



ASX/media release

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ACQUISITIONS & 1H10 GUIDANCE

ACQUISITIONS:

Leading Australian retail food brand manager and franchisor Retail Food Group Limited (ASX:RFG) today announced that it had reached agreements, subject to normal contractual terms and finalisation of due diligence enquiries, by which:

- the Brumby's Bakeries master franchise territories for North Queensland and New Zealand will be reacquired; and
- the Donuts Coffee & Muffins ("DCM") franchise system would be acquired.

"The Brumby's North Queensland master franchise territory represents the best performing Brumby's territory in Australia", RFG CEO Tony Alford said during the Company's AGM today, "further, acquisition of the New Zealand master territory completes the re-acquisition of all master rights in that country so that the whole of the network therein is now 'company managed'".

There are presently 37 outlets within the Brumby's North Queensland territory and a further 19 outlets in New Zealand.

"The transaction will deliver the equivalent in terms of EBIT contribution of an additional 26 new Brumby's Bakeries outlets", Mr Alford said.

"Given the outlets forming part of the North Queensland and New Zealand master franchise territories already form part of the Brumby's Bakeries system, integration of subfranchised outlets under RFG's franchise service and operational support systems will be seamless in comparison to that which would apply if an independent network had been acquired".

"We would therefore anticipate little structural or other change in terms of the operational and other service support mechanisms afforded to franchisees within these territories", Mr Alford said.

The DCM franchise system represents a direct competitor to Donut King and comprises 23 coffee/donut outlets predominantly in NSW.

"The Company will ultimately look to re-brand DCM outlets and assimilate them within the Donut King network", Mr Alford said, "thereby accelerating total Donut King outlet population growth whilst affording DCM franchisees the opportunity to partake of the benefits that accrue from membership in a nationally established and iconic retail franchise brand".



The acquisitions, all of which are anticipated to settle in January 2010, will be EPS accretive with each purchase price funded by the issue of a combination of RFG scrip and cash.

1H10 GUIDANCE:

Retail Food Group further announced that, the Company's NPAT from core operations, for the six months ending 31 December 2009, will be in the range of 10% to 15% over that reported in 1H09 (being \$11.05m).

Mr Alford noted that the Company's Donut King, Michel's Patisserie, Brumby's Bakeries and bb's café franchise systems had continued to achieve positive growth in terms of weighted average weekly sales (2% YTD) and weighted average transaction values (3% YTD).

The Company also anticipated FY10 full year organic new outlet growth to be approximately 40 outlets, with half of those to be established prior to 31 December 2009.

"New outlet growth has been tempered by a tightening of new franchisee enquiry, lack of shopping centre development resulting in reduced prime site opportunities and stricter lending practices adopted by lenders. We have therefore adjusted our growth strategies to accommodate these factors whilst pursuing non-traditional site and potential acquisitive outlet conversion opportunities", Mr Alford said.

RFG anticipates release of its 1H10 results in late February 2010 and at that time will provide further details regarding the acquisition metrics relating to the transactions noted herein.

ENDS

For further information, interviews or images contact:

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