



ASX/media release

29 October 2013

UPDATE TO MARKET

Australia's largest multi-brand retail food franchisor and leading wholesale coffee roaster, Retail Food Group Limited (RFG or the Company), today provided the following update:

Project QSR400:

RFG announced in August of this year its implementation of Project QSR400, a strategy targeted at accelerating new outlet growth amongst its Pizza Capers and Crust Gourmet Pizza QSR Brand systems, with an organic outlet commissioning forecast of 70 outlets in FY14, and a further 60 in FY15.

The Company advises that QSR400 progress is trending ahead of initial expectations, with significant traction achieved.

RFG CEO Tony Alford noted that the Company anticipates having committed to 45 new QSR sites by the end of 1H14, some 50% in excess of that originally programmed. Of these sites 22 are already franchised.

As a consequence of the pleasing new outlet opportunities which have presented themselves, RFG has increased its FY14 forecast QSR outlet growth to circa 85.

Non-QSR Brand Systems:

Whilst new outlet commissionings remain skewed to 2H14, the Company is on track to realise its 1H14 organic growth target of 25 new outlets across non-QSR Brand Systems.

Of those outlets to be commissioned in the 1H, Donut King (9 outlets) and Michel's Patisserie (6 outlets) will incorporate the new Project EVO platform.

The inaugural Brumby's Bakery Brand System Project EVO outlet remains on schedule to be commissioned in December 2013, which will be followed by increased organic outlet growth in 2H14.

The foregoing activity will continue to be supported by focusing on innovative marketing activity and new product development, to drive Average Weekly Sales (AWS) and Average Transaction Value (ATV).

Mr Alford noted that, "such activity included the September launch of Donut King's innovative Shaker Shots product, which is being supported by extensive promotional activity across television and other media, and the appointment of legendary Australian cricketer and food craftsman, Matthew Hayden, as Brumby's national bread ambassador".

"Further evidence of the impetus provided to the Company's Brand Systems by its Marketing & Innovation Department, was Donut King's success at the recent 2013 Australian Mobile Awards, where it achieved Best Mobile Marketing Campaign for the augmented reality Donut Island iOS gaming application created in support of the Amazeballs new product launch in June", he said.

Acquisitive Activity:

Consistent with its strategic growth platform, RFG remains motivated to pursue acquisitive activity within the retail food franchising industry, whilst also taking advantage of coffee and other vertical integration acquisition opportunities.

“There currently exists a plethora of motivated vendors within the market, and the present environment presents an attractive period for the Company to grow via acquisitive activity”.

“The Company is presently investigating a number of earnings accretive acquisition opportunities and will keep the market appropriately informed”, Mr Alford said.

Guidance:

Mr Alford noted that, based on YTD trading performance, the Company remains comfortable with existing guidance of circa 15% growth on FY13 Net Profit After Tax (NPAT).

“Whilst QSR outlet growth has accelerated beyond initial expectations, and is anticipated to deliver enhanced FY14 revenues, RFG remains alive to the fact that the short term increased number of corporate owned and operated outlets, pending their franchising, will also drive additional expense having regard to the normal 18 month maturity profile of those outlets”.

“Clearly the accelerated QSR outlet growth in the present financial year will positively influence FY15 performance, however it would be premature for the Company to revise existing FY14 guidance at this juncture. That said, the Company continues to monitor trading performance and will keep the market appropriately informed”, he said.

About Retail Food Group Limited:

RFG owns the Donut King, Brumby’s Bakery, Michel’s Patisserie, bb’s café, Esquires, The Coffee Guy, Pizza Capers Gourmet Kitchen and Crust Gourmet Pizza Brand Systems. In addition, the Company roasts more than 1.35m kilograms of coffee annually through the Evolution Coffee Roasters Group, Caffe Coffee and Barista’s Choice coffee brands.

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