Market Announcement
1 May 2017

Trading update

Retail trading conditions since RCG reported in late February have continued to remain challenging. The group's sales performance across all business units for the months of March and April combined (which are always taken together due to the movement in the dates of Easter and school holidays) have fallen short of management's expectations.

Like-for-like ("LFL") sales in both the Accent Retail and Hype business in March/April were in line with the prior year. Whilst this was an improvement on the trading period between Boxing Day and mid-February, it has not met management's expectations. The Athlete's Foot's ("TAF") LFL sales for the year-to-date continue to be in line with those of the prior year.

The wholesale divisions of both the RCG and Accent business have not been immune to the challenging conditions and have also performed below expectation since mid-February, as has RCG's vertical retail business which has traded 5% down on a LFL basis since that time.

Updated guidance

The market remains volatile and unpredictable and this makes forecasting future performance extremely difficult. Notwithstanding this, management expects trading conditions to continue to improve. However, the subdued trading performance in the March / April period, together with a more cautious outlook for the remainder of the financial year, has resulted in RCG revising its full-year annualised, underlying EBITDA guidance to a range of $74 million - $80 million[1].

RCG's share price

Whilst RCG does not typically make observations about its share price, the significant drop in price over the last few months warrants comment. It should however first be noted that the directors of RCG control approximately 30% of the shares on issue and are therefore completely aligned with the broader RCG shareholder community insofar as the impact in the movement of the share price is concerned.

The board believes that RCG has been caught up in the widespread sell down of retail stocks over the last few months due to a number of factors, including declining consumer confidence, subdued wage growth,

[1] Assumes 12 months of earnings from Hype. 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.

concerns surrounding the housing market, increasing interest rates and the perceived impact that the market entry of Amazon may have on the Australian retail landscape.

In addition, the board believes that there is uncertainty in the market regarding the intentions of the former owners of Accent when their share escrow expires on 27 May 2017. Those former owners who are directors of RCG have confirmed that they have no intention of selling shares into the market at these levels.

Omnichannel

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. In aggregate, eCommerce sales have grown more than 65% during FY17 and the growth continues to accelerate.

RCG continues to invest significantly in both its in-store experience across all its banners and its multi-channel and eCommerce capability. Brand new, enterprise grade Platypus, Skechers and Vans eCommerce sites have been launched over the last few months and extensive work is underway to upgrade and decentralize the TAF eCommerce site during the first half of FY18.

As a consequence of its extensive store network and its substantial ongoing investment in digital technologies, RCG has a key strategic advantage in being able to provide its customers a true omnichannel experience by offering them the option of buying online and picking up in store, ordering from the entire inventory range in any store and having the goods shipped direct, as well as the ability to exchange or return in store any product bought online. The full suite of functionality to allow this seamless customer experience has been delivered in Platypus, Skechers and Vans and is delivering outstanding results. The same functionality will be rolled out to Hype in FY18, as will enhancements to The Athlete's Foot’s existing functionality.

Moreover, each retail banner continues to invest in the in-store customer experience, with the continuous focus on, and evolution of, store fitout, technology and innovation, marketing and visual merchandising, and the training and engagement of its in-store personnel.

Conclusion

Notwithstanding the subdued environment, the fundamentals of the RCG business remain as strong as ever. With the distribution rights to 10 international brands and over 400 stores across 10 retail banners, RCG is the regional leader in the retailing and distribution of performance and lifestyle footwear.

RCG is well advanced in integrating the Hype DC acquisition into its wider business and unlocking the additional strategic benefits that arise, including strengthening RCG’s market leadership position by enhancing the vertical strategy and key partnerships with suppliers, landlords and service providers.

The board of RCG believes that with its leading market position, technology focus and capability, and diversified portfolio, the Group will continue to be exceptionally well-placed to withstand tough market conditions, leverage its scale, capitalise on opportunities, and deliver outstanding long-term returns for its shareholders.

Further Information

For further information contact:

Hilton Brett, Co-CEO RCG Corporation
(02) 8310 0008 / 0411 682 912
hbrett@rcgcorp.com.au