

Retail Food Group Limited AGM 2010



Chairman's Address 30 November 2010

(SLIDE 1 – TITLE)

SLIDE 2 – INTRODUCTION

During a speech given on the 12th of April 1959, former US President John F Kennedy asserted that the word “crisis”, when written in Chinese, was composed of two characters – one that represented danger and another that represented opportunity.

Whilst these words were said in connection with the Cold War and the USSR's recent lead in the space race following launch of Sputnik only 18 months earlier, I consider them to hold equal relevance when placed in the context of the prevailing economic climate here in Australia and abroad.

It is no secret that the retail marketplace has been and remains a challenged environment adversely influenced by the Global Financial Crisis and worst retail spending malaise seen in many years.

RFG has to date overcome the dangers presented by these events – its business model and franchise systems have not only been proven strong and durable, but have been toughened by experience to provide a potent foundation for future growth.

Importantly, there have also been opportunities.

Where appropriate to do so, these have been harnessed by RFG to further strengthen its business and those of the many franchisees who operate under its wings.

With these thoughts in mind, financial year 2010 represented both a demanding but also a rewarding one for the Company during which it reinforced its position as a leader in the retail food franchise industry capable of delivering profitable and sustainable outcomes for its stakeholders.

SLIDE 3 – STRONG RESULTS

For the fifth consecutive year since Listing, the Company has delivered robust and exceptional results. FY10 profit after tax of \$26 million represented a record result that exceeded the prior year by 10.6%.

Earnings per share of 25.3 cents represented a 6.8% increase on FY09, and when coupled with continuing strong cashflows, provided for a 27% increase in the dividend paid to shareholders for the full year.

These results have been driven by solid growth in revenues together with expense rationalizations that have not impacted upon personnel compliment or service delivery to our franchisee community.

SLIDE 4 – ACQUISITIVE ACTIVITY

During FY10 the Company acquired the Brumby's master franchises for New Zealand, Western Australia, North Queensland and the Northern Territory. The vast bulk of Brumby's outlets are now under direct RFG control with only South Australia, representing 18 outlets, now operated under a master franchise.

RFG also attended upon the acquisition of DCM Coffee & Donuts and the Big Dad's Pies franchise system.

The former of these transactions facilitates conversion of multiple outlets to the Donut King system, whilst rendering obsolete a former competitor, whereas Big Dad's Pies provides the Brumby's Bakeries system with the addition of a new concept that holds significant opportunity for outlet expansion within markets unaccustomed to RFG's existing franchise systems.

SLIDE 5 – DEBT:

Of particular note, net debt was reduced by 19.5%, or \$17.7 million, over the course of FY10 notwithstanding that some \$11.5 million of free cash flow was applied to the acquisitive activity mentioned.

The matter of debt was further addressed in August 2010 when RFG announced the appointment of the National Australia Bank as its future debt facility provider with full refinance of the Company's banking facilities subsequently being attended to.

This transaction has coupled RFG with a robust banking partner and assured security for shareholders given maturation of the Company's former banking facilities was due next month.

SLIDE 6 – FRANCHISE SYSTEMS:

Franchise system performance at customer interface has been augmented in a number of ways. We have focused on value, reward and service whilst at the same time enhancing products, menu, training and community engagement.

These activities have driven solid growth in total network sales, weighted average weekly sales amongst franchised outlets and weighted average transaction values.

SLIDE 7 – THE ROAD AHEAD:

In closing, Retail Food Group is patently aware of, and has successfully met or avoided, the dangers which continue to emanate from a challenged marketplace or which may arise from the pursuit of ill-considered or inappropriate growth strategies.

Nor is RFG beholden to third party intellectual property owners.

To the contrary, Retail Food Group has created a solid foundation for success built on proprietary intellectual property rights, the strength of a robust business model, innovative product offering and iconic retail food franchise systems.

It is steadfastly focused on extracting maximum returns from traditional business drivers, whilst exploring novel revenue generators and further acquisitive growth opportunities, ensuring not to diminish support or service for its franchisee community.

Our CEO will shortly speak in more depth concerning these matters.

In the meantime, your Board remains of the belief that Retail Food Group remains strongly positioned to deliver ongoing enhanced value for all stakeholders.

I would like to take the opportunity to thank management and staff on the Company's exceptional performance and future prospects.

I would also like to thank our valued shareholders for the continuing support they provide to the Company and its business model.

Last but by no means least, I would like to especially thank each of our franchisees for their efforts and dedication. They are truly the rock upon which the Company's success is based.

I would now like to ask Managing Director and CEO, Tony Alford, to speak to you in more detail concerning the Company's past performance and plans for the future.

ENDS



CHAIRMAN'S ADDRESS

Mr John Cowley
Chairman

30 NOVEMBER 2010

Chairman's Address to AGM



- The retail marketplace has been and remains a challenged environment adversely influenced by the Global Financial Crisis and worst retail spending malaise seen in many years.
- RFG has overcome the dangers presented by these events – its business model and franchise systems have not only been proven strong and durable, but have been toughened by experience to provide a potent foundation for future growth.
- Where appropriate to do so, opportunities have been harnessed to further strengthen RFG's business and those of the many franchisees who operate under its wings.
- Financial Year 2010 represented both a demanding but also a rewarding one for the Company during which it reinforced its position as a leader in the retail food franchise industry capable of delivering profitable and sustainable outcomes for its stakeholders.

Strong Results



- For the fifth consecutive year since Listing, RFG has delivered robust and exceptional results.
- FY10 profit after tax of \$26 million represented a record result that exceeded the prior year by 10.6%.
- Earnings per share of 25.3 cents represented a 6.8% increase on FY09, and when coupled with continuing strong cashflows, provided for a 27% increase in the dividend paid to shareholders for the full year.
- These results have been driven by solid growth in revenues together with expense rationalizations that have not impacted upon personnel compliment or service delivery to our franchisee community.

Acquisitive Activity



- During FY10 the Company acquired the Brumby's master franchises for New Zealand, Western Australia, North Queensland and the Northern Territory.
- The vast bulk of Brumby's outlets are now under direct RFG control with only South Australia, representing 18 outlets, now operated under a master franchise.
- RFG also attended upon the acquisition of DCM Coffee & Donuts and the Big Dad's Pies franchise systems.
- The former of these transactions facilitates conversion of multiple outlets to the Donut King system, whilst rendering obsolete a former competitor, whereas Big Dad's Pies provides the Brumby's Bakeries system with the addition of a new concept that holds significant opportunity for outlet expansion within markets unaccustomed to RFG's existing franchise systems.

Debt



- During FY10, net debt was reduced by 19.5%, or \$17.7 million, notwithstanding that some \$11.5 million of free cash flow was applied to the acquisitive activity mentioned.
- In August 2010 RFG announced the appointment of the National Australia Bank as its future debt facility provider. Full refinance of the Company's banking facilities has subsequently been attended to.
- This transaction has coupled RFG with a robust banking partner and assured security for shareholders given maturation of the Company's former banking facilities was due next month.

Franchise Systems



- Franchise system performance at customer interface has been augmented in a number of ways. We have focused on value, reward and service whilst at the same time enhancing products, menu, training and community engagement.
- These activities have driven solid growth in:
 - i. total network sales (up 1.4% over previous corresponding period);
 - ii. weighted average weekly sales amongst franchised outlets (up 1.6% over PCP); and
 - iii. weighted average transaction values (up 3.2% over PCP).

The Road Ahead



- Retail Food Group has created a solid foundation for success built on proprietary intellectual property rights, the strength of a robust business model, innovative product offering and iconic retail food franchise systems.
- It is steadfastly focused on extracting maximum returns from traditional business drivers, whilst exploring novel revenue generators and further acquisitive growth opportunities, ensuring not to diminish support or service for its franchisee community.
- The RFG Board remains of the belief that Retail Food Group remains strongly positioned to deliver ongoing enhanced value for all stakeholders.