



# ASX/media release

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## ACQUISITION OF CRUST GOURMET PIZZA BARS

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 the Crust Gourmet Pizza Bars ('Crust') brand system.

First established in Sydney in late 2001 with the ambition of changing consumer perceptions regarding take away pizza by creating a business model dedicated to the provision of great tasting, quality gourmet home delivered products, Crust has grown to incorporate 119 outlets and a reputation for market leadership amongst the gourmet take away pizza market.

Whilst based predominantly in NSW and Victoria, the Crust system has demonstrated enormous potential for organic network growth both nationally and overseas with outlets now having been established in New Zealand, Singapore and most recently, the United States of America<sup>(1)</sup>.

The transaction follows RFG's acquisition of the 118 outlet Pizza Capers Gourmet Kitchen brand system in April 2012 and will position the Company as the market leader, both in terms of scale and menu offer, in the Australian gourmet QSR segment.

To be sure, whereas Pizza Capers heartland is focused in Queensland, the Crust system has been concentrated in both the NSW and Victorian markets.

RFG CEO Tony Alford said, "not only will the transaction consolidate another impressive retail food system under the Company's umbrella, it delivers on a number of strategic initiatives most important of which being (a) the immediate scale provided by ownership of both the Crust and Pizza Capers brand systems; (b) the further investment within the QSR category; and (c) reduced reliance on shopping centres for outlet growth".

"Whilst it remains RFG's intent to develop each brand as distinct systems, the acquisition will generate unsurpassed opportunity for the exploitation of supply side economies, collaborative marketing, research and development activities, cross pollination of products and services and a growing expertise in the gourmet take away pizza market that will benefit all stakeholders in each system".

"Consistent with the Company's stated acquisitive methodologies, the transaction will be immediately Earnings Per Share (EPS) accretive".

"Furthermore, and consistent with all other franchise systems operated by the Company, the transaction incorporates the transfer to RFG of all Crust intellectual property assets, including trademarks and recipes, ensuring the Company is not beholden to third party licensors nor exposed to the risk of territory licence non-renewal", he said.

The price for the business will be the equivalent of 7x Crust FY13 adjusted EBIT and will be paid in two tranches:

- on settlement: \$21m cash and RFG ordinary shares to the value of \$3m; and

- approximately 12 months from settlement: an amount representing the difference between 7x Crust FY13 adjusted EBIT less the \$24m forming part of the purchase price paid in the initial tranche noted above. The second tranche of the purchase price will be paid in cash or cash and scrip at RFG's election.

The cash portion of the consideration payable will be settled from existing cash reserves and available debt facility.

When combined, the Company's present forecast is that Crust and Pizza Capers will contribute circa \$7.5m to RFG FY13 EBIT<sup>(2)</sup>.

Completion of the transaction is anticipated by the end of September 2012 however remains subject to usual and ordinary conditions including completion of RFG's due diligence enquiries.

Crust CEO Michael Logos will remain with the business post settlement and, together with co-founder and Managing Director Costa Anastasiadis, will continue to steer the business under the oversight of RFG National Office.

"The transaction is the culmination of a six month engagement during which we have had the opportunity to familiarize ourselves with RFG management, culture and strategic objectives. Having regard to those matters, the opportunity to partner with a growing public company with proven expertise in the retail food franchising industry offers our franchisees and other stakeholders early access to the benefits of a larger organization whilst retaining the core attributes that have generated the Crust Gourmet Pizza Bar success story to date", he said.

RFG Chairman Bruce Hancox added that, "the Crust acquisition offers another excellent opportunity for RFG to apply its retail food franchising expertise whilst also reinforcing its commitment to the strategic growth initiatives first outlined in its May 2006 Prospectus".

"When first admitted to the Official List of the ASX, RFG had stewardship over a franchised network comprising 330 outlets across the Donut King and bb's café brand systems".

"In the space of six short years the Company and its operations have rapidly grown, delivering positive outcomes for all stakeholders".

"Following completion, RFG's total network population will exceed 1,350 outlets with Crust representing the seventh cash generating unit amongst RFG's stable of high quality businesses which will on settlement comprise existing wholesale coffee operations together with seven franchise systems now represented across eight countries"<sup>(3)</sup>, he 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 and Esquires Coffee Houses franchise systems and roasts over one million kilograms annually of proprietary coffee products via the Evolution Coffee Roasters Group, Caffè Coffee and Barista's Choice coffee brands.

#### **ENDS**

#### **For further information, interviews or images contact:**

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- (1) Crust outlet population metrics: NSW (48), Victoria (35), ACT (7), Qld (14), SA (4), WA (5), Tas (1), New Zealand (2), Singapore (2), USA (1)
- (2) assuming nine (9) month contribution of Crust
- (3) bb's café & Esquires Coffee Houses, whilst distinct franchise brands, are consolidated as a single cash generating unit (CGU) – total CGUs on completion of the Crust transaction: (1) Donut King brand system, (2) Michel's Patisserie brand system, (3) Brumby's Bakery brand system, (4) bb's café & Esquires Coffee Houses brand system, (5) Pizza Capers Gourmet Pizza Kitchen brand system, (6) Crust Gourmet Pizza Bars brand system and (7) wholesale coffee operations.