

Retail Food Group Limited 2016 AGM



Chairman's Address 30 November 2016

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In June 2006 Retail Food Group was admitted to the Official List of the ASX.

At the time of this milestone transition, the Company was possessed of, what is in the context of today's operations, a relatively small but highly efficient business comprised of two Brand Systems and 327 outlets, together with an ambitious plan to grow organically and via prudent acquisition.

And grown it has.

In 2016 the Company celebrated a decade of success during which it has delivered remarkable outcomes for its shareholders, franchisees, customers, team members and other stakeholders.

It has done so whilst simultaneously reinvesting in the creation of a diversified and global operating platform.

That platform was further extended in the 1H17 via the acquisition of Hudson Pacific Corporation, heralding a new era that positions RFG as a leading, transnational, full service food and beverage organization.

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FY16 Performance Highlights

RFG's aptitude for exploiting its unique business model was well demonstrated by the strong results achieved during FY16.

Indeed, delivering record EBITDA, NPAT and EPS, the Company maintained its track record for exceptional performance.

Consistent with guidance, underlying FY16 NPAT was a record \$66.4m, an increase of 20.5% on the prior corresponding period, or PCP.

This tremendous result was underpinned by a 24.0% increase in underlying FY16 Group EBITDA of \$110.2m.

Underlying EPS of 40.5 cents per share represented a 13.7% increase over the FY15 result.

As well, the Company paid a final, fully franked dividend of 14.5 cents per share, and added to RFG's interim dividend paid in April, resulted in total FY16 dividends of 27.5 cents per share.

Representing an increase of 18.3% on the PCP, and reflecting an underlying payout ratio of circa 68%, the Company's dividends underlined the strength of RFG's business model, which has now delivered 20 consecutive bi-annual dividend increases for shareholders.

This is a remarkable statistic.

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A Decade of Growth

Whilst these results are to be celebrated in their own right, RFG's FY16 achievements also form a crowning entry to an extraordinary compendium of success.

Since Listing, RFG has enjoyed an exceptional Cumulative Annual Growth Rate of 27.4% in respect of NPAT, 16.2% in respect of Earnings per Share, and 17.9% in respect of dividends.

It is now the steward of a network that spans five continents and incorporates 12 Brand Systems, which were represented by 2,530 outlets at 30 June.

It maintains state-of-the art roasting and powders infrastructure that supports annualized Coffee & Allied Beverage through-put exceeding six million kilograms.

And it maintains an enviable footprint within the procurement, warehousing, distribution, dairy processing and commercial baking spheres of operation.

Moreover, RFG has attended to significant diversification of its revenue streams throughout its journey over the past decade, transforming its business from one essentially reliant on domestic franchise earnings in FY06, to one where Group EBITDA derived from Coffee & Allied Beverage and International operations now exceeds 50% of the total.

RFG's earnings drivers will further expand in FY17 following the acquisition of Hudson Pacific Corporation.

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Prudent & Strategic M&A Program

During FY16 Retail Food Group again exhibited its strong M&A credentials, completing its integration and synergy extraction amongst each of the Cafe2U, Gloria Jean's Coffees Group and Di Bella Coffee businesses acquired in FY15.

Combined, these assets contributed an impressive \$45.8m to underlying FY16 Group EBITDA, an outcome which exceeded guidance of \$35m by some 31%.

Not only do these outcomes demonstrate the wisdom in RFG's pursuit of a complementary, multi-revenue and multi-business growth platform, they demonstrate the Company's proven new asset integration capability and skillset.

These outcomes ideally positioned the Company for further acquisitive opportunity, which was realized via the 1Q17 acquisition of Hudson Pacific Corporation.

Set to contribute c.\$11m to underlying FY17 Group EBITDA, gross of acquisition and integration costs, HPC represents a complementary acquisition that not only facilitates the Company's formal entry into procurement, warehouse, distribution and food manufacture, it offers myriad synergistic opportunity and benefit across RFG's operating platform.

The HPC acquisition also facilitates further extension of RFG's operations within foodservice and manufacturing, to which our Managing Director will speak shortly.

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Strength in People

RFG has long associated itself with the tagline “strength in brands”.

Whilst this is an apt descriptor of the Company’s business model, it neglects one of the fundamental ingredients of the Group’s success, that being, RFG’s outstanding human resources complement.

Indeed, the adage “strength in people” would be no less descriptive.

The Company is privileged to be possessed of a highly talented and passionate team focused on driving superior outcomes for all stakeholders.

This reality was no less evident in the seamless transition of RFG’s executive management from former Managing Director Tony Alford to Andre Nell at the end of June this year.

RFG is fortunate that it has considerable depth on the bench, enabling Andre’s elevation from within and avoiding the potential disruption inherent by an external appointment.

Andre is ably supported by a highly skilled executive management team who have served throughout most, and in some cases all, of the Company’s Listed experience, together with a broader group of enthusiastic professionals aligned to the Company’s vision to create compelling opportunities for success globally.

The Board holds utmost faith in RFG’s continuing success under the stewardship of its existing management and personnel.

In the meantime, it is appropriate that I say further words in respect of Tony Alford.

Having commenced with RFG some twenty years ago, Tony presided over the Company’s remarkable growth from an obscure and challenged franchisor to a global full service food and beverage company.

On behalf of the Board and senior management team, I would like to offer Tony my sincere congratulations on his incredible achievements, and extend thanks and appreciation for his enormous contribution to the Company’s success.

Tony has now transitioned to a non-executive Director role where he will continue to add value to the Company in the future, most particularly, in connection with M&A activity.

His transition coincides with a broader fortification of the Board of Directors during FY16 via the appointment of Kerry Ryan in August 2015, and more recently, Russell Shields’ appointment as a Director in December 2015.

RFG’s Board is possessed of a wealth of experience and knowledge accrued across a broad range of industries that stands the Company in good stead, providing shareholders with added comfort in terms of the Group’s strategic direction and broader governance.

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Capital Management

During the 1H16, RFG extended its senior debt facilities via a bi-lateral banking arrangement between the NAB, RFG’s long term bankers, and the Westpac Bank.

On behalf of the RFG Board, I would like to extend sincere thanks to each of the NAB and Westpac for their strong support and commitment to RFG's vision, and more recently, the Company's acquisition of Hudson Pacific Corporation.

As well, following application of the DRP to the Company's FY16 final dividend, the Company undertook a DRP Shortfall Placement which was heavily over-subscribed.

I would like to thank those new and existing shareholders who participated in that placement for their valuable support and endorsement of RFG's business model, management team and investment case.

These activities are indicative of RFG's commitment to prudent capital management.

Further to this, the Board remains very much alive to the interests of retail shareholders, and whilst a DRP Shortfall Placement was utilized in this instance, having regard to DRP participation levels of circa 15%, your Directors remain committed to capital raising activity that balances investment in growth with shareholder rewards.

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A New Era

During its decade since Listing, RFG has established and enhanced a diverse and global platform for growth which has delivered record FY16 outcomes.

Recently complemented by a multifaceted acquisition in Hudson Pacific Corporation, the Group has embarked upon a new era as a genuine full service food and beverage company, possessed of an abundance of opportunity that will drive lasting success.

That opportunity would not be available if not for the hard work and dedication of RFG's valued management and staff, and I would like to thank them for the Company's exceptional FY16 performance and future prospects.

I would also like to thank you, our valued shareholder community, for your continuing support of the Company and its proven model.

Lastly, but by no means least, I would like to take this opportunity to sincerely thank our customers for their support of the quality products and services RFG supplies them, and our Master Franchisee and Franchisee Partners for the dedication they have shown both to their own businesses, but also the Brand Systems under which they operate.

I now invite RFG Managing Director Andre Nell to elaborate on RFG's recent performance, opportunities and future plans.

Thank you.

CHAIRMAN'S ADDRESS

Colin Archer | Chairman
Retail Food Group Limited



FY16 PERFORMANCE HIGHLIGHTS

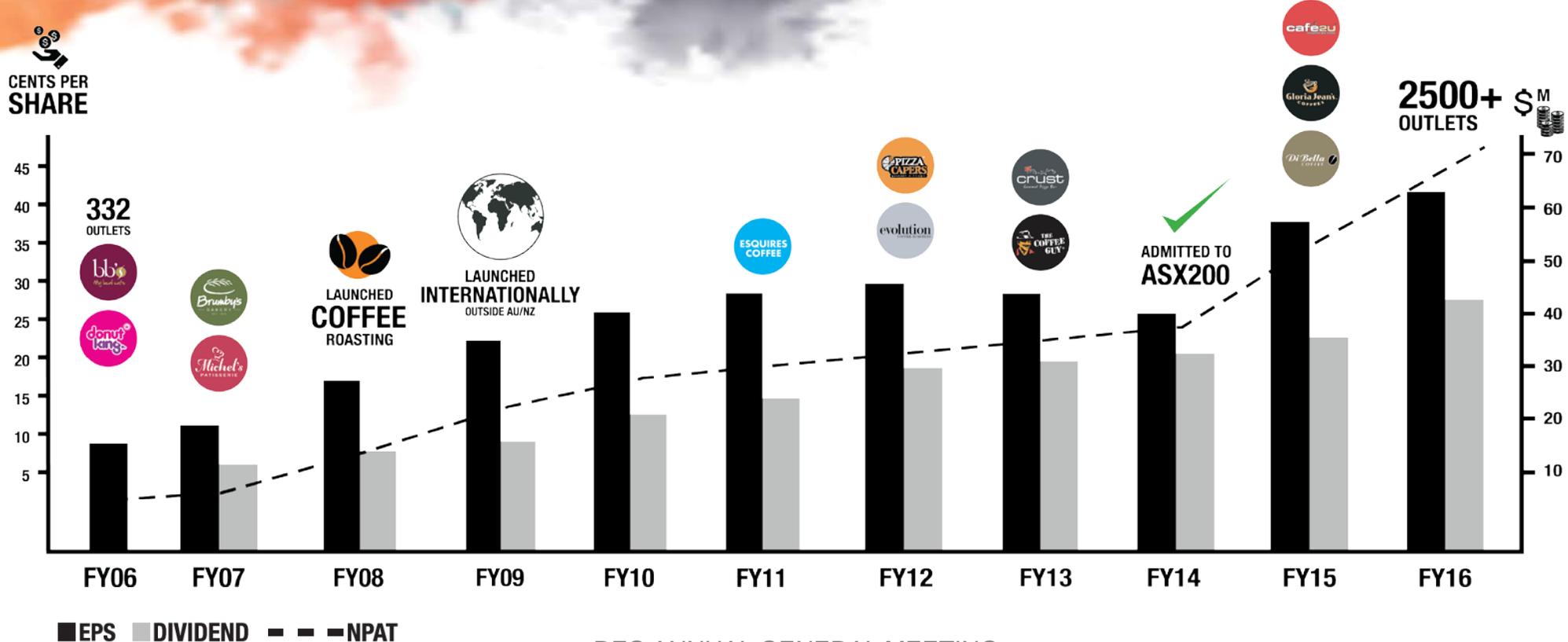
Metric ⁽¹⁾	FY16	PCP Change	
Revenue ⁽²⁾	\$274.6m	+\$64.2m	30.5% ↑
EBITDA	\$110.2m	+\$21.4m	24.0% ↑
NPAT	\$66.4m	+\$11.3m	20.5% ↑
EPS	40.5cps	+4.9cps	13.7% ↑
Dividends	27.5cps	+4.25cps	18.3% ↑
Global Outlets	2,530	+84	3.4% ↑

(1) Underlying Results (2) Reported revenue less revenue associated with marketing pursuits



RFG CONTINUES TO DELIVER POSITIVE OUTCOMES WHILST REINVESTING IN LONG TERM ACQUISITIVE & ORGANIC GROWTH PLATFORMS

ASX
ASX LISTING:
JUNE 2006



Hudson Pacific
**A NEW ERA:
VERTICALLY
INTEGRATED
FOOD & BEVERAGE
COMPANY**

PRUDENT & STRATEGIC M&A PROGRAM

**FY15 ACQUIRED ASSETS CONTRIBUTED \$45.8m to FY16
EBITDA: c.31% ABOVE GUIDANCE⁽¹⁾**

Asset	ROIC ⁽²⁾	Integration Complete
	19%	✓
	20%	✓
	15%	✓
Acquired Assets:	19%	✓

**1H17 ACQUISITION OF HUDSON PACIFIC CORPORATION
POSITIONS RFG FOR A NEW ERA OF GROWTH**



**FY17 EBITDA CONTRIBUTION GUIDANCE
OF c.\$11m⁽³⁾**

(1) Group EBITDA contribution guidance of \$35m

(2) Return on Invested Capital (ROIC): FY16 EBITDA contribution over initial acquisition cost

(3) Underlying, gross of acquisition & integration costs

STRENGTH IN PEOPLE

800+ CORPORATE TEAM MEMBERS
ACROSS THE GLOBE 

48+ YEARS TENURE ACROSS
EXECUTIVE MANAGEMENT

EXPERIENCED BOARD WITH DIVERSE KNOWLEDGE & SKILLS

25,000+
IN STORE
TEAM MEMBERS

1,700+
FRANCHISE PARTNERS
IN AUSTRALIA

MOTIVATED
MASTER FRANCHISE PARTNERS SERVICING
69 INTERNATIONAL
TERRITORIES

CAPITAL MANAGEMENT



- **BI-LATERAL SENIOR DEBT FACILITY ESTABLISHED WITH NAB/WESTPAC**
- **OVER-SUBSCRIBED DRP SHORTFALL PLACEMENT EVIDENCES
ENDORSEMENT OF RFG BUSINESS MODEL, MANAGEMENT TEAM &
INVESTMENT CASE**
- **COMMITMENT TO CONTINUED PRUDENT CAPITAL MANAGEMENT &
CAPITAL RAISING THAT BALANCES INVESTMENT IN GROWTH WITH
ENHANCED SHAREHOLDER REWARDS**

**A NEW
ERA**

**RFG: A GENUINE
FULL SERVICE FOOD
& BEVERAGE COMPANY**

