride and Palladium

Historical returns and performance

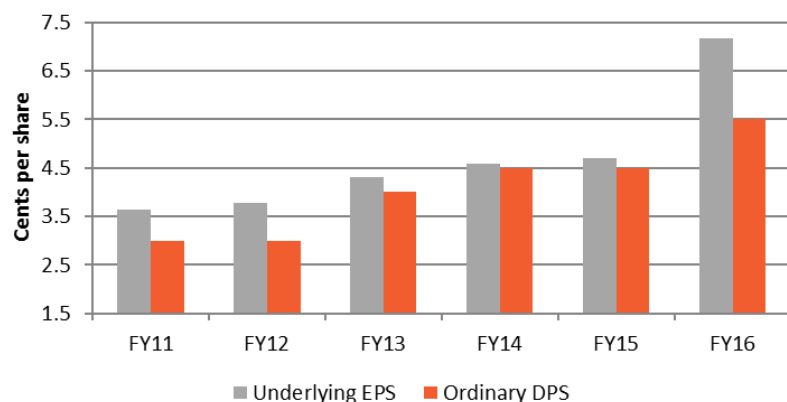
As the charts on this page show, RCG continues to be defined by its track record of outstanding performance and the exceptional returns it delivers on shareholders funds.

Total shareholder return over eight years to June 2016 is 665%. This represents a compound Annual Growth Rate (CAGR) of 34%

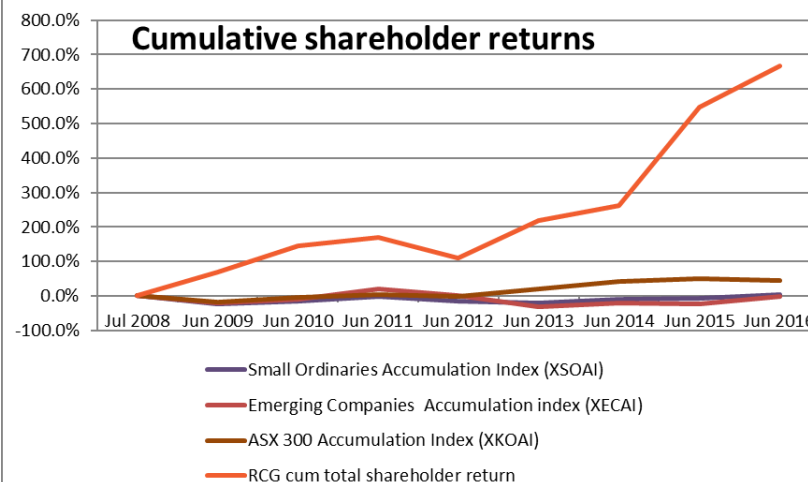
Contribution to EBITDA by division



Earnings and dividends per share



Cumulative shareholder returns



FY2016 Highlights

EARNINGS

- Underlying^(a) consolidated EBITDA of \$60.4 m, an increase of 178% on the prior year
- Underlying^(a) NPAT of \$33.0m, an increase of 142% on the prior year
- Underlying^(a) diluted EPS of 7.02 cents per share, an increase of 49% on the prior year

TRADING

- Accent retail like-for-like sales growth of 20%
- TAF like-for-like sales growth of 3.5%
- RCG Brands retail like-for-like sales growth of 7%

CAPITAL STRUCTURE

- A fully franked final dividend of 3.0 cents per share, taking dividends in respect of FY16 to 5.5 cents per share, an increase of 22% on the prior year
- Cash generated from operations of \$44.4m
- Successful completion of \$50m fully underwritten private placement

OUTLOOK & OTHER

- The completion of the acquisition of Hype DC on 4 August 2016 consolidating RCG's position as a regional leader in the retail and distribution of performance and lifestyle footwear with over 380 stores and exclusive distribution rights to 11 iconic international brands
- New Skechers distribution agreement extending the term to 11 years
- FY2017 guidance of underlying annualised full-year EBITDA forecast of \$90m^(b)

a) References to “underlying” results are references to non-IFRS financial information, which management believes is more meaningful for investors than reported (IFRS) financial information. A reconciliation between underlying and reported financial information is provided in the Appendix to the FY2016 Results Presentation released to the market on 25th August 2016.

b) Assumes 12 months of earnings from Hype. Although RCG acquired Hype with effect from 1 July 2016, under the accounting standards Hype's profits between the effective date and the Completion date (4 August 2016) are treated as a reduction in the purchase price and are not taken to earnings.

Results table for FY2016

Underlying Profit (\$'000's)	FY2016	FY2015	% Change
Segment EBITDA:			
The Athlete's Foot	13,721	13,218	3.8%
RCG Brands	7,740	8,563	-9.6%
Accent Group	42,817	3,254	1215.8%
Corporate & unallocated	(3,830)	(3,261)	-17.4%
Underlying consolidated EBITDA	60,448	21,774	177.6%
Underlying depreciation & amortisation	(10,998)	(2,402)	-357.9%
Underlying Consolidated EBIT	49,450	19,372	155.3%
Net interest earned	(2,568)	334	-868.9%
Underlying Consolidated PBT	46,882	19,706	137.9%
Pro-forma taxation at the effective tax rate ^(a)	(13,884)	(6,048)	-129.6%
Underlying Net Profit After Tax^(b)	32,998	13,658	141.6%

a) Pro-forma taxation in respect of FY2016 is calculated by multiplying the underlying PBT by the effective tax rate.

b) A reconciliation between underlying and reported profit was provided as an appendix within the Results Presentation for FY2016 released to the market on 25th August 2016.

FY2016 Earnings and dividends per share

	FY2016	FY2015	% Change
<u>Underlying Diluted Earnings Per Share</u>			
Underlying Net Profit After Tax ^(a)	32,998	13,658	141.6%
Less non-controlling interests	(259)	(226)	-14.6%
NPAT used in the calculation of underlying EPS	32,739	13,432	143.7%
Weighted average number of shares (in thousands)	466,066	285,432	63.3%
Underlying Earnings Per Share (cents)	7.02	4.71	49.4%

Reported Diluted Earnings Per Share

Reported Net Profit After Tax ^(a)	30,183	10,549	186.1%
Less non-controlling interests	(259)	(226)	-14.6%
NPAT used in the calculation of underlying EPS	29,924	10,323	189.9%
Weighted average number of shares (in thousands)	466,066	285,432	63.3%
Reported Earnings Per Share (cents)	6.42	3.62	77.5%

Dividends per share

Ordinary fully franked dividend (cents)	5.50	4.50	22.2%
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a) A reconciliation between underlying and reported profit was provided as an appendix within the Results Presentation for FY2016 released to the market on 25th August 2016.

Store network and distribution agreements

Store Network	TAF	Platypus	Skechers	Vans	Timber land	Podium	Merrell	Hype	Shubar	New Concept	Total
FY2016 Actual ^(a)											
Stores at beginning of year	146	61	36	10	2	9	19				283
Net Store movements	1	13	11	5	2		4				36
Stores at end of year	147	74	47	15	4	9	23				319

FY2017 Forecast ^(a)											
Stores at beginning of year	147	74	47	15	4	9	23	58	3		380
Net Store movements per last forecast		13	14	2	1			5	1	1	37
Changes in latest forecast		4	5		2			2			13
Stores at end of year	147	91	66	17	7	9	23	65	4	1	430

a) Includes eCommerce stores

Disribution agreements	Effective date	Expiry date	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Merrell	Jan-15	Dec-19								
CAT Footwear	Jan-16	Dec-18								
CAT Apparel	Jan-16	Dec-20								
Saucony	Dec-13	Dec-18								
Sperry	Jan-14	Dec-16	Terms agreed. New 3 year contract being finalised.							
Instride	Aug-14	Dec-20								
Skechers	Feb-16	Dec-26								>>>
Timberland	Jan-16	Dec-17								
Vans	Jan-16	Dec-18								
Palladium	Jan-14	Dec-18								
Stance	Feb-16	Jun-19								
Dr. Martens	Nov-15	Oct-20								

The  Athlete's Foot



TAF Highlights

FY2016 FINANCIAL YEAR HIGHLIGHTS

- Like-for-like (“LFL”) sales growth of 3.5% for the year
- Total group sales of \$223.7m, an increase of 3.6% on the previous year
- EBITDA of \$13.7m, an increase of 3.8% on the previous year
- Completion of the full strategic review of the business’s market position and consumer offering which led to the opening of the first pilot store reflecting the new performance-oriented market positioning of the TAF brand

TRADING UPDATE AND OUTLOOK

- LFL sales for the financial year to date are in line with those of the prior year. Despite this being below plan, management is pleased with the significant increase in the performance categories, particularly running. However this growth has been offset by a decline in lifestyle. This is both a function of the repositioning of the business and also a cooler than usual start to spring / summer impacting sales of sandals.
- The business is targeting low single digit LFL growth for the remainder of the year.
- TAF has converted five stores to the new look performance format. The trading results from these stores are being used to gain further insights, allowing management to continue to refine the offer.

RCG BRANDS



RCG Brands Highlights

FY2016 FINANCIAL YEAR HIGHLIGHTS

- EBITDA of \$7.7m, a decrease of 9.6% on the previous year
- Wholesale sales were up 2.6% to \$38m for the year. However, the sales growth achieved was insufficient to offset the margin compression resulting from the lower exchange rate.
- The weaker than expected wholesale sales were as a result of Merrell lifestyle continuing to perform below expectations. Merrell's heritage lies in outdoor and performance footwear. These categories continue to grow and perform strongly.
- Retail sales grew 20% to \$31.5m, with LFL sales retail sales growing by 7%
- EBITDA margins contracted 2.4% to 11.1% as a result of a lower exchange rate and wholesale sales being below expectation.

TRADING UPDATE AND OUTLOOK

- The business has traded to plan since the beginning of the financial year. Wholesale sales are in line with those of last year and, as per previous guidance, are expected to remain flat for the remainder of FY2017.
- Retail sales are up 1% on a LFL basis for the year to date. This is slightly below our original forecast mainly in Merrell stores which have been impacted by the same issues TAF experienced in the key sandals selling period. The retail business continues to target low single digit LFL growth for the remainder of the financial year.
- As per previous guidance, gross profit and EBITDA margins are expected to compress by approximately 3% as a result of falling exchange rate (FY17 forward cover at 0.70 Vs FY16 at 0.79), with limited ability to pass price increases on to customers.
- The new 'Grounded' concept store was opened at Chadstone in October. Management is pleased with the execution and has received positive consumer and market feedback. The range and consumer offering continues to be refined.

Accent Group



Accent Group Highlights

FY2016 FINANCIAL YEAR HIGHLIGHTS

- EBITDA of \$42.8m
- Total retail sales grew by 54%, with LFL sales growing by 20%.
- Wholesale sales grew by 12%, driven by the strong performance of the Skechers brand
- Rolled out 33 new stores and closed 2 stores during the year, taking the total number of stores to 140 as shown in the table on page 7

TRADING UPDATE AND OUTLOOK

- The retail business has continued its strong start to the year recording LFL sales of 7% for the year to date. The full year LFL retail sales forecast remains at 7%.
- As a result of the growth in the vertical retail network, wholesale sales are expected to remain flat with all brands expected to be materially in line with the prior year. Wholesale sales are trading to plan for the financial year to date
- Overall, Accent's gross profit margins are 3% up on last year, which is at the top end of our expected range. This trend is expected to continue and will result in EBITDA margins being approximately 0.5% to 1% up on last financial year
- As a result of the desirability of the Accent retail offering across all formats, management has been able to secure a number of additional outstanding sites. As a result, 41 stores are now expected to open during FY2017 of which 21 have already been opened and another six will be opened before Christmas.



HYPE[®]
DC
Premium. Limited. Exclusive.



Hype DC Pitt Street Sydney, 8:30am Thursday 18 August 2016:
Customers queuing for release of limited edition Adidas NMD

Hype DC


ACQUISITION OF HYPE DC

- On 4 July 2016 RCG announced that it had entered into a binding agreement to acquire 100% of the shares in Hype DC, an Australian retailer of branded athleisure and style footwear with a purchase price to be based on based on six times Hype's normalised maintainable EBITDA for the financial year ending 30 June 2016.
- The transaction completed on 4 August 2016. The final purchase price was \$99m ^(a).

TRADING UPDATE AND OUTLOOK

- As previously reported, Hype achieved 50% LFL sales growth in the first quarter of last financial year (FY2016). This was on the back of unprecedented consumer demand for exclusive product which Hype was able to secure. This resulted in LFL sales being 7% down in the first 8 weeks of this financial year.
- Since then sales have improved with LFL sales since the beginning of September of 2.5%, resulting in year to date LFL sales of -1.5%.
- Notwithstanding the above, the business continues to target full-year LFL sales growth of 5%.
- Hype expects to open nine new stores in FY2017 of which five have already been opened. In addition two stores are to close during FY2017.

a) As part consideration for Hype DC, 36.84 million shares were issued to the vendors at \$1.425 (\$52.5m). However, under the accounting standards, the share price on the date of completion must be used to calculate the purchase price. That share price was \$1.71, which will have the effect of increasing the recorded purchase price of Hype DC to approximately \$109m.

A woman with long brown hair, wearing a purple tank top, colorful shorts, and purple sneakers, is sitting on a green metal park bench. She is smiling and looking down at her hands. A purple yoga mat is rolled up and leaning against the back of the bench. The background is a lush green garden with various plants and trees. A semi-transparent white box is overlaid on the right side of the image, containing the text.

Corporate Matters:
Guiding principles
Key priorities
Dividends
Guidance

Corporate Matters

GUIDING PRINCIPLES

- Management's decision making continues to be driven by the following guiding principles:
 - Delivery of outstanding, long-term returns to shareholders through the delivery of sustainable sales and profit growth across its businesses
 - Delivery of sustainable and growing dividends flowing from the high quality cashflows from its defensible and desirable businesses
 - Maintenance of a strong, conservatively geared balance sheet

UPDATE ON KEY PRIORITIES

- In addition to ensuring that the strategic initiatives and priorities of each business unit were delivered in FY2016, as a combined group we have unlocked a number of strategic benefits arising from the Accent acquisition, including:
 - Cross-branded distribution opportunities
 - Streamlining of supply chain and logistics
 - Cross-pollination of management expertise
 - Development of new a retail format, with the first store having in opened in September 2016
- Whilst the front end of the businesses continues to operate independently, we have made material progress in strengthening and enhancing certain shared services functions including: Supply chain, IT, financial management, eCommerce, and property & leasing.
- In FY2017 we will continue to leverage off the platform that has already been built to further deliver the strategic benefits of the recent transactions.

Corporate Matters

MANAGEMENT CHANGES AND KEY PRIORITIES FOR FY2017

- In August 2016 it was announced that Daniel Agostinelli had been appointed as Co-CEO alongside Hilton Brett. Their strong complimentary skill sets will provide the group with the leadership and skills to manage, integrate and continue to drive growth across the entire business
- Key priorities for FY17 include:
 - Deliver sales and profit targets in each of the RCG businesses
 - Continue to leverage off the platform that has already been built on the back of the Accent transaction to further deliver the strategic benefits as outlined on the previous slide
 - Integrate Hype DC and unlock the strategic benefits arising from its acquisition
 - Ensure the delivery of the new TAF strategy to market and ensure the smooth transition of the CEO role from Michael Cooper to Ant Hudson

Corporate Matters

DIVIDENDS

- The strength of the RCG businesses and the strong cash flows that they generate has allowed RCG to increase its dividends and consequently RCG has declared a dividend of 3.0 cents per share, paid on 23 September 2016.
- Total dividends in respect of FY16 were 5.5 cents per share, a 22% increase on the prior year's payout.
- RCG expects its dividend payout ratio to be between 75% and 80% of underlying earnings per share in respect of FY2017 and for this ratio to increase with the continued growth of its businesses over time

GUIDANCE

- RCG reaffirms that it is targeting annualised underlying group EBITDA of \$90m^(a) in FY2017
- Forecast net capital expenditure for the year now stands at approximately \$24m which has increased as a result of the additional stores the business now expect to open.

a) Assumes 12 months of earnings from Hype. Although RCG acquired Hype with effect from 1 July 2016, under the accounting standards Hype's profits between the effective date and the Completion date (4 August 2016) are treated as a reduction in the purchase price and are not taken to earnings.

Appendix

Appendix

IMPORTANT NOTICE AND DISCLAIMER

This presentation contains summary information about RCG Corporation Limited ("RCG") which is current as at the date of this presentation.

This presentation contains certain forward-looking statements, including indications of, and guidance on, future earnings and financial position and performance. Such forward-looking statements are based on estimates and assumptions that, whilst considered reasonable by RCG, are subject to risks and uncertainties. Forward-looking statements are not guarantees of future performance and are provided as a general guide only. They should not be relied upon as an indication or guarantee of future performance. Actual results and achievements could be significantly different from those expressed in or implied by this information. Neither RCG nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.

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