Retail Food Group Limited

2018 AGM

Chairman's Address

29 November 2018

[SLIDE 1 – CHAIRMAN'S ADDRESS]

Ladies and gentlemen,

Good morning and welcome to the 2018 Annual General Meeting for Retail Food Group Limited. It is a privilege to join you today at my first AGM for the Company.

Having been appointed as Executive Chairman earlier this month, I would like to take a moment to introduce myself.

My name is Peter George and I was recruited to the Board due to my experience in leading corporate turnarounds and company restructuring. Companies I've worked for include PMP Limited, Asciano Limited, Nylex Limited and Optus Limited, all within turnaround or restructuring roles, either as a chief executive or Director.

There is much work to be done at RFG, and I think it is important that I acknowledge the enormity of this turnaround, from the outset.

The company is in a position where reducing our bank borrowings and refocussing on our customers are our top priorities. To reduce our bank borrowings, it is likely that we will need to sell assets, recapitalise the balance sheet and reduce our cost base by a large amount. All of this needs to be done whilst at the same time ensuring that the remaining business is positioned for success in the future.

The Board and senior management are acutely aware that the Company has not performed as it should. While there has been some encouragement from our franchise customers about improvements in the network, the Company's current financial performance is unsustainable.

Last year's financial results are the poorest on record for Retail Food Group. Therefore, I accept that many of you will likely have two questions which are top of mind – what happened, and how are you going to fix it?

I would like to share my initial observations on these important issues. I know many of you will hope that there is a simple answer, but the fact of the matter is, the Company found itself in this position due to a number of interrelated challenges.

First, the Company experienced a period of very rapid growth through acquisitions between 2012 and 2016. This created an unprecedented level of complexity in the management of the Group. At its peak, the company managed more than ten different franchise systems, each with differing challenges around product offering, market positioning, store location and competitive conditions. We diversified away from our core franchising business with the Di Bella and Hudson Pacific acquisitions which also added to the complexity.

Towards the end of the period, we experienced the loss of many of the key personnel who had contributed to the Company's success. This included people with in-depth understanding in the Company's operations, including some who had built the Company from the ground up.

Unfortunately, our level of service to our customers suffered as a result. As a Company, our main reason for being is serving our franchise and non-franchise customers through brand promotion, product innovation and superior customer service. The journey back to being a more nimble, customer focussed organisation has begun, however much work remains to be done.

From our shareholder's perspective, improvement in the share price will come only from the successful implementation of the restructuring and refocussing programs. This will not happen quickly and will not be easy to achieve but I and the Board and management team are committed to using our best endeavours to make this happen as soon as possible.

[SLIDE 2 – FY18 RECAP]

The Company's financial results and balance sheet have been published in the annual report, so I will not reiterate the details but to say we faced multiple challenges which contributed to our poor performance and ultimately, a statutory loss after tax of $306.7 million. On an underlying basis, FY18 net profit after tax was $33.3m, a 56.1 per cent reduction on the prior corresponding period (FY17: $75.7m).

Whereas actions have been taken to stabilise RFG's operations, and progress has been made in implementing a turnaround strategy for the Group, external factors also continue to have an impact on the Company. Group CEO Richard Hinson will talk in more detail about the significant market pressures that have also affected the performance of our network and the retail sector in general.

[SLIDE 3 – GROUP PRIORITIES]

In order to structure ourselves for renewed success, I am focussed on making sure we provide as many options for ourselves as possible when it comes to debt reduction and the strengthening of the Company's balance sheet.

The Board continues to look at a range of options, including potential asset sales but also the potential for alternative funding.

Inevitably, part of repairing the Company's financial position will mean implementing major restructuring and cost reduction initiatives through the Group, as an immediate priority.

Despite the immediate challenges, I believe that RFG can aspire to a brighter future once the restructuring phase is complete. Our coffee business is key to our future success and we must better capitalise on the brand equity which exists in Di Bella Coffee.

The consolidation of four coffee operations into a single, integrated business under the Di Bella Coffee brand, was an important step in becoming a global coffee business. In many respects, coffee roasting remains a cottage industry in this country and we will be looking to better capitalise on organic growth opportunities in this market.

A renewed focus on product innovation and brand refreshing in our franchise systems will help us deliver better outcomes for our franchise partners and make our brands more attractive to potential new franchise partners.

While FY18 was a very challenging year for RFG, the Company is beginning to identify opportunities to better capitalise on the breadth of its operations to support a more sustainable business model. Despite the Group's hardships, the core business continues to show resilience.

In closing, the Board understands that 2019 will be another demanding year for RFG. Because of the range and scope of restructuring activity that is currently underway or about to be launched, we are not yet in a position currently to provide profit guidance for the 2019 financial year. We will of course keep the market apprised on our progress as required.

Thank you for your support in what has certainly been a challenging year.

I will now hand over to our Group CEO, Richard Hinson to talk in more detail about last year's performance and share some key initiatives relating to our brand systems.

CHAIRMAN’S

ADDRESS

PETER GEORGE | CHAIRMAN, RETAIL FOOD GROUP LIMITED

FY18 RECAP

FY18 REVENUE	**$374.0m**
FY18 EBITDA (Underlying)	$71.4m
FY18 EBITDA (Statutory)	($354.3m)
FY18 NPAT (Underlying)	$33.3m
FY18 STATUTORY LOSS AFTER TAX	($306.7m)
FY18 EPS (Underlying)	18.4cps
FY18 EPS (Statutory)	(169.5cps)

GROUP PRIORITIES

RETAILFOODGROUP RFG