



RCG CORPORATION



2015 ANNUAL GENERAL MEETING

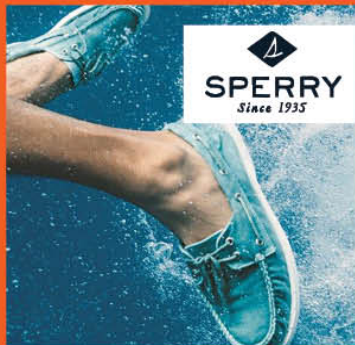


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Financial year highlights

- Including the impact of the acquisition of Accent Group (for the five weeks 27 May 2015 to 28 June 2015), in FY15 RCG delivered:
 - Underlying^(a) consolidated EBITDA of \$21.8m, an increase of 27.6% on the prior year
 - Underlying^(a) NPAT of \$13.7m, an increase of 16.0% on the prior year
 - Underlying^(a) EPS of 4.71 cents per share, an increase of 2.8% on the prior year
- Underlying^(a) EBITDA of 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 final fully franked ordinary dividend of 2.5 cents per share, resulting in dividends of 4.5 cents per share for the full financial year, equivalent to the prior year
- The completion of the acquisition of Accent Group, 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

a) References to “underlying” results are references to non-IFRS financial information, which we believe 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 FY2015 Investor Presentation released to the market on 26 August 2015

Accent acquisition summary and rationale

- Our strategy as a business is to identify and acquire brands or businesses which are synergistic with our existing business and in particular to acquire distribution and retail businesses in the footwear and active lifestyle space
- There are few if any businesses that met these strategic objectives better than the Accent business
- Accent is the owner of Platypus Shoes and distributor of seven international brands including Vans, Skechers, Dr Martens and Timberland
- RCG acquired the Accent Group for 6 times normalised maintainable EBITDA for the financial year ending April 2015. The resultant \$203 m purchase price was funded as follows:
 - \$25 million underwritten placement to professional and sophisticated investors
 - \$100 million placement to the AGL vendors which will be subject to a two year escrow
 - \$28 million unsecured vendor note
 - \$50 million by way of secured senior bank debt

Accent acquisition summary and rationale

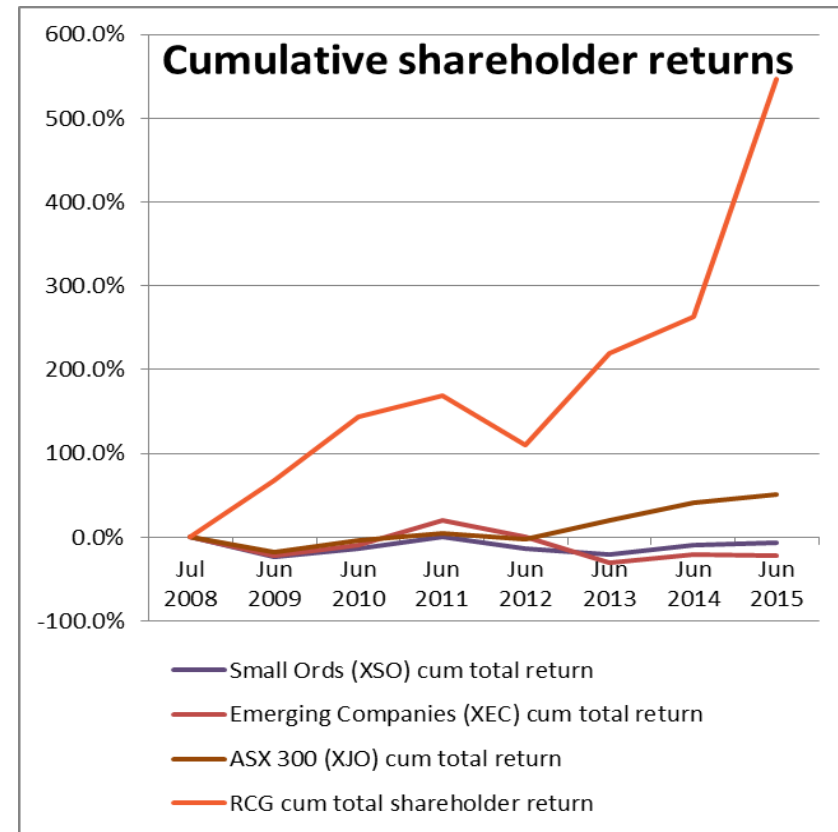
- The transaction was highly compelling for a number of key strategic reasons, including:
 - Immediate and sustainable earnings accretion
 - Natural alignment of the two businesses
 - It has provided a growth engine for RCG
 - The creation of a market leader in branded footwear
 - Providing the opportunity to explore new retail formats
 - Enhancing the vertical strategic capability of the business
 - Opportunities of scale
 - Complimentary management skills
 - Complimentary geographical expertise

Company	Retail brands	Wholesale brands
	  	     
	   	      

Exceptional returns

RCG continues to be defined by the exceptional returns it delivers on shareholders funds. The following chart shows RCG's shareholders return performance compared to relevant indices:

- Total shareholder return over seven years to June 2015 is 547%
- This represents a compound Annual Growth Rate (CAGR) of 31%
- This is an outstanding return both in absolute terms and when compared to the relevant ASX Accumulation indices



Results table

Underlying Profit	FY2015	FY2014	% Change
Pre-existing business units:			
The Athlete's Foot EBITDA	13,218	13,068	1.1%
RCG Brands EBITDA	8,563	6,891	24.3%
RCG Corporate EBITDA	(3,076)	(2,575)	-19.5%
Inter-company eliminations	(185)	(317)	41.6%
EBITDA from pre-existing business units	18,520	17,067	8.5%
Accent Group EBITDA 5 weeks 27 May 2015 -28 June 2015	3,254	0	
Underlying consolidated EBITDA	21,774	17,067	27.6%
Underlying depreciation & amortisation	(2,402)	(1,147)	-109.4%
Underlying Consolidated EBIT	19,372	15,920	21.7%
Net interest earned	334	703	-52.5%
Underlying Consolidated PBT	19,706	16,623	18.5%
Pro-forma taxation at the effective tax rate ^(a)	(6,048)	(4,853)	-24.6%
Underlying Net Profit After Tax^(b)	13,658	11,770	16.0%

Notes:

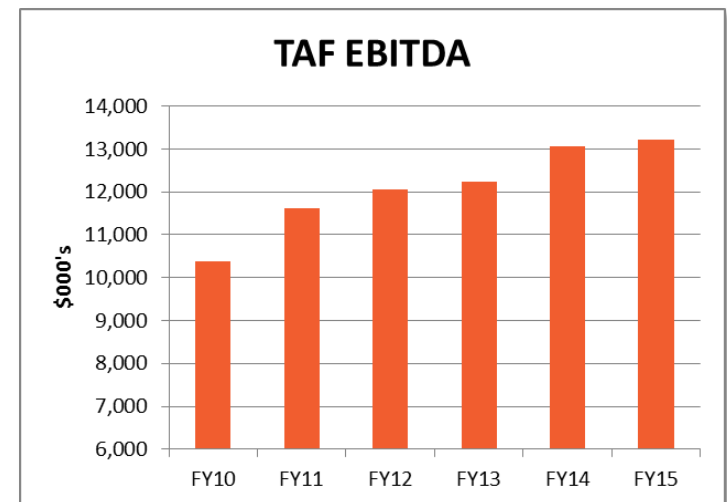
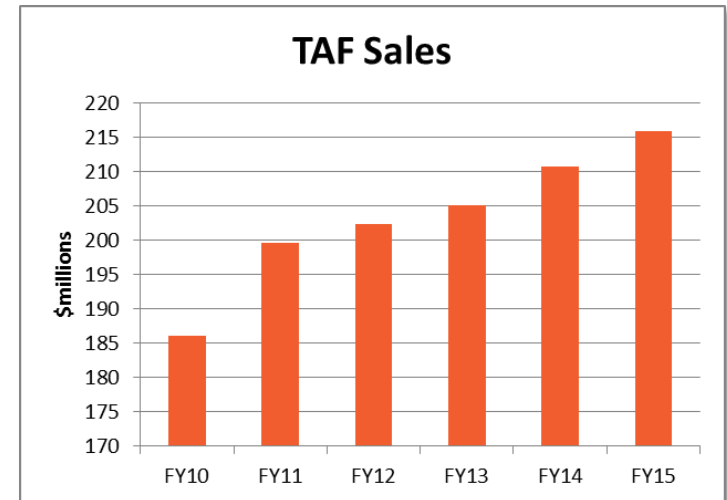
- a) The effective tax rate is calculated by dividing taxation payable by Profit Before Tax, excluding both the profit and tax effect of the Accent Group acquisition costs.
- b) A reconciliation of the Underlying Net Profit After Tax to the reported profit in the statutory accounts was provided in the Appendix to the FY2015 Investor Presentation released to the market on 26 August 2015



The  Athlete's Foot

TAF financial year highlights

- Like-for-like sales growth of 1.2% for the year, after a difficult start to the year. LFL's for the second half of the financial year were 2.8%
- Total group sales of \$216.0m, an increase of 2.5% on the previous year
- EBITDA of \$13.2m, 1.1% up on the prior year
- The business has been able to withstand ongoing aggressive price activity in the market and has maintained its position as a premium, full-price retailer



TAF trading update and outlook

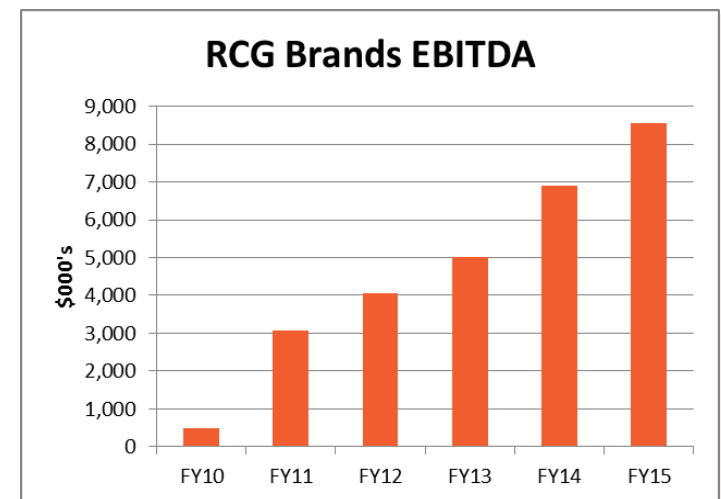
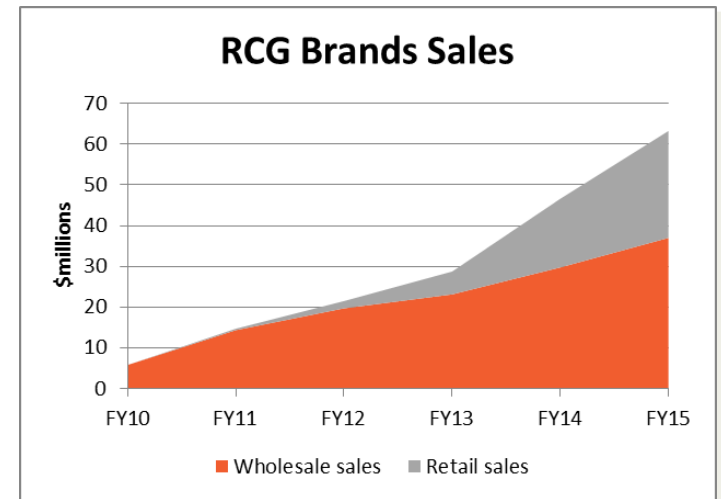
- The business has had strong start to the new financial year with like-for-like sales growth of 5% for the first 16 weeks of FY16
- Management expects to be able to maintain this positive momentum and deliver low single digit LFL sales growth for the year, resulting in low single digit EBITDA growth for the year
- Business decision making is now being increasingly driven by insights derived from TAF's significant investment in CRM and retail management systems and related personnel over the last 2 – 3 years
- 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 financial year highlights

- EBITDA of \$8.6m, an increase of 24.3% on the prior year
- Total sales of \$63.2m, an increase of 35.6% on the previous year
- Wholesale sales grew 24.3% to \$37.0m, primarily driven by growth in sales of Saucony, CAT and Sperry
- Total retail sales grew 55.7% to \$26.2m, with LFL sales growth of 1.2%
- Three new Merrell retail stores were opened during the year taking the total number of Merrell stores to 18
- Merrell sales, both at wholesale and retail, were impacted by a lack of access to innovative lifestyle product



RCGB trading update and outlook

- Wholesale sales for the first four months of FY16 are in line with management's expectations and are expected to experience high single-digit growth during FY16, driven primarily by Sperry, Saucony and CAT, with all three brands experiencing growth both through established and new channels
- Saucony in particular is experiencing strong growth with its technical product both through TAF and the specialty running channel, and with its Originals range in the lifestyle channel including Platypus
- Merrell wholesale sales are expected to be in line with those of the previous year, with the decline in sales of lifestyle product to be offset by strong growth in sales of outdoor and performance footwear, which is where the brand's heritage lies
- Wolverine Worldwide Inc, owner of the Merrell brand, has acknowledged the disappointing consumer response to the recent lifestyle range and is addressing the issue, including refocussing its resources to deliver relevant consumer product

RCGB trading update and outlook

- The RCG vertical retail business has had strong start to the new financial year with like-for-like retail sales growth of 6% for the first 16 weeks of FY16
- Total retail sales growth is expected to be in the low double digit range for FY16, with LFL growth expected to be in the low-to-mid single digit range
- RCGB adopts a conservative forex hedging strategy which over the last 18 months has resulted in the business covering 12 months forward on a rolling basis. The average exchange rate for FY15 was 0.89 and is 0.80 for FY16^(a). As a consequence, the business expects gross margin compression of 2% - 3%, resulting in EBITDA margin compression of approximately 1%

a) Rates are expressed as the ratio of US dollars to Australian dollars.

Accent Group



Accent Group financial year highlights

- The table provides key metrics on Accent's performance over its last two financial years (to April) as well those for the five weeks from completion (27 May 2015) to end June 2015
- LFL sales growth for the five weeks were 31%
- Total retail sales growth for the five weeks was in excess 80%

Results	For the 12 months ending			5 weeks to 28 Jun 2015
	30 Apr 14	30 Apr 15	% chg	
Wholesale sales	\$63.6m	\$68.8m	8%	\$7.5m
Retail sales	\$82.4m	\$145.9m	77%	\$22.0m
Total sales	\$146.0m	\$214.7m	47%	\$29.5m
EBITDA	\$17.9m	\$33.3m	86%	\$3.3m
No of stores	73	106	45%	109
LFL sales	13%	29%	N/A	31%

- EBITDA for the five weeks from completion to the end of the financial year was \$3.3m, 35% up on the equivalent five week period in the prior year. It should be noted that, as these periods cover the end of financial year clearance sale activity, both GP and EBITDA margins for the five weeks are lower than is to be expected over a full year

Accent Group trading update and outlook

- Retail sales for the first 16 weeks of the new financial year have continued to exceed forecast with LFL sales growth of 30%, driven by double digit sales growth across all retail formats
- The ongoing performance of the Accent business is unprecedented in the current retail climate, with over 30% LFL growth over the last 12 months (to the end of October 2015) and double digit LFL growth in each of the two years before that
- In forecasting growth for FY16, management has taken a more conservative approach, budgeting for low double digit LFL sales for the year. The market will be provided with a trading update following the key December and January trading period
- The board and management is delighted with the ongoing performance of the Accent business and is providing all the necessary support to the Accent team to enable it to continue to outperform the forecasts and maintain its current momentum
- Accent now expects to open 28 stores during FY16, of which 17 will have opened by the end of December 2015

Accent Group trading update and outlook

- Wholesale sales for the first four months of FY16 are in line with management's expectations and are expected to experience high single-digit growth for the financial year, driven primarily by Skechers
- The Skechers brand is experiencing remarkable growth world wide, with global sales of US\$800 million for the three months to June 2015, up 36% on the same quarter in the previous year. Skechers is now the second largest athletic footwear brand in the USA
- Since being acquired by RCG, Accent has adopted a conservative, 12 month rolling, forward cover approach. Accent's FY16 purchases are covered at an average rate of 0.75^(a), compared to an average rate of 0.84 in the last financial year. As a consequence, the business expects both gross margin and EBITDA compression of 1% - 2% of sales for FY16

a) Rates are expressed as the ratio of US dollars to Australian dollars.

Priorities, dividends and guidance



Priorities, dividends and guidance

Key priorities

- The number one priority of management is to continue to deliver sustainable sales and profit growth across all business units
- The focus over FY16 is to ensure that the strategic initiatives and priorities of each business unit are delivered and that, as a combined group, we begin to unlock the strategic benefits arising from the Accent acquisition, including:
 - Cross-branded distribution opportunities
 - Streamlining of supply chain and logistics
 - Cross-pollination of management expertise
 - Exploration of new retail formats
- Whilst the front end of the businesses continues to operate independently, we are in the process of strengthening and enhancing certain shared services functions including: Supply chain, IT, financial management, eCommerce, and property & leasing

Priorities, dividends and guidance

Dividends

- RCG paid a 2.5c fully franked final dividend in respect of FY15, taking the total dividends in respect of the year to 4.5c, equivalent to the prior year's payout
- The company 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
- The company intends to at least maintain its historical dividends per share with a view to increasing this over time, when operating cashflow allows

Guidance

- RCG is forecasting consolidated group EBITDA of \$55m - \$57m for FY16. This will result in an increase in underlying EPS of 25% - 30%. Updated guidance will be provided to the market following the key December and January trading periods
- Forecast net capital expenditure for the year is approximately \$14m

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