

# Athlete's Foot buys licence deal for \$7m

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The investment company that operates the Athlete's Foot chain of sports shoe shops has paid its US franchise manager \$7.36 million to hold the licence agreement for the next 249 years.

In doing so, Australian company RCG Corporation Ltd will top up its own bottom line by \$1.2 million a year because it will no longer have to pay royalty fees for the brand.

RCG paid US franchise brand manager NexCen Brands Inc \$US6.2 million (\$A7.36 million) to restructure its sports shoe licence agreement.

RCG, owner of The Athlete's Foot (TAF) Australia Pty Ltd, paid NexCen's subsidiary, TAF Australia LLC, the lump sum in return for a royalty-free exclusive licence for the TAF trademarks in Australia and New Zealand.

"We are free in Australia to do whatever we want now," RCG chairman Ivan Hammerschlag told AAP on Friday.

"We would never have been able to buy another footwear business (previously)."

Mr Hammerschlag said RCG was in talks with parties over acquisitions and was confident of securing a deal within the next six months.

Athletes' Foot is the nation's largest athletic footwear chain, and has 136 franchised stores across Australia and New Zealand.

RCG says the \$1.2 million boost to its 2009/10 before-tax profit from no longer paying a royalty fee to TAF Australia will have a "substantial positive effect" on earnings per share.

RCG said it experienced sales growth of 17 per cent for the six months to June 30 for The Athlete's Foot, the company's only asset.

The increase brought total sales growth to 15 per cent for 2008/09, which would increase as RCG continued to convert its TAF stores to a larger format, Mr Hammerschlag said.

Three stores have been converted with another nine scheduled for conversion by Christmas, he said.

RCG will report its 2008/09 result on August 24.

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