



Retail Food Group Limited

2019 AGM

Chairman's Address

29 November 2019

[SLIDE 1 – CHAIRMAN'S ADDRESS]

Good morning and thank you for joining me this morning at the 2019 Annual General Meeting for Retail Food Group Limited.

Let me begin by saying that 2019 was a significant year for RFG. It was certainly characterised by its fair share of challenges, however it was also a year of immense progress and achievement.

I am very pleased to be able to stand here today and say that the recent successful recapitalisation of the Company has laid the foundations for a much stronger and more resilient RFG.

Before I continue, I would like to take a moment to acknowledge Stephen Lonie, former Board member and interim Chairman of RFG, who passed away during the last fortnight. On behalf of the Board and all of the staff at RFG, I would like to extend our deepest condolences to the Lonie family.

[SLIDE 2 – RFG's SIX POINT PLAN]

Over the last 12 months, management has been focused on the implementation of the Group's Six Point Plan, which was devised following extensive consultation with franchise partners. The overarching objective of this plan is to return the Company to a stable and growing organisation which provides greater profitability opportunities for its franchise network, by:

1. Refocusing RFG on its core retail food and beverage operations and divesting or discontinuing non-core business units;
2. Strengthening the balance sheet to improve financial stability;
3. Redesigning our organisational structure to refocus resources on brand, franchisees and their customers, rather than relying on a shared service model, and implementing initiatives to consolidate supply chains for a more efficient and agile business;
4. Improving domestic franchise business performance through strategic initiatives including a focus on product innovation, quality and marketing to drive foot traffic and revenue for

franchisees, as well as reductions in cost of goods and assisting franchisees to obtain better leasing outcomes;

5. Leveraging our coffee roasting assets to profitably service external markets, whilst continuing to support franchisees; and
6. Driving growth in RFG's franchise business by leveraging a healthy franchise network as a platform for new store sales, increased franchise renewals and targeted international expansion.

[SLIDE 3 – FY19 PERFORMANCE]

The 2019 financial year saw RFG deliver underlying EBITDA of \$50.7m, or \$44.0m excluding the effect of AASB 15, which was consistent with the guidance offered by the Company.

A statutory net loss after tax of \$149.3m was reported, an improvement of 51.3% on the prior corresponding period. This included \$185.2m in non-cash impairments, provisioning and restructuring costs. On an underlying basis, FY19 net profit after tax was \$15.4m.

Despite challenging retail trading conditions and adverse sentiment around the franchising industry in light of the parliamentary inquiry and other media attention, the Company is now showing signs of stabilisation.

Throughout 2019, many proactive steps were taken to improve RFG's financial situation and business systems to better support franchisees and ensure a stable go forward position for the Company.

Multiple debt reduction strategies were considered and progressed.

Ultimately, this led us to last week's General Meeting at which shareholders approved a fully underwritten placement, to sophisticated and professional investors, of 1,700 million ordinary shares at \$0.10 per share, to raise approximately \$170m before costs (Placement). A Share Purchase Plan (SPP) offering existing shareholders on the record date up to \$30,000 of shares at the same price closed on 22 November, raising a further \$18.84m.

These were important outcomes for RFG which go a long way towards securing the future of not only the Company, but the livelihood of the franchisees who run their own small businesses as part of our extensive network of brands.

The Placement and debt restructure have now been completed, with:

- a) \$118.5m of net Placement proceeds applied to pay down debt;
- b) The extinguishment of \$71.8m of the Company's existing debt; and

c) A new debt facility of up to \$75.5m maturing in three years' time.

This new facility will be further reduced by the net proceeds received from the Share Purchase Plan and Invesco 'top up' placement that round out the Company's recapitalisation plan.

I want to again emphasise the transformational opportunity that this recapitalisation has provided for the Company. Although I have driven several turnaround situations in the past, this is the first time I have seen such a favourable agreement reached in terms of debt restructure. The significant opportunity that this affords RFG should not be overlooked.

I understand that the Placement has resulted in significant dilution to the original shareholders' ownership of the Company. However, I urge you to focus on the future, as we prepare the Company for a new chapter and a fresh start.

My vision for RFG is that we can become a respected leader in both the domestic and international retail food and beverage arenas. In order to do this, we must ensure that our commitment to our franchisees is unwavering, and that they are at the heart of every one of the Company's decisions.

When I first commenced my role as Executive Chairman, I travelled around the country to meet face to face with hundreds of our franchisees across our brands. It was important that I understood first-hand where the pressure points were, how they were feeling, and how myself and the management team could therefore improve.

[SLIDE 4 – CAMPAIGN ACTIVITY]

Part of the Company's response has been strengthening our culture of customer service excellence and providing the RFG team with the tools to support our franchisees in more strategic long-term ways. This has already begun, and the Company and its franchisees are already beginning to observe the positive impacts of the vast improvement measures being implemented throughout the Group.

FY19 saw a complete redesign of how the Company approaches product innovation and marketing. 87 new campaigns are planned across our brand portfolio over FY20. A number of these are on display for you around the room today.

11 of these new campaigns have already been delivered and, based on current data, have driven annualised incremental network sales exceeding \$11.5m, and approximate social media reach exceeding 50m¹.

¹ Source: RFG Facebook statistics, influencer reports and Media Merchants reports

Campaigns launched this month, or which will commence in coming days, will serve to bolster these results.

Ultimately, management's plan is to deliver an additional \$30m gross margin generation at the franchisee level from current initiatives, and contemplates improvements derived from key areas such as rent renegotiation, cost of goods reductions, operational improvements, and improved foot traffic and sales.

[SLIDE 5 – RECOGNITION FOR MICHEL'S PATISSERIE]

During the year Michel's Patisserie also received well deserved recognition, both at a network and store level.

The brand has achieved top place in the Roy Morgan Coffee Shop of the Year Customer Satisfaction Awards for nine of ten months during the year to date, with, pleasingly, another of RFG's brand systems, Donut King, representing its principal competitor in the Awards.

As well, in September 2019, our Michel's Toronto franchisee, Greg Stevens, was awarded the National Retail Association's "Franchisee of the Year". I'd like to again offer my congratulations to Greg and his partner Annie on their fantastic achievement.

[SLIDE 6 – OUTLOOK]

To summarise, 2019 has been a year of solid progress and the Company is certainly in a much stronger position today, than when we commenced FY19.

The Company recently provided FY20 underlying EBITDA guidance in the range of \$42.0 - \$46.0m, assuming full year contributions from all continuing business units but excluding the impact of AASB15 and AASB16.

The Company remains on track to meet that guidance, with FY20YTD performance to 31 October 2019 consistent with our internal budget.

Following recapitalisation of the Company, we are also embarking on the implementation of those significant restructuring initiatives and cost out plans referred to in RFG's Investor Presentation of 15 October 2019, which are targeted to drive circa \$8.0 - \$9.0m per annum in cost savings.

I look forward to updating you in relation to these matters when the Company releases its 1H20 results next year. I should point out that RFG's 1H20 statutory results are expected to materially benefit from the one-off gain arising from the \$71.8m debt extinguishment forming part of the Company's recapitalization mentioned earlier, but will be otherwise excluded from RFG's underlying results.

In the meantime, I would like to close by saying thank you to all of you, for your continued support of the Company on its turnaround journey. I am confident that 2020 will be a year of even greater progress and look forward to speaking with you personally following the formalities of today's meeting.

Thank you.

Chairman's Address

Peter George | Chairman, Retail Food Group Limited

RFG's Six Point Plan

1. Refocusing on RFG's core retail food and beverage operations, and divesting or discontinuing non-core business units;
2. Strengthening RFG's balance sheet to improve financial stability;
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4. Improving domestic franchise business performance through strategic initiatives, including a focus on product innovation, quality and marketing to drive foot traffic and revenue for franchisees, as well as reductions in cost of goods and assisting franchisees achieve better leasing outcomes;
5. Leveraging RFG's coffee roasting assets to profitably service external markets, whilst continuing to support franchisees; and
6. Driving growth in RFG's franchise business by leveraging a healthy franchise network as a platform for new store sales, increased franchise renewals, and targeted international expansion.

FY19 Performance⁽¹⁾

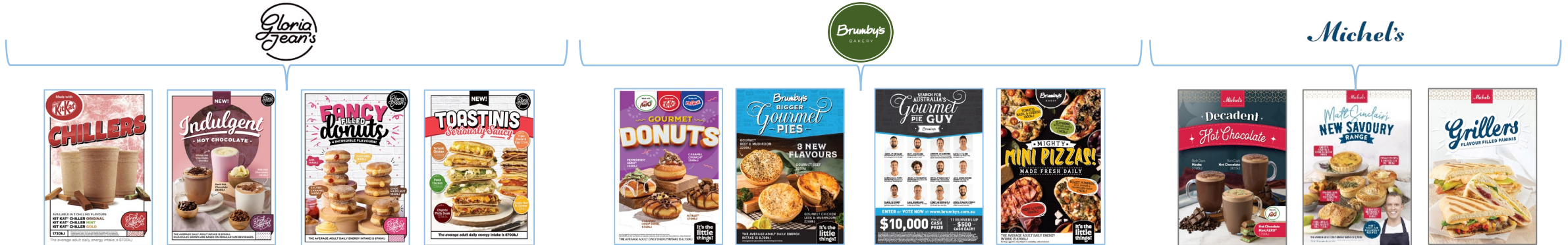
FY19 REVENUE	\$349.8m⁽²⁾
FY19 EBITDA (Underlying)	\$50.7m
FY19 EBITDA (Statutory)	(\$134.5m)
FY19 NPAT (Underlying)	\$15.4m
FY19 STATUTORY LOSS AFTER TAX	(\$149.3m)
FY19 EPS (Underlying)	8.4cps
FY19 EPS (Statutory)	(81.7cps)

⁽¹⁾ Underlying EBITDA, Underlying NPAT and Underlying EPS are non-IFRS measures used by management to assess financial performance. Refer FY19 Results Presentation for reconciliation of underlying to statutory results

⁽²⁾ Revenue (including discontinued operations)

Campaign Activity

Campaign Performance to Date: Total Estimated Annualised Network Sales (\$m) = \$11.8m⁽¹⁾



Campaigns Launched/Launching Nov/Dec 2019:



⁽¹⁾ Except as noted: Calculated as the revenue generated by the category since launch, divided by the numbers of days since launch, as at 22 November 2019, & annualised by using the assumption of 365 trading days. Brumby's Gourmet Donuts Estimated Annualised Network Sales (\$m) is calculated as 3 months of product sales x 4. Brumby's Savoury Category Estimated Annualised Network Sales (\$m) is calculated as 2.2% savoury category increase YoY for the campaign period applied annually. Gloria Jean's Donut Ranging & Michel's Matt Sinclair Savoury Range Estimated Annualised Network Sales (\$m) includes one additional campaign to be activated during FY20

Recognition for Michel's Patisserie

COFFEE SHOP OF THE MONTH

PROUD WINNER OF
9 OUT OF 10 MONTHS



	JAN 2019	FEB 2019	MAR 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUG 2019	SEPT 2019	OCT 2019
1 ST	donutking®	Michel's	Michel's	Michel's	Michel's	Michel's	Michel's	Michel's	Michel's	Michel's
2 ND	Michel's	donutking®	donutking®	donutking®	donutking®	donutking®	donutking®	donutking®	donutking®	donutking®
3 RD	MUFFIN BREAK	MUFFIN BREAK	MUFFIN BREAK	MUFFIN BREAK	THE COFFEE CLUB	Gloria Jean's	Gloria Jean's	THE COFFEE CLUB	THE COFFEE CLUB	THE COFFEE CLUB
4 TH	STARBUCKS	THE COFFEE CLUB	THE COFFEE CLUB	Gloria Jean's	Gloria Jean's	THE COFFEE CLUB	THE COFFEE CLUB	Gloria Jean's	Gloria Jean's	STARBUCKS
5 TH	THE COFFEE CLUB	STARBUCKS	STARBUCKS	THE COFFEE CLUB	MUFFIN BREAK	MUFFIN BREAK	McCafe	MUFFIN BREAK	MUFFIN BREAK	Gloria Jean's

What constitutes satisfaction?
For each product or service Roy Morgan Research asks customers to rate that product or service on a scale of: 'very satisfied', 'fairly satisfied', 'neither satisfied nor dissatisfied', 'fairly dissatisfied' and 'very dissatisfied' or 'completely satisfied', 'somewhat satisfied', 'neither satisfied nor dissatisfied', 'not very satisfied' and 'not at all satisfied'. We combine those that were 'fairly satisfied' and 'very satisfied' and calculate this as a percentage of total customers. For every category only customers of that product or service are included.

AVERAGE SAMPLE SIZE: 3154



Michel's Patisserie Toronto's franchisee owner, Greg Stevens, awarded National Retail Awards 'Franchisee of the Year' winner

Outlook

- FY20 Underlying EBITDA guidance in the range of \$42.0 - \$46.0 million, assuming full year contributions from all continuing business units but excluding the impact of AASB15 and AASB16.
- FY20YTD performance to 31 October 2019 consistent with internal budget.
- To commence implementation of restructuring initiatives & cost out plans referenced in 15 October 2019 Investor Presentation, targeted to drive c.\$8.0 - \$9.0 million per annum in cost savings.
- Further update to be provided with 1H20 results.