

New footing for Shoe Superstore deal

From: AAP | December 14, 2010 11:00AM

ATHLETE'S Foot shoe store owner RCG Corporation has varied the terms of its purchase of Shoe Superstore made last year to eliminate uncertainty.

In a market update, the company said the share sale agreement in its purchase of Shoe Superstore last year had been changed to avoid "uncertainty and potential misalignment" caused by the earn-out payment.

Under the terms of the revised deal, the earn-out payment has been eliminated, RCG said on Tuesday.

Instead, RCG will give the former owners of Shoe Superstore 1.5 million RCG options at an exercise price of 66 cents, plus a guaranteed cash payment of \$1.1 million over five years, as long as they remain employed by the group through June 30, 2015.

The options are at a 10 per cent premium to the market.

"This is an outstanding outcome for all concerned," RCG chairman Ivan Hammerschlag said.

"It creates alignment and certainty for two former owners of Shoe Superstore whose skills we would like to leverage across our retail businesses.

"By removing the earn-out and providing them with equity in the parent company, we have facilitated both a structural and operational opportunity for this to occur," Mr Hammerschlag said.

RCG also said its businesses were trading strongly, despite tough conditions across most sectors.

Like-for-like sales at Athlete's Foot were up 6.6 per cent on the five months to November 30, the company said.

Growth at Athlete's Foot in November was 10.3 per cent up on the corresponding month in 2010, while sales in the first two weeks of December were more than five per cent stronger than the prior corresponding period.

RCG said sales at its RCG Brands division in the first half of the financial year were likely to be on or slightly ahead of target.