



**RETAILFOODGROUP**  
STRENGTH IN BRANDS

25 August 2016

## A Global Business Delivering Record Results

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### **FY16 Highlights:**

- Celebrating a decade since Listing on the ASX by delivering record:
  - \$110.2m EBITDA, reflecting a 24.0% increase on PCP (FY15: \$88.8m)<sup>(1)</sup>
  - \$66.4m NPAT, a 20.5% increase on PCP (FY15: \$55.1m)<sup>(1)</sup>
  - Basic EPS of 40.5cps, a 13.7% increase on PCP (FY15: 35.6cps)<sup>(1)</sup>
  - FY16 Dividends of 27.5 cents per share, an 18.3% increase on PCP (FY15: 23.25cps)
  - Net Operating Cash Flow of \$65.5m, an increase of \$30.8m (or 88.8%) over PCP
- Surpassed 2,500 outlet milestone, with record new outlet commissionings of 258 (PCP: 200)
- FY16 Group EBITDA contributions evidence further diversification of revenue & multiple growth platforms:
  - >50% of Group EBITDA derived from International and Coffee & Allied Beverage operations
  - International licensed territories increased to 69 (PCP: 58) following grant of Master Franchise licenses across Europe, Middle East, Asia and Pacific
  - Coffee & Allied Beverage annualised throughput increased c.5% to 6.2m kg
  - Vertically integrated powders manufacturing facility commissioned
- Positive weighted Group SSS and ATV growth of 1.7% and 3.2%

### **Acquisitions:**

- Entry into Share Purchase Agreement (SPA) to acquire Hudson Pacific Corporation

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Retail Food Group Limited (RFG, the Company or Group) celebrated a decade as a Listed company by delivering record FY16 Net Profit After Tax (NPAT) of \$66.4m<sup>(1)</sup>, an increase of 20.5% over the previous corresponding period (PCP).

That performance was underpinned by a 24.0% increase in Group EBITDA to \$110.2m, also a record for the Company, and reflected the realisation of strategic programs implemented across the Group's increasingly diverse and global business.

RFG Chairman Colin Archer said, "It is the tenth consecutive annual underlying EBITDA and NPAT increase for the Group, and marks an impressive legacy for outgoing Managing Director Tony Alford who seamlessly transitioned executive management of the Group to Andre Nell at the end of FY16".

"The FY16 results illustrated the Group's adeptness for exploiting its unique business model to deliver shareholders remarkable outcomes, yet only represented a portent of the growth potential inherent in the Company's evolving operational platform".

"Incorporating a diverse range of opportunities across Brand System licensing, global network growth, vertical integration and coffee and allied beverage, RFG has assembled a suite of growth drivers that have delivered shareholders a decade of record outcomes whilst also positioning the Company for future success", he said.

FY16 Summary of Results	Reported			Underlying <sup>(2)</sup>		
	FY15	FY16	Change	FY15	FY16	Change
Revenue <sup>(3)</sup>	\$210.4m	\$274.6m	↑ 30.5%			
EBITDA	\$59.4m	\$103.7m	↑ 74.7%	\$88.8m	\$110.2m	↑ 24.0%
NPAT	\$34.2m	\$61.3m	↑ 79.1%	\$55.1m	\$66.4m	↑ 20.5%
EPS (Basic)	22.1cps	37.4cps	↑ 69.0%	35.6 cps	40.5 cps	↑ 13.7%
Net Operating Cash Flow	\$34.7m	\$65.5m	↑ 88.8%			
Dividends per Share (DPS)	23.25cps	27.5cps	↑ 18.3%			
Global Outlets	2,446	2,530	↑ 84			
International Territories	58	69	↑ 11			

RFG's record FY16 performance, including underlying Earnings per Share growth of 13.7% to 40.5cps, facilitated the Board's announcement today of a final, fully franked FY16 dividend of 14.5cps, an increase of 23.4% over FY15's final dividend, and the Company's 20<sup>th</sup> consecutive dividend increase.

"The Board continues to balance shareholder rewards and investment in acquisitive and organic growth, with FY16 full year dividend reflecting a prudent payout ratio of circa 68%", Mr Archer said.

The FY16 final dividend will be paid on 7 October 2016 following a record date of 12 September 2016<sup>(4)</sup>.

#### A Global Business:

RFG Managing Director Andre Nell noted that the Company's impressive FY16 performance reflected the growing diversification of the Group's revenue streams across an increasingly global business.

"International and Coffee & Allied Beverage operations have not only flourished as significant earnings drivers in themselves, but represent key platforms upon which RFG will continue to enjoy success well into the future", he said.

"RFG's transformation into a global food and beverage company possessed of multiple earnings levers is best illustrated by FY16 Divisional EBITDA performance, where contributions from international franchise operations, coffee wholesale and Brand System coffee supply generated in excess of 50% of FY16 Group EBITDA".

During FY16 the Company extended its global reach by growing international licensed territories to 69, following the grant of Master Franchise licences across Europe, the Middle East, Asia and the Pacific.

"Establishment of the Group's International Division has not only facilitated enhanced traction in terms of converting new Master Franchise license opportunities, but also provided increased collaborative support to an engaged international network which contributed c.57% to record FY16 new outlet commissionings of 258, with considerable traction enjoyed in Turkey (20 outlets), China (18 outlets), the UK and Malaysia (14 outlets each)", Mr Nell said.

Significantly, the FY16 growth in Group revenues has distilled to a c.89% increase in net operating cash flow (to \$65.5m) while maintaining an EBITDA cash conversion ratio of +90%.

#### Domestic Franchised Operations:

All operational units enjoyed growth during FY16.

“The continuing appeal of RFG’s iconic Brand Systems, new store concepts and impressive franchise offer drove domestic new outlet commissionings, which combined with international new outlet commissionings, resulted in net organic outlet growth of 84 for the year”, Mr Nell said.

“Harnessing enhanced business intelligence and digital capabilities, together with robust new product development and innovative marketing activity, the Brand Systems delivered positive weighted Average Transaction Value (ATV) and Same Store Sales (SSS) growth of 3.2% and 1.7% respectively”, he said.

Key achievements for the year included:

- Enhanced EBITDA Contribution Per Outlet (CPO), increasing 17.2% on PCP;
- Completion of the Michel’s Patisserie National Bakery Solution;
- The grant of network management rights for the domestic Gloria Jean’s Coffees drive-thru network, positioning that concept for expedited growth and delivering dedicated support structures to franchisees; and
- A 13.8% increase in EBITDA contribution from the Company’s QSR Division, buttressed by robust ATV growth of 4.7% driven by the Division’s continued focus on its gourmet offer, together with increases in online sales across the Crust and Pizza Capers Brand Systems of 13.2% and 12.9% respectively.

#### **Coffee & Allied Beverages:**

A c.5% increase in annualised throughput to 6.2m kg illustrated continuing growth in the Company’s Coffee & Allied Beverages operations, assisted by 14% growth in international volume and a number of key initiatives having been realised.

“Commissioning of RFG’s inaugural powders manufacturing facility enhanced the Company’s supply-chain oversight, product quality and provenance, whilst further diversifying revenue opportunity within the beverages space. Now supplying Brand System chocolate powder requirements, during FY17, the facility will offer product to wholesale and third party customers”, Mr Nell said.

“Consolidation of the Company’s green bean buying activities across the Group’s roasting operations have also delivered efficiencies, whilst insulating franchisees and wholesale customers against commodity price fluctuations and opening up new revenue streams by way of supply to micro-roasters”, he said.

#### **Acquisitive Activity:**

Having completed the integration and synergy extraction of FY15 acquisitions, RFG has this day announced its entry into a Share Purchase Agreement (SPA) to acquire the Hudson Pacific Corporation, a business with which it has enjoyed a strong relationship for 20+ years<sup>(5)</sup>.

#### **Outlook:**

RFG maintains a positive outlook for FY17 and beyond, with all existing business units primed for domestic and international growth, and the Company well-positioned for new acquisitive activity.

The Company is confident of achieving FY17 underlying NPAT growth of c.20%, inclusive of a c.8% contribution from Hudson Pacific<sup>(6)</sup>, and will provide a further update at the 2016 Annual General Meeting.

**Notes:**

- (1) Underlying results – refer FY16 Results Presentation for reconciliation to reported performance
- (2) For full analysis of FY16 underlying and reported results refer FY16 Results Presentation
- (3) Revenue excludes revenue associated with marketing pursuits (marketing contributions paid to Brand System marketing funds);
- (4) The FY16 final dividend will be eligible for the purposes of the Company's Dividend Reinvestment Plan (DRP). The Company is also proposing to undertake a DRP Shortfall Placement to support capital management during a period of intensive growth. DRP elections will close on the next business day following the Record Date (13 September 2016), 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;
- (5) Refer separate announcement of even date titled "Acquisition of Hudson Pacific Corporation"
- (6) Excluding integration & acquisition costs

**ENDS**

For further information, interviews or images contact:

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**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.