



Retail Food Group | Market Update

June 2015

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Donut King Deagon, QLD
First Donut King drive thru outlet (2013)

Part 1 Introduction to RFG

Retail Food Group Limited (ASX:RFG)

RFG is Australia's largest owner, developer & manager of retail food franchise systems, with a network of c.2,450 outlets spanning 58 licensed global territories across 12 Brand Systems. RFG is also a roaster & supplier of high quality coffee & affiliated products, operating four coffee roasting facilities & 12 wholesale Brands across Australia, New Zealand & the USA, supplying the Company's existing Brand Systems & third party accounts via Evolution Coffee Roasters, Caffe Coffee, Roasting Australia, Maranatha LLC & Di Bella Coffee.

Corporate

ASX Code	RFG
Index	ASX200
Share price ⁽¹⁾	\$6.87
Shares on issue ⁽¹⁾	162,937,484
Market cap ⁽¹⁾	\$1.1 billion
Net debt ⁽¹⁾	\$200 million
Enterprise value ⁽¹⁾	\$1.3 billion
Interim dividend (1H15)	11.5 cps

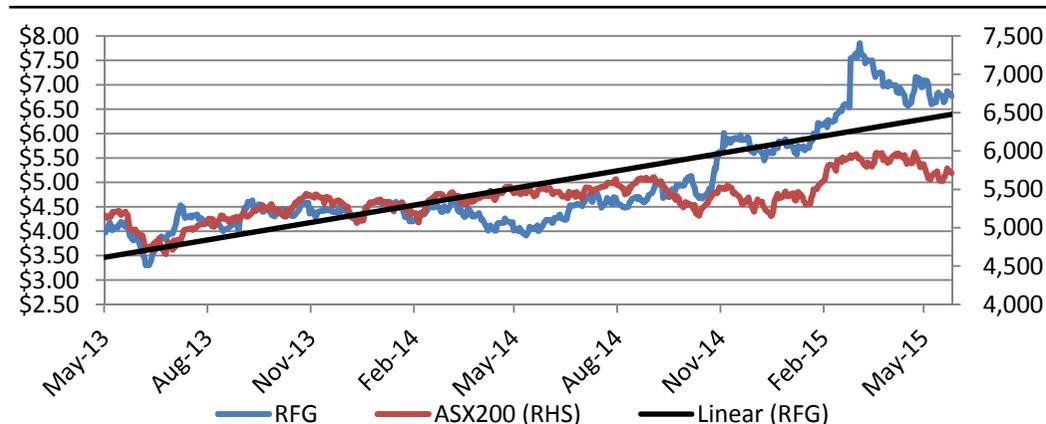
Board of Directors

Colin Archer	Independent Non-executive Chairman
Anthony (Tony) Alford	CEO & Managing Director
Jessica Buchanan	Independent Non-executive Director
Stephen Lonie	Independent Non-executive Director

Share Register

	Holding	%
Anthony (Tony) Alford	21,099,141	12.9%
Mawer Investment Mgt	15,194,872	9.8%
Thorney Holdings Pty Ltd	8,847,711	5.4%

Share Price Chart



Brand System

Brand System	Type	Ref
Crust Gourmet Pizza Bar	QSR	Crust
Pizza Capers	QSR	Capers
Donut King	Traditional	DK
Michel's Patisserie	Traditional	Michel's
Brumby's Bakery/Brumby's GO!	Traditional	Brumby's
Gloria Jean's Coffees	Coffee Retail	GJC
It's A Grind	Coffee Retail	IAG
bb's Café/Esquires Coffee	Coffee Retail	bb's
The Coffee Guy	Mobile Coffee	TCG
Café2U	Mobile Coffee	C2U
Di Bella Coffee	Specialty Coffee	DBC

(1) As at 22 May 2015

Results History

In February RFG increased FY15 underlying NPAT guidance by c.\$5m to c.\$55m

	Statutory Results					Underlying Guidance ⁽²⁾	
	FY10	FY11	FY12	FY13	FY14 ⁽¹⁾	FY15	PCP %
Reported Revenue	\$134.0m	\$125.7m	\$116.4m	\$141.0m	\$168.4m		
Underlying Revenue	\$118.6m	\$110.0m	\$101.9m	\$117.0m	\$128.8m		
EBITDA	\$44.9m	\$45.9m	\$48.4m	\$53.8m	\$59.1m		
NPAT	\$26.0m	\$27.2m	\$28.5m	\$32.0m	\$36.9m	c.\$55.0m	c.50%
Basic EPS	25.3 cps	25.4 cps	26.4 cps	26.0 cps	26.5 cps	c.35.5cps	c.35%
Dividend (Full Year)	11.75 cps	14.5 cps	17.5 cps	19.75 cps	22.0 cps		
Net Debt	\$72.8m	\$70.5m	\$98.0m	\$92.1m	\$57.4m		
Gearing Ratio	34.4%	31.0%	36.6%	29.6%	16.6%		
Interest Cover	6.2x	6.9x	6.9x	7.4x	12.3x		
Franchised Outlets (Aus & NZ)	1,112	1,131	1,231	1,355	1,417		
Franchised Outlets (Other)	10	17	20	19	17	c.2,450	c.70%

(1) Statutory & underlying (2) Refer slide 9 for Outlook & Guidance



Update: Trading & Outlook

Part 2

Brumby's Bakery Underwood, QLD
First Brumby's Bakery EVO outlet (2014)



Brand System Performance - Update

		Trading Update (Domestic)		EVO Traction (% of network)		RFG ROI (%)
		SSS (%)	ATV (%)	FY15	FY16	FY14 ⁽²⁾
Traditional		3.8%	3.7%	33%	51%	34.5%
		1.9%	2.9%	12%	29%	21.9%
		0.9%	2.2%	29%	48%	16.4%
Traditional:		2.3%	3.0%	26%	44%	21.4%
QSR		1.3%	5.1%	Not Applicable	Not Applicable	18.0%
						
Coffee		5.7%	3.2%	Not Applicable	Emerging	15.2% ⁽¹⁾
						
Mobile		Not Applicable	Not Applicable	Not Applicable	Not Applicable	16.3%
						
Group:		2.9%	3.4%			18.4%

SSS & ATV Traction

- Project EVO & menu refinement, increased promotional activity & new brands elevating organic sales growth:
 - Group Same Store Sales (SSS) growth of 2.9%
 - YTD Average Transaction Value (ATV) growth of 3.4%, in addition to 4.5% achieved in FY14
- Coffee Retail enjoying customer traffic growth with SSS of +5.7% ahead of ATV +3.2%
- Notwithstanding pizza segment price discounting, QSR enjoyed 5.1% ATV growth

Healthy Returns

- All Brand Systems continue to generate attractive Returns on Invested Capital, well in excess of acquisition multiples

EVO Traction As Network Rollout Accelerates

- By end of FY16 almost 50% of Traditional outlets will have upgraded to EVO Standard

(1) Excludes Di Bella Coffee, (2) FY14 EBITDA / intangible asset carrying value

Brand System Performance - Growth

		Franchise Resales & Renewals Target		New Outlet Commissioning Target		Franchise Leads FY15 YTD
		FY15 ⁽¹⁾	% ⁽²⁾	FY15	FY16	
Traditional		64	19%	20	25+	760
		57	23%	10	10	320
		84	28%	16	25+	977
Traditional:		205	23%	46	60+	2,057
QSR		89	27%	32	40	1,125
						
Coffee		55 ⁽³⁾	16%	80	125+	919
						
Mobile		36	11%	42	25	2,340
						
Group:		385	21%	200	250+	6,441

Healthy Network Outlet Turnover

- Consistent with five year franchise term, 21% of outlet population subject to Renewal or Resales
- Michel's enjoyed strongest recommitment penetration with 28% of outlet population
- Mobile & QSR network still immature - most franchisees within first licence period

Franchisee Candidate Pipeline

- All Brand Systems demonstrating strong new franchisee candidate interest
- Mobile Coffee lead generation (2,340 YTD) validates expansion in sub-segment
- Donut King & Michel's benefitting from EVO
- Gloria Jean's Coffees enquiry rate accelerated post December 2014 acquisition

New Outlet Commissionings

- 25% increase in FY15 forecast new outlet commissionings (c.200 from c.150)
- Strong FY16 new outlet pipeline of 250+ fortified by:
 - Continued domestic growth
 - Project EVO traction
 - International franchise platform

(1) Australia & New Zealand (2) % of outlet population (3) GJC Australia only

Outlook & Guidance

FY15 Guidance

- FY15 underlying guidance maintained:
 - NPAT of c.\$55m representing c.50% increase on PCP
 - EPS of c.35.5cps representing c.35% increase on PCP⁽¹⁾
- Acquisitions - meeting or exceeding targets
- Synergy extraction ahead of budget

Integration Highlights

Gloria Jean's Coffees	Café2U
Consolidation of offices	Integration into Mobile Division completed
Significant SSS uplift	Innovative franchisee recruitment process in place
Platform for new outlet growth pipeline	
Expansion into Drive Thru format	
Roasting Australia	Di Bella Coffee
Now roasting for all RFG brands	Consolidation of green bean buying
New wholesale accounts	Growth in customer base underpinning strength of specialty coffee market
GJC, C2U & DBC powder & syrup business being consolidated	Engaged & fully integrated staff complement
'In-home' capsule market penetration increasing	It's A Grind
	Business model being reviewed
	Aligned with GJC US Office
	Development outside of USA commissioned

(1) Excludes 2H15 Capital Management initiatives (including DRP & DRP Shortfall Placement)

Board & Executive Management

Part 3



Gloria Jean's Coffees, Tianjin China
First outlet opened under China JV (2015)

Board & Executive Management Expansion

The significant increase in active revenue drivers & the Company's commitment to simultaneously pursue each has necessitated a reorganisation of the management team & Board

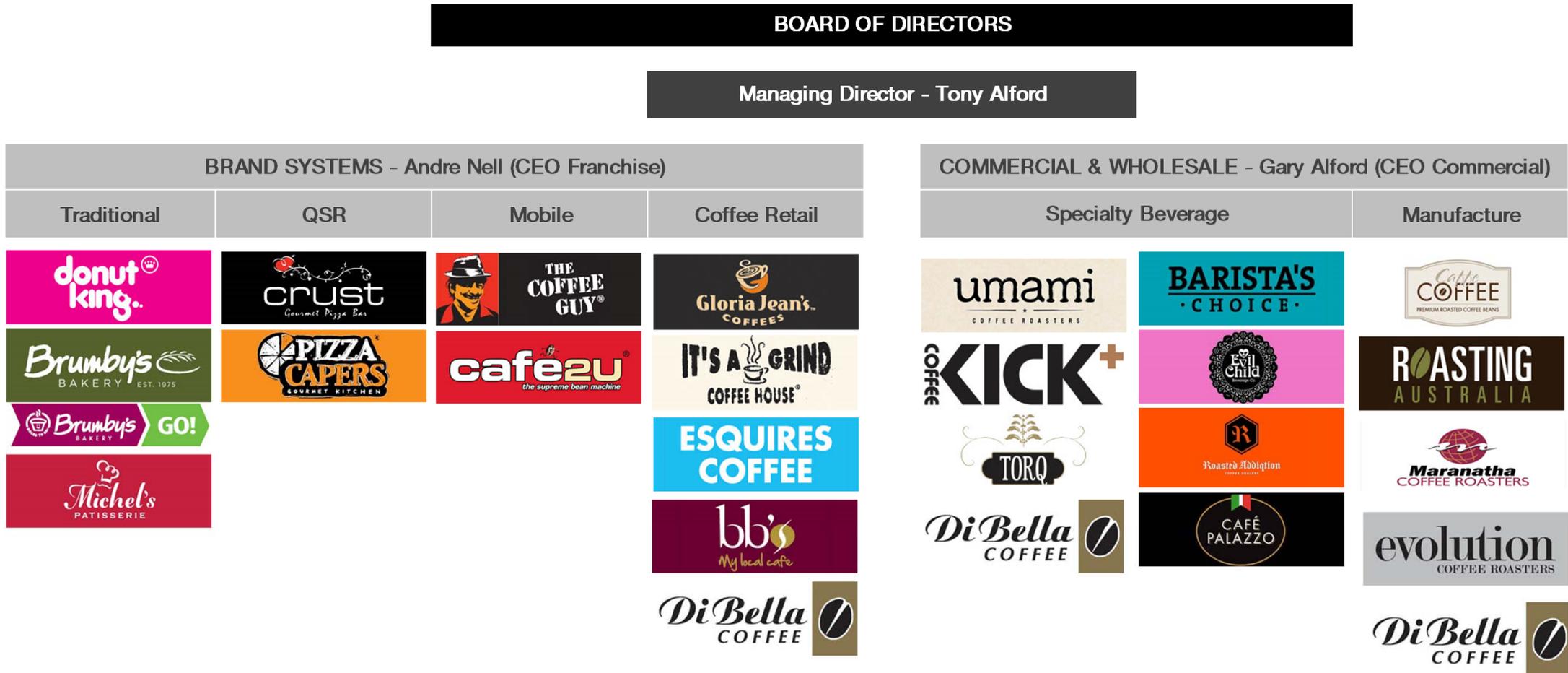
- CEO & Managing Director positions separated with joint CEO positions created, reporting to Managing Director
- A J (Tony) Alford to remain (full time) executive Managing Director, with primary focus on:
 - Broader strategic imperatives
 - Acquisition & alignment opportunities
 - International development
 - Penetration of new markets
- New appointments:
 - CEO Franchise - Andre Nell (previously COO & 11 years with RFG⁽¹⁾): focused on Brand Systems
 - CEO Commercial - Gary Alford (previously Director of Franchise & 19 years with RFG): focused on Wholesale & Commercial operations
 - COO - Mark Connors (previously Chief Legal Officer & 16 years with RFG⁽²⁾)
 - Chief Brand Officer (CBO) - Jessica Buchanan (previous Non-executive Director)
- Board – recruitment underway – announcements to follow
- 16 senior appointments made during 2H15 through external recruitment including:
 - Director of Commercial
 - Head of Projects & Special Situations (PMO)
 - General Manager (Group) – Sales & Leasing
 - Managing Director – Mobile Division
 - Head of Human Resources
 - General Manager (Group) – IT
 - Managing Director – Coffee Retail (including GJC)
 - Head of Loss Prevention

The senior management team has over 70 years' tenure with RFG

(1) Includes three years with Michel's prior to RFG acquisition (2) Includes five years as external legal counsel prior to full-time in-house engagement

Brand Management Structure

Expansion & reorganisation of team members facilitates rapid growth into new markets & more regions, both domestically & overseas



12 Brand Systems across four silos + dedicated International Team

12 Brands across two divisions + domestic & international

Part 4

Organisational Evolution



Crust Gourmet Pizza New Menu (2015)
Upper Crust Truffle Beef Rossini Pizza & Japanese Pulled Chicken Salad

Enhanced Platform for Accelerated Growth

Acquisitions undertaken have provided the Company with expanded management skills & a global reach, delivering a plethora of new opportunities for organic & acquisitive expansion



First Michel's Café – December 2014



Di Bella Coffee – settled February 2015



GJC Master Franchise Partner Conference – March 2015



The Journey: To Date

Australia's Largest Multi-Brand Franchisor

- Owner, operator & manager of 12 Brand Systems
- Global IP owner of all Brand Systems⁽¹⁾ - not licensed from others
- >2,450 outlets globally
- Serving equivalent of the Australian population six times each year

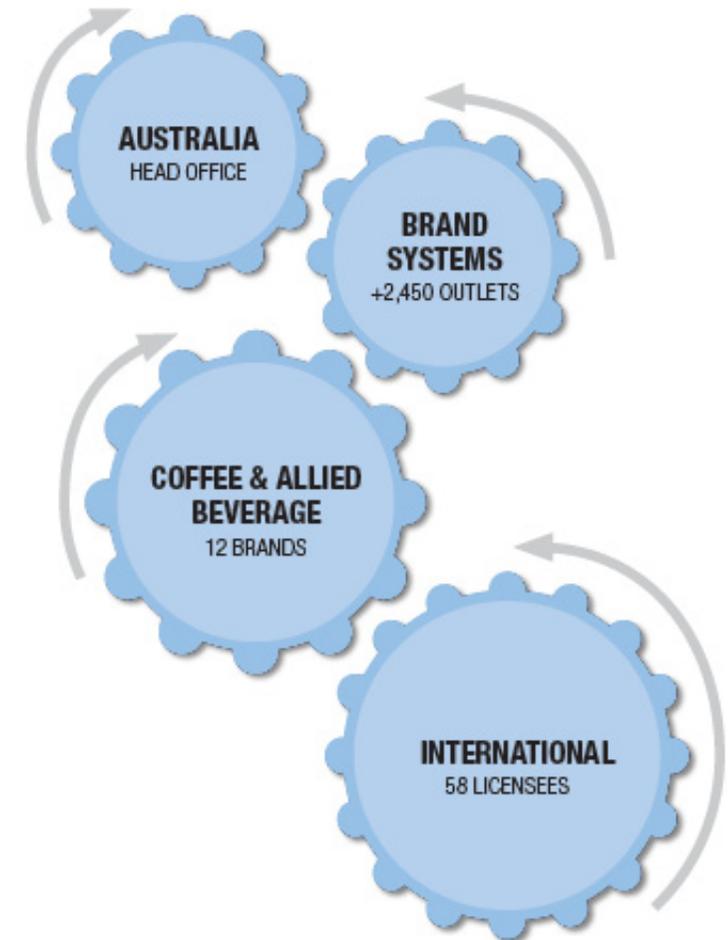
Leading Coffee Roaster & Wholesaler

- Significant domestic & growing international market
- Annualised coffee throughput of c.5.9m kgs & increasing
- c.16m kgs annual roasting capacity
- IP owner of all 12 wholesale coffee & beverage Brands
- Strong & exclusive foothold in emerging 'in-home' capsule market

Global Operator

- 58 licensed territories & three managed countries across all Brand Systems
- International 1H15 EBITDA represented 19.9% of Group performance
- c.27% (680+) of outlets located internationally

MULTIPLE DRIVERS: THE RFG GROWTH ENGINE



(1) RFG owns global IP for all Brand Systems except Esquires Coffee (limited to AUS/NZ) & BB's Café (excludes UK/Europe)

The Journey: Historical & Medium Term

Period	FY06 - FY12	FY13 - FY15	FY16 - FY18
Vision	Consolidation within domestic franchising industry	Establish global vertically integrated franchising & coffee footprint	Leverage IP & international assets to cement RFG as global franchising, food & beverage leader
Strategic Acquisitions	<p>Brumby's Bakery Michel's Patisserie Evolution Coffee Roasters Esquires Coffee Pizza Capers</p>	<p>Crust Gourmet Pizza Bar The Coffee Guy Umami Café2U Gloria Jean's Coffees Group It's A Grind Di Bella Coffee</p>	<p>Complementary Brand Systems Vertically Integrated Businesses Domestic & International</p>
Achievements/ Focus	<p>1989: established with two Brand Systems, 50 outlets & 12 staff 2006: Listed on the ASX with vision to be domestic retail food franchise aggregator Astute & strategic acquisitions, expanding franchise businesses into bakery, café, emerging gourmet pizza & coffee roasting</p>	<p>Continued prudent acquisitive growth provides impetus for realignment of existing Brand Systems & operational pursuits to drive superior outcomes Consolidating business operations & assets to drive enhanced growth delivering renewed synergy, integration & restructuring benefits Alignment & additional growth platforms being executed upon</p>	<p>Leveraging scale Drive increasing network of master franchisee & JV relationships globally Organic & synergistic growth Focus on core business streams:</p> <ul style="list-style-type: none"> • Food franchising • Coffee & beverage
Platforms	Departmental	Brand System Silos	Divisional Silos & Brands
Medium Term	FY15-FY18 strategy acknowledges changing business dynamics & supports ambitious three year plan to achieve additional EBITDA		

Strategic Ambitions: Medium Term

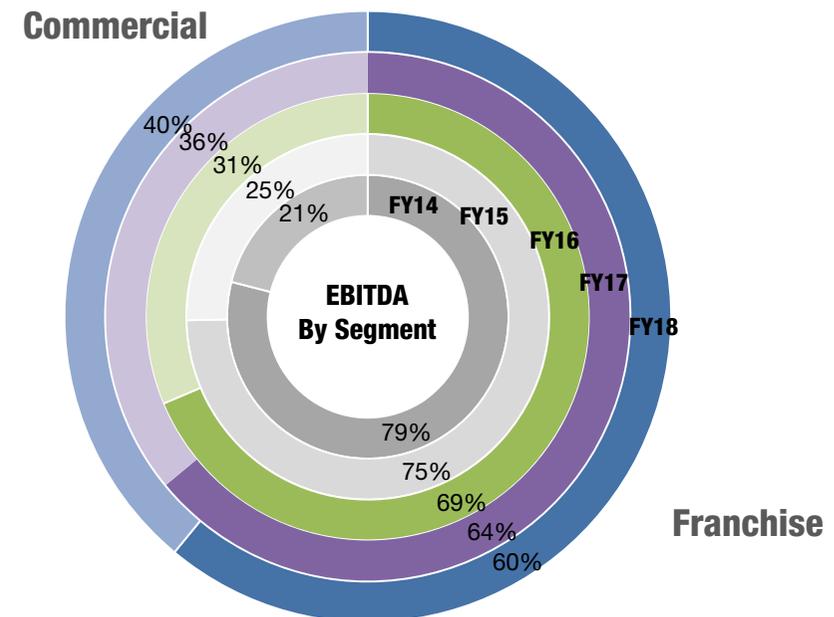
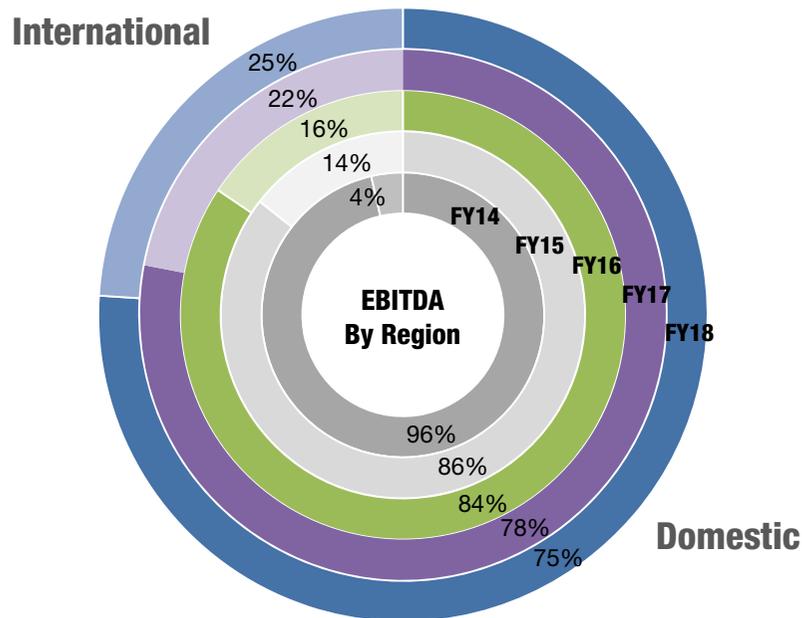
Franchise	Coffee & Allied Beverage	International	M&A
<p>Leverage Project EVO to sustain growth in AWS, ATV & customer count</p> <p>Increase Brand Systems under RFG stewardship</p> <p>Majority of organic outlet growth to be achieved internationally</p> <p>Leverage >\$50m (book) financial services opportunity available to the Group</p> <p>Grow total network footprint to >3,500 franchised outlets</p>	<p>Establish further offshore roasting capacity to efficiently service all existing markets</p> <p>Penetrate new markets & increase international specialty coffee presence (esp. Di Bella Coffee)</p> <p>Drive vertical integration opportunities (powders/syrups/allied products)</p> <p>40% of Group EBITDA by FY18</p>	<p>Consolidate RFG's position as a genuine global franchisor & leading coffee enterprise</p> <p>Leverage the Gloria Jean's Coffees China Joint Venture to accelerate Asian presence</p> <p>Expand Brand Systems into new territories & markets via licencing & JV platforms</p> <p>25% of Group EBITDA by FY18</p>	<p>Leverage increased acquisitive growth platforms resulting from FY15 acquisitions</p> <p>Seek out international growth where compelling to do so</p> <p>Balance M&A activity with increasing organic growth opportunity</p>



Three Year Plan: FY16-FY18

Establish multiple new annuity style revenue streams leveraging the Group's existing platform, brands & manufacturing capability

- Low risk high margin expansion into overseas markets through master franchise & JV arrangements
- Sustainable franchise revenue streams augmented by further brand acquisition
- Expand coffee products internationally leveraging Australia's leading coffee culture
- Wholesale margins derived from domestic & international coffee & other product supply to:
 - Franchise networks
 - Contract roasting & supply clients
 - Third party supply (specialty coffee)
 - 'In-home' capsule market
- Emerging financial services business & income stream providing franchisee funding solutions



Consolidation & Realignment

Part 5



Michel's Patisserie Lilydale, VIC
First Michel's Patisserie EVO outlet (2013)

Harnessing Additional EBITDA

Synergistic, integration & growth initiatives accelerated during FY15, exceeding expectations

- Additional EBITDA contribution of c.\$16m now programmed compared to earlier guidance of \$13m
- Synergy benefits to be captured over three years
- One-off cash investment commitment also increased to c.\$16.3m (from \$13m previously)
 - To be expensed by end FY17
- Streamlining some operations to:
 - Accelerate growth & liberate management & financial resources
 - Prioritise focus on most compelling growth opportunities – resulting in:
 - One off rationalisation of some lower performing Brand Systems & outlets
 - Non-cash provision of \$18.5m (c.85% in FY15 & balance in FY16)
- Provisioning includes:
 - Write-down in redundant fixed asset & outlet carrying values
 - Brand System impairment:
 - Sub scale Brand Systems to be consolidated within Coffee Retail division
 - Where commercially feasible:
 - Outlet conversions to stronger Brand Systems
 - bb's/Esquires converted into Gloria Jeans or Michel's
 - Waiver of Michel's Marketing Fund advances

Network Consolidation - Increased Brand System EBITDA

Focus on optimising outlet quality & Brand System profitability:

- Removal of outlets not providing net (of service costs) contribution to EBITDA
- Reallocation of resources to drive growth
- Record outlet commissionings in FY15 with further expansion expected in FY16

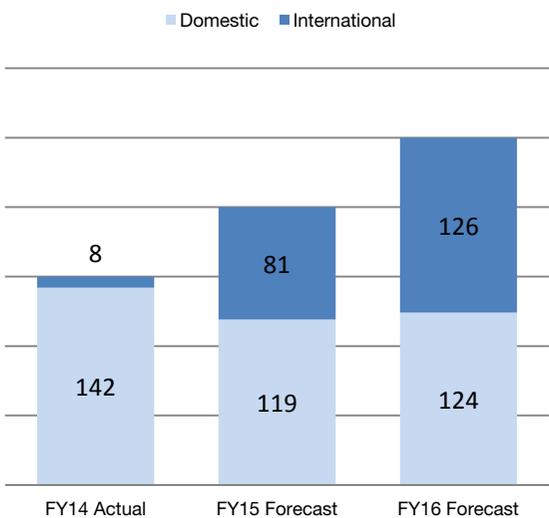
Additional c.\$8.3m in EBITDA driven by:

- One off rationalisation of the Group's worst performing 3% of outlets (c.84)
- Conversions of Pizza Capers to Crust in overly congested regions
- Coffee Retail Brand System consolidation (including bb's & Esquires conversions)

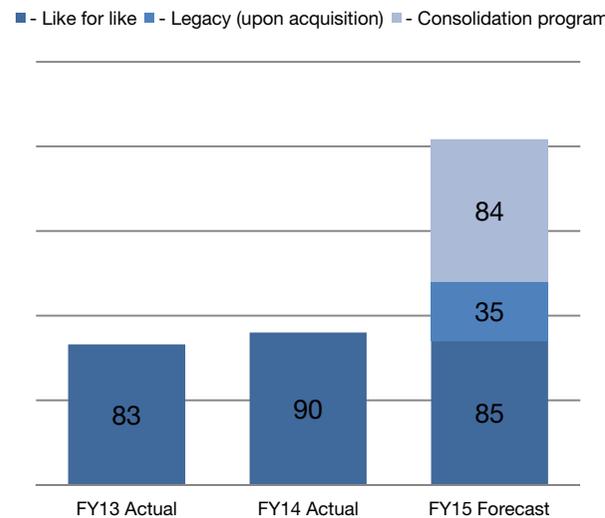
Resources liberation to uplift performance:

- Resources prioritised to maximise highest growth opportunities
- Enhance EBITDA contribution per outlet
- Improved network profitably lifting relevant Brand System EBITDA by c.14.0%

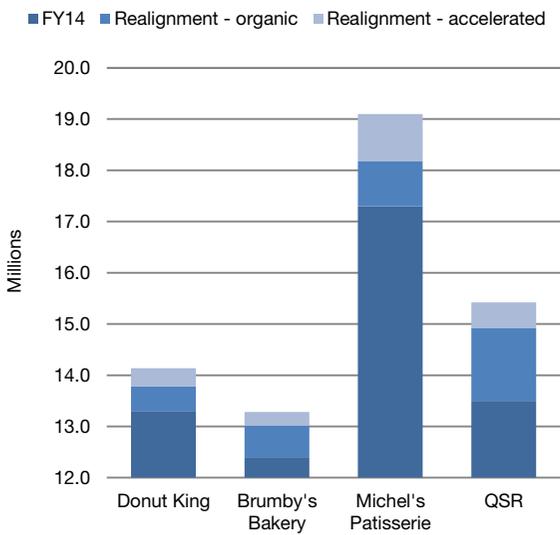
New Outlet Commissionings



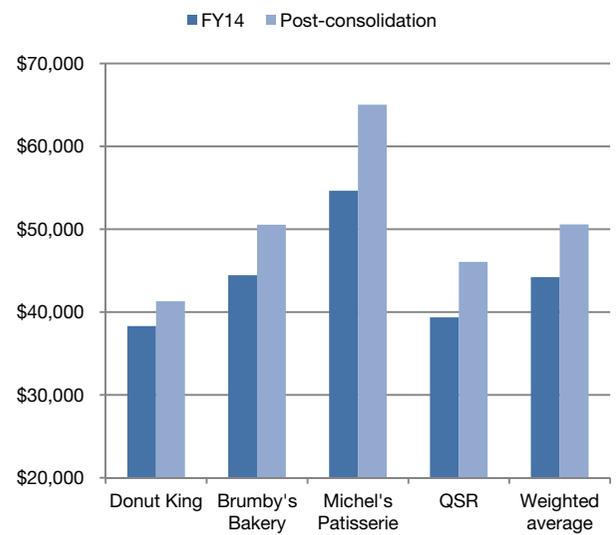
Outlet Closures



EBITDA Contribution per Brand System



EBITDA Contribution per Outlet (CPO)





Part 6

Multiple Growth Opportunities

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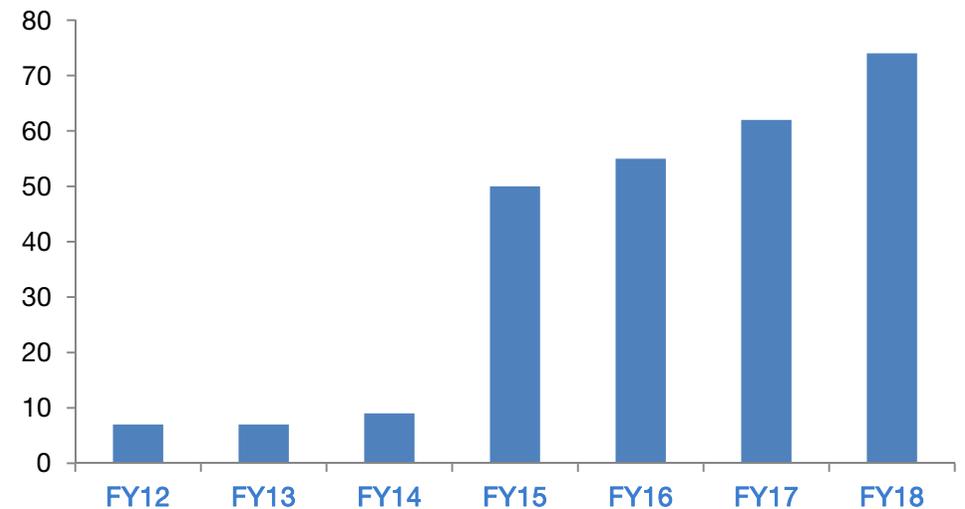
Gloria Jean's Coffees
Acquisition settled December 2014

The Global Opportunity

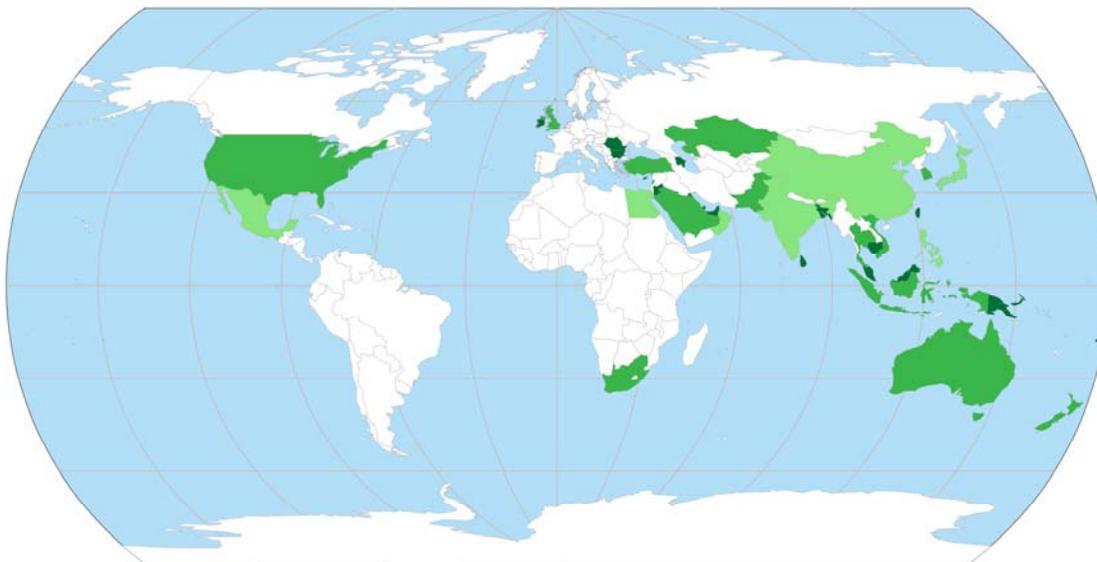
International Territories

- The acquisition of GJC Group, IAG, C2U & Di Bella Coffee has established a commercially sustainable international platform which can now be exploited by the majority of RFG's Brand Systems
- As international licensees & territories increase, risk & reliance on domestic operations decreases
- By end FY18 international outlet commissionings anticipated to represent c.70% of new outlet growth
- Strategy of regional licencing & JV's significantly reduces inherent international expansion risk

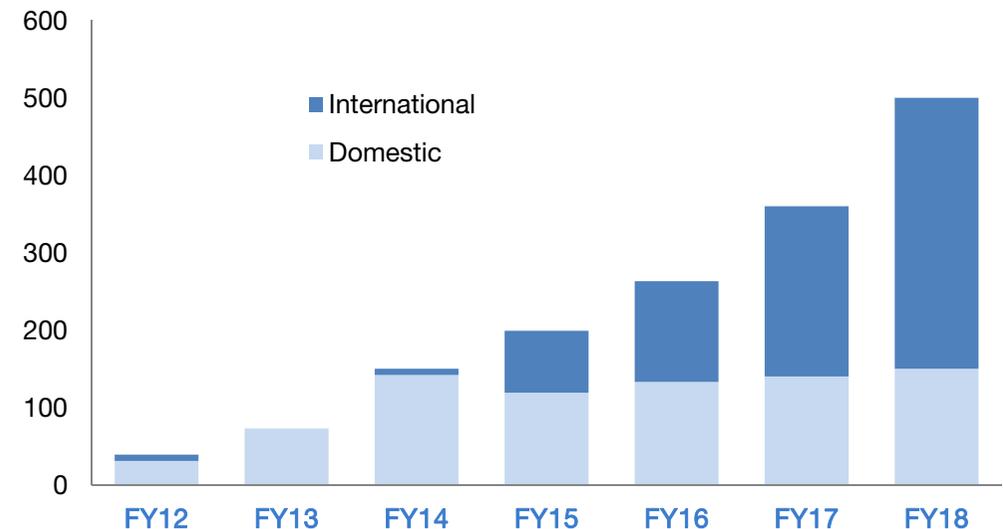
International Territories



RFG International Footprint



New Outlet Commissionings



International

Franchise

Commissioned full service International Division:

- Gloria Jean's Coffees 'Global Master Franchise Conference' held 3Q15 identified & accelerated new market opportunities for cross-selling Group's other Brand Systems internationally

Significant growth opportunity exists:

- 58 Brand System licensees in c.200 regions
- Potential for penetration across 1,500+ unique Brand System sovereign markets

International growth of GJC, IAG & Di Bella Coffee fortified by:

- Enhanced systemisation of models & uniformity of concept & design
- Increased licensee appetite in existing & new markets

Coffee/Allied Beverage & Supply Chain Solutions

Driving supply chain solutions for international markets:

- Distribution hubs being established internationally
- Utilisation of existing Los Angeles roasting facility to launch speciality coffee brands in USA (including Di Bella Coffee)



Crust Gourmet Pizza – Studio City USA



Café2U settled September 2014

Gloria Jean's Coffees China Update

GJC China JV

- Leverage recently established JV relationship to drive Asian presence
- First JV outlet established in Tianjin 9 May 2015
- Container café concept launched in Linkong 11 May 2015
- Minimum 25 outlets to be established in next 12 months
- Potential co-branding opportunities
- Strong partner appetite to expand the JV into other Brand Systems & wholesale pursuits



Vertical Integration

Revenue Drivers

- Develop fully integrated beverage business incorporating coffee, powders, syrups, tea, capsules & allied products
- Global vertical & wholesale supply opportunities leveraging specialty beverage brands
- Vertical integration reduces third party reliance & reduces supply-chain risk

Coffee	Allied Products	Equipment	Services
<p>Trial & rollout of capsules to traditionally non-coffee Brand System networks</p> <p>Developing bespoke machines</p> <p>Expansion of in-home capsule market presence</p>	<p>Powders</p> <p>Syrups</p> <p>Teas</p> <p>Supply-side products</p> <p>Distribution licence opportunities</p>	<p>Significant opportunity for equipment supply & distribution</p> <p>Leverage asset rental program opportunity</p>	<p>Equipment servicing & parts</p> <p>Multi-layered training opportunity:</p> <p>Online</p> <p>Face-to-face</p>

Acquisitive Activity

Remains Key Strategic Platform for Growth

- Acquisitive activity remains a priority
- Motivated to pursue complementary businesses which:
 - Are EPS accretive on acquisition
 - Generate increased supply side scale, synergies, wholesale opportunities & new market entry
 - Increase the number of Brands under RFG stewardship
 - Augment Brands already under RFG stewardship

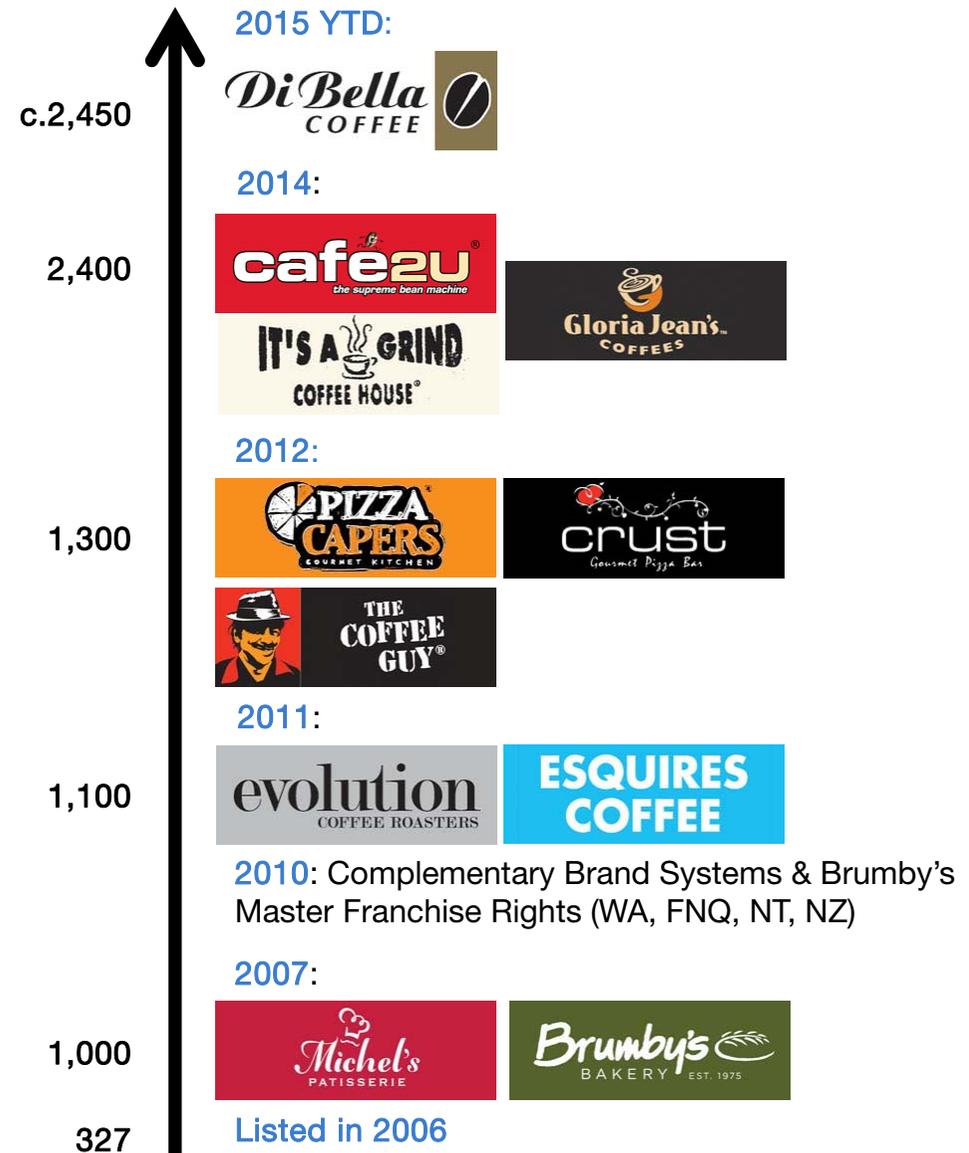
Incubator Opportunity

- M&A not limited to full ownership, includes:
 - JV relationships
 - Non-controlling investment (equity or debt) in sub-scale businesses with substantial growth upside and/or unique business models & products

Global Opportunities

- Scope & breadth of acquisition/vertical integration opportunity substantially increased post FY15 acquisitions
- International acquisitive opportunities increase (in number & relevance) as RFG consolidates international platform & Company profile evolves
- Executing on opportunity to co-invest with existing RFG international licensees

Acquisitions Have Underpinned Growth Since Listing



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