

Retail Food Group

An Introduction to RFG

Wilson HTM 2016 Rapid Insights Conference
2 June 2016

RETAILFOODGROUP
STRENGTH IN BRANDS

donutking

Brumby's
BAKERY EST. 1979

Michel's
PATISSERIE

crust
Gourmet Pizza Bar

PIZZA CAPERS
LOUNGE KITCHEN

Gloria Jean's
COFFEES

DiBella
COFFEE

ESQUIRES
COFFEE

bb's
My local cafe

THE COFFEE
GUY

cafe2u
the approved toast machine

IT'S A GRIND
COFFEE HOUSE

evolution
COFFEE ROASTER

ROASTING
AUSTRALIA



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Retail Food Group (ASX:RFG)



Introduction

About The Company

- **Established in 1989**
- **Listed in 2006**
- **Australia's largest multi-brand owner, developer & manager of retail food franchise systems**
- **Leading roaster of quality coffee & affiliated products**

Corporate

ASX Code	RFG
Index	ASX200
Share price ⁽¹⁾	\$5.52
Shares on issue ⁽¹⁾	164.9m
Market cap ⁽¹⁾	\$910.6m
Net debt ⁽¹⁾	\$206.8m
Enterprise value ⁽¹⁾	\$1.16b
Interim Dividend (1H16)	13.00 cps
Global outlets (1H16)	2,509
Coffee & allied beverage throughput	c.6m kg per annum

Board of Directors/Executive

Colin Archer	Independent Non-executive Chairman
Anthony (Tony) Alford	Managing Director ⁽²⁾
Stephen Lonie	Independent Non-executive Director
Jessica Buchanan	Independent Non-executive Director
Kerry Ryan	Independent Non-executive Director
Russell Shields	Independent Non-executive Director
Andre Nell	CEO (Franchise) ⁽²⁾
Gary Alford	CEO (Commercial) ⁽²⁾
Peter McGettigan	CFO
Mark Connors	Director of Corporate Services & Company Secretary

(1) As at 31 May 2016

(2) Refer Page 8 for Executive Transitions summary

Divisional Assets

Franchise Overview

- 12 Brand Systems
 - Full format franchise system model
 - Owner of all Brand System IP (not licensed from others)
 - Pure play franchisor (no corporate operated outlets)⁽¹⁾
- 2,500+ outlets⁽³⁾
 - 30% international
- 63 licensed international territories
- Brand Systems' contribution to Group EBITDA:
 - FY06⁽²⁾: 100% (\$10.7m)
 - FY15: 71% (\$63.1m)

Commercial Overview

- Suite of wholesale coffee brands
- 4 coffee roasting facilities (NSW, SEQ, NZ & USA)
 - c.6m kg annualised coffee & allied beverage throughput
 - c.30m kg roasting capacity
 - Includes powder, chocolate & third party roasting
- Major player within 'in-home' capsule market (Caffitaly)
- Commercial contribution to Group EBITDA:
 - FY06⁽²⁾: nil
 - FY15: 29% (\$25.7m)

Brand System

		Outlets ⁽³⁾	
Bakery/Café	Donut King	341	878
	Brumby's Bakery	256	
	Michel's Patisserie	281	
Coffee Retail	Gloria Jean's Coffees		1,296
	It's A Grind	945	
	Esquires/bb's Café/Di Bella Coffee		
	The Coffee Guy (Mobile)	351	
QSR	Crust Gourmet Pizza		335
	Pizza Capers		
Total			2,509

Wholesale/Brands

		Approx. Kg Annualised	
		Processed	Capacity
Roasting Facilities	Roasting Australia (NSW)	4.1m	13.3m
	Di Bella Coffee (QLD)	1.3m	10.8m
	Evolution Roasters (NZ)	0.3m	3.1m
	Di Bella Coffee (USA)	0.3m	3.1m
		Type	
Predominant Specialty Brands	Di Bella Coffee	Coffee	
	Café Palazzo	Coffee	
	Roasted Addiqtion	Coffee	
	Umami	Coffee	
	Evil Child	Chocolate Powder	

(1) Other than interim management
 (2) RFG Listed on the ASX June 2006
 (3) As at 31 December 2015

History

1989:

- Single Brand System (Donut King)
- c.50 outlets

ASX Listed in 2006:

- Two Brand Systems (Donut King & bb's Café)
- 327 outlets
- \$71m enterprise value
- 65 corporate team members
- FY06⁽¹⁾:
 - EBITDA: \$10.7m
 - NPAT: \$5.9m
 - EPS: 8.6cps

FY15:

- 12 Brand Systems
- 2,446 outlets
 - 600+ international
- c.\$1b enterprise value
- c.550 corporate team members
- FY15⁽²⁾:
 - EBITDA: \$88.8m
 - NPAT: \$55.1m
 - EPS: 35.6cps

FY16:

- Executive transitions
- c.\$1.1b enterprise value
- FY16⁽³⁾:
 - NPAT: c.\$66m (+20% on PCP)

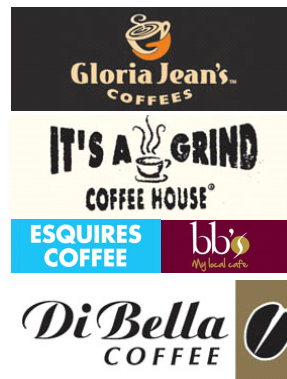
Divisional Brand Systems & Brands

FRANCHISE

Bakery/Café

QSR

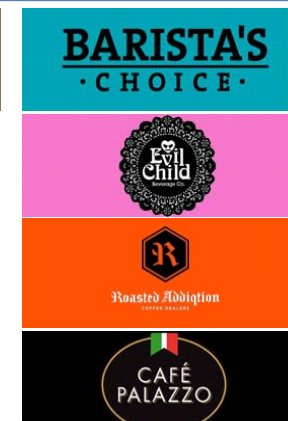
Coffee Retail



WHOLESALE / COMMERCIAL

Specialty

Manufacture



(1) Pro-forma adjusted
 (2) Underlying – refer FY15 Results Presentation
 (3) Guidance - Underlying

Diverse Global Business Model

Multi-brand & multi-revenue business model driving rapid growth

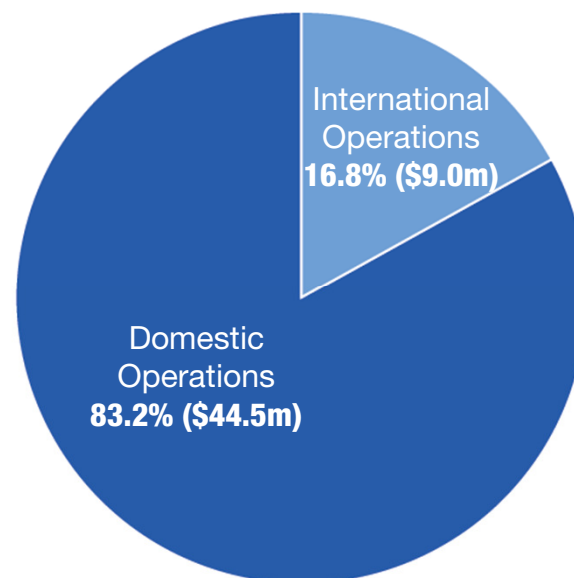
Continued Diversification of EBITDA Composition⁽¹⁾

- Record outcomes validate strategy of pursuing relevant & complementary multi-brand & multi-revenue business drivers
- Revenue streams demonstrating significant earnings growth
 - 1H16 EBITDA contribution from 'International' (16.8%) & 'Commercial' (37.8%) operations exceeding targets⁽²⁾
- Strategic diversification of assets driving performance & increasing opportunities available to the business
 - Provides various levers for growth & flexibility to enter new markets & territories
- Encourages growth via holistic business model not tied to any one business platform
- Enhances business intelligence leading to better informed strategic & operational decisions

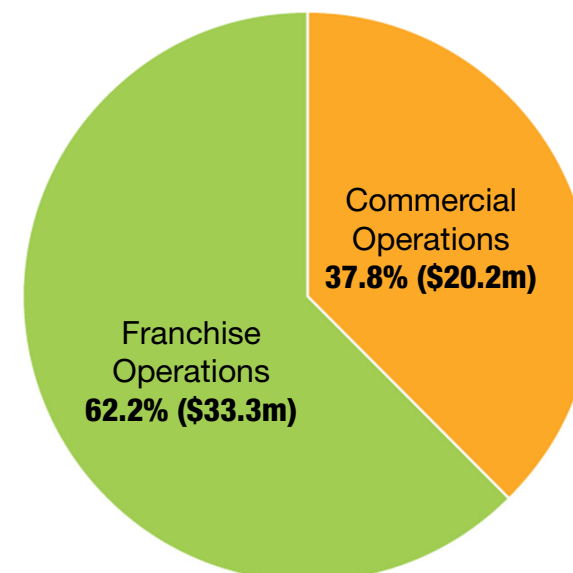
Region	1H15	1H16
■ Domestic	\$31.5m	\$44.5m
■ International	\$7.8m	\$9.0m
Group EBITDA	\$39.3m	\$53.5m

Division	1H15	1H16
■ Franchise	\$30.9m	\$33.3m
■ Commercial	\$8.4m	\$20.2m
Group EBITDA	\$39.3m	\$53.5m

1H16 EBITDA by Region



1H16 EBITDA by Division



(1) Underlying – refer 1H16 Results Presentation
 (2) Refer Market Presentation released 2 June 2015

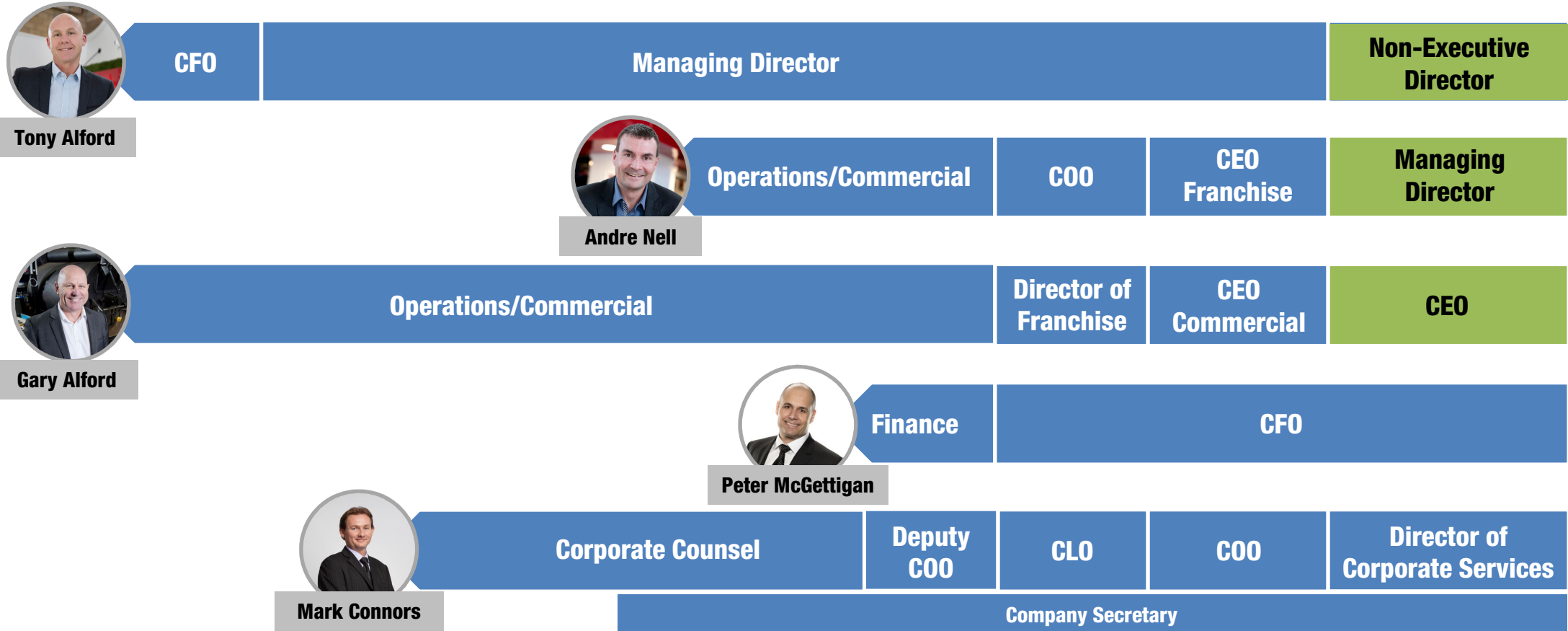


Management Team

78+ years' tenure with RFG across the Company's executive management

Transition of Managing Director from 1 July 2016 supported by strong and experienced management team & internal promotions

1996 1999 2004 2006 2007 2009 2012 2015 2016

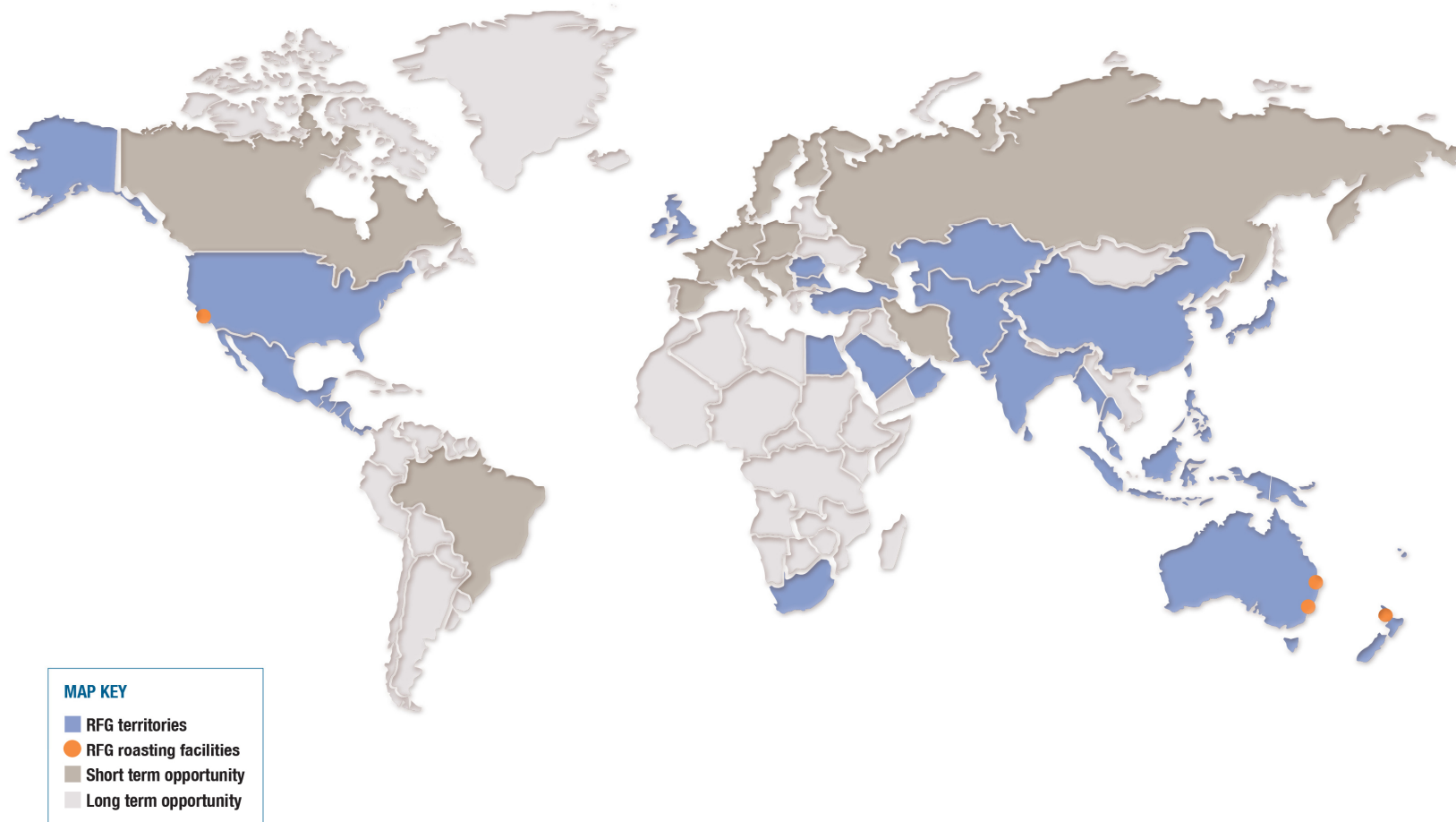


FY16 & Beyond



The Global Opportunity

FY15 acquisition activity positions RFG as a genuine global franchisor, coffee roaster & allied beverage wholesaler



A Company (Still) in Growth

Sustained & sustainable outcomes demonstrate a company in growth

Historical Performance⁽¹⁾

- EBITDA CAGR since Listing: 27.6%
 - EBITDA CAGR (FY12-FY15): 20.4%
- NPAT CAGR since Listing: 28.2%
 - NPAT CAGR (FY12-FY15): 24.6%
- EPS CAGR since Listing: 17.1%
 - EPS CAGR (FY12-FY15): 10.5%
- Dividend CAGR since Listing: 19.1%
 - Dividend CAGR (FY12-FY15): 10.0%
- Total Shareholder Return (TSR) CAGR since Listing: 30.3%⁽²⁾
 - TSR CAGR (FY12-FY15): 32.9%⁽²⁾

Growth Story

- Continues to deliver positive outcomes whilst reinvesting in long term acquisitive & organic growth platforms
- Maiden FY07 dividends of 6.25cps increased c.370% to 23.25cps in FY15⁽⁴⁾
- Outlet population increased 2,170 to 2,500+ since Listing
- Established inaugural coffee roasting facility in 2008, with total Coffee & Allied Beverage operations now contributing c.37% to Group EBITDA⁽³⁾
- Core of Executive Management Team has presided over entirety of growth since Listing

(1) Underlying Results

(2) Includes pre-tax dividends

(3) Refer 1H16 Results Presentation

(4) 1H15 + FY15 final dividend

Strategic Ambitions on Track

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>Strengthen supply side relationships benefitting RFG & franchisee community</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 in domestic & international markets (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>Expand Brand Systems into new territories & markets via licencing & JV platforms</p> <p>Leverage the Gloria Jean's Coffees China Joint Venture to accelerate Asian presence</p> <p>Increase penetration of product supply into all licensed territories</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>Maintain prudent & disciplined approach to acquisition opportunities</p> <p>Balance M&A activity with substantially increased organic growth opportunity</p>
<p>Achieved 2,500 outlet milestone CY15</p>	<p>1H16: 37.8% Ahead of Target</p>	<p>1H16: 16.8% Ahead of Target</p>	<p>Assessment of M&A opportunities now a 'Business as Usual' function</p>

Growth Opportunities

FY15 acquisition activity & resultant reprioritisation of revenue drivers has established long term growth opportunities, domestically & internationally

RFG now possesses expanded management skills & global reach, presenting a plethora of new opportunities for organic & acquisitive growth

Consolidation & Growth

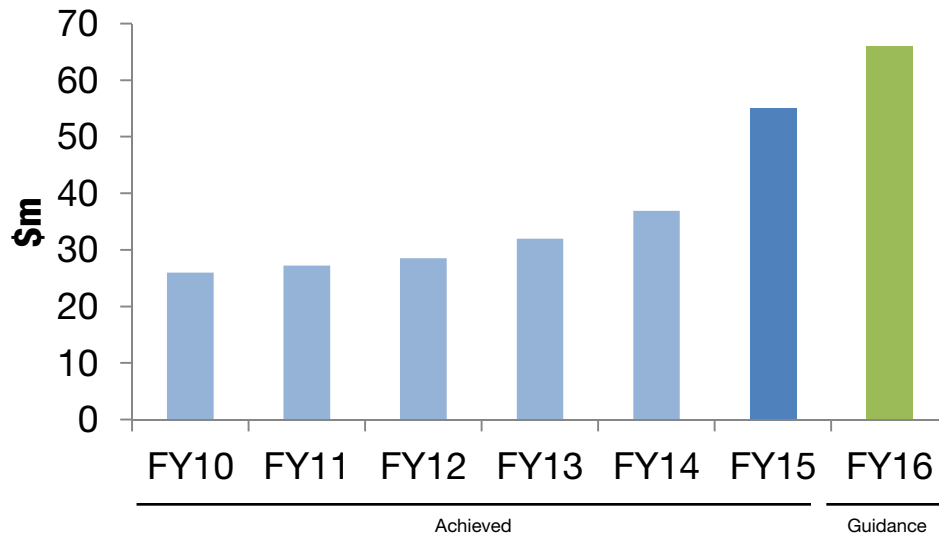
- Continuation of key internal consolidation & synergistic projects
- Green coffee bean origin & purchasing platform
- Further technological & equipment enhancement at principle Castle Hill (NSW) roasting facility to drive margin & efficiencies
- Decommissioning of excess roasters for deployment internationally
- Regional international distribution hubs
- Focus on growing Di Bella Coffee domestic market share
- Growing 'in-home' & commercial capsule category penetration
- Dedicated International Division driving growth, new master franchise/licence relationships & opportunities
- Resources prioritised to highest growth opportunities

Leveraging Opportunities for Additional Revenue

- Expansion of international roasting operations
- Low risk high margin expansion into overseas markets through Master Franchise & JV arrangements
- Expand coffee products internationally
- Emerging financial services business & income stream providing franchisee funding solutions
- Expansion of wholesale/contract roasting business
- Specialty wholesale & ecommerce re-launch into international territories including Di Bella Coffee & Café Palazzo via regional distribution agreements
- Sustainable franchise revenue streams augmented by further brand acquisition
- Migrating single or 'one off' revenue streams into annuity arrangements

Outlook

Net Profit After Tax⁽¹⁾



Established Platform for Growth

- FY16 guidance maintained
 - NPAT growth c.20% on PCP⁽¹⁾ – (c. \$66m)
 - Platform established by record 1H16 NPAT of \$32.1m (up 27.1%)
- Multiple levers available for driving future growth
 - Proven business model
 - Diverse revenue channels established
 - Experienced management team
 - Organic & acquisitive opportunities – domestic & international
 - Brand Systems
 - Coffee & Allied Beverage



(1) Underlying



Gloria Jean's Coffee

Global Landscape: Franchise & Coffee



Franchising Landscape¹

GLOBAL

- Global economic contributor
 - +2m franchise businesses
 - Industry contributes +2.3% to global GDP
 - Sustains over 19m jobs
- USA leads the way
 - 3,800 franchise concepts
 - 770,000 franchised units
 - \$844b industry
- Australia major player
 - Ranks in top 10 world wide for number of concepts, number of franchised outlets and employment
 - Ranks in top 5 for economic output

AUSTRALIA

- Market snapshot
 - 1,160 business format franchisors
 - 79,000 franchise outlets – up 8.2% since 2012
 - 460,000+ employed within industry
 - +\$150b industry
- Retail food franchising
 - 28% of Australian franchise concepts are ‘food’ brands
 - 14% of food brands are in the coffee sector
- Towards 2020
 - 2.1% revenue growth to \$170 billion
 - Online retailing prominence

(1) Research from IBIS World Industry Report X0002 Franchising in Australia March 2014, FRANdata The Australian Franchise Sector 2015, Franchising Australia 2014 Report – Griffith University

RFG in the Franchising Market

- Market Share
 - Australia's largest multi-brand food franchisor with +1.2% of Australian franchise market share⁽¹⁾
 - Australia's largest 'home grown' Brand System IP owner
 - Major Brand Systems are category leaders
- Future Growth
 - Market leadership in ANZ positions the Group's Brand Systems for international expansion
 - Opportunity to leverage thriving global franchising sector & emerging coffee/café culture
 - By end FY18 international outlet commissionings are anticipated to represent c.70% of new outlet growth

BRAND SYSTEM STATISTICS

Annual

140m+ customers served
 75m+ coffees sold
 10m+ gourmet pizzas made by hand
 9m+ loaves of bread baked fresh
 Employs c.25,000 team members

CATEGORY LEADING SYSTEMS

Brand	Market Position	Category
Donut King	1 st	Donut & coffee (AUS)
Michel's Patisserie	1 st	Patisserie & coffee (AUS)
Brumby's Bakery	1 st	Bakery + savoury (AUS)
Gloria Jean's Coffees	1 st	Coffee house (AUS)
Crust Gourmet Pizza	1 st	Gourmet pizza (AUS)
Pizza Capers	2 nd	Gourmet pizza (AUS)
Cafe2U	1 st	Mobile coffee (Global)
The Coffee Guy	1 st	Mobile coffee (NZ)
Di Bella Coffee	1 st	Specialist roaster (AUS)

(1) IBIS World Industry Report X0002 Franchising in Australia March 2014 (Market share prior to Cafe2U & Gloria Jean's Coffees acquisition)



Coffee Landscape¹

GLOBAL

- Market snapshot
 - 8.8b kg of coffee consumed
 - 1.1% growth in 2013/14
- Future growth
 - Predicted 1.5% growth in 2014/15 & 1.7% in 2015/16
 - Predicted 9.1b kg in coffee consumed in 2015/16
- Asia high growth region
 - Consumption growth will be strong in Asian markets including China, India & South-East Asia
 - Coffee chain expansion to drive further growth – number of cafés in China doubled between 2007 and 2013

AUSTRALIA

- Market snapshot
 - 200+ coffee franchise & café chain brands
 - 600+ commercial coffee roasters
 - 120,000+ coffee destinations
 - 150,000+ espresso coffee service points
 - \$13b revenue
 - 3.9b cups consumed per annum
- Industry facts
 - Coffee is No.1 beverage consumed out of home
 - 1 out of 3 café consumers are ‘heavy frequency’ with 5 to 7 café visits per week
 - 89% of wholesale coffee is sourced directly from the roaster
 - Recession resistant – coffee continues solid growth despite GFC, economic headwinds & retail uncertainty
- The year 2020
 - 1,000+ commercial coffee roasters
 - \$15b revenue
 - +5b cups sold per annum

(1) Research from The Economist World Commodity Forecasts October 2015 & Café Culture Café Pulse 2013/14 Australian Café Market Report

RFG in the Coffee Market ¹

Trend	Market Factors	RFG Initiatives
Growth in Asian regions	<ul style="list-style-type: none"> • Consumption growth in China, India & South-East Asia • Coffee chain expansion will drive further growth 	<ul style="list-style-type: none"> • Establish Regional Distribution Hubs & Roasters <ul style="list-style-type: none"> ○ Synergistic decommissioning of excess roasters to deploy internationally (Asia) ○ China JV for Gloria Jean's Coffees ○ Grow existing Asian Master Franchise Partner territories
Domestic capsule /pod usage rising	<ul style="list-style-type: none"> • 34% of all Australian households have in home coffee machine either espresso and/or capsule/pod • Western countries driving growth in single serve coffee machines for domestic use 	<ul style="list-style-type: none"> • Expand Market Share of Capsule Market <ul style="list-style-type: none"> ○ Currently roasts c.750t of coffee p.a for capsules/pods ○ Continued growth in this business segment driven by new blends, brands and machinery
Quality of service to improve outside of specialty	<ul style="list-style-type: none"> • More training available • More coffee professionals • 'Barista' as a career • Rise of alternate brewing methods • Automation increasing in quality & consistency 	<ul style="list-style-type: none"> • Training & Equipment Leasing Programs <ul style="list-style-type: none"> ○ Enhanced training to internal & external stakeholders through online & in person learning solutions ○ 'Turn key' business solutions for franchisees & small business owners ○ Equipment leasing & support services
Dine in experience	<ul style="list-style-type: none"> • Consumer preference to dine at cafés versus restaurants • More accessible & affordable • Casual dining growing over fine/formal dining 	<ul style="list-style-type: none"> • Project EVO Driving Brand Experience <ul style="list-style-type: none"> ○ Focus on in-store elements to provide enhanced consumer engagement

(1) Research from Café Culture Café Pulse 2013/14 Australian Café Market Report



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