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Athlete's Foot parent RCG secures long-term deal

Teresa Ooi | August 08, 2009

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INVESTMENT holding company RCG Corp, which has the Athlete's Foot franchise licence in Australia and New Zealand, has secured a long-term deal to continue operations after outlaying a one-off, lump sum payment of \$US6.2 million (\$7.4m).

Under the licence deal, RCG will make the one-off payment of \$US6.2m to snare a long-term agreement that runs for 249 years -- with no future ongoing licence fees to pay.

"We now have a deal which will continue to be run by our great-grandchildren," RCG chairman Ivan Hammerschlag said.

It is understood Athlete's Foot's parent in the US, Nexcen, is in financial difficulties, weighed down by more than \$US120m of debt -- 10 times its earnings before interest and tax.

Mr Hammerschlag said the company tried to buy the trademark from Nexcen but failed.

Under the 249-year licence deal, RCG can continue to operate the franchised stores without any restrictions.

"We can now enter Asia's footwear market by using our expertise to open a parallel brand in any part of the world. We could also buy a rival footwear brand. Previously, we were prevented from doing so," Mr Hammerschlag said.

Athlete's Foot had a chain of 136 stores in Australia and New Zealand and all were operating profitably, he said. "Our model is very different from the US parent. We offer a high-service model with staff members on their knees tying up shoelaces for customers. We sell our shoes on function and fit."

Mr Hammerschlag denied that prices at the chain were 20 per cent more expensive than other sportswear stores. "You can, of course, buy a cheaper pair from a discount or warehouse but you will not find the full range."

He said the global financial uncertainty had not affected the chain's business. "When times are tough, people tend to focus on themselves and want to keep fit. Footwear sales have always held their own -- similar to gym memberships, which have not fallen during difficult economic conditions.

"Most of our shoes are sold to customers aged between 25 and 60 years of age, with 60 per cent sold to women because women like to have more shoes."

RCG shares rose 1c to finish the day at 39c.

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