



ASX/media release

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ACQUISITION OF THE COFFEE GUY

Leading Australian retail food brand manager and franchisor, Retail Food Group Limited (RFG or the Company) today announced its entry into a conditional Sale & Purchase Agreement (SPA) to acquire the business and intellectual property assets of New Zealand based The Coffee Guy Group ('TCGG').

TCGG was established by founder Richard Karam in 2005 with a single van and a vision to become the largest franchised convenience coffee system in the world.

Following consistent year on year growth, TCGG now represents the largest mobile and portable coffee franchise system in New Zealand with 55 espresso vans amongst urban population centres. More recently, TCGG has commissioned new retail formats to its portfolio of convenience coffee outlets including drive-thru espresso kiosks, espresso bars ("hole in the wall") and as well has finalised the design and construction of a "fixed container" site model.

RFG CEO Tony Alford noted that, "the TCGG concept incorporates proprietary mobile coffee van technology, conspicuous brand imagery, van and outlet livery, an uncomplicated operational and franchisee service structure, relatively inexpensive new franchisee entry costs and demonstrated capacity for organic growth".

"Importantly, these attributes characterise TCGG as a system that offers significant transportability and opportunity for international exploitation amongst an industry segment ripe for consolidation which has been a key driver of RFG's long term interest in this business model".

"The transaction not only increases RFG's penetration outside of shopping centres, importantly it further fortifies RFG's existing investment in coffee by facilitating entry into an allied sector (mobile) whilst assuring continued supply into the TCGG system of roasted coffee and allied products by RFG owned Evolution Coffee Roasters", he said.

The price for the business is circa NZ\$5.5m which represents an EV/EBIT multiple of approximately 5.5X.

Completion of the transaction is anticipated in late November 2012 however remains subject to usual and ordinary conditions including satisfactory completion of RFG's due diligence enquiries.

TCGG CEO and founder Richard Karam will remain with the business following completion and ultimately lead the introduction of the concept into, initially, the Australian marketplace.

"During the past seven years we have focused on developing a world class system and brand and this transaction will allow us to accelerate our growth plans".

“RFG’s future stewardship of The Coffee Guy will also provide management depth and international franchising expertise that will ensure our franchisees obtain enhanced operational and marketing support along with growing brand recognition as we expand our retail presence”, Mr Karam said.

About Retail Food Group Limited:

Retail Food Group is a leading Australian retail food brand manager, franchisor and wholesale coffee roaster. It is the franchisor and intellectual property owner of the Donut King, Michel’s Patisserie, Brumby’s Bakery, bb’s café, Pizza Capers Gourmet Kitchen, Crust Gourmet Pizza Bar and Esquires Coffee Houses franchise systems with circa 1,350 outlets. In addition, the Company roasts over one million kilograms annually of proprietary coffee products via the Evolution Coffee Roasters Group, Caffe Coffee and Barista’s Choice coffee brands.

About The Coffee Guy Group:

Founded in 2005 by Richard Karam with the aim of establishing an international network of mobile coffee franchises, The Coffee Guy Group is now the largest mobile and portable coffee franchise system in New Zealand. The system incorporates 55 espresso vans together with additional retail platforms including drive-thru espresso kiosks, espresso bars (“hole in the wall”) and fixed container sites ready to be commissioned.



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