

# Retail Food Group

## Investor Presentation An Introduction to RFG

Morgans Conference & ASX Spotlight Series

October 2015

**RETAILFOODGROUP**  
STRENGTH IN BRANDS

**donutking**

**Brumby's**  
BAKERY EST. 1975

**Michel's**  
PATISserie

**crust**  
Gourmet Pizza Bar

**PIZZACAPERS**  
LOUNGE KITCHEN

**Gloria Jean's**  
COFFEES

**DiBella**  
COFFEE

**ESQUIRES**  
COFFEE

**bb's**  
My local cafe

**THE COFFEE**  
GUY

**cafe2u**  
the supreme toast machine

**IT'S A GRIND**  
COFFEE HOUSE

**evolution**  
COFFEE ROASTER

**ROASTING**  
AUSTRALIA

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# Retail Food Group (ASX:RFG)



**An Abridged Introduction**

# About The Company

**ASX Listed in 2006, RFG is now:**

- **Australia's largest owner, developer & manager of retail food franchise systems; and**
- **A leading roaster of quality coffee & affiliated products**



## Corporate

ASX Code	RFG	
Index	ASX200	
Share price <sup>(1)</sup>	\$4.60	
Shares on issue <sup>(1)</sup>	164.34m	
Market cap <sup>(1)</sup>	\$756m	
Net debt <sup>(1)</sup>	\$207.4m	
Enterprise value <sup>(1)</sup>	\$963.4m	
Final dividend (FY15)	Paid 9/10/15	11.75 cps
Dividend yield <sup>(2)</sup>	7.32%	

## Board of Directors/Executive

Colin Archer	Independent Non-executive Chairman
Anthony (Tony) Alford	Managing Director
Stephen Lonie	Independent Non-executive Director
Jessica Buchanan	Independent Non-executive Director
Kerry Ryan	Independent Non-executive Director
Andre Nell	CEO (Franchise)
Gary Alford	CEO (Commercial)
Peter McGettigan	CFO
Mark Connors	COO

(1) As at 21 October 2015

(2) Pre-tax FY15 interim (11.5cps) + final dividend (11.75cps) divided by share price

# Divisional Assets

## Franchise Overview

- 12 Brand Systems
  - Full format franchise system model
  - Owner of all Brand System IP (not licensed from others)
  - Pure play franchisor (no corporate operated outlets)<sup>(1)</sup>
- c.2,450 outlets
  - 25% international
- 58 international licensed territories
- Brand Systems contribution to Group EBITDA:
  - FY06<sup>2</sup>: 100% (\$10.7m)
  - FY15: 71% (\$63.1m)<sup>(4)</sup>

## Brand Systems

		Outlets <sup>3</sup>	AUS	INT.
Traditional 885 outlets	Donut King	341	331	10
	Brumby's Bakery	250	241	9
	Michel's Patisserie	294	291	3
Coffee Retail 887 outlets	Gloria Jean's Coffees	805	354	451
	It's A Grind	26	-	26
	bb's Café/Esquires	56	18	38
QSR 333 outlets	Crust Gourmet Pizza	206	197	9
	Pizza Capers	127	127	-
Mobile 341 outlets	Café2U	269	182	87
	The Coffee Guy	72	18	54

## Commercial Overview

- 12 wholesale coffee brands
- 4 coffee roasting facilities (NSW, SEQ, NZ & USA)
  - c.6m kg annualised coffee & allied beverage throughput
  - c.30m kg roasting capacity
  - Includes powder, syrup, chocolate & third party roasting
- Exclusive foothold within 'in-home' capsule market (Caffitaly)
- Commercial contribution to Group EBITDA:
  - FY06<sup>2</sup>: nil
  - FY15: 29% (\$25.7m)<sup>(5)</sup>

## Wholesale/Brands

		Approx. Kilograms	
		Processed	Capacity
Roasting Facilities	Roasting Australia (NSW)	4.2m	13.3m
	Di Bella Coffee (QLD)	1.2m	10.8m
	Evolution Roasters (NZ)	0.3m	3.1m
	Di Bella Coffee (USA)	0.3m	3.1m
		Type	
Predominant Specialty Brands	Di Bella Coffee	Coffee	
	Café Palazzo	Coffee	
	Roasted Addiqtion	Coffee	
	Umami	Coffee	
	Evil Child	Chocolate Powder	

(1) Other than interim management

(2) RFG Listed on the ASX June 2006

(3) As at 30 June 2015

(4) Excludes wholesale coffee contribution from 'Commercial'

(5) Includes wholesale coffee contribution to Brand Systems

# History (Abridged)

## 1989:

- Single Brand System (Donut King)
- c.50 outlets

## ASX Listed in 2006:

- Two Brand Systems (Donut King & bb's Café)
- 327 outlets
- \$71m enterprise value
- 65 corporate team members
- FY06<sup>(1)</sup>:
  - EBITDA: \$10.7m
  - NPAT: \$5.9m
  - EPS: 8.6cps

## Today:

- 12 Brand Systems & 12 Brands
  - c.2,450 outlets
  - 600+ international
  - c.6m kg coffee throughput
  - Coffee distributed globally
- c.\$1bn enterprise value
- 550+ corporate team members
- FY15<sup>(2)</sup>:
  - EBITDA: \$88.8m
  - NPAT: \$55.1m
  - EPS: 35.6cps

## Divisional Brand Systems & Brands

### FRANCHISE

#### Traditional



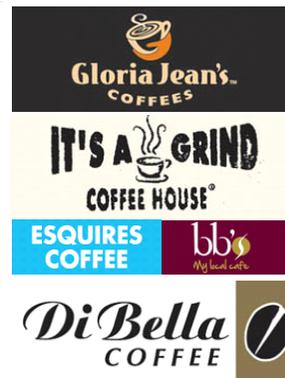
#### QSR



#### Mobile



#### Coffee Retail



### WHOLESALE / COMMERCIAL

#### Specialty



#### Manufacture

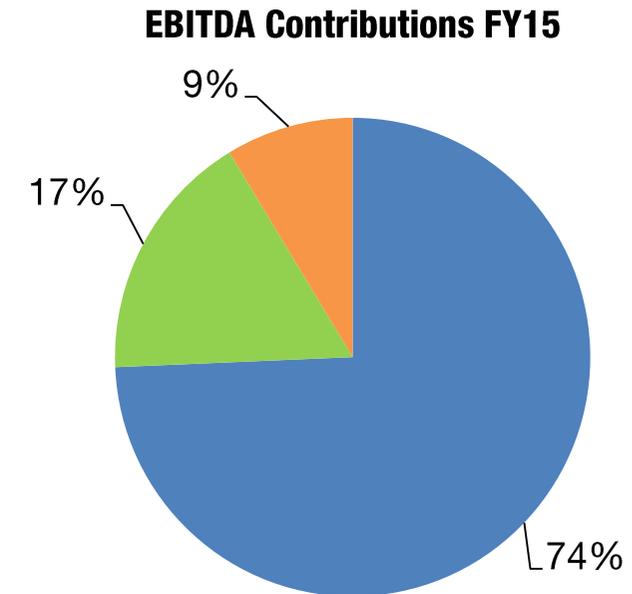


(1) Pro-forma adjusted  
 (2) Underlying – refer Appendix

# Multi-Brand & Multi-Revenue Platforms

## Diversification nurtures business & drives growth

EBITDA Breakdown	FY14	FY15	%
Brand Systems (Domestic) <sup>(2)</sup>	\$56.6m	\$66.0m	↑ 16.6%
Brand Systems (International) <sup>(2)</sup>	\$2.1m	\$15.1m	↑ 619%
Coffee Wholesale <sup>(3)</sup>	\$0.4m	\$7.7m	↑ 1,825%
<b>Total</b>	<b>\$59.1m</b>	<b>\$88.8m</b>	<b>↑ 50.25%</b>



### Strength in Diverse Business Model

- FY15 record outcomes validate strategy of pursuing relevant & complementary multi-brand & multi-revenue business drivers
  - Brand System (International) & Coffee Wholesale contribution to Group EBITDA increased to 26% (PCP: 4%)
  - Reliance on domestic Brand System EBITDA reduced from 96% to 74%
  - Business assets which generated 100% of EBITDA in FY06 now represent c.12% of EBITDA<sup>(1)</sup>
- Limits exposure to modest performance amongst any one business unit
  - Affords scope to support challenged business units in the event of adverse conditions (e.g. natural disasters)
- Encourages growth via holistic business model not tied to any one business platform
- Enhances business intelligence leading to better informed strategic & operational decisions

(1) Underlying – refer Appendix

(2) Includes EBITDA contribution from Coffee & Allied Beverage sales to Brand System franchisees

(3) Excludes EBITDA contribution from Coffee & Allied Beverage sales to Brand System franchisees

# Gloria Jean's Coffee

## Global Landscape: Franchise & Coffee



# Franchising Landscape<sup>1</sup>

## GLOBAL

- Global economic contributor
  - +2m franchise businesses
  - Industry contributes +2.3% to global GDP
  - Sustains over 19m jobs
- USA leads the way
  - 3,800 franchise concepts
  - 770,000 franchised units
  - \$844b industry
- Australia major player
  - Ranks in top 10 world wide for number of concepts, number of franchised outlets and employment
  - Ranks in top 5 for economic output

## AUSTRALIA

- Current market
  - 1,160 business format franchisors
  - 79,000 franchise outlets – up 8.2% since 2012
  - 460,000+ employed within industry
  - +\$150b industry
- Retail food franchising
  - 28% of Australian franchise concepts are 'food' brands
  - 14% of food brands are in the coffee sector
- Towards 2020
  - 2.1% revenue growth to \$170 billion
  - Online retailing prominence

(1) Research from IBIS World Industry Report X0002 Franchising in Australia March 2014, FRANdata The Australian Franchise Sector 2015, Franchising Australia 2014 Report – Griffith University

# RFG in the Franchising Market

- Market Share
  - Australia's largest multi-brand food franchisor with +1.2% of Australian franchise market share<sup>(1)</sup>
  - Australia's largest 'home grown' Brand System IP owner
  - Major Brand Systems are category leaders
- Future Growth
  - Market leadership in ANZ positions the Group's Brand Systems for international expansion
  - Opportunity to leverage thriving global franchising sector & emerging coffee/café culture
  - By end FY18 international outlet commissionings anticipated to represent c.70% of new outlet growth

## BRAND SYSTEM STATISTICS

### Annual

140m+ customers served  
 75m+ coffees sold  
 10m+ gourmet pizzas made by hand  
 9m+ loaves of bread baked fresh  
 Employs c.25,000 team members

## CATEGORY LEADING SYSTEMS

Brand	Market Position	Category
Donut King	1 <sup>st</sup>	Donut & coffee (AUS)
Michel's Patisserie	1 <sup>st</sup>	Patisserie & coffee (AUS)
Brumby's Bakery	1 <sup>st</sup>	Bakery + savoury (AUS)
Gloria Jean's Coffees	1 <sup>st</sup>	Coffee house (AUS)
Crust Gourmet Pizza	1 <sup>st</sup>	Gourmet pizza (AUS)
Pizza Capers	2 <sup>nd</sup>	Gourmet pizza (AUS)
Cafe2U	1 <sup>st</sup>	Mobile coffee (Global)
The Coffee Guy	1 <sup>st</sup>	Mobile coffee (NZ)
Di Bella Coffee	1 <sup>st</sup>	Specialist roaster (AUS)

(1) IBIS World Industry Report X0002 Franchising in Australia March 2014 (Market share prior to Cafe2U & Gloria Jean's Coffees acquisition)

# Coffee Landscape<sup>1</sup>

## GLOBAL

- Current market
  - 8.8b kg of coffee consumed
  - 1.1% growth in 2013/14
- Future growth
  - Predicted 1.5% growth in 2014/15 & 1.7% in 2015/16
  - Predicted 9.1b kg in coffee consumed in 2015/16
- Asia high growth region
  - Consumption growth will be strong in Asian markets including China, India & South-East Asia
  - Coffee chain expansion to drive further growth – number of cafés in China doubled between 2007 and 2013

## AUSTRALIA

- Current market
  - 200+ coffee franchise & café chain brands
  - 600+ commercial coffee roasters
  - 120,000+ coffee destinations
  - 150,000+ espresso coffee service points
  - \$13b revenue
  - 3.9b cups consumed per annum
- Industry facts
  - Coffee is No.1 beverage consumed out of home
  - 1 out of 3 café consumers are ‘heavy frequency’ with 5 to 7 café visits per week
  - 89% of wholesale coffee is sourced directly from the roaster
  - Recession resistant – coffee continues solid growth despite GFC, economic headwinds & retail uncertainty
- The year 2020
  - 1,000+ commercial coffee roasters
  - \$15b revenue
  - +5b cups sold per annum

(1) Research from The Economist World Commodity Forecasts October 2015 & Café Culture Café Pulse 2013/14 Australian Café Market Report

# RFG in the Coffee Market <sup>1</sup>

Trend	Market Factors	RFG Initiatives
Growth in Asian regions	<ul style="list-style-type: none"> <li>• Consumption growth in China, India &amp; South-East Asia</li> <li>• Coffee chain expansion will drive further growth</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish Regional Distribution Hubs &amp; Roasters</b> <ul style="list-style-type: none"> <li>○ Synergistic decommissioning of excess roasters to deploy internationally (Asia)</li> <li>○ China JV for Gloria Jean's Coffees</li> <li>○ Grow existing Asian Master Franchise Partner territories</li> </ul> </li> </ul>
Domestic capsule /pod usage rising	<ul style="list-style-type: none"> <li>• 34% of all Australian households have in home coffee machine either espresso and/or capsule/pod</li> <li>• Western countries driving growth in single serve coffee machines for domestic use</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Expand Market Share of Capsule Market</b> <ul style="list-style-type: none"> <li>○ Currently roasts 750t of coffee p.a for capsules/pods</li> <li>○ Continued growth in this business segment driven by new blends, brands and machinery</li> </ul> </li> </ul>
Quality of service to improve outside of specialty	<ul style="list-style-type: none"> <li>• More training available</li> <li>• More coffee professionals</li> <li>• 'Barista' as a career</li> <li>• Rise of alternate brewing methods</li> <li>• Automation increasing in quality &amp; consistency</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Training &amp; Equipment Leasing Programs</b> <ul style="list-style-type: none"> <li>○ Enhanced training to internal &amp; external stakeholders through online &amp; in person learning solutions</li> <li>○ 'Turn key' business solutions for franchisees &amp; small business owners</li> <li>○ Equipment leasing &amp; support services</li> </ul> </li> </ul>
Dine in experience	<ul style="list-style-type: none"> <li>• Consumer preference to dine at cafés versus restaurants</li> <li>• More accessible &amp; affordable</li> <li>• Casual dining growing over fine/formal dining</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Project EVO Driving Brand Experience</b> <ul style="list-style-type: none"> <li>○ Focus on in-store elements to provide enhanced consumer engagement</li> </ul> </li> </ul>

(1) Research from Café Culture Café Pulse 2013/14 Australian Café Market Report

# Video: RFG Coffee & Allied Beverage Operations

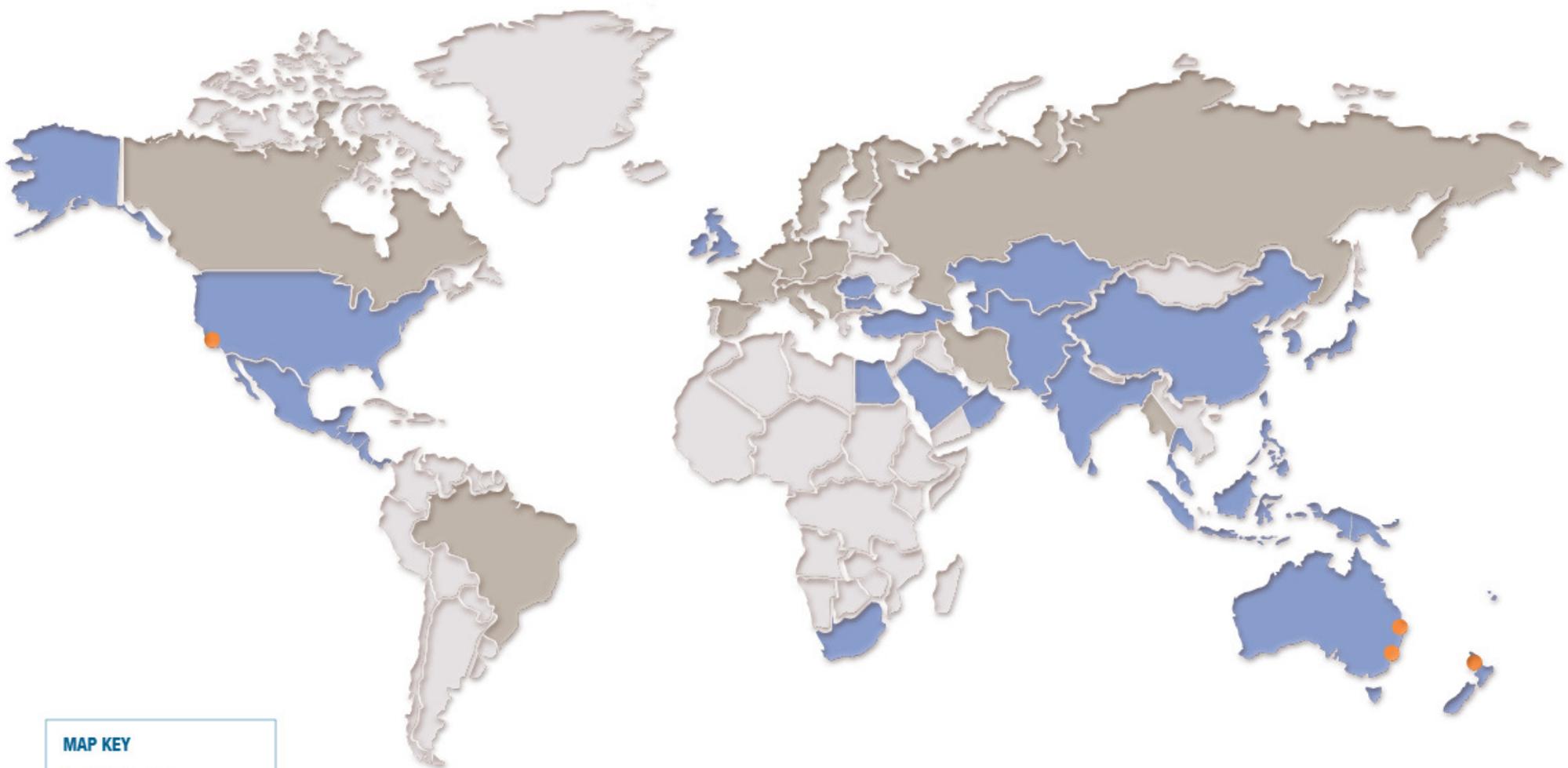


**FY16 & Beyond**



# The Global Opportunity

FY15 acquisition activity positions RFG as a genuine global franchisor, coffee roaster & allied beverage wholesaler



## MAP KEY

- Blue square: RFG territories
- Orange circle: RFG roasting facilities
- Brown square: Short term opportunity
- Grey square: Long term opportunity

# A Company (Still) in Growth

## Sustained & sustainable outcomes demonstrate a company in growth

### Historical Performance<sup>(1)</sup>

- EBITDA CAGR since Listing: 27.6%
  - EBITDA CAGR (FY12-FY15): 20.4%
- NPAT CAGR since Listing: 28.2%
  - NPAT CAGR (FY12-FY15): 24.6%
- EPS CAGR since Listing: 17.1%
  - EPS CAGR (FY12-FY15): 10.5%
- Dividend CAGR since Listing: 19.1%
  - Dividend CAGR (FY12-FY15): 10.0%
- Total Shareholder Return (TSR) CAGR since Listing: 30.3%<sup>(2)</sup>
  - TSR CAGR (FY12-FY15): 32.9%<sup>(2)</sup>

### Strong Growth Story

- Continues to deliver positive outcomes whilst reinvesting in long term acquisitive & organic growth platforms
- Maiden FY07 dividends of 6.25cps increased c.370% to 23.25cps<sup>(4)</sup>
- Outlet population increased from c.330 to c.2,450 since Listing
- Established inaugural coffee roasting facility in 2008, with total Coffee & Allied Beverage operations now contributing 31.1% to FY15 Group EBITDA<sup>(3)</sup>
- Core of Executive Management Team has presided over entirety of growth since Listing

(1) Underlying Results

(2) Includes pre-tax dividends

(3) Includes coffee EBITDA from franchise & wholesale

(4) 1H15 + FY15 final dividend

# Strategic Ambitions

Franchise	Coffee & Allied Beverage	International	M&A
<p>Leverage Project EVO to sustain growth in AWS, ATV &amp; customer count</p> <p>Increase Brand Systems under RFG stewardship</p> <p>Majority of organic outlet growth to be achieved internationally</p> <p>Leverage &gt;\$50m (book) financial services opportunity available to the Group</p> <p>Strengthen supply side relationships benefitting RFG &amp; franchisee community</p> <p><b>Grow total network footprint to &gt;3,500 franchised outlets</b></p>	<p>Establish further offshore roasting capacity to efficiently service all existing markets</p> <p>Penetrate new markets &amp; increase international specialty coffee presence (esp. Di Bella Coffee)</p> <p>Drive vertical integration opportunities in domestic &amp; international markets (powders/syrups/allied products)</p> <p><b>40% of Group EBITDA by FY18</b></p>	<p>Consolidate RFG's position as a genuine global franchisor &amp; leading coffee enterprise</p> <p>Expand Brand Systems into new territories &amp; markets via licencing &amp; JV platforms</p> <p>Leverage the Gloria Jean's Coffees China Joint Venture to accelerate Asian presence</p> <p>Increase penetration of product supply into all licensed territories</p> <p><b>25% of Group EBITDA by FY18</b></p>	<p>Leverage increased acquisitive growth platforms resulting from FY15 acquisitions</p> <p>Seek out international growth where compelling to do so</p> <p>Maintain prudent &amp; disciplined approach to acquisition opportunities</p> <p><b>Balance M&amp;A activity with substantially increased organic growth opportunity</b></p>



# Growth Opportunities

**FY15 acquisition activity & resultant reprioritisation of revenue drivers has established long term growth opportunities, domestically & internationally**

**RFG now possesses expanded management skills & global reach, presenting a plethora of new opportunities for organic & acquisitive growth**

## Consolidation & Growth

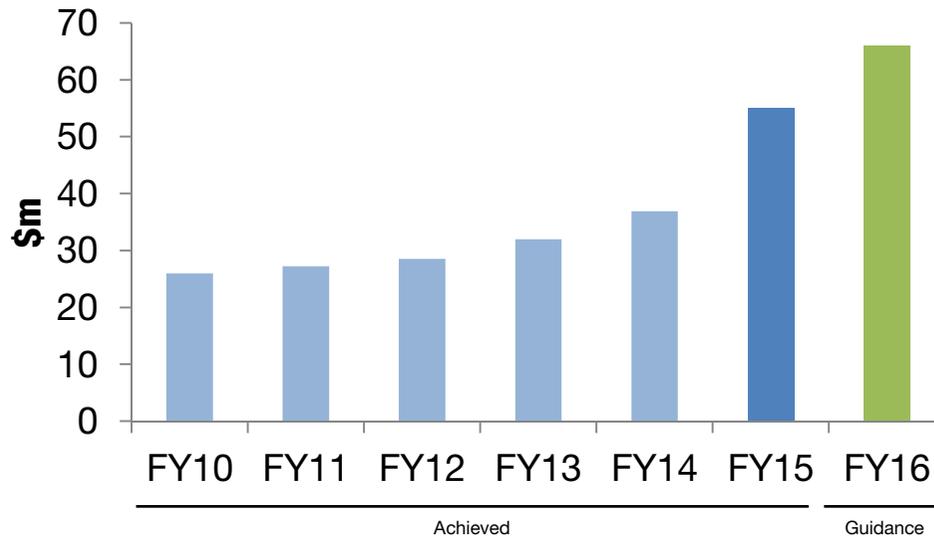
- Continuation of key internal consolidation & synergistic projects in FY15
- Green bean origin & purchasing platform
- Further technological & equipment enhancement at principle roasting facility Castle Hill (NSW) to drive margin & efficiencies
- Regional international distribution hubs (Project Link)
- Decommissioning of excess roasters for deployment internationally
- Focus on growing Di Bella Coffee domestic market share
- Growing 'in-home' & institution capsule category penetration
- Dedicated International Division to drive growth, new master franchise/licence relationships & opportunities
- Resources prioritised to highest growth opportunities

## Leveraging Opportunities for Additional Revenue

- Expansion of international roasting facilities
- Low risk high margin expansion into overseas markets through Master Franchise & JV arrangements
- Expand coffee products internationally
- Emerging financial services business & income stream providing franchisee funding solutions
- Expansion of wholesale/contract roasting business
- Specialty wholesale & ecommerce re-launch into international territories including Di Bella Coffee & Café Palazzo via regional distribution agreements
- Sustainable franchise revenue streams augmented by further brand acquisition
- Migrating single or 'one off' revenue streams into annuity arrangements

# Outlook

## Net Profit After Tax<sup>(1)</sup>



## Established Platform for Growth

- RFG enthusiastic regarding FY16 & longer term performance
  - Proven business model
  - Solid platform laid for enhanced performance, including
    - Full year contributions from FY15 acquisitions
  - Experienced management team driving outcomes
  - Multiple levers available for driving future earnings growth
    - Organic domestic opportunity
      - Brand Systems
      - Coffee & Allied Beverage
    - Significant international opportunity



(1) Underlying



# Appendix: FY15 Results Highlights<sup>(1)</sup>



(1) For detailed discussion of FY15 performance refer ASX announcements 27/08/15:

- FY15 Full Year Statutory Accounts; and
- FY15 Results Presentation

# FY15 Continued Record Outcomes

## Unique growth platform & business model delivering record performance

### FY15 Performance<sup>(1)</sup>

	FY14	FY15	Change
Revenue <sup>(2)</sup>	\$128.8m	\$210.4m	63.4%
EBITDA	\$59.1m	\$88.8m	50.2%
NPAT	\$36.9m	\$55.1m	49.3%
Basic EPS	26.5cps	35.6cps	34.3%
Dividend (Full Year)	22.0cps	23.25cps	5.7%
Dividend Payout Ratio	75.9%	65.3%	
Franchised Outlets	1,434	2,446	1,012
International Territories	9	58	49
Net Debt	\$57.4m	\$192.2m	
Gearing Ratio	16.6%	33.1%	
Interest Cover	12.3x	11.1x	

### Remarkable Outcomes

- Transformed into genuine global enterprise with significant international footprint
- Record:
  - EBITDA (up 50.2% to \$88.8m)
  - NPAT (\$55.1m) consistent with guidance
  - EPS of 35.6cps (34.3% increase on PCP)
  - Final dividend of 11.75 cps (PCP: 11.25cps)
  - Annualised coffee & allied beverage throughput c.6m kg
- 35% increase in Total Shareholder Return<sup>(3)</sup>
- 73% increase in network population (+1,012 outlets) to c.2,450 driven by acquisitions & organic new outlet commissionings
- Completion of Company defining acquisitions
  - Café2U (September 2014)
  - Gloria Jean's Coffees Group (December 2014)
  - Di Bella Coffee (February 2015)

(1) Underlying

(2) Reported revenue less revenue associated with marketing pursuits

(3) Share price change over FY15 + pre-tax dividends paid

# FY15 Earnings Reconciliation

	FY14	FY15		
	Reported (\$m)	Underlying	LFL	Reported
EBITDA	\$59.1m	\$88.8m	\$86.5m	\$59.4m
PCP%		50.2%	46.4%	0.5%
NPAT	\$36.9m	\$55.1m	\$53.5m	\$34.2m
PCP%		49.3%	45.0%	(7.2%)
EPS	\$26.5m	35.6cps	34.5cps	22.1cps
PCP%		34.3%	30.4%	(16.6%)

## EBITDA Adjustments

Reported EBITDA		\$59.4m
Acquisition, Integration & Restructuring Costs <sup>(1)</sup>		\$29.4m
Underlying EBITDA		\$88.8m
China JV Licence Fee <sup>(2)</sup>	(\$5.7m)	
Accounting Policy Adoption <sup>(3)</sup>	\$3.4m	(\$2.3m)
Like for Like (LFL) EBITDA		\$86.5m

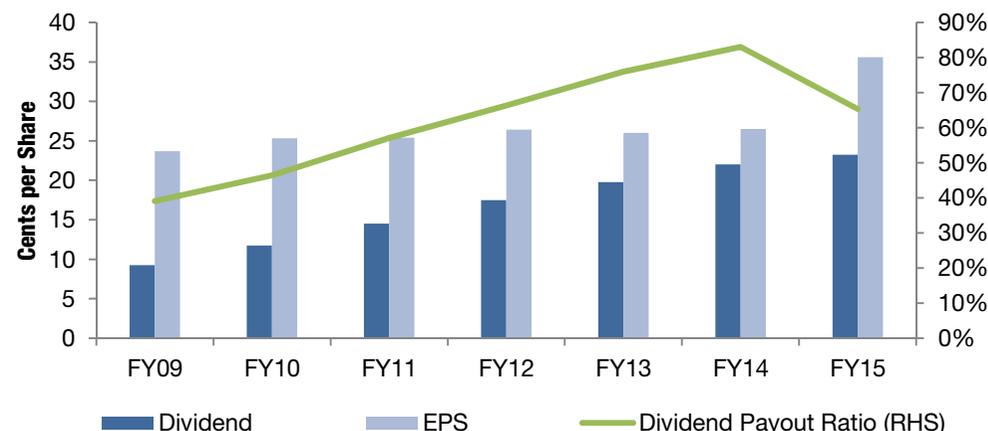
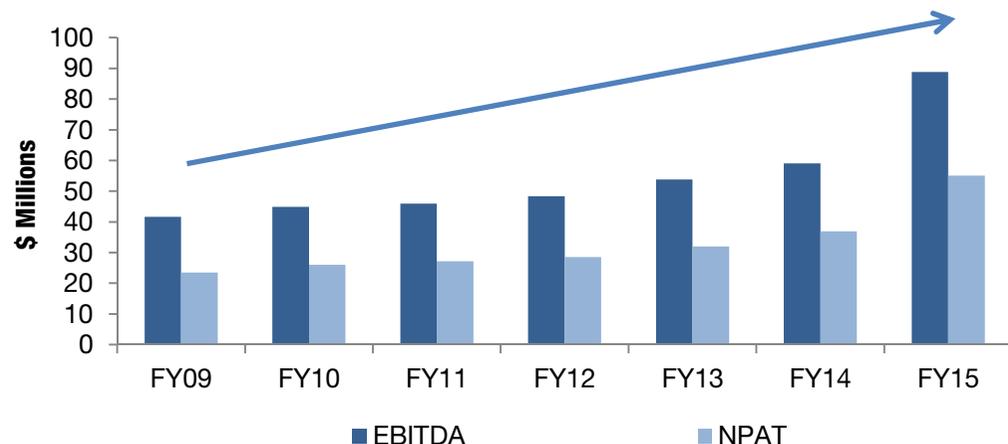
(1) Refer Market Presentation 2 June 2015

(2) China JV Licence Fee net EBITDA contribution of the fee received in respect of GJC International Licence granted per Market Announcement of 21/01/15

(3) Accounting Policy Adoption in recognition of the increasing contribution to EBITDA of initial fees received for Brand System access, RFG has resolved to recognise same over the respective agreement term as opposed to the financial year of agreement

# Shareholder Outcomes Aligned with Performance

## Rewarding shareholders with record earnings & dividends



### EBITDA & NPAT<sup>(1)</sup>

- EBITDA up 50.2% on PCP to \$88.8m driven by contributions from strategic acquisitions
  - EBITDA CAGR 20.4% (FY12-FY15)
- NPAT up 49.3% on PCP to \$55.1m
  - NPAT CAGR 24.6% (FY12-FY15)
- FY15 EBITDA conversion to cash flow ratio of 109.6%<sup>(3)</sup> (PCP: 85.8%)
  - Cash flow conversion a continuing strength of Group's business model

### Dividends & EPS<sup>(1)</sup>

- EPS up 34.3% on PCP to 35.6cps<sup>(2)</sup>
- FY15 dividends increased 5.7% to 23.25cps
- 9<sup>th</sup> consecutive annual dividend increase representing an annual dividend increase every year since Listing
- Dividend payout ratio moderated to 65.3% (PCP: 75.9%)
  - Continues to reward shareholders; whilst
  - Supporting acquisitive & organic growth initiatives

(1) Underlying  
 (2) Basic EPS  
 (3) 92.5% excluding impairment & provisioning charges

# FY15 Acquisition Scoreboard

## A 'glorious' result

Acquisition	FY15 EBITDA Contribution <sup>(1)</sup>	FY15 EBITDA Guidance Achieved	Initial Integration Completion	Full Synergy & Leverage Extraction	Development Potential Priority	Return on Capital <sup>(3)</sup>
	\$1.6m	✓	100%	75%	★★★	15.1%
	\$15.3m <sup>(2)</sup>	+9.3%	75%	50%	★★★★★	16.1%
	\$2.9m	+7.4%	65%	40%	★★★★	21.6%
<b>Total:</b>	<b>\$19.8m</b>	<b>+8.2%</b>				

### Acquisitive Strategy Validated

- Synergy leverage & development
  - Opportunities identified during due diligence confirmed
  - Additional untapped opportunities to be liberated
  - Extraction on track to be realised over three years
- Endorses resolve to:
  - Implement accelerated growth platform
  - Rationalise subscale business pursuits<sup>(4)</sup>
- Acquisition activity has driven positive outcomes across the entire business platform
- Acquisition EBITDA in respect of FY16 affirmed at c.\$35m<sup>(5)</sup>

### Integration KPIs Met or Exceeded

- Existing growth platform & drivers would not exist but for Group's pursuit of acquisition strategy
- All FY15 acquisitions met or exceeded acquisition KPIs
  - EBITDA performance exceeded EBITDA KPI by \$1.5m (or 8.2%)
  - Combined acquisition EBITDA (\$19.8m) represents 22.3% of FY15 Group EBITDA
  - c.1,000 outlets added to franchise networks (including c.500 international outlets)
  - Coffee business annualised throughput increased by 4.32m kgs

(1) Underlying

(2) Excludes China Joint Venture EBITDA of \$5.7m

(3) Annualised FY15 EBITDA contribution over initial acquisition cost

(4) Refer Market Update 2 June 2015

(5) Excluding acquisition & integration costs

# FY15 Brand System Results Summary - Financial

Division	Network Sales (\$m)		Gross Franchise Revenue								EBITDA (\$m)		
			Franchise Revenue (\$m)		Net Coffee Contribution (\$m)		International Contribution (\$m)		Total (\$m)				
	FY15	PCP	FY15	PCP	FY15	PCP	FY15	PCP	FY15	PCP	FY15	PCP	
Traditional		160.5	(1.1)%	15.9	1.9%	3.4	13.3%	0.1	-	19.4	3.7%	14.8	11.3%
		164.4	(11.7)%	14.2	(18.4)%	0.2	100%	0.3	-	14.7	(17.4)%	10.8	(12.9)%
		161.0	(7.3)%	18.0	(8.6)%	7.1	(1.4)%	0.0	-	25.1	(6.7)%	17.5	1.2%
	<b>Total:</b>	<b>485.9</b>	<b>(6.9)%</b>	<b>48.1</b>	<b>(8.7)%</b>	<b>10.7</b>	<b>3.9%</b>	<b>0.4</b>	<b>-</b>	<b>59.2</b>	<b>(6.6)%</b>	<b>43.1</b>	<b>0.2%</b>
<b>Like for Like<sup>(1)</sup></b>											<b>46.1</b>	<b>6.8%</b>	
Coffee		241.5	582%	12.7	647%	12.2	917%	12.0	650%	36.9	720%	23.5	968%
													
													
													
QSR		205.1	2.5%	19.8	(3.4)%	-	-	-	-	19.8	(3.4)%	12.9	(4.4)%
													
	<b>Like for Like<sup>(2)</sup></b>											<b>13.3</b>	<b>(0.9)%</b>
	Mobile		Not Applicable		2.1	2,000%	1.3	117%	1.0	150%	4.4	300%	2.2
													
<b>Group Total</b>		<b>23%</b>	<b>82.7</b>	<b>10.3%</b>	<b>24.2</b>	<b>100%</b>	<b>13.4</b>	<b>458%</b>	<b>120.3</b>	<b>34.4%</b>	<b>81.7</b>	<b>37.8%</b>	

(1) Includes \$3m impact of new accounting policy relating to allocation of network access fees over contract life rather than FY of receipt

(2) Includes \$0.4m impact of new accounting policy relating to allocation of network access fees over contract life rather than FY of receipt

# FY15 Brand System Results Summary - Operational

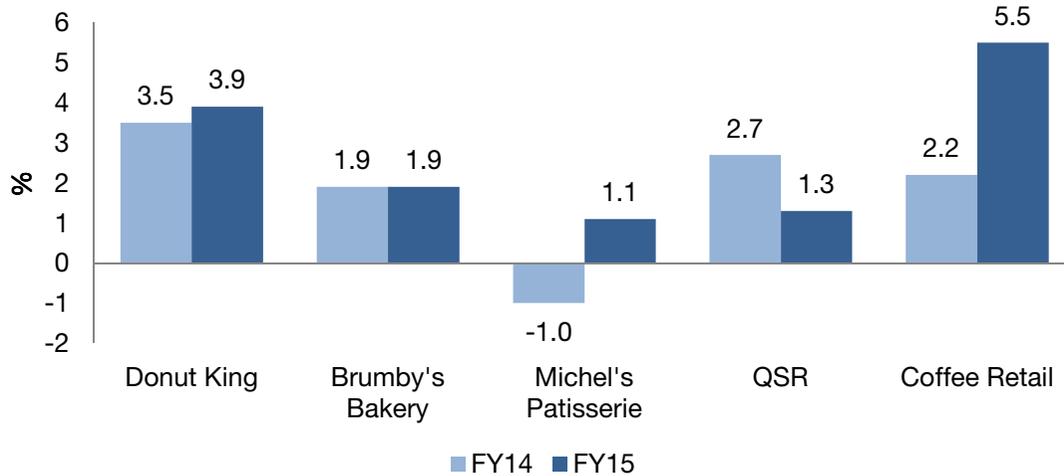
	Division	SSS (%)	ATV (%)	New Outlets (Organic)	Total Outlets	EVO Traction (% of network)
Traditional		3.9%	3.7%	20	341	34%
		1.9%	2.8%	10	250	13%
		1.1%	2.3%	16	294	32%
	<b>Total:</b>	<b>2.4%</b>	<b>2.9%</b>	<b>46</b>	<b>885</b>	<b>27%</b>
Coffee		5.5%	3.1%	80	887 <sup>(1)</sup>	Not Applicable
						
QSR		1.3%	5.4%	32	333	Not Applicable
						
Mobile		Not Applicable		42	341 <sup>(2)</sup>	Not Applicable
						
<b>Group Total</b>		<b>2.9%</b>	<b>3.4%</b>	<b>200</b>	<b>2,446</b>	

(1) Includes 780 outlets on acquisition of Gloria Jean's Coffees & It's A Grind

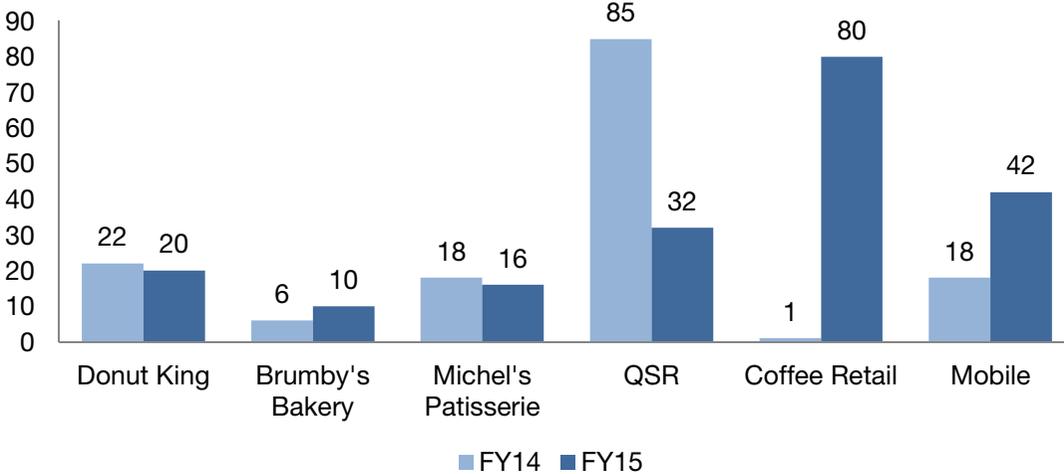
(2) Includes 236 outlets on acquisition of Café2U

# FY15 Brand System Highlights

**SSS Growth**



**Outlet Commissionings by Brand**



## Healthy Franchise Network

- Positive SSS/ATV growth<sup>(1)</sup>
  - Group SSS growth: 2.9%
  - Group ATV growth: 3.4%
- Results driven by
  - Ongoing Project EVO traction (27% penetration across Traditional Brand Systems)
  - Strong Gloria Jean's Coffees SSS post acquisition bolstered Coffee Retail Division results
- Rollout of National Bakery Solution (NBS) underpinning Michel's SSS turnaround (from -1.0% to +1.1%)
  - NBS first applied to QLD network: SSS growth of c.5%
  - June 15 rollout in NSW: delivering positive SSS results
  - NBS completion scheduled 1H16
- Transactional approvals up 25% to c.400 demonstrates continuing Brand System relevance & outlet performance

## Organic Growth

- Record 200 new outlets commissioned (exceeding guidance by 50) including 81 new international outlets
  - Reflects strong new franchisee pipeline & diverse franchise offer
  - Outlet growth from international licensees reinvigorated subsequent to Gloria Jean's Coffees acquisition

(1) Weighted average

# Cash Flow & Financial Position

Cash Flow	FY14 \$'m	FY15 \$'m
Receipts from customers	175.5	263.6
Payments to suppliers & employees	(124.9)	(198.5)
Gross operating cash flows	50.6	65.1
EBITDA	59.1	59.4
Ratio of gross operating cash flows to EBITDA	85.8%	109.6%
Interest & other costs of finance paid	(5.4)	(7.2)
Income tax paid	(15.3)	(23.2)
Net operating cash inflows	29.9	34.7
Dividends paid	(25.3)	(24.1)
Net Debt reduction	(40.0)	137.0
Acquisitions of business & intangibles	(3.7)	(194.7)
Acquisition of property, plant & equipment	(15.4)	(6.6)
Net capital raising	56.7	66.6
Funding Marketing Fund R&D initiatives	(7.8)	(10.1)
Other cash activities	0.3	-
	(35.2)	31.9
Net (decrease) / increase in cash reserves	(5.3)	2.8
Cash reserves at year end	11.6	14.4

Financial Position	FY14 \$'m	FY15 \$'m
<b>Assets:</b>		
Cash reserves	11.6	17.1
Trade receivables	23.7	43.9
Financial assets	23.9	29.6
Inventories	10.1	20.9
Plant & equipment	27.7	42.9
Intangibles	299.1	513.0
Tax receivable	-	1.6
Other	2.0	11.0
	398.1	680.0
<b>Liabilities:</b>		
Trade payables	8.3	29.8
Provisions	2.0	5.8
Tax payable	5.0	-
Borrowings	68.9	206.6
Other (including contingent earnout consideration)	3.9	34.0
	88.1	276.2
<b>Equity:</b>		
Share capital	221.7	315.0
Reserves	0.3	1.3
Retained earnings	88.0	87.5
	310.0	403.8

# Capital Management

Issued Share Reconciliation	Shares	Price (\$)	Proceeds/Value (\$m)
Shares on issue 1 July 2014	144,868,508		
Dividend Reinvestment Plan (Final FY14 Dividend)	1,168,051	4.66	5.44
Institutional/Sophisticated Investor Placement	8,333,334	4.80	40.00
Gloria Jean's Coffees Group Acquisition	2,371,414	5.48	13.00
Di Bella Coffee Acquisition	446,575	5.82	2.60
SPP	3,124,021	4.80	15.00
Dividend Reinvestment Plan (Interim Dividend)	734,063	7.05	5.17
Dividend Reinvestment Plan Shortfall Placement	1,881,518	7.05	13.26
ESOP – exercise of options	10,000	1.32	0.01
Shares 30 June 2015	162,937,484		
Share Value <sup>(1)</sup>			\$94.48m

Debt Facility	FY15
Net debt <sup>(2)</sup>	\$200.3m
Interest expense <sup>(2)</sup>	\$7.3m
Interest cover (times) <sup>(2)</sup>	11.1x
Gearing ratio (net debt / (net debt + equity) <sup>(2)</sup>	33.1%
Total Facility	\$278.0m

(1) Before share issue costs & associated expenses of \$1.2m

(2) Calculated in accordance with Senior Debt Facility Agreement

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