

Big step for Athlete's Foot operator

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RCG Corporation has signed new long-term licence agreements for its The Athlete's Foot business in Australia and New Zealand under which it will pay no ongoing licence fees to the US licensor.

It comes as the retail company also updated the market on its recent trading performance, with The Athlete's Foot performing "exceptionally well" despite challenging market conditions during the current economic downturn.

The company said like-for-like sales growth for the six months to the end of June 2009 was 17 per cent, resulting in total like-for-like sales growth for the full financial year of 11 per cent and total sales growth of 15 per cent.

"The rollout of The Athlete's Foot new large format stores has continued with four stores now having been converted. Sales from the converted stores have exceeded all expectations, with like-for-like sales increases in excess of 30 per cent."

RCG said the new licence deal for the footwear store would result in substantial annual savings for the company.

The new agreements, which commences today, has an effective term of 249 years. RCG has paid a lump sum of \$US6.2 million (\$7.4 million) and has no ongoing licence fees to pay for the term of the agreement. The new agreement also removes a number of other restrictions contained in the previous licence agreements.

The new arrangement will have a material positive impact on the profitability of The Athlete's Foot. The increase in 2009-10 profit before tax as a result of the new agreements is expected to be about \$1.2 million.

"This investment is an exceptionally sound deployment of our capital, one that provides us with excellent returns," said the company's chairman, Ivan Hammerschlag.

"It not only delivers long-term certainty to the business, but secures a significant increase in The Athlete's Foot's annual earnings and with that delivers substantial shareholder value."