

Boss has The Athlete's Foot owner on its feet and running

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WHEN Ivan Hammerschlag arrived at RCG Corporation nearly four years ago, it was not in good shape.

He got rid of two businesses and focused on footwear retailer The Athlete's Foot.

"We always knew it was a fabulous business with a very strong market niche and a very strong moat around it," he says.

"We've utilised that as a vehicle to build a very, very solid business with a strong position in the Australian marketplace."

The share price was at the time 13¢ and Hammerschlag told shareholders the goal was to restore it to the 50¢ they had paid in the 2004 float.

"We've done that," he says, and adds: "Listen, business, in my view, is a marathon, not a sprint.

"We've created a wonderful base and we're very clear on the strategic plan that we're executing. We think that RCG has a lot of legs. We have \$20 million cash in the bank and no debt.

"When we arrived, the business was doing \$140 million; it's currently doing \$180 million. We thought it was a \$200 million business; we're now very clear it's a \$300 million business."

RCG now has 142 stores in its franchised chain. It discovered that sales improved 30 per cent when an outlet was enlarged, so stores are being converted.

With a \$150 average sale, RCG sells to middle Australia and in the trade it has a reputation of being a good stock manager.

"We're one of the few retailers that don't sell on price; we sell on function and fit, and we're very focused on giving a very, very high level of service," he says.

"If you go into our stores, you'll see we're one of the few where the sales people are on their knees doing up shoelaces."

Hammerschlag, executive chairman with 17 million shares, says the group is continually adding new categories.

"Four years ago, we were not in school shoes, we now have 7 per cent of a \$100 million market, and we think we can take that to 20 per cent.

"We never sold football boots; we're adding that as a category," he says.

The aim with RCG's newish Shoe Superstore comfort shoe division is to open up to 30 stores over the next five years.

Is it making money? "It's not profitable yet but it's not losing money."

Hammerschlag says the company's wholesale division set up since he joined RCG is "highly profitable".

RCG's earnings increased 27 per cent in 2009 and are forecast by the company to improve more than 20 per cent for the latest June year.

Asked about current trading, he says: "Listen, we're still getting like-for-like growth that is very much higher than retail in general."

And asked whether he would be staying around, he says: "I have a very substantial stake in the company and the option of staying home talking to my wife doesn't exist."

At 50¢ a share, the group is valued at \$117 million - 18 times earnings.