



## Retail Food Group Limited AGM 2015

### Chairman's Address 26 November 2015

[Slide 1]

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[Slide 2]

#### FY15: A Company Defining Year

Retail Food Group was established in 1989 to manage the Donut King and bb's Café Brand Systems. Listed on the ASX in June 2006, the Company implemented a strategy to grow organically, and as well, to aggregate Brand Systems within the Australian franchising market via targeted acquisitive activity. Along the way, the Company identified the opportunity presented by the growing coffee and allied beverage market, entering this sector in 2008.

From humble beginnings, the Company has grown to become a genuine global organization, possessed of a wide ranging international footprint, a robust franchisee complement, and significant coffee roasting and wholesaling operations.

These levers for success are a direct product of acquisitions attended and driven by the aspirational mindset and ambitious growth strategy the Company has implemented over the decade RFG has been ASX Listed.

[Slide 3]

#### Realizing Synergistic Opportunities

RFG has demonstrated an aptitude for extracting synergistic benefits, and during FY15, embarked upon its most ambitious merger and acquisition program to date.

Comprising the Cafe2U Brand System (settled in September 2014), the Gloria Jean's Coffees Group (settled in December 2014), and the Di Bella Coffee Group (settled in February 2015), these transactions represented an initial consideration exceeding \$200m and delivered circa \$19.8m to the Group's FY15 underlying EBITDA.

This EBITDA contribution represented an 8.2% increase over anticipated performance established during due diligence phases, and provides further confidence for achievement of FY16 guidance of circa \$35m in underlying EBITDA from these acquired assets.

Furthermore, the record outcomes delivered by the Company, notwithstanding those acquisitions just mentioned, demonstrates RFG as a Company blessed with a strong management and staffing complement well able to drive parallel successes across multiple growth platforms.

#### **[Slide 4]**

##### **Impressive FY15 Outcomes**

In FY15, RFG delivered record underlying profit for the ninth successive year since Listing.

Consistent with upgraded guidance, underlying NPAT of \$55.1m represented an increase of 49.3% over FY14. Notwithstanding the dilutive effect of the capital management initiatives employed during the course of the year to fund the Company's acquisitive activity, this transposed to underlying EPS growth of 34.3% to 35.6cps.

Bolstered by the contributions of new acquisitions, underlying Group EBITDA grew 50.2% to a record \$88.8m.

#### **[Slide 5]**

##### **Strong Dividend Returns**

FY15 also marked RFG's 18<sup>th</sup> consecutive biannual dividend increase, an increase in every dividend period since Listing.

Total dividends for FY15 were a record 23.25cps, an increase of 5.7% on FY14, and contributed to a Total Shareholder Return for the period of 26.9%.

Since Listing, the Company has delivered a Total Shareholder Return CAGR of 30.3%.

Ultimately, FY15 was an outstanding year and clearly demonstrated the Group's motivation to provide investors with exceptional value in return for their support of, and loyalty to, the Company.

#### **[Slide 6]**

##### **Proven Business Model**

The Company's philosophy of 'strength in brands' continues to grow in relevance as it adapts to changing markets and geographical territories by diversifying revenue streams, and decreasing reliance on any single industry or region.

We are now represented in 58 licensed territories, reducing our exposure to risk or volatility in any one market, as the Company expands its operations, protecting the investment of all stakeholders, including franchisees, shareholders and business partners.

#### **[Slide 7]**

##### **Capital Management**

Whilst our Managing Director will speak to this subject in more depth, during FY15 RFG undertook a number of capital management initiatives.

These included the issue of circa 18m shares, raising some \$95m to support the Company's M&A program.

An institutional placement comprised 46% of shares issued during FY15, with the balance made available to existing shareholders via DRP and SPP programs.

The support afforded to the capital management activity just mentioned represents a strong endorsement of the Company's past performance, multiple growth strategies and prospects.

On behalf of the Board, I would like to take this opportunity to thank new and existing shareholders for their valued support and belief in RFG's business model, management team and investment case.

**[Slide 8]**  
**Board Renewal**

The Board of Directors plays an integral role in both developing strategy and ensuring long term success and continued shareholder value.

RFG is a growing company with increasingly complex operations. Therefore, ensuring the Board comprises appropriate skillsets and experience is an essential ongoing function.

As foreshadowed during the Company's March 2015 EGM, RFG has embarked upon a recruitment program designed to bolster the Board's skillset and expertise.

Whereas that program remains on foot, it has to date resulted in the appointment of Kerry Ryan as a Non-executive Director, on the 27<sup>th</sup> of August 2015. Kerry brings a wealth of experience derived from an impressive legal career focused on professional services, franchise, retail and distribution, governance and international business development. These skills complement the Board's existing competencies and provide further balance with respect to future policy and decision making discussions.

Whilst shareholders will have an opportunity later today to confirm Kerry's appointment, I would like to take this opportunity to formally welcome her to the Board.

**[Slide 9]**  
**A World of Opportunity**

RFG's performance to date has been driven by organic growth across its traditional business operations, supplemented by exemplary contributions from acquisitions and new revenue streams.

Presently, RFG is possessed of several significant levers for future growth which place the Company in good stead in terms of the continued delivery of exceptional results and value for all stakeholders.

Acquisitions to date have delivered a genuine presence in global franchise and coffee markets, a bolstered franchisee network and Master Franchise Partner complement, and as well, an enlarged wholesale customer base which provides new opportunities for growth in coffee and allied products.

It is this enhanced platform for growth drivers that will propel RFG into the future, providing a springboard for existing Brand Systems to penetrate new territories, opportunity for increased vertical integration and supply across the globe, and access to the rapidly expanding global espresso coffee market.

RFG has already communicated several new initiatives to the market that leverage its new growth platform. These include the launch of Di Bella Coffee into the USA, the recruitment of Master Franchise Partners for its Traditional Brand Systems abroad, and the commissioning of new international distribution hubs and coffee roasting facilities across the globe.

These initiatives represent but a portent of the vast opportunities now available to the business.

Such opportunities would not be available were it not for the dedication and hard work of RFG's valued management, staff, Master Franchise Partners and franchisee community. On behalf of the Board, I sincerely thank them for their commitment to RFG, its Brand Systems and our customers.

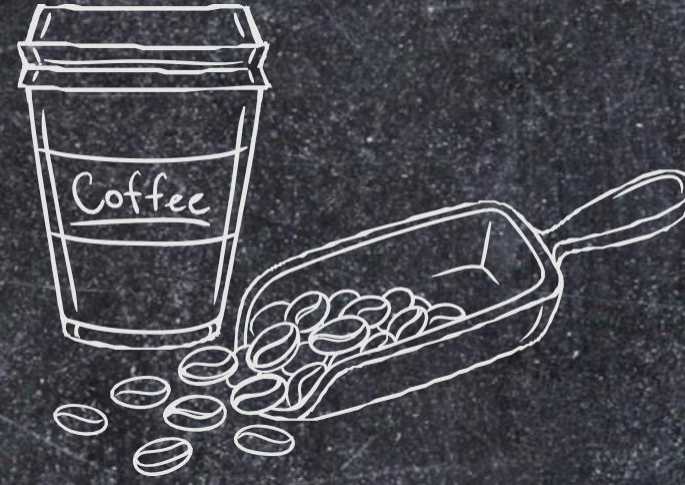
I would also like to recognize the efforts of Andre Nell and Gary Alford, who were appointed joint CEOs of the business in June this year, and who have worked tirelessly towards the achievement of the Company's business objectives over a combined 30 years.

Finally, I commend our Managing Director, Tony Alford, for his leadership and vision which have cemented RFG as an industry leader well able to deliver robust outcomes well into the future.

I now invite Tony to elaborate on some of the opportunities and future plans for RFG.

Thank you.





# CHAIRMAN'S ADDRESS

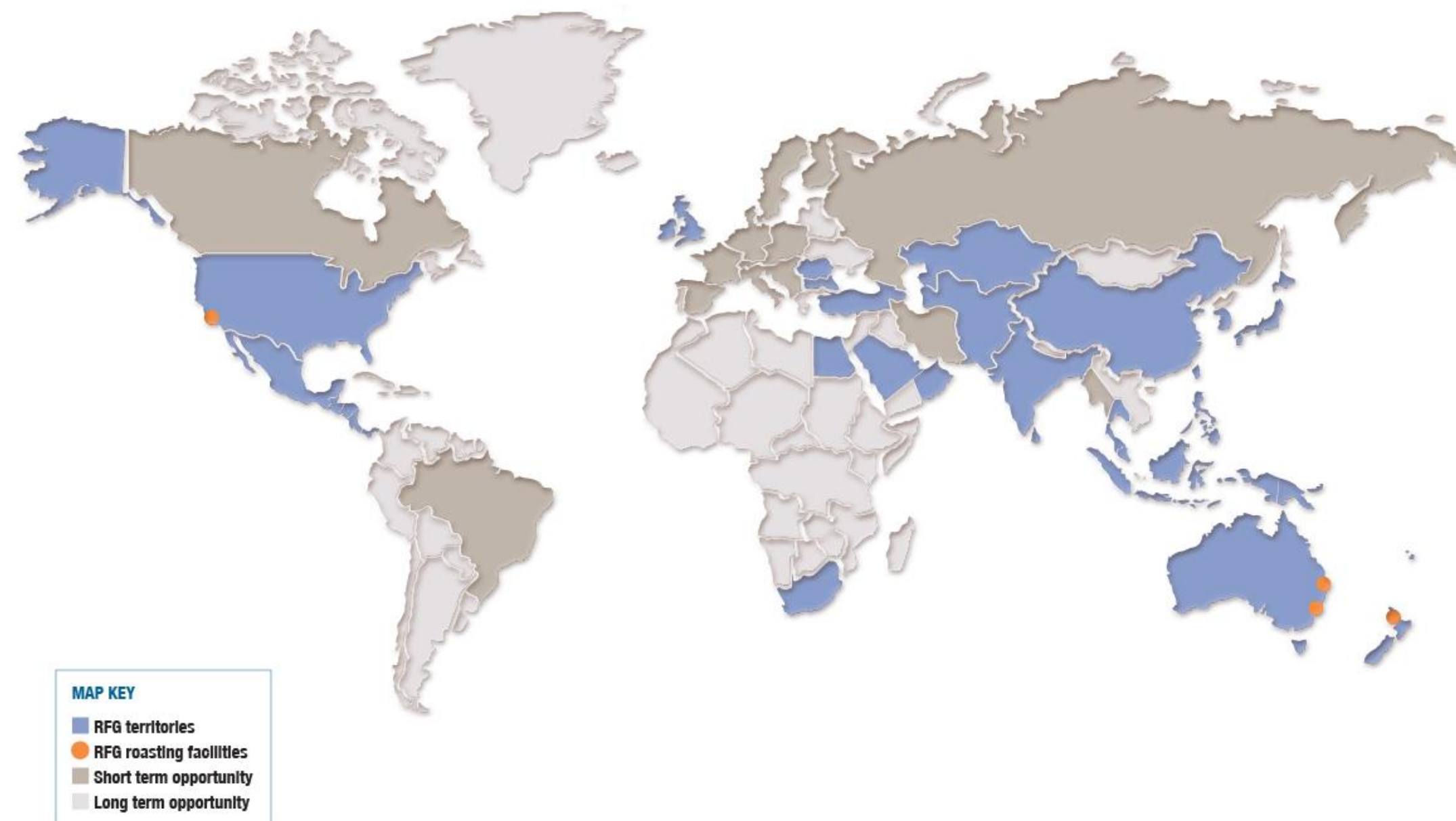
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Colin Archer | Chairman, Retail Food Group Limited



# FY15: A COMPANY DEFINING YEAR

During FY15, RFG was genuinely transformed into a global organisation, possessed of a global footprint, robust international franchise complement & new markets for wholesaling operations.





# REALISING SYNERGISTIC OPPORTUNITIES

RFG has demonstrated an aptitude for extracting synergistic benefits & record outcomes notwithstanding the Company's most ambitious M&A program to date.

FY15 acquisitions contributed \$19.8m (or 22.3%) to the Group's FY15 underlying EBITDA<sup>(1)</sup>.

RFG is confident acquired assets will achieve c.\$35m in underlying EBITDA in FY16.



(1) Underlying – refer Appendix 1 of FY15 Results Presentation





# IMPRESSIVE FY15 OUTCOMES

Unique business model delivered record performance in FY15, an exceptional year for both investment in future growth & value for shareholders.

	FY14	FY15 <sup>(1)</sup>	Change
Revenue <sup>(2)</sup>	\$128.8m	\$210.4m	63.4%
EBITDA	\$59.1m	\$88.8m	50.2%
NPAT	\$36.9m	\$55.1m	49.3%
Basic EPS	26.5cps	35.6cps	34.3%
Dividend (Full Year)	22.0cps	23.25cps	5.7%
Dividend Payout Ratio	75.9%	65.3%	

(1) Underlying – refer Appendix 1 of FY15 Results Presentation

(2) Reported revenue less revenue associated with marketing pursuits

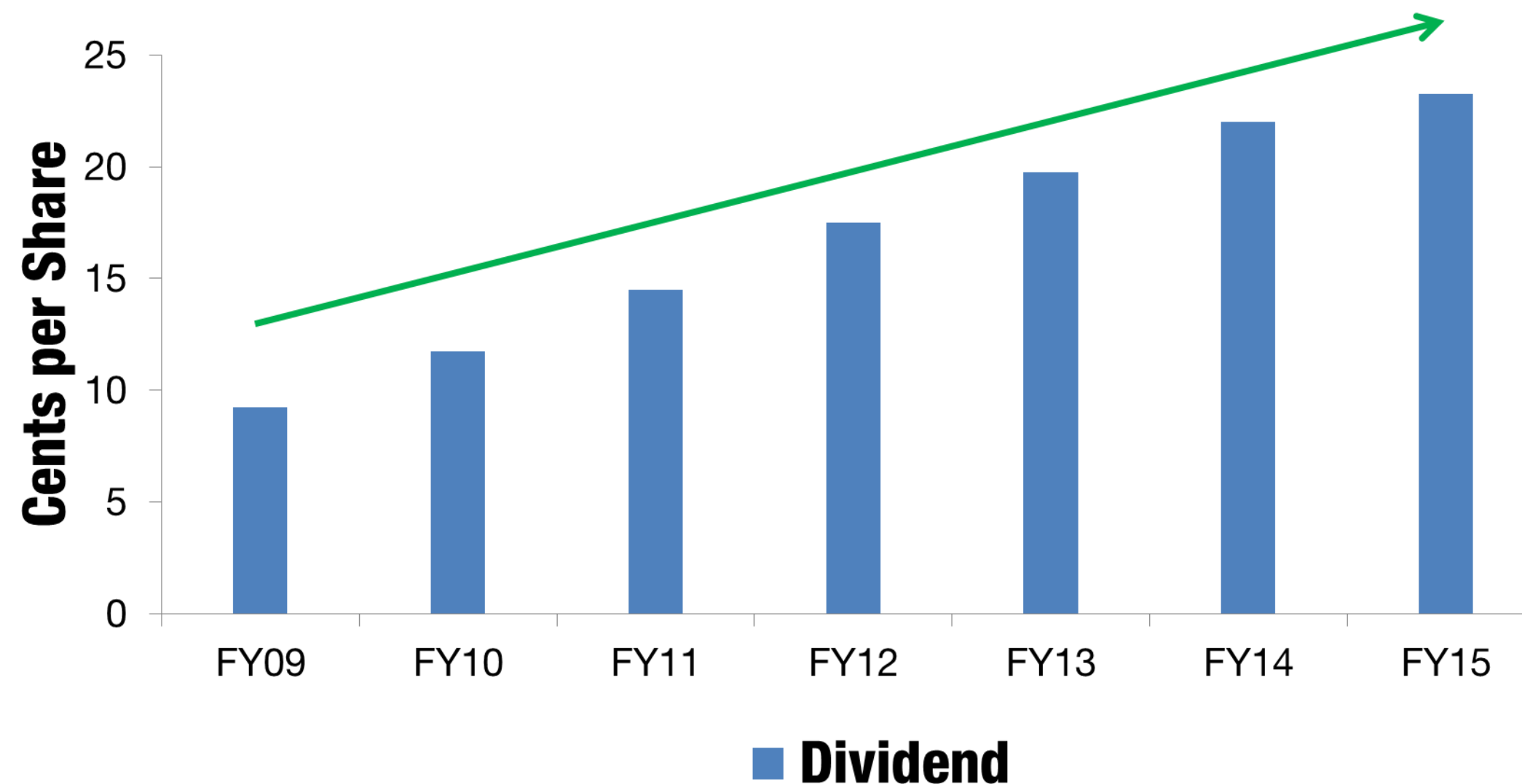




# STRONG DIVIDEND RETURNS

Dividend has increased in every period since Listing in 2006.

FY15 dividends grew 5.7% to 23.25cps & contributed to a Total Shareholder Return (TSR) of 26.9%.





# PROVEN BUSINESS MODEL

‘Strength in Brands’ philosophy has driven long term growth strategy.

Exceptional performance during FY15 demonstrates RFG’s ability to reward shareholders whilst reinvesting in organic & acquisitive growth.

The Company’s business model now encompasses meaningful international franchise & commercial operations.



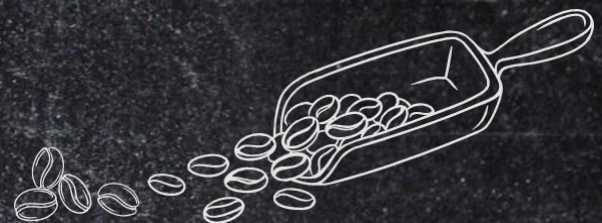


# CAPITAL MANAGEMENT

October 2014 placement & April 2015 DRP shortfall placement were strongly supported, facilitating introduction of new shareholders whilst supporting existing institutional investors.

Broader capital management activities also received strong support:

- 2014 Share Purchase Plan was oversubscribed
- Increased participation in DRP





# BOARD RENEWAL

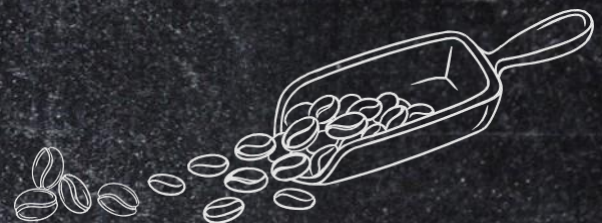
RFG is a growing company with increasingly complex operations.

Remains essential the Board comprise an appropriate skillset & experience necessary for effectively charting the future direction of the Company.

Appointment of Kerry Ryan as a Non-Executive Director (on 27 August 2015).

Kerry's specialist legal, retail, franchise & international expertise complements existing Board skillsets, providing further balance in policy and decision making discussions.

Program of Board Renewal and expansion continues.





# A WORLD OF OPPORTUNITY

FY15 acquisitions & organic growth initiatives position RFG with:

- Additional earnings and revenue streams
- Genuine presence in global franchise and coffee markets
- A bolstered franchise network and Master Franchise Partner complement
- An enlarged wholesale customer base
- Specialty coffee growth opportunities
- Additional expertise, systems and processes

Enhanced platforms position RFG for ongoing, sustainable future growth, facilitating the achievement of strategic goals in advance of anticipated schedule.

