



**RCG**  
CORPORATION

**RESULTS  
PRESENTATION  
YEAR ENDED  
2 JULY 2017**

# Table of contents

Item	Page
About RCG	3
Historical returns and performance	4
Financial year highlights	5
FY17 Summary financial performance	6
Earnings and dividends per share	7
Store network and distribution agreements	8
Accent Group	9
The Athlete's Foot	11
RC Brands	13
Omni-Channel	15
Corporate matters	17
Dividends, Trading update, Guidance	21
Appendix	23

# 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<sup>(a)</sup> has resulted in the creation of a regional leader in the retail and distribution sectors of Performance and Lifestyle footwear, with over 400 stores across 10 different retail banners and exclusive distribution rights for 10 international brands across Australia and New Zealand. Our brands include:<sup>(b)</sup>



## The Athlete's Foot

With 146 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.



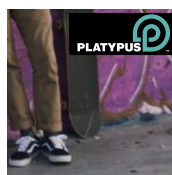
## Vans

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 17 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 91 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 67 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 7 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 66 stores across Australia.



## Merrell

Merrell is one of the worlds leading brands of performance outdoor and adventure footwear. RCG operates 21 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.

Notes: (a) Effective 1 July 2016. (b) Store numbers include online stores; other RCG brands not reflected include Podium Sports (9 stores) and Shubar (3 stores).

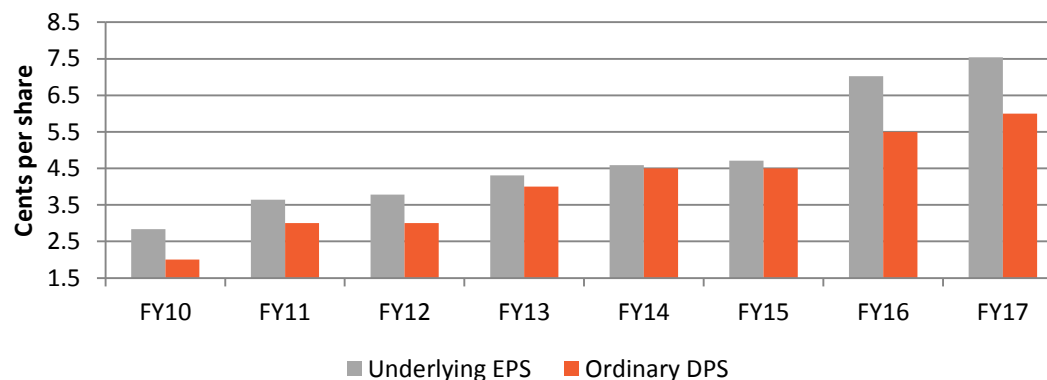
# Historical returns and performance

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.

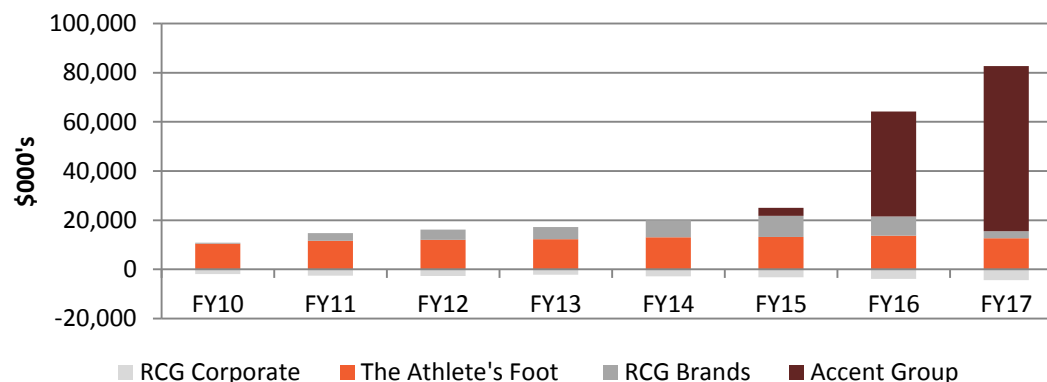
Total shareholder return over 11 years to June 2017 is 807%.

This represents a compound Annual Growth Rate (CAGR) of 22%

## Earnings and dividends per share



## Underlying EBITDA by segment



# FY17 Financial Year Highlights

Underlying<sup>(a)</sup> EBITDA



**30%**  
**\$78.3m**

Underlying<sup>(a)</sup> NPAT



**21%**  
**\$39.9m**

Underlying<sup>(a)</sup> EPS



**7%**  
**7.48c**

FY17 Dividends



**9%**  
**6.0 cents**

Compound Annual  
Total Shareholder Return  
Over 11 Years

**22%**

Cashflow From Ops



**3%**  
**\$45.4m**

Completion of the  
acquisition of Hype DC  
for \$99m<sup>(b)</sup>



**HYPE**

Total number of stores



**36%**  
**430 stores**

Online Sales growth



**79%**

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.

b) 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 approx. \$110m



# FY17 summary financial performance

## Underlying Profit

Underlying <sup>(a)</sup> Profit (\$000's)	FY2017	FY2016	% Chg
Underlying EBITDA:			
Accent Group <sup>(b)</sup>	67,073	42,817	56.7%
The Athlete's Foot	12,603	13,721	-8.1%
RCG Brands	2,970	7,740	-61.6%
Corporate & unallocated	(4,362)	(3,830)	-13.9%
<b>Underlying EBITDA</b>	<b>78,284</b>	<b>60,448</b>	<b>29.5%</b>
Underlying depreciation & amortisation	(18,871)	(10,998)	-71.6%
<b>Underlying EBIT</b>	<b>59,413</b>	<b>49,450</b>	<b>20.1%</b>
Net interest paid	(3,070)	(2,568)	-19.5%
<b>Underlying PBT</b>	<b>56,343</b>	<b>46,882</b>	<b>20.2%</b>
Pro-forma taxation <sup>(c)</sup>	(16,420)	(13,884)	-18.3%
<b>Underlying Net Profit After Tax</b>	<b>39,923</b>	<b>32,998</b>	<b>21.0%</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.

b) Hype DC has been fully integrated into the Accent business and is part of the Accent operating segment

c) Pro-forma taxation is calculated by multiplying the underlying PBT by the effective tax rate

## Underlying profit adjustments

### Hype profit for July 2016

- 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 in the statutory accounts.
- Hype's EBITDA of \$1.6m from the effective date to the Completion date has been included in underlying EBITDA

### One-off Restructure costs

- \$811k (\$379k in Accent and \$432k in Unallocated) of one-off restructure costs associated with corporate reorganisation have been excluded from underlying EBITDA

### Impairment of the Hype Brand

- Impairment tests have been carried out for all indefinite life intangible assets.
- As a result of these impairment tests, the Hype brand, which had a carrying value of \$30.25m, has been impaired by \$9.71m.
- As this is a one-off charge, this amount has been excluded from underlying profit

### Amortisation of distribution licences

- The value of the distribution licences acquired on the acquisition of the Accent business is being amortised over the life of those licences.
- \$2.8m (FY16: \$3.3m) of distribution licence amortisation is excluded from underlying profit

### Hype Acquisition Costs

- \$0.7m of costs associated with the acquisition of the Hype business has been excluded from FY16 underlying profit

# Earnings and dividends per share

\$000's	FY2017	FY2016	% Chg
<b><u>Underlying Diluted Earnings Per Share</u></b>			
Underlying Net Profit After Tax <sup>(a)</sup>	39,923	32,998	21.0%
Less non-controlling interests	(195)	(259)	24.7%
NPAT used in the calculation of underlying EPS	39,728	32,739	21.3%
Weighted average number of shares (000's)	530,843	466,066	13.9%
<b>Underlying Earnings Per Share (cents)</b>	<b>7.48</b>	<b>7.02</b>	<b>6.6%</b>

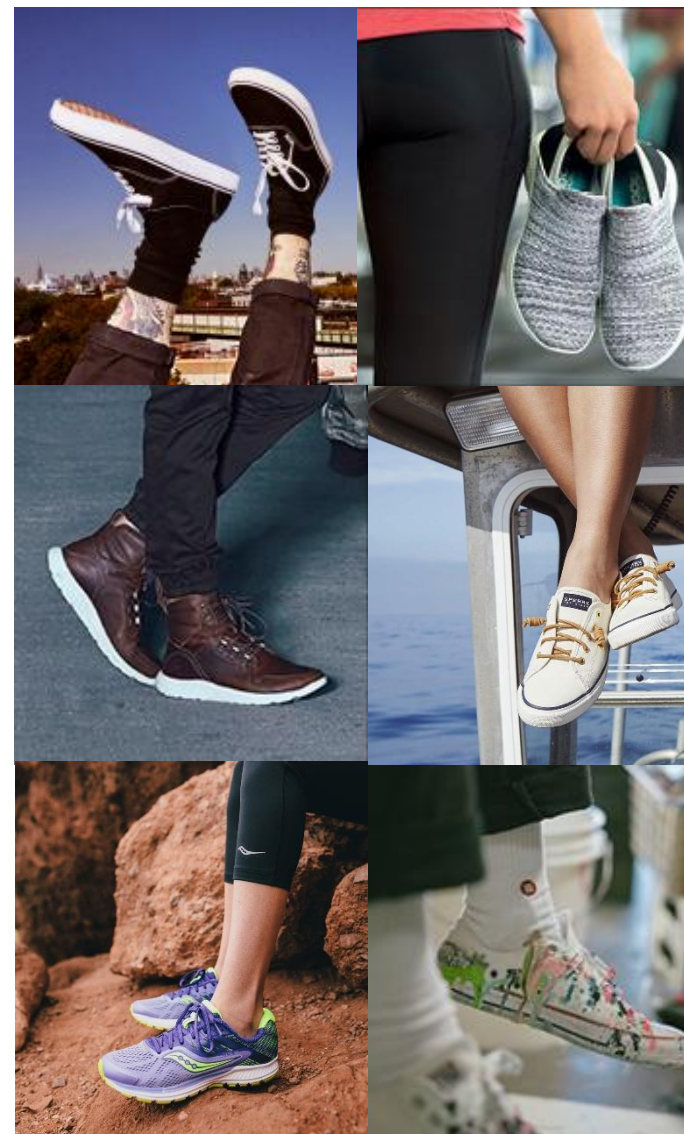
## **Reported Diluted Earnings Per Share**

Reported Net Profit After Tax <sup>(a)</sup>	29,352	30,183	-2.8%
Less non-controlling interests	(195)	(259)	24.7%
NPAT used in the calculation of underlying EPS	29,157	29,924	-2.6%
Weighted average number of shares (000's)	530,843	466,066	13.9%
<b>Reported Earnings Per Share (cents)</b>	<b>5.49</b>	<b>6.42</b>	<b>-14.5%</b>

## **Dividends per share**

<b>Ordinary fully franked dividend (cents)</b>	<b>6.00</b>	<b>5.50</b>	<b>9.1%</b>
<b>Dividend payout ratio (of underlying EPS)</b>	<b>80%</b>	<b>78%</b>	

a) See Appendix for the reconciliation between underlying and reported profit



# Store network and distribution agreements

Store Network <sup>(a)</sup>	TAF	Platypus	Skechers	Vans	Timberland	Podium	Merrell	Hype	Other	Total
<b>FY2017</b>										
Stores at beginning of year	147	74	47	15	4	9	21	58	5	380
Stores opened	1	17	20	2	3	0	1	9	3	56
Stores closed	(2)	0	0	0	0	0	(1)	(2)	(1)	(6)
<b>Stores at end of FY17</b>	<b>146</b>	<b>91</b>	<b>67</b>	<b>17</b>	<b>7</b>	<b>9</b>	<b>21</b>	<b>65</b>	<b>7</b>	<b>430</b>
<b>FY2018</b>										
Stores at beginning of year	146	91	67	17	7	9	21	65	7	430
Expected to open	1	9	14	1	1	0	0	0	0	26
Expected to close	(1)	(3)	0	0	(2)	0	0	(2)	(3)	(11)
<b>Expected at end of FY18</b>	<b>146</b>	<b>97</b>	<b>81</b>	<b>18</b>	<b>6</b>	<b>9</b>	<b>21</b>	<b>63</b>	<b>4</b>	<b>445</b>

a) Includes eCommerce stores

Distribution agreements	Effective date	Expiry date	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Timberland	Jan-16	Dec-17							
Palladium	Jan-14	Dec-18							
CAT Footwear	Jan-16	Dec-18							
Vans	Jan-16	Dec-18							
Saucony	Dec-13	Dec-18							
Stance	Feb-16	Jun-19							
Sperry	Jan-16	Dec-19							
Merrell	Jan-15	Dec-19							
Dr. Martens	Nov-15	Oct-20							
CAT Apparel	Jan-16	Dec-20							
Skechers	Feb-16	Dec-26							>>>





PLATYPUS®

VANS

SKECHERS

HYPE

# Accent Group

Dr. AirWair  
Martens


STANCE

Timberland

L'ORIGINALE  
PALLADIUM  
DEPUIS 1947

## Key Financial Highlights

### Total sales


 **59%**  
\$512.5m

Total Retail Sales  79%


LFL Retail Sales  2.6%






Wholesale Sales  4%

### GP Margin

 **2.3%**  
To 54.4%

### EBITDA<sup>(a)</sup>

 **57%**  
\$67.1m

Store Network	FY17	FY16
 <b>PLATYPUS</b>	91	74
 <b>SKECHERS</b>	67	47
 <b>HYPE</b>	65	-
 <b>VANS</b>	17	15
 <b>Timberland</b>	7	7

## Commentary

### Strategy

- Strengthen relationships with key partners and consolidate position as market leader with differentiated, desirable and defensible market positioning for Platypus, Hype DC, Skechers and other banners
- Leverage off the investment made over the last two years in our infrastructure platform to support and drive market leading omnichannel, B&M store rollout and customer engagement

### FY17 Highlights

- Acquisition of Hype DC by RCG and full integration into the Accent business, including full conversion of Hype's ERP to Apparel 21
- Rolled out 50 new stores (net) across the business
- Launch of brand new, best-in-class Platypus, Skechers and Vans websites
- Launch of click-and-collect and click-and-dispatch capability in Platypus and Skechers
- Total digital sales grew 99% during FY17
- FY17 LFL retail sales of 2.6% across all banners on an aggregate basis
- Trading conditions improved in the last two months of FY17, with LFL growth of 4.7%
- Hype LFL sales were 1% down for FY17. However LFL's improved in the last two months, with LFL's for that period up 5.8% on the prior year

### Growth Opportunities FY18 and beyond

- Continue store rollout, particularly for Skechers and Platypus
- Build on Omnichannel capability including extending click-and-collect and click-and-dispatch to all brands, endless aisle, AfterPay and 3 hour delivery
- Enhance vertical integration of distributed brands, including introduction of Vans premium product into Hype DC

a) Refers to Underlying EBITDA, including \$1.6m of Hype DC EBITDA between the effective date and the completion date, and excluding \$0.4m of one-off restructure costs. A reconciliation between underlying and reported financial information is provided in the Appendix.



The  Athlete's Foot




# The Athlete's Foot



## Key Financial Highlights

### Total sales

 **1.6%**  
\$227.2m

Franchisee sales  0.8%

Corp store sales  8.6%

LFL Sales – all str  0.5%

### EBITDA

 **8%**  
\$12.6m

New performance store - Bondi



## Commentary

### Strategy

- Following strategic review, repositioning of brand towards TAF's performance heritage
- Decentralisation of eCommerce to deliver a seamless customer experience across all channels
- Continue to drive loyalty through enhanced CRM programme and outstanding in-store customer experience

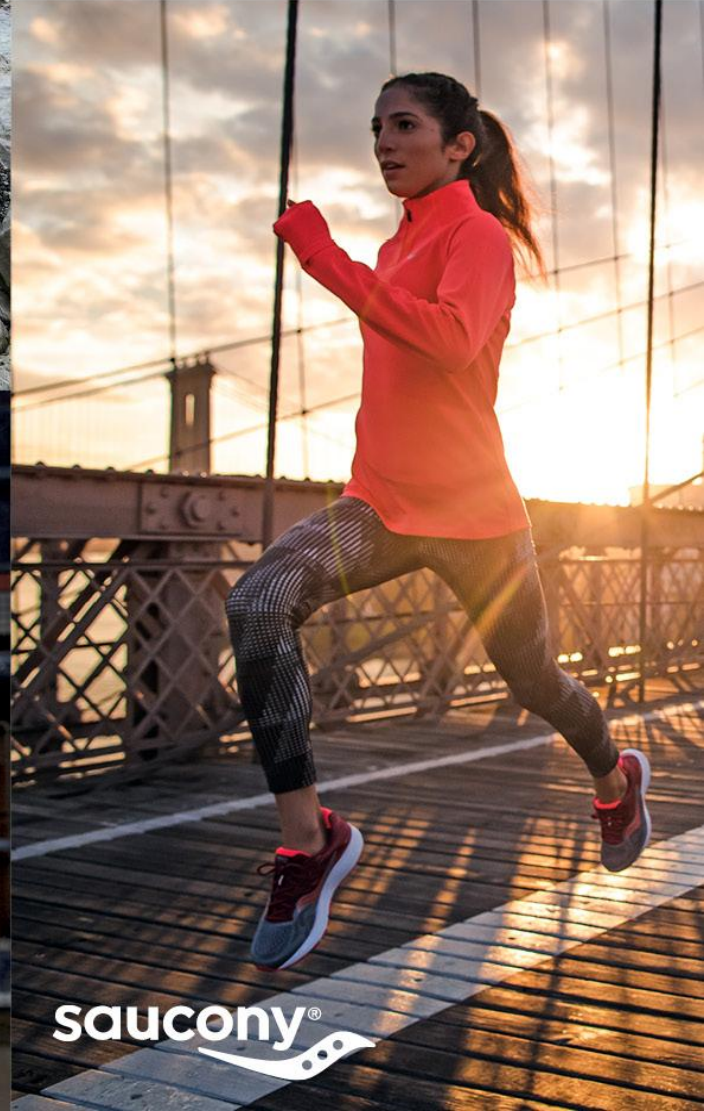
### FY17 Highlights

- Refit of 9 stores to the new performance format, including 3 corporate stores
- Substantial growth in the key categories of Running and Back-to-school
- 1.03m active loyalty customers, an increase of 7% on the previous year. Loyalty customers account for 55% of sales.
- Continued outstanding customer experiences, with the Net Promoter Score across the group of 81
- Trading conditions improved in the last two months of FY17, with LFL growth of 4.7%

### Growth Opportunities FY18 and beyond

- Accelerate conversion of stores to the new performance format with at least 30 stores to be converted by the end of FY18
- Deliver new TAF performance branding and positioning to the market across all consumer touchpoints and channels
- Decentralisation of eCommerce to deliver a seamless customer experience across all channels including click-and-collect, click-and-dispatch and endless aisle
- Continue to drive growth in key performance categories and Back-to-school
- Enhance CRM and loyalty capabilities through new technology and consumer data platforms







# RCG Brands



## Key Financial Highlights

### Total sales



1.2%

\$70.3m

Total Retail Sales  1.7%

LFL Retail Sales  2.6%

Wholesale Sales  0.8%

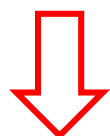
### GP Margin



5.1%

To 42.5%

### EBITDA



62%

\$3.0m

## Commentary

### Strategy

- Continue to focus on the distribution and growth of Merrell, CAT, Saucony and Sperry through key channel partners and RCG's retail banners

### FY17 Highlights

- Merrell Outdoor and Performance categories continued to grow strongly on the back of strong product innovation.
- RCG Brands' other major brands including CAT, Sperry and Saucony all continued to perform well and delivered growth over the prior year
- Merrell retail stores experienced tougher than expected year as a result of previously reported decline in the lifestyle and sandal categories
- As previously reported, GP and EBITDA margins contracted as a result of significantly lower exchange rates than in the previous year (FY17: 0.70 vs FY16: 0.79)

### Growth Opportunities FY18 and beyond


- Improved margins through improvements in exchange rates
- Improved Merrell lifestyle product expected to drive growth in both retail and wholesale channel
- Saucony to continue to benefit from, and support, the growth of the performance categories in TAF
- CAT to continue to leverage off brand equity and product innovation in both industrial footwear and workwear




# Omni-Channel

MERRELL 

The  Athlete's Foot

 **HYPE**

PLATYPUS 

Timberland 

**VANS**

**SKECHERS**



# Omni-channel

RCG offers customers a market leading omnichannel experience with over 400 physical points of presence throughout Australia and New Zealand and an integrated eCommerce capability across its TAF, Platypus, Hype, Skechers, Vans, Merrell, Saucony and CAT brands.



- Total online sales grew by 79% during FY17
- Omni-channel sales target of ~15% of total sales within three years



## Technology

- Market-leading eCommerce platforms
- Launch of three new eCommerce sites on Magento 2 during FY17, with three more so far in FY18 and another two to follow
- State-of-the-art digital hub in Melbourne



## Click & Collect

- With over 400 stores across Australia & NZ, RCG is a true omni-channel retailer
- C&C accounted for 22% of digital sales in Platypus & Skechers in Q4 of FY17
- C&C is to be rolled out to Hype and significantly enhanced in TAF during FY18



## Click & Dispatch

- Opens the entire inventory catalogue of all stores to the online customer
- C&D accounted for 17% of digital sales in Platypus & Skechers in Q4 of FY17
- C&D is to be rolled out across all banners and stores during FY18



## Endless Aisle

- Provides the ability to shop the entire store network catalogue from within each stores
- To be implemented in most banners during FY18



## Decentralisation

- During FY18, the TAF eCommerce capability will be decentralised to deliver a seamless customer experience across all channels including click-and-collect, click-and-dispatch and endless aisle

afterpay

- Has been implemented across all eCommerce sites and has had a significant impact on transactions, conversion rate and average basket
- Has already been rolled out across the TAF store network and will rolled out to the other banners during FY18



## 3 hr delivery

- Given the group's substantial store network, industry leading, 3-hour delivery to most population centres will be rolled out during FY18, providing our banners with best-in-class customer service and a strong competitive advantage





**Corporate Matters:**  
Vision & Guiding principles  
Core Value proposition  
Management changes  
Segment reporting

# Our Vision and Guiding Principles

## Strategic Vision

To lead the performance and lifestyle footwear market across Australia and New Zealand, by delivering world-class consumer experiences, harnessing the power of our people, partnerships and products

## Key Guiding Principles

### Shareholder

1

Delivery of outstanding, long-term returns to shareholders through the delivery of sustainable sales and profit growth across its businesses. Compound annual shareholder returns of 22% over past 11 years

2

Delivery of sustainable and growing dividends flowing from the high quality cash flows from its defensible and desirable business

3

Maintenance of a strong, conservatively geared balance sheet

### Company

1

**Customers First** - always

2

**Attitude** – can do, accountable, humble, open, curious

3

**Teamwork** – success through teams not individuals

4

**Excellence** – in everything we do, no complacency

5

**Empathy** – warmth and respect

6

**Sense of urgency** – consider all options, act decisively

7

**Communication** – open, regular and two-way

8

**Integrity** – doing what we say we will



# Our Core Value Proposition

Ensuring our business remains distinctive, desirable and defensible



# Corporate Matters

## MANAGEMENT CHANGE

- Michael Hirschowitz, the Group CFO and Finance Director, has announced that effective 28 February 2018 and after nearly 21 years with the group, he intends to step down as both an executive and a director after almost 30 years as a full-time executive in order to spend more time pursuing his other interests
- Michael will be replaced in his role as Group CFO by Matt Durbin with the role being relocated to Melbourne in order to ensure daily contact with the Accent business which now accounts for the majority of the group's sales and earnings
- Since 2014, Matt has been the CFO and COO of Pas Group. Prior to that he spent 17 years at David Jones in merchandise planning, strategic planning and financial services roles, culminating in his role as Group Executive – Strategic Planning
- There will be a comprehensive handover from Michael to Matt, ensuring a seamless transition

## SEGMENT REPORTING

- RCG's current operating segments are "Accent Group", "The Athlete's Foot", "RCG Brands" and "Unallocated". The Accent Group segment includes the Hype DC business which has been fully absorbed into that segment.
- Over the course of the last two years, the RCG, Accent and Hype businesses have been integrated with one another to create the region's leading vertically integrated multi-channel retailer in performance and lifestyle footwear. This allows us to leverage of the strength and capability of the people, brands, partnerships and infrastructure across the combined group to deliver world-class customer experiences and ongoing growth
- As a consequence, the ongoing relevance of the existing operating segments is under review





Dividends  
Trading update  
Outlook



# Trading update and FY18 outlook

## DIVIDENDS

- RCG has declared a fully franked final dividend of 3.0 cents per share, payable on 25 September 2017 to shareholders registered on 11 September 2017
- This will take total dividends in respect of FY17 to 6.0 cents per share, a 9% 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 FY2018

## TRADING UPDATE

- We are encouraged by the start to the new financial year, during which the group has traded materially to plan
- For the first seven weeks of the financial year total retail sales are up 24% on the same period in the prior year and LFL retail sales are up 1%
- Wholesale sales growth for the first seven weeks of the financial year has been 3%
- The group has forward cover at an average rate of 0.74 of 100% of its expected FY18 USD purchases (vs 0.70 in FY17)

## OUTLOOK

- Our management team has developed and implemented processes, structures and plans ideally suited to countering the threats and capitalising on the opportunities that we expect to face over the next 12 months and beyond, and we expect another year of profit growth.

# Appendix



# Appendix

## RECON. OF UNDERLYING PROFIT TO REPORTED PROFIT

\$000's	FY2017	FY2016	% Chg
Underlying Net Profit After Tax	39,923	32,998	21.0%
Add back pro-forma taxation	16,420	13,884	18.3%
Consolidated PBT from normal operations	56,343	46,882	20.2%
Impairment of Hype Brand	(9,714)		
Less: Hype DC pre-completion EBITDA	(1,599)	-	-
Less: Restructuring costs	(811)	-	-
Less: Hype DC acquisition costs	-	(700)	-
Less: Amortisation of distribution agreements arising on acquisition of Accent	(2,795)	(3,300)	15.3%
Profit before tax per statutory accounts	41,424	42,882	-3.4%
Taxation	(12,072)	(12,699)	4.9%
<b>Reported Net Profit After Tax</b>	<b>29,352</b>	<b>30,183</b>	<b>-2.8%</b>

## NON-IFRS FINANCIAL INFORMATION

- Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards and includes items such as underlying EBITDA, EBIT, PBT, NPAT and EPS.
- All care is taken to clearly identify non-IFRS financial information to enable the reader to differentiate it from reported/IFRS financial information. Moreover, where necessary non-IFRS information is reconciled to reported/IFRS financial information, including in the table above.
- RCG management believes that the presentation of additional non-IFRS information in its investor presentations provides readers with a greater understanding of the underlying performance of the business and the way in which performance is monitored.
- The Australian Securities and Investments Commission (ASIC) acknowledges the relevance of non-IFRS financial information in providing “meaningful insight” as long as it does not mislead the reader.

# 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.

No representation or warranty, express or implied, is or will be made in relation to the fairness, accuracy, completeness or correctness of all or part of this presentation, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or any part of it. To the full extent permitted by law, RCG disclaims any liability in connection with this presentation and any obligation or undertaking to release any updates or revisions to the information contained in this presentation to reflect any change in expectations or assumptions.

This presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. This presentation does not constitute investment or financial product advice (nor tax, accounting or legal advice) or any recommendation to acquire securities. Each recipient of this presentation should make its own enquiries and investigations regarding all information in this presentation.