

RETAIL FOOD GROUP

Wilson HTM Investor Conference – 3rd June 2014



Retail Food Group Limited (ASX: RFG)



- ✓ RFG listed on 20th June 2006 and commenced quotation on the on 22nd June 2006
 - 7 consecutive years of EBIT, NPAT, EPS & Dividend accretion ⁽⁴⁾



- ✓ RFG designs, develops and manages retail franchise systems and is the intellectual property owner and licensor of the following Brand Systems:

Non-QSR

- Donut King
- Michel's Patisserie
- Brumby's Bakery
- bb's café and Esquires Coffee
- The Coffee Guy

QSR

- Crust Gourmet Pizza
- Pizza Capers



- ✓ RFG is also roaster and supplier of coffee and affiliated products:
 - Roasting in excess of 1.4m kilograms annually from facilities in Australia and New Zealand
 - Supplies Brand Systems and an expanding external customer base



- ✓ Franchise Outlets: 1,400+ franchise outlets predominantly in Australia and New Zealand ⁽¹⁾



- ✓ ASX Index: ASX 200 (admitted Dec 2013)



- ✓ Market capitalisation: \$613m ⁽²⁾

- ✓ Enterprise value: \$675m ⁽²⁾

- ✓ Dividend Yield: 7.0% gross ⁽³⁾

(1) As at 31 December 2013

(2) As at 31 May 2014

(3) Based on FY14 interim & FY13 final dividends, and closing share price of \$4.23 as at 31 May 2014

(4) Except FY13 EPS: (27.9cps) vs FY12 (28cps)

Our Brand Systems comprise 1,400+⁽¹⁾ franchise outlets



342 Donut King Outlets



286 Brumby's Bakery Outlets



314 Michel's Patisserie Outlets



85 Esquires Coffee Outlets (including bb's Café)



148 Pizza Capers Outlets



164 Crust Gourmet Pizza Bar Outlets



62 Coffee Guy Outlets

- ✓ RFG conducts a pure franchise model:
 - all outlets franchised
 - non corporate model⁽²⁾
- ✓ Outlet population distribution:
 - Australia: 90%
 - New Zealand: 9%
 - Other: 1%

(1) Outlets as at 31 December 2013
 (2) Other than those outlets subject to interim management by RFG

Historical Performance – FY06 – FY13

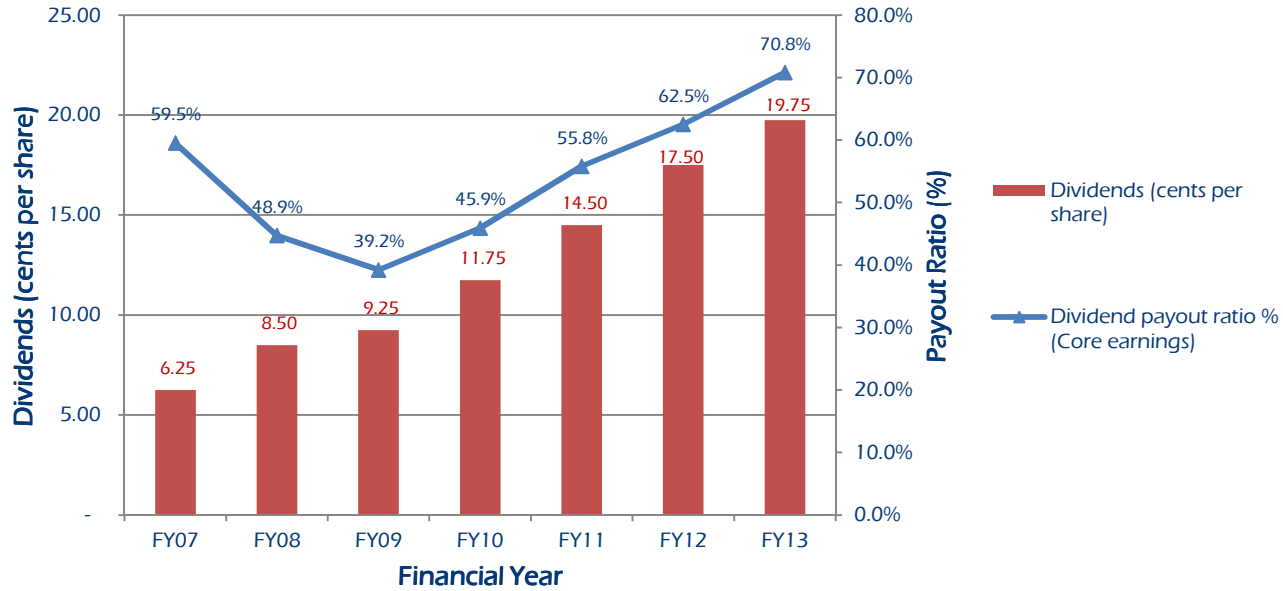


| | Financial Year – Core Performance ⁽¹⁾ | | | | | | | |
|------------------------------|--|----------|----------|----------|-----------|----------|----------|-----------|
| | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 |
| Total Revenue ⁽²⁾ | \$20.5m | \$23.6m | \$114.1m | \$130.5m | \$118.6m | \$110.0m | \$101.9m | \$117.0m |
| EBIT | \$9.8m | \$12.2m | \$32.2m | \$40.1m | \$44.3m | \$46.0m | \$50.1m | \$55.9m |
| NPAT | \$5.9m | \$7.5m | \$15.4m | \$23.4m | \$26.4m | \$27.9m | \$30.3m | \$34.3m |
| Basic EPS | 8.6 cps | 10.5 cps | 17.4 cps | 23.6 cps | 25.6 cps | 26.0 cps | 28.0 cps | 27.9 cps |
| Dividend | Nil | 6.25 cps | 8.5 cps | 9.25 cps | 11.75 cps | 14.5 cps | 17.5 cps | 19.75 cps |
| Dividend Payout Ratio | Nil | 59.5% | 48.9% | 39.2% | 45.9% | 55.8% | 62.5% | 70.8% |
| Net Debt | \$16.0 m | \$24.6m | \$112.8m | \$90.1m | \$72.8m | \$70.5m | \$98.0m | \$92.1m |
| Gearing Ratio | 34.8% | 40.0% | 54.4% | 45.7% | 34.4% | 31.0% | 36.6% | 29.6% |
| Interest Cover | 7.3x | 8.5x | 3.4x | 5.2x | 6.2x | 6.9x | 6.9x | 7.4x |
| Cash Generating Units | 2 | 2 | 4 | 4 | 4 | 4 | 6 | 7 |
| Franchised Outlets | 332 | 360 | 1,052 | 1,063 | 1,122 | 1,148 | 1,209 | 1,374 |

(1) Refer page 2 of FY13 Annual Report for 'Core Operations' reconciliation

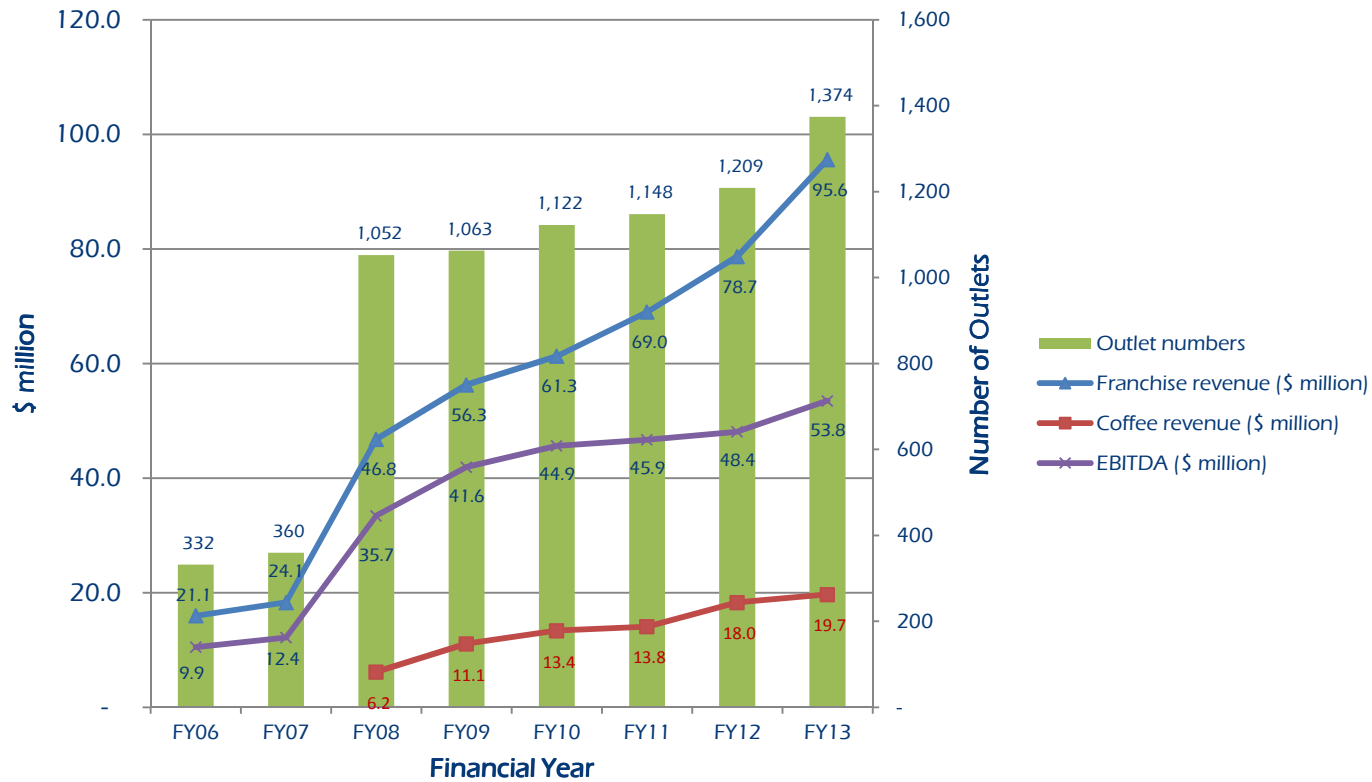
(2) Refer page 2 of FY13 Annual Report for definition of Total Revenue

Shareholder Value



- ✓ FY13 Final Dividend 12.9% increase over PCP
- ✓ 14th consecutive bi-annual dividend increase since Listing
- ✓ FY13 TSR: 59.7%
- ✓ TSR CAGR: 32.8% (FY06 – FY13)

Franchisee Revenue, Outlet Numbers & Coffee Revenue



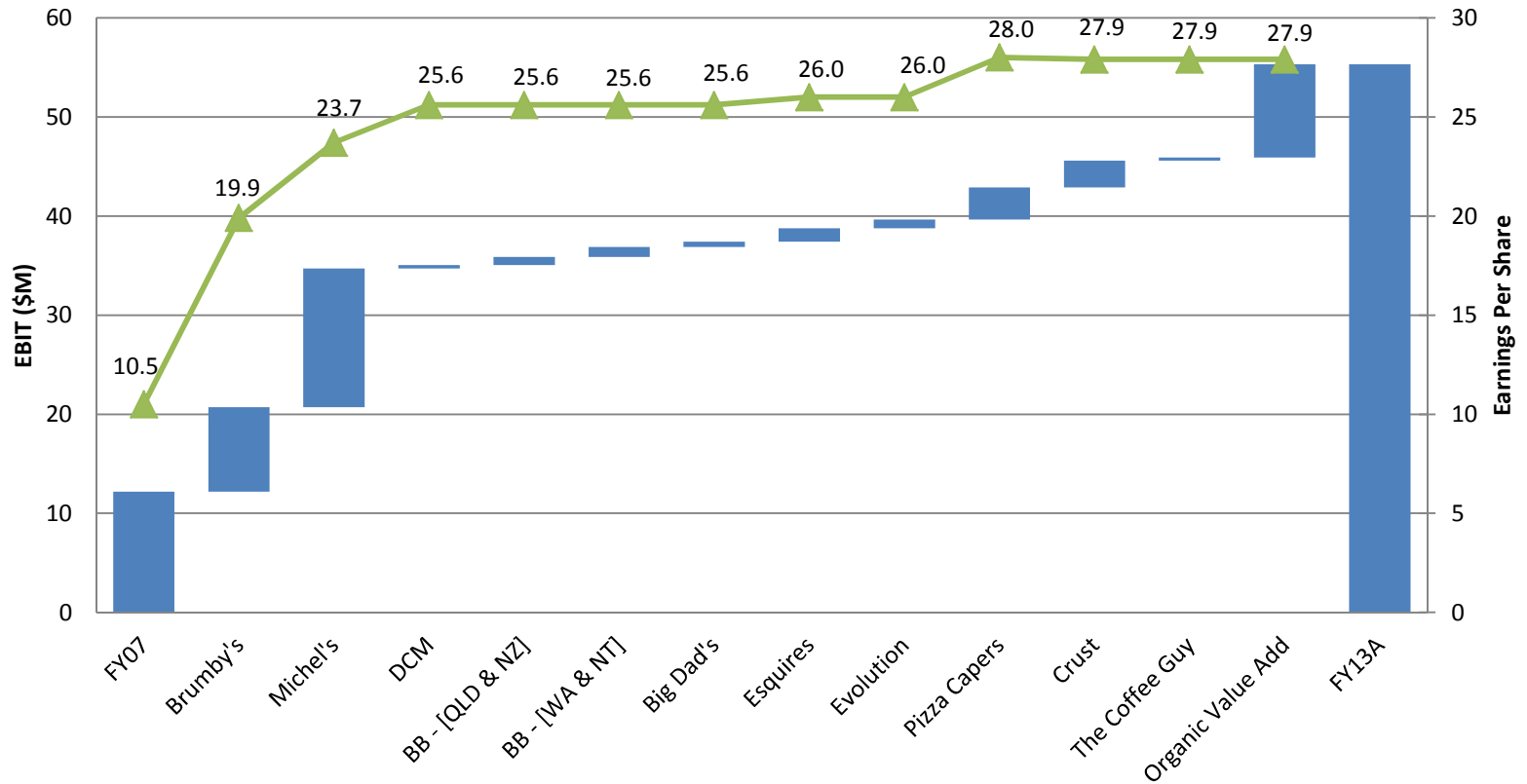
- ✓ Coffee Revenue represents 22.1% of Franchise Revenue and 24.2% of Group EBITDA ⁽¹⁾
- ✓ EBITDA increase aligns with outlet population and gross franchise revenue
- ✓ FY13 net outlet growth increased 13.6% over pcp

(1) As at 31 December 2013

EBIT Growth Demonstrated













Acquired EBIT and Organic Value Add










- ✓ Proven strategy driving growth:
 - Brand System acquisition and consolidation
 - Organic growth, synergistic and allied opportunities

1H10 - 1H14 Summary

| | Statutory Results | | | | | |
|--|-------------------|----------|----------|----------|-----------|-------|
| | 1H10 | 1H11 | 1H12 | 1H13 | 1H14 | PCP % |
|  Total Revenue ⁽¹⁾ | \$61.3m | \$60.3m | \$49.5m | \$60.0m | \$64.6m | 7.7% |
|  EBIT | \$21.5m | \$22.2m | \$24.0m | \$25.2m | \$27.4m | 8.7% |
|  NPAT | \$12.5m | \$13.6m | \$14.5m | \$14.6m | \$17.3m | 18.0% |
|  Basic EPS | 12.4 cps | 12.8 cps | 13.4 cps | 12.5 cps | 12.9 cps | 3.2% |
|  Interim Dividend | 5.25 cps | 7.0 cps | 8.5 cps | 9.5 cps | 10.75 cps | 13.2% |
|  Dividend Payout Ratio | 42.3% | 54.7% | 63.4% | 76.0% | 83.3% | |
|  Net Debt | \$77.1m | \$67.7m | \$69.2m | \$86.7m | \$49.5m | |
|  Gearing Ratio | 38.9% | 31.1% | 29.5% | 27.4% | 14.1% | |
|  Interest Cover | 5.9x | 7.0x | 7.0x | 6.7x | 10.3x | |
|  Cash Generating Units | 4 | 4 | 5 | 7 | 7 | |
| Franchised Outlets | 1,055 | 1,095 | 1,126 | 1,391 | 1,401 | |

⁽¹⁾ Total Revenue excludes revenue derived from marketing activities (1H14: \$13.5m; 1H13: \$10.8m; 1H12: \$6.8m; 1H11: \$7.1m, 1H10: \$8.1m).

1H14 Summary of Brand System Performance

| | 1H14 Summary | Donut King | Brumby's Bakery | Michel's Patisserie | QSR | Other |
|--|-----------------|---------------|--------------------|------------------------|------------|------------|
|  GFR(\$m) ⁽¹⁾ | 43.7 | 9.3 | 8.8 | 13.1 | 10.0 | 2.5 |
|  FSF (\$m) ⁽¹⁾ | 23.5 | 5.4 | 5.4 | 5.1 | 6.4 | 1.2 |
| EBITDA (\$m) ⁽¹⁾ | 28.1 | 6.0 | 5.8 | 7.3 | 7.0 | 2.0 |
| Group EBITDA Cont. | | 21.3% | 20.6% | 26.1% | 24.9% | 7.2% |
|  NWS (\$m) | 394.1 | 85.6 | 98.3 | 85.3 | 103.8 | 21.1 |
| AWS Growth (on PCP) | 0.8% | 2.0% | 1.6% | -0.8% | 0.3% | 2.0% |
| ATV Growth (on PCP) | 3.0% | 4.6% | 3.7% | 0.9% | 2.9% | 3.6% |
|  GFR/NWS | 11.1% | 10.9% | 8.9% | 15.4% | 9.6% | 11.9% |
| FSF/NWS | 6.0% | 6.3% | 5.4% | 6.0% | 6.2% | 5.9% |
| FSF/GFR | 53.8% | 57.9% | 61.3% | 38.9% | 64.2% | 48.5% |
|  Outlet Population | | | | | | |
| Australia | 1,263 | 332 | 275 | 311 | 304 | 41 |
|  NZ | 124 | 4 | 10 | 1 | 3 | 106 |
| Other | 14 | 6 | 1 | 2 | 5 | 0 |
| Total | 1,401 | 342 | 285 | 314 | 312 | 147 |
|  Corporate outlets | 70 | 12 | 13 | 19 | 10 | 16 |

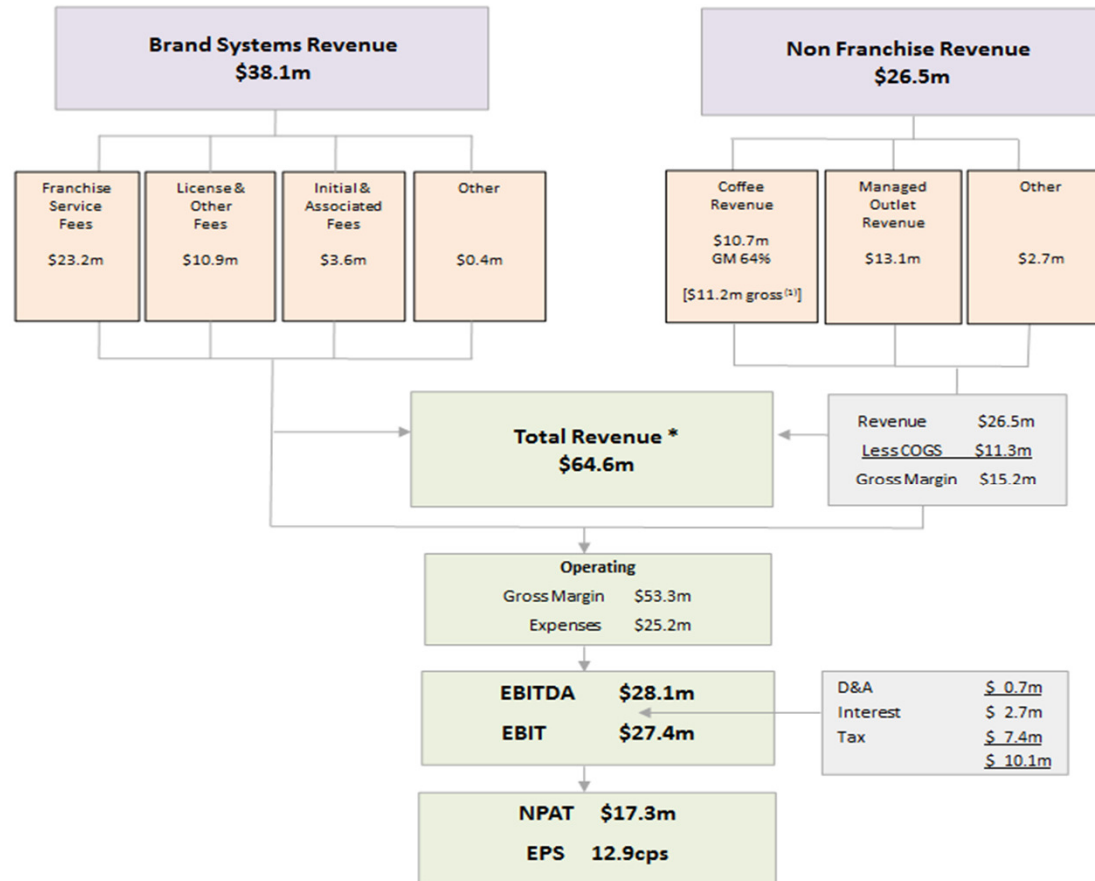
GFR = Gross Franchise Revenue (includes FSF & net coffee contribution)
 FSF = Franchise Service Fee
 NWS = Brand System Network Sales
 AWS = Average Weekly Sales (QSR = Same Store Sales)
 ATV = Average Transaction Value
 QSR = Pizza Capers + Crust Gourmet Pizza
 Other = Esquires (including bb's Coffee House café), The Coffee Guy & sundry

(1) Values are net of statutory consolidation adjustments

✓ EBITDA contributions of the respective Brand Systems vindication of RFG's multi-revenue strategy, and reinforces RFG's 'Strength in Brands' philosophy

- ✓ Increasing scale:
- Second largest Australian listed retail food retailer (by outlet numbers)
 - Decreasing reliance on any one Brand System as evidenced by Group EBITDA contributions
 - Increase in number and volume of revenue streams

1H14 Summary Financial Performance



*Excludes \$13.5m 'wash through' of marketing revenue/expense (1H13: \$10.8m)

⁽¹⁾ Pre eliminations on consolidation - Corporate outlet purchases

1H14 Headlines



✓ Financial Headlines:

- NPAT: \$17.3m (up 18.0% on PCP)
- EPS: 12.9 cps (up 3.2% on PCP)
- Dividends: 10.75 cps (up 13.2% on PCP)
- Gross debt: \$62.9m with cash and facility headroom of \$85.5m
- Gearing: Conservative gearing ratio of 14.1% and interest coverage of 10.3 times
- Cash Flows: Net cash inflows from operating activities of \$13.5m (PCP: \$10.3m)



✓ Growth in earnings a product of resilient business model fortified by astute acquisitions, comprising:

- Positive EBIT contributions from 1H13 acquisitions, principally Crust Gourmet Pizza Bar; and
- Earnings from existing Brand Systems & coffee roasting activities



✓ New outlet commissionings of 79, comprising:

- 49 QSR outlets; and
- 30 non-QSR outlets



Initiatives – Non QSR Brand Systems



✓ Project Evo new outlets and refurbishments c.80 across:

- Donut King
- Michel's Patisserie
- Brumby's Bakery



✓ Continued backfill of Evo elements into existing Brand System networks, including:

- Menu extension
- Product innovation
- Merchandising
- Equipment solutions



✓ Michel's in-store frozen bakery transition to be commissioned in QLD & VIC



✓ Digital Engagement:

- Donut King and Michel's digital menu panel roll out
- Donut King digital loyalty App. launch
- Brumby's Bakery introduction of digital merchandising elements



✓ Coffee Growth:

- Launch of Michel's Espresso coffee excellence
- Evo refurbishments to drive Donut King Royal Bean awareness
- Introduction of proprietary blends and hot beverages to Brumby's



✓ FY14 new outlet organic growth c.70 outlets



Initiatives – QSR Brand Systems



- ✓ QSR400:
 - Continuing to capitalise on strong new site pipeline
 - FY14 new outlet growth c.80
 - Continued investment in franchise support initiatives



- ✓ Menu Innovation:



- Launch of Crust's 'Premium Starters' category
- Pizza Capers: relaunch of highly successful gourmet 'Inferno' product offer
- Execute on initiatives which fortify market leading "Gourmet" position



- ✓ Enhance AWS by driving customer (new and returning) visitation and loyalty



- ✓ Digital Engagement:

- Investment to further realise on-line and e-commerce engagement
- Pizza Capers responsive mobile ordering App.
- Crust continued focus on driving revenue through new augmented digital marketing solutions



- ✓ Experiential Retailing:

- Crust Event Outlet: sampling opportunity (e.g. Australian Grand Prix & Sydney Autumn Racing Carnival "The Championships") magnifies purchase conversion



- ✓ Fortified state of the art National Office training facility with inclusion of on-site QSR training



Operational Initiatives & FY14 Outlook



Operational Initiatives:

- ✓ Commissioning of 2nd Australian coffee roasting facility at Yatala, QLD incorporating chocolate blending capability and syrup production



- ✓ Commissioning of Australian wholesale coffee division:
 - Launch of RFG proprietary New Zealand brands Evil Child and Roasted Addiqtion into the Australian market
 - Dedicated coffee wholesale team to:
 - Drive 3rd party roasting contracts & increase wholesale and retail customers



- ✓ Fortified Strategy & New Business department resources to facilitate acquisition and growth opportunities



- ✓ Continued application of resources to embellish franchisee margin and outlet sales by:
 - Menu enhancement & Increasing ATV
 - Increasing supplier leverage to:
 - Lower input prices & ensure price and supply chain stability



FY14 Outlook:

As at end April 2014:



- ✓ Record organic new outlet growth on track:
 - QSR 80
 - Non-QSR 70



- ✓ Full year guidance of circa 15% growth on FY13 NPAT confirmed



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