RETAILFOODGROUP
STRENGTH IN BRANDS

27 August 2015

Acquisitions Drive Record Outcomes

FY15 Highlights:

- Transformed into global enterprise by multiple strategic acquisitions
- Increased network population by +1,000 outlets across +40 countries
- Strengthened Board & Executive Management Team
- Record $88.8m EBITDA reflects 50.2% increase on PCP (FY14: $59.1m) [(1)]
- $18.2m increase in NPAT to record $55.1m, reflects 49.3% increase on PCP [(1)]
- EBITDA conversion to cash flow ratio increased to 109.6% (FY14: 85.8%)[(1)]
- Record EPS of 35.6cps reflects 34.3% increase on PCP (FY14: 26.5cps) [(1)]
- Record final dividend of 11.75cps constitutes 18th consecutive dividend increase
- 35% increase in Total Shareholder Return (pre-tax)[(2)]
- SSS & ATV growth across all Brand Systems
- Project EVO traction delivering sustainable growth for Traditional Brand Systems
- Joint Venture established to exploit Gloria Jean's Coffees in Chinese market

FY15 Acquisitions:

- Café2U (September 2014)
- Gloria Jean's Coffees Group (December 2014)
- Di Bella Coffee (February 2015)

Multiple strategic acquisitions, coupled with strong organic growth, have delivered Retail Food Group Limited (RFG, the Company or Group) a global platform for enhanced long term sustainable growth on an international basis, heralded by the Company's record FY15 Net Profit After Tax (NPAT) of $55.1m[(1)].

Reflecting a 49.3% increase on prior corresponding period (PCP), RFG's extraordinary profit growth was the product of record EBITDA of $88.8m[(1)], and translated into a 34.3% increase in Earnings per Share to 35.6cps[(1)], also a record for the Group.

RFG Chairman Colin Archer noted that, since Listing in June 2006, RFG has consistently demonstrated the strength of its unique business model by meeting ambitious performance targets via strong organic and acquisitive growth.

"Whilst the past 12 months' were Company defining, and have positioned RFG as the steward of a global business with diverse revenue streams and multiple levers for driving sustainable performance, the magnitude of the Company's transformation is best demonstrated by the fact that those assets which generated 100% of FY06 earnings, now represent only 12% of the Company's underlying EBITDA".

"RFG is now the custodian of a global network population approaching 2,500 franchised outlets, a substantial coffee business with robust operations in the franchise, commercial & contract roasting, 'in-home' and speciality coffee segments, and an enhanced organisational capability that underpins a strategic plan to deliver robust positive outcomes for shareholders well into the future", he said.

(1) Underlying results – refer FY15 Results Presentation for reconciliation to reported performance
(2) Based on 1H15 & FY15 pre-tax dividends

FY15 Summary of Results	Reported			Underlying[3]		
	FY15	FY14	Change	FY15	FY14	Change
Revenue[4]	$210.4	$128.8	↑ 63.4%			
EBITDA	$59.4	$59.1	↑ 0.5%	$88.8m	$59.1m	↑ 50.2%
NPAT	$34.2	$36.9m	↓ 7.2%	$55.1m	$36.9m	↑ 49.3%
EPS (Basic)	22.1cps	26.5cps	↓ 16.6%	35.6cps	26.5cps	↑ 34.3%
Dividend per Share (Full Year)	23.25cps	22.00cps	↑ 5.7%			
Franchised Outlets (Global)	2,446	1,434	↑ 1,012			

[3] *For analysis of FY15 Underlying and Reported Results refer FY15 Results Presentation*
[4] *Revenue excludes revenue associated with marketing pursuits*

In recognition of the Company's record profit result, the RFG Board today announced a final, fully franked dividend in respect to FY15 of 11.75 cents per share, a 5.7% increase in FY15 full year dividends to 23.25 cents per share.

"Reflecting a 65.3% payout ratio[5] that balances shareholder rewards with investment in acquisitive and organic growth, the Company's FY15 final dividend represents the 18th consecutive occasion since Listing on which RFG has increased rewards to shareholders, and contributed to an FY15 pre-tax Total Shareholder Return of 26.9%", Mr Archer said.

The FY15 final dividend will be paid on 9 October 2015 following a Record Date of 14 September 2015, and will be eligible for the purposes of the Company's Dividend Reinvestment Plan (DRP). DRP elections will close on the next business day following the Record Date (15 September 2015), and the DRP price will reflect a 2.5% discount to the VWAP of RFG ordinary shares for the 5 trading days preceding and inclusive of, and the 5 trading days following, the Record Date.

Acquisitions:

During FY15, RFG embarked on a significant expansion program underpinned by multiple acquisitions which bolstered the mobile, franchise, coffee roasting and specialty coffee segments of its business.

RFG Managing Director Tony Alford echoed his Chairman's sentiment that FY15 was indeed a watershed year for the Group, with acquisitions having delivered an additional $19.8m in underlying EBITDA, some $1.5m or 8.2% more than anticipated, via earnings contributions from Café2U, the Gloria Jean's Coffees Group and Di Bella Coffee, the positive impact of which commenced in September 2014, December 2014 and February 2015 respectively.

"Having undertaken its most ambitious M&A program to date, FY15 has proven to be the most momentous year in the Company's history, expanding RFG's geographic footprint and enhancing its growth prospects across key revenue streams of franchise and coffee," said Mr Alford.

"Each acquisition bolsters RFG's franchise network whilst having a complementary effect on the Group's vertically integrated coffee roasting business by increasing the throughput, distribution and sale of coffee to franchised Brand Systems and third party customers".

(5) Calculated by reference to underlying NPAT

Brand System Performance:

Each of the Company's Brand Systems enjoyed positive Same Store Sales (SSS) and Average Transaction Value (ATV) growth, notwithstanding a challenging retail environment, contributing to weighted Group SSS and ATV increases of 2.9% and 3.4% over PCP.

Mr Alford noted that the Company's QSR Division generated strong ATV growth at 5.4%, notwithstanding relentless price discounting amongst the value segment of the pizza market, and that Coffee Retail Division outperformance was influenced by exceptional Gloria Jean's Coffees SSS and ATV growth of 5.5% and 3.1%.

"Similarly, RFG's Traditional Brand Systems continue to experience positive incremental growth, supplemented by Project EVO penetration which has grown to 27% of the Donut King, Michel's Patisserie and Brumby's Bakery networks".

"Accelerated rollout of the National Bakery Solution (NBS) amongst the Michel's network remains on track for completion in 1H16, but has demonstrated early positive results with the Brand System having turned around SSS from (1.0%) in FY14 to achieve positive growth of 1.1% for the first time since FY11".

"This traction was most acute within the Queensland network, where the NBS was transitionally deployed in 1H15, which enjoyed SSS growth of c.5%".

"At a like for like earnings level(6), underlying Traditional Brand System EBITDA contribution to Group EBITDA translated to $46.1m, a 6.8% increase on PCP, evidencing that the Donut King, Michel's and Brumby's networks remain strong performers notwithstanding the transitionary initiatives being applied to each", he said.

In terms of the Company's network footprint, FY15 record new outlet commissionings of 200 demonstrated the continuing relevance of the Company's Brand Systems within the new franchisee candidate market, and were bolstered by a strong Master Franchise Partner complement that drove international new outlet commissionings to 81 for the year.

"RFG's status as an Australian franchise leader with a portfolio of c.2,450 outlets and 12 Brand Systems, places it in a unique position to offer potential franchisees and Master Franchise Partners unrivalled strength in management, expertise, branding and operational support, as well as a variety of franchise products that range from low entry cost mobile franchises to full scale modern bakeries, cafés and pizzerias", Mr Alford said.

Coffee & Allied Beverage:

FY15 acquisitions also bolstered RFG's coffee roasting capacity, expertise, facilities and wholesale brand portfolio, reinforcing the importance of coffee and allied beverages as a central platform underpinning the Group's performance and growth prospects.

Mr Alford noted that consolidation of the Company's former Granville roasting operations with the recently acquired Castle Hill roasting facility generated immediate manufacturing efficiencies, the benefits of which will be enjoyed in future periods.

"These efficiencies have been augmented by the synergistic amalgamation of formerly disparate green bean buying practices amongst the Company's three acquired coffee focussed businesses, together with decommissioning of redundant roasters in anticipation of overseas deployment".

"RFG now operates four state-of-the-art roasting facilities across Brisbane, Sydney, Auckland and Los Angeles, with the Company's strategic plan mandating establishment of international coffee roasting and distribution hubs to support global expansion of the Group's Brand Systems and international relaunch of wholesale coffee brands, including Di Bella Coffee and Café Palazzo".

(6) Refer Brand System Results Summary detailed in FY15 Results Presentation

"During FY16, RFG's Coffee & Allied Beverages Division will also develop new revenue streams through re-launch of the Company's Yatala facility as a production hub for drinking chocolate formulations and the development of blending capabilities for complementary products that include chai, syrups and toppings", he said.

Outlook:

Backed by the Company's track record for delivering shareholders enhanced positive outcomes, and given the increasingly diversified platform for growth established during FY15, RFG remains enthusiastic about both its short and long term prospects.

The initiatives implemented by the Company to date are also supported by an enduring motivation to pursue additional acquisitive opportunities which meet RFG's core investment criteria, including immediate EPS accretion, and which are not limited to domestic opportunities.

"RFG possesses the skills, tools and resources necessary to deliver on its recently published three year strategic plan to drive network population beyond 3,500 outlets, whilst nurturing its coffee & allied beverage and international businesses such that they generate 40% and 25% of Group EBITDA by FY18", Mr Alford said.

"The Board retains a positive outlook in respect of FY16, and in this respect, is confident of achieving underlying FY16 NPAT growth of c.$66m, representing a c.20% increase over PCP".

As detailed in the Company's FY15 Results Presentation, this outcome will be underpinned by the following:

- The full year contribution of FY15 acquisition activities (with previous guidance confirmed of c.$35m underlying EBITDA);
- New outlet commissionings of c.250 (being a 25% increase over PCP);
- Continuing traction generated in respect of the Company's Brand Systems; and
- Increasing coffee roasting activities – both domestically and abroad.

About Retail Food Group Limited:
RFG owns the Donut King, Brumby's Bakery, Michel's Patisserie, bb's Café, Esquires, Gloria Jean's Coffees, It's A Grind, The Coffee Guy, Café2U, Pizza Capers Gourmet Kitchen and Crust Gourmet Pizza Bar franchise systems. In addition, the Company is a significant wholesale coffee roaster supplying existing Brand Systems and third party accounts under the Di Bella Coffee, Evolution Coffee Roasters Group and Roasting Australia coffee manufacturing brands. For more information about RFG visit www.rfg.com.au.

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