

# RCG nabs sneaker chain Hype DC

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RCG Corporation has agreed to pay \$105 million for Hype DC, which targets trendy 15-25 year olds.  
Picture: AAP/ Tracey Nearmy.

RCG Corporation chief executive Hilton Brett isn't going to let a possible hung parliament and years of potential economic reform gridlock prevent him from accelerating the reach of the footwear retailer after he yesterday inked a \$105 million deal to buy shoe chain Hype DC.

Hot on the heels of paying \$200m in March last year for Accent Group, owner of Platypus shoes and distributor of brands like Vans, Skechers and Dr Martens, RCG will now take under its roof 57 Hype DC stores and three Shubar outlets as it positions itself to win from the proliferation of casual shoes into people's everyday workwear.

Mr Brett told *The Australian* this "casualisation" was helping to buttress sales for the fashion and exercise shoe sector as workplaces became more

relaxed about staff wearing casual shoes in the office while the burgeoning health and wellness trend was encouraging people to wear their gym shoes throughout the day.

“Hype is an outstanding business,” Mr Brett said.

“It is slightly more premium and more fashion forward, in terms of leading edge, than the Platypus business.”

RCG, which also owns The Athlete’s Foot, will pay up to \$105m for Hype DC, an Australian retailer of branded athleisure and style footwear that targets 15 to 25-year-olds for 6 times normalised 2016 pre-tax earnings. The acquisition would be earnings accretive in 2017. RCG also provided an earnings update yesterday, advising the company expected to deliver underlying EBITDA of about \$60m, which is at the upper end of its guidance range.

Shares in RCG rocketed more than 25 per cent on news of the deal before closing up 35c, or 24 per cent, at \$1.81.

Mr Brett said the trading outlook remained sound despite the ructions in Canberra and concerns from the business community that a hung parliament could bring economic reform to a standstill and leave the country rudderless.

“I think obviously there is a bit of uncertainty out there from a consumer perspective, and it’s not an ideal situation, but from our perspective when we think about the acquisition it certainly strategically is a perfect fit for us, and aligns with our strategy of acquiring brands and businesses which are synergistic with what we do.”

Mr Brett said his businesses have been trading well though 2016, with like-for-like sales growth of 3.5 per cent at The Athlete’s Foot and 20 per cent like-for-like sales growth from its newly acquired Accent Group.

Hype DC has been bought from founders Danny and Cindy Gilbert, who founded the business in Sydney in 1998 after spotting an opportunity in the sneakers space.

RCG will pay for the deal via the issue of \$52.5m worth of shares to the Gilberts, \$13.1m by way of an unsecured vendor note and \$39.4m in secured senior bank debt from National Australia Bank.

The Gilberts will continue to run Hype DC as joint CEOs, while Danny Gilbert will join the RCG board as an executive director.