

29 August 2013

## RFG SERVES UP GOURMET PROFIT & DIVIDEND

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### FY13 Highlights:

- 13.3% increase in Core NPAT<sup>(3)</sup> to \$34.3m (FY12: \$30.3m)
  - 12.1% increase in Statutory NPAT to \$32.0m (FY12: \$28.5m)
  - 14.8% increase in Total Revenue<sup>(2)</sup> to \$117.0m (FY12: \$101.9m)
  - 13.9% increase in final dividend to 10.25 cents per share (FY12: 9cps)
  - Maintenance of c.75%<sup>(1)</sup> dividend payout ratio
  - Completion of Crust Gourmet Pizza (119 outlets) and The Coffee Guy (56 outlets) acquisitions
  - QSR EBIT of \$10m exceeded guidance by 22% (or \$1.8m)
  - 73 new outlets commissioned across all Brand Systems
  - Weighted AWS and ATV<sup>(4)</sup> growth of 1.3% and 4.0% above PCP
  - Completion of QSR Brand System co-alignment
  - Development of Project QSR400 growth strategy
  - Completion of strategic property acquisitions to facilitate enhanced growth
  - Completion of \$53.5m capital raising (Placement: \$46.54m SPP: \$7m)
  - Admission to the S&P/ASX300 Index in March 2013
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Australia's largest multi-brand food franchisor and leading wholesale coffee roaster, Retail Food Group Limited (RFG or the Company) today announced a 13.3% increase in FY13 Core Net Profit After Tax (NPAT) to \$34.3m (PCP: \$30.3m), consistent with the earnings update provided 9 August 2013. Statutory NPAT rose 12.1% to \$32.0m (PCP: \$28.5m).

RFG's impressive result was the product of a 14.8% increase in Total Revenue to \$117.0m (PCP: \$101.9m) and Core EBIT growth of 11.7% to \$55.9m, a record for the Company.

RFG Chairman Colin Archer declared that, "on no previous occasion has RFG's 'strength in brands' philosophy been so evident than in FY13. That the Company delivered a 13.3% increase in Core NPAT is both a credit to the Company's executive management team and a vindication of the multi-revenue strategy adopted by RFG in its May 2006 Prospectus".

"Offsetting significant bakery and other challenges within the Michel's Brand System, as well as supply-side complications within the Brumby's Brand System, was the increased EBIT contribution from the Group's coffee assets, as well as significantly increased EBIT contribution from those QSR assets acquired over the course of the last 18 months", he said.

Following the Company's record profit result, the RFG Board today announced a final, fully-franked dividend in respect to FY13 of 10.25 cents per share. The dividend will be paid on 11 October 2013 following a Record Date of 13 September 2013 and will not be eligible for the purposes of the Company's Dividend Reinvestment Plan (DRP).

When combined with the FY13 interim dividend of 9.5 cents per share paid in April 2013, the Company's full year dividend of 19.75 cents per share reflects a 12.9% increase over FY12, and consistent with FY12, maintained a payout ratio of c.75%.

"The Board remains confident that increasing dividend returns, together with robust share price performance post RFG's admission to the S&P/ASX300 Index in March 2013, continue to elevate RFG as an attractive and reliable investment, well able to deliver positive outcomes for shareholders notwithstanding the continuation of both economic and retail trading headwinds", Mr Archer said.

Summary Financial Information	FY13	FY12	Change
Total Revenue	\$117.0m	\$101.9m	↑ 14.8%
EBIT (Core Operations)	\$55.9m	\$50.1m	↑ 11.7%
EBIT	\$52.8m	\$47.5m	↑ 11.3%
NPAT (Core Operations)	\$34.3m	\$30.3m	↑ 13.3%
NPAT	\$32.0m	\$28.5m	↑ 12.1%
EPS (Core Operations)	27.9cps	28.0cps	↓ (0.3)%
EPS (Basic)	26.0cps	26.4cps	↓ (1.5)%
Final Dividend per Share (DPS)	10.25cps	9.0cps	↑ 13.9%
Total Interim & Final Dividend per Share	19.75cps	17.5cps	↑ 12.9%
Franchised Outlets	1,374	1,251	↑ 123 Outlets

RFG CEO Tony Alford noted that The Coffee Guy and Crust Gourmet Pizza acquisitions were now fully integrated, with the later having been successfully co-aligned with the Company's existing Pizza Capers Brand System.

"QSR growth of 37 outlets, combined with Weighted Store Sales growth of 1.5% over PCP, facilitated a combined QSR FY13 contribution to EBITDA of \$10.1m and bears testament to RFG's resolve to enter the QSR gourmet pizza segment", he said.

In order to take advantage of the unique and compelling growth opportunity now offered by its QSR Brand Systems, RFG has developed, and in FY14 will execute upon, Project QSR400 – an initiative designed to fast-track pizza outlet proliferation throughout the Australian market.

Incorporating a forecast gross investment of c.\$18m over the life of the project (with a net investment peak of c.\$12m in 1Q15), Project QSR400 is set to achieve a QSR network footprint of circa 400 outlets by 3Q15 (an increase of 130 outlets from 270 as at 30 June 2013).

Growth amongst the Company's QSR Brand Systems was supported by FY13 new commissionings of 36 outlets amongst RFG's traditional Brand Systems, resulting in 1,374 outlets falling under RFG stewardship as at 30 June 2013.

“Whereas new outlet growth amongst traditional Brand Systems continues to be influenced by a constricted franchisee candidate market, reduced premium site opportunities and conservative financier lending practices, the Company has also been cautious to forestall new outlet commissionings pending full implementation of Project EVO initiatives”, Mr Alford said.

A focus on menu innovation, digital engagement and enhanced operational systems, supported by Project EVO initiatives, drove non-QSR Brand System Weighted AWS and ATV growth of 0.9% and 4.2% over PCP. Excluding the Michel’s Patisserie Queensland network which was affected by independent bakery supplier failure, FY13 Weighted AWS growth increased to 1.3% over PCP.

The Donut King Brand System, which has to date enjoyed the bulk of EVO outcomes, achieved credible AWS and ATV growth of 4.4% and 6.5% respectively.

Mr Alford noted that RFG was particularly buoyed by the 2H performance of Brumby’s, which has turned around a 1H13 AWS contraction of 1.1%, principally attributable to third party savoury product supply issues, into FY13 growth of 0.4% over PCP.

RFG anticipates further traction during FY14, as Project EVO gathers momentum amongst the Michel’s Patisserie and Brumby’s Bakery Brand Systems, with the inaugural Michel’s ‘store of the future’ having been established in July 2013.

The Company has today announced a number of initiatives designed to drive outlet growth in the Donut King, Michel’s, Esquires and Brumby’s Brand Systems and conversion to their respective Project EVO platforms, including funding accommodation.

These initiatives are consistent with the Company’s commitment to the welfare and support of its franchisee community, which will be further demonstrated by RFG’s forthcoming 2013 ‘Evolve’ International Conference and Trade Show.

To be convened on the Gold Coast between 10 to 12 September 2013, the ‘Evolve’ Conference is set to welcome over 1,000 delegates, and will feature various workshops, training and trade programs all of which are focused on assisting franchisees to maximise the performance of their business.

The Company has also advanced the fitout and scheduled commissioning of new facilities within the Ashmore and Yatala properties, strategically acquired during 2H13.

The Ashmore premises afford RFG scope to reposition Brand System functions following relocation of QSR staff to National Office, whilst also accommodating future acquisitive growth. Importantly, the Yatala complex, which will facilitate implementation in Queensland of the final stages of the Michel’s Patisserie National Bakery Solution, together with establishment of a secondary coffee roaster, is scheduled for commissioning in early 2Q14.

Mr Alford noted that the Yatala roaster was of considerable significance to the Company’s future growth plans.

“Coffee now represents a fundamental platform of RFG’s existing business model and growth opportunity, contributing approximately 23% of Group EBITDA. Having achieved consistent year on year growth in both revenues and EBITDA, the Company’s coffee assets contributed \$11.4m to FY13 EBITDA, an increase of 7.4% over PCP”.

“Notwithstanding the excellent historical growth profile, RFG considers that coffee remains a relatively unexploited opportunity with meaningful scope to leverage RFG’s coffee expertise, roasting capacity and

distribution networks, to drive segmentation strategies incorporating boutique roasting blends, convenience driven channels, vertical integration of allied products and an expanded third party wholesale customer base”, Mr Alford said.

Mr Alford also noted that the Brand System restructure implemented in FY12 had not only contributed to individual Brand System and Divisional growth, but importantly, provided a foundation for further acquisition opportunity.

“As a direct consequence of strategic Brand System and Divisional Head appointments over this past year, the Company can confidently pursue acquisition activity in the knowledge that the appropriate infrastructure exists to ensure timely and seamless integration. Nowhere was this positive outcome more evident than with respect to the simultaneous acquisition and integration of Pizza Capers and Crust, The Coffee Guy and development of internal growth opportunities”, he said.

RFG Chairman Colin Archer thanked the Company’s valued employees and franchisee community for their dedication and hard work, which have contributed to RFG’s outstanding FY13 result.

“RFG has entered FY14 with significant momentum, having laid valuable foundations for enhanced growth and stakeholder outcomes in FY13. Whilst we do not anticipate any short term respite to those challenges which are contributing to current difficult trading conditions, we remain extremely enthusiastic and confident concerning the Company’s prospects”, 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, Caffè Coffee and Barista’s Choice coffee brands.

#### **ENDS**

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

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- (1) On Core NPAT
- (2) Total Revenue excludes revenue derived from marketing activities (FY13: \$24m, FY12: \$14.5m, FY11: \$15.7m, FY10: \$15.4m, FY09: \$12.6m)
- (3) Results from Core Operations exclude amounts recognised in the income statement relating to the pre-tax impact of:
  - supply chain initiatives - administration of failed Michel’s Patisserie supplier operations & direct financial assistance to franchisees (FY13: \$2.1m FY12: \$1.7m)
  - corporate restructuring and redundancy costs (FY13: \$0.2m FY12: \$0.7m)
  - loss on cash flow hedges (interest rate swaps) (FY13: nil FY12: \$0.2m)
  - acquisition transaction costs (FY13: \$0.7m FY12: nil)
  - other (FY13: \$0.1m FY12: nil)
- (4) Weighted AWS and Weighted ATV excludes Michel’s Patisserie Qld network
- (5) Weighted Store Sales represents blended metric incorporating Pizza Capers AWS and Crust Gourmet Pizza Same Store Sales (SSS) performance only.