

RETAILFOODGROUP

FY14 Results Presentation



Company Overview



ASX Code	RFG
Index	ASX200
Share price (as at 19 August 2014)	\$4.66
Shares on issue (as at 19 August 2014)	144,878,508
Market cap	\$675.1m
Net debt (as at 19 August 2014)	\$57.4m
Enterprise value	\$732.5m
Total Dividends (FY14)	22.0 cps

Brand System	Type
Crust Gourmet Pizza Bars	OSR
Pizza Capers	OSR
Donut King	Traditional/Non-OSR
Michel's Patisserie	Traditional/Non-OSR
Brumby's Bakery/Brumby's Go!	Traditional/Non-OSR
BB's Café/Esquires Coffee	Traditional/Non-OSR
The Coffee Guy	Mobile System

Share Register	Holding	%
Anthony (Tony) Alford	22,957,004	15.8%
Mawer Investment Mgt	16,964,742	11.7%
Thorney Holdings Pty Ltd	9,000,000	6.2%

(1) IBISWorld Industry Report X0002: Franchising in Australia (March 2014)

RFG is one of Australasia's pre-eminent owners, developers and managers of retail food franchise systems. RFG was recently identified⁽¹⁾ as equal market share leader within the Australian franchising industry, and boasts a network footprint that spans 1,430+ outlets across eight countries.

RFG is also a supplier and roaster of high quality coffee and affiliated products, operating three state-of-the-art coffee roasting facilities across Australia and New Zealand, supplying the Company's existing Brand Systems and third party accounts via the Evolution Coffee Roasters Group, Caffe Coffee, Barista's Choice and Roasted Addiqtion brand names.

Board of Directors

Colin Archer	Indep. Non-exec Chairman
Anthony (Tony) Alford	CEO & Managing Director
Jessica Buchanan	Indep. Non-exec Director
Stephen Lonie	Indep. Non-exec Director

Share Price Chart



FY14 Results Summary



	Statutory Results					
	FY10	FY11	FY12	FY13	FY14	PCP %
Reported Revenue	\$134.0m	\$125.7m	\$116.4m	\$141.0m	\$168.4m	19.4%
Underlying Revenue ⁽¹⁾	\$118.6m	\$110.0m	\$101.9m	\$117.0m	\$128.8m	10.1%
EBITDA	\$44.9m	\$45.9m	\$48.4m	\$53.8m	\$59.1m	9.8%
NPAT	\$26.0m	\$27.2m	\$28.5m	\$32.0m	\$36.9m	15.2%
Basic EPS	25.3 cps	25.4 cps	26.4 cps	26.0 cps	26.5 cps	1.9%
Dividend (Full Year)	11.75 cps	14.5 cps	17.5 cps	19.75 cps	22.0 cps	11.4%
Net Debt	\$72.8m	\$70.5m	\$98.0m	\$92.1m	\$57.4m	
Gearing Ratio	34.4%	31.0%	36.6%	29.6%	16.6%	
Interest Cover	6.2x	6.9x	6.9x	7.4x	12.3x	
Franchised Outlets (Aus & NZ)	1,112	1,131	1,231	1,355	1,417	62
Franchised Outlets (Other)	10	17	20	19	17	-2

⁽¹⁾ = Reported revenue less revenue associated with marketing pursuits.

FY14 Results Highlights



Financial Highlights

NPAT	\$36.9m (up 15.2% on PCP)
EPS	26.5 cps (up 1.9% on PCP)
Dividends	22.0 cps (up 11.4% on PCP)
Gross Debt	\$68.9m (headroom of \$77.7m)
Gearing	16.6% & interest coverage of 12.3x
Cash Flows	\$29.9m (PCP: \$31.1m)

Multiple Growth Drivers:

Growth in earnings is a product of a resilient business model fortified by astute acquisitions, Brand System innovation and strategic outlet growth, comprising:

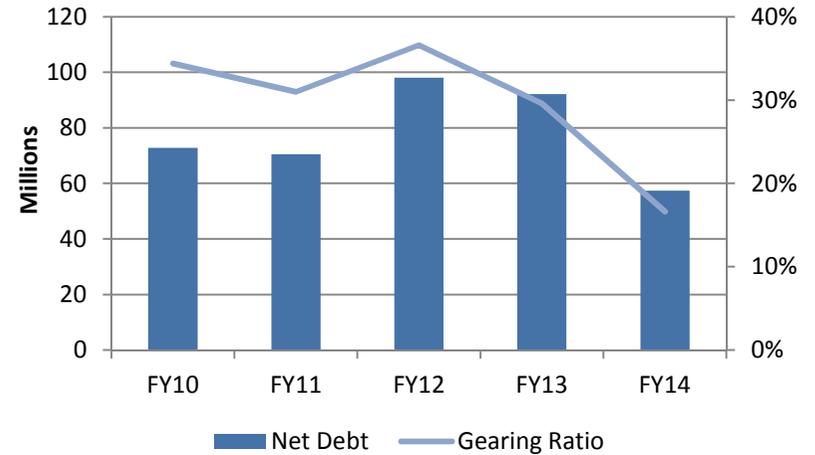
- Positive EBIT contributions from FY13 acquisitions (Crust Gourmet Pizza Bar & The Coffee Guy);
- Continued Project Evolution (EVO) traction;
- Rollout of QSR outlets via Project QSR400;
- Earnings from existing operations; and
- Coffee roasting activities.

Organic Network Growth

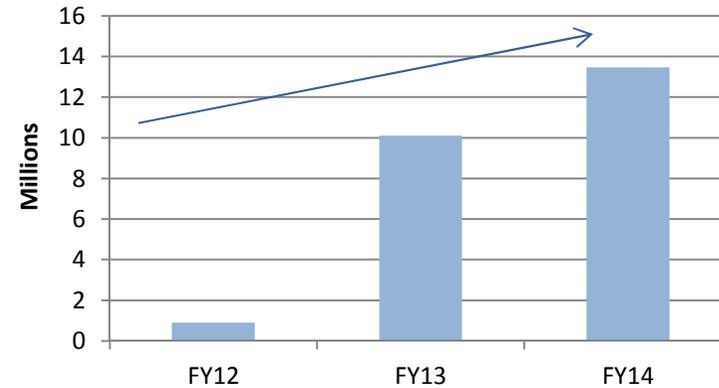
Record 150 new outlets commissioned (PCP: 73) comprising:

- 85 QSR outlets (PCP: 37 outlets); and
- 65 traditional outlets (PCP: 36 outlets).

Net Debt & Gearing



QSR EBITDA Contribution



FY14 Financial Highlights



Resilient business model, delivering strong results whilst investing in organic growth:



Gross Franchise Revenues (GFR)	8.2% increase to \$91.0m (PCP: \$84.1m)
Revenue	10.1% increase to \$128.8m (PCP: \$117.0m)
EBITDA	9.8% increase to \$59.1m (PCP: \$53.8m)
NPAT CAGR	25.5% (over 8 years)
Dividends	Fully franked final FY14 Dividend of 11.25cps (up 9.8% on PCP) represents 16 th consecutive bi-annual increase
TSR ⁽¹⁾⁽²⁾	22.8% (pre-tax)

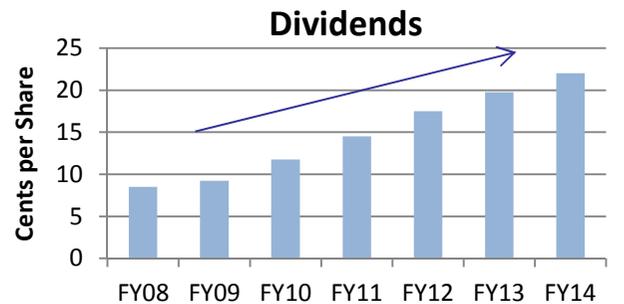
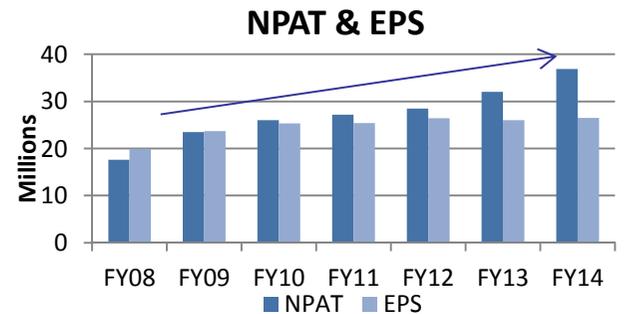
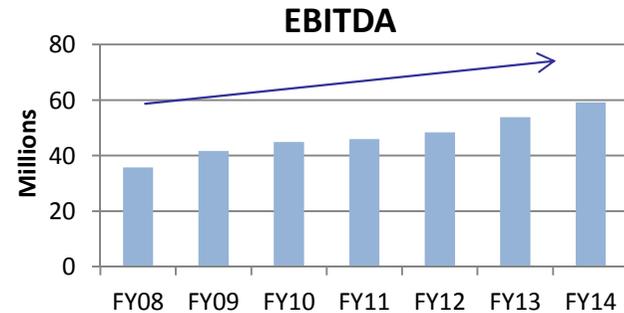
Robust cash generation, with net cash inflows from operating activities of \$29.9m (FY13: \$31.1m) contributing to:

- Cash flow conversion to EBITDA ratio of 85.8% (PCP: 96.5%);
- Increased dividend per share of 2.25cps on PCP;
- \$9.0m capital investment including QSR400 & EVO store builds; and
- \$4.0m franchisee financial accommodation.

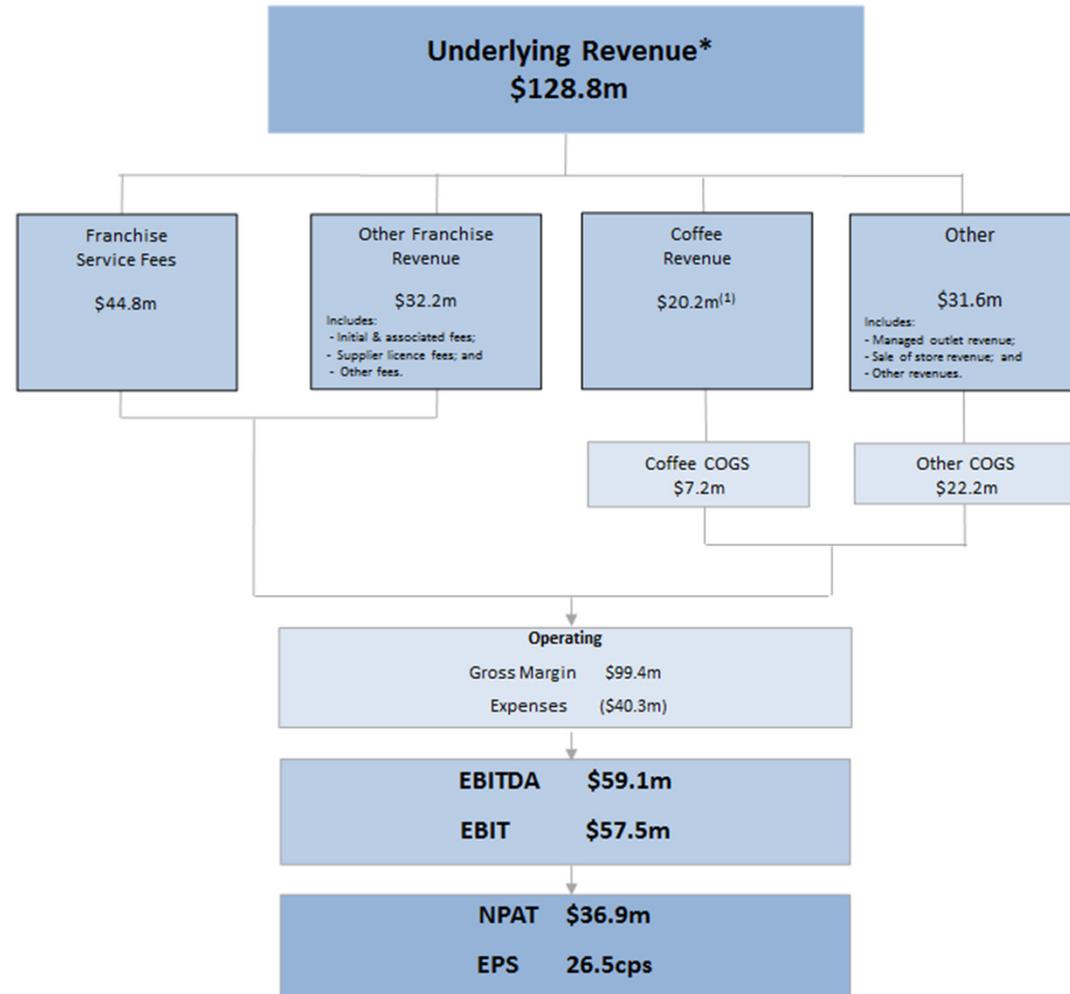
Enhanced balance sheet:

- 1H14 Capital Raising: \$58.3m @ \$4.30 (Placement: \$53.0m/SPP:\$5.3m);
- Reactivation of DRP, conserving liquidity for future growth opportunity; and
- Debt Facility⁽³⁾:
 - Gross debt \$68.9m (\$50m fixed @ <5% interest rate to March 2016); and
 - \$77.7m cash & debt facility headroom to support acquisitive and other growth initiatives.

(1) Based on FY14 interim dividend of 10.75cps & FY14 final dividend of 11.25cps.
 (2) Total Shareholder Return (TSR) for the 12 months to 30 June 2014.
 (3) Refer Appendix 3 for debt facility details.



FY14 Financial Highlights Cont.



* Excludes \$39.6m 'wash through' of marketing revenue/expense (FY13: \$24.0m).

⁽¹⁾ \$21.0m Gross revenue - pre statutory eliminations on consolidation.



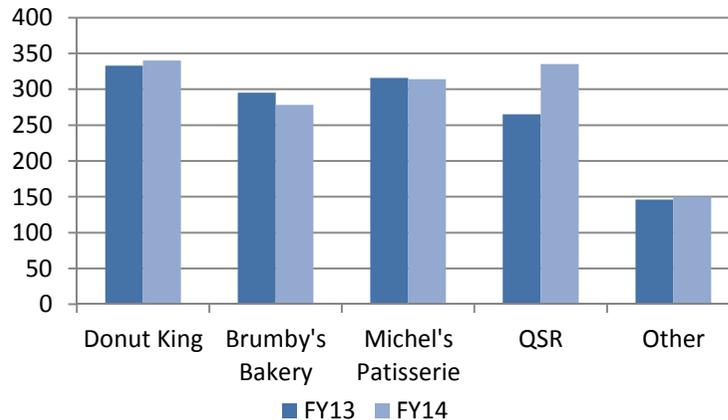
FY14 Brand System Review



Focus on Outlet Growth

- Net outlet growth of 60 in FY14 (FY13: -10 organic & 175 via acquisition), resulting in closing network population of 1,434;
- FY14 new franchisee leads of c.2,600 up 56% on FY13; and
- Rationalisation of non-performing outlets offset by accelerated new outlet growth:
 - 85 QSR outlets driven by Project QSR400 traction; and
 - 65 traditional outlets, propelled by significant franchisee enquiry.

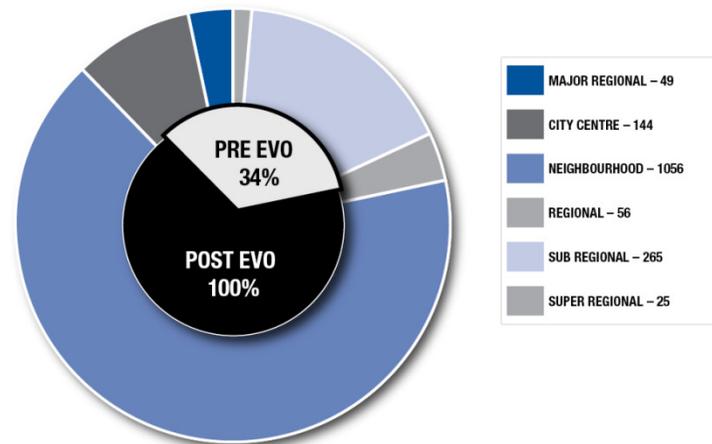
OUTLET NUMBERS (Aus & NZ)



Project EVO Facilitates Enlarged Footprint

- Project EVO facilitates Brand System entry into non-traditional site locations, which:
 - Supports growth in traditional (shopping centre) locations;
 - Facilitates enhanced scope for outlet relocation where shopping centre performance and or lease renewal terms are unacceptable; and
 - Significantly increases potential domestic network footprint.

EVO EXPANDS POTENTIAL SITE OPPORTUNITY



FY14 Brand System Performance



Brand System Performance

- All Brand Systems enjoyed improved EBITDA contribution on a per store metric;
- EBITDA contribution from QSR was \$ 13.5m (22.7% of Group), notwithstanding QSR400 start up costs & outlet maturity profiles;
- Increased FY14 EBITDA contribution of QSR & Coffee tempered by:
 - Subsidisation of wholesale product to Michel's Brand System; and
 - Deferred franchisee recruitment amongst Brumby's & Michel's Brand Systems pending EVO commissioning (Michel's attended & Brumby's pilot assessment ongoing).

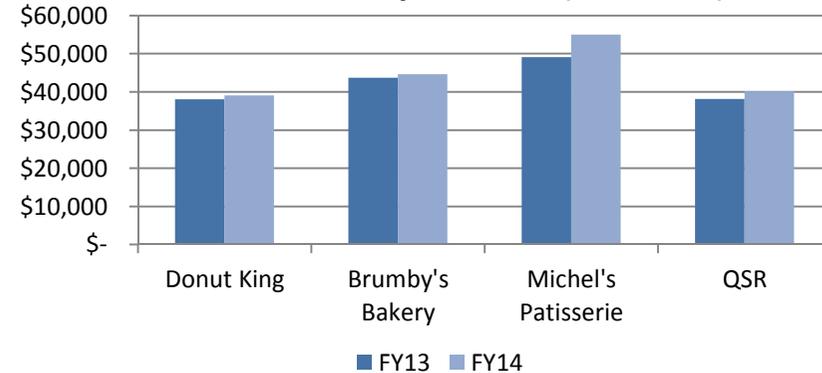
Network Health

- Significant transactional approvals indicative of network health:
 - 160 franchise resales approved in FY14 (PCP: 93); and
 - 147 franchise renewals approved in FY14 (PCP: 166).
- Resale approvals include 35 corporately managed outlets transferred to franchisee stewardship (PCP: 19):
 - Influenced by Project QSR400 traction and enhanced focus on divestment of company stores.

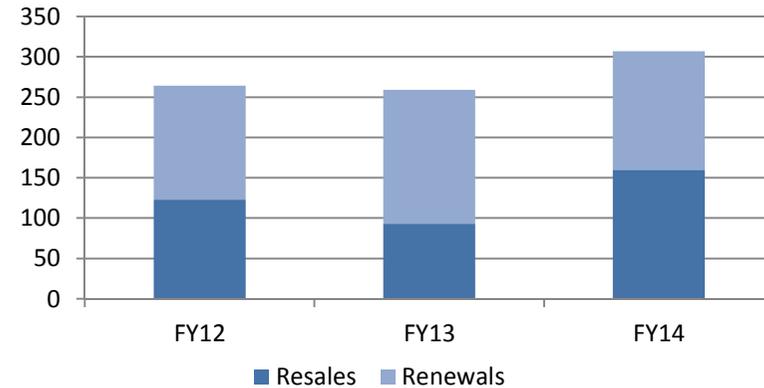
HR Complement

- Brand System HR complement enhanced by key positional appointments & introduction of General Manager positions to facilitate career transition; and
- Implementation of workforce planning initiative to identify & enhance productivity opportunities, provide career transition opportunity & enhance talent pool.

EBITDA per outlet (Aus & NZ)



Resale & Renewal Approvals





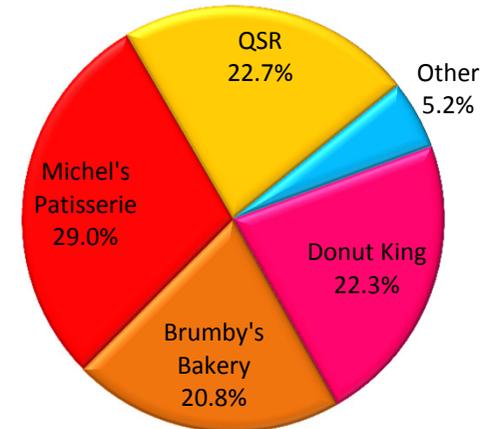
Diverse Revenue Streams

- Decreasing reliance on any one Brand System evidenced by Group EBITDA contributions – vindicates “Strength In Brands” philosophy and pursuit of multi-revenue and multi-Brand System strategy;
- Average Franchise Service Fee recovery of 5.94% (PCP: 5.87%) evidencing improved franchisee payment capacity, enhanced collection procedures and strong management of Brand Systems:
 - Injecting profitability into outlets notwithstanding franchisee increased cost pressures for which RFG has no control over, eg outgoings, utilities and labour;
- Coffee revenue increased 6.5% to \$21.0m (PCP: \$19.7m);
- 8.5% increase in EBITDA from Coffee assets contributed positively to FY14 EBITDA growth; and
- QSR performance continues to validate entry into pizza market and commissioning of Project QSR400.

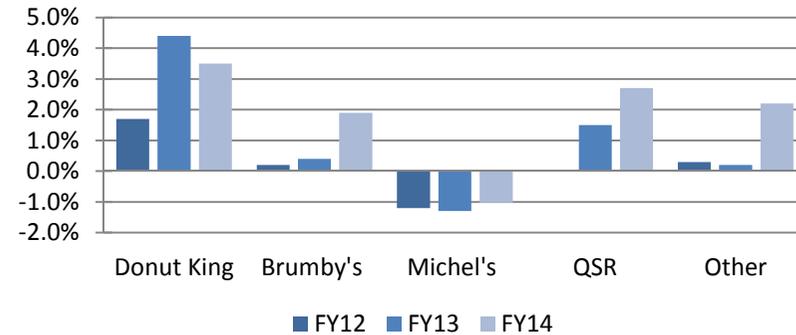
Outlet Metrics

- Non-QSR Weighted Average Weekly Sales (AWS) & Average Transaction Value (ATV) growth of 1.5% & 5.2% respectively on PCP;
- QSR Weighted Store Sales & Weighted ATV growth of 2.7% & 2.5% respectively on PCP;
- AWS & ATV positively influenced by EVO rollout/backfill, innovative marketing & new product development;
- Excellent AWS growth achieved notwithstanding challenging trading environment, compounded by May 2014 Federal Budget.

% EBITDA Contribution by Brand System



Average Weekly Sales Growth



FY14 Brand System Performance Cont.

		FY14 Summary	Donut King	Brumby's Bakery	Michel's Patisserie	QSR	Other
	Item						
	GFR (\$m)	91.0	18.7	17.8	26.9	20.5	7.1
	FSF (\$m)	44.8	10.3	10.1	9.6	12.1	2.7
	EBITDA (\$m) ⁽¹⁾	59.6	13.3	12.4	17.3	13.5	3.1
	Group EBITDA Cont.		22.3%	20.8%	29.0%	22.7%	5.2%
	NWS (\$m)	765.1	162.3	186.2	173.7	200.2	42.7
	AWS Growth (on PCP)	1.9%	3.5%	1.9%	-1.0%	2.7%	2.2%
	ATV Growth (on PCP)	4.5%	7.6%	5.7%	2.2%	2.5%	3.5%
	GFR/NWS	11.9%	11.5%	9.6%	15.5%	10.2%	16.6%
	FSF/NWS	5.9%	6.3%	5.4%	5.5%	6.0%	6.3%
	EBITDA/NWS	7.8%	8.2%	6.7%	10.0%	6.7%	7.3%
	Outlet Population						
	Australia	1,299	336	269	313	332	49
	NZ	118	4	9	1	3	101
	Other	17	7	1	2	7	0
	Total	1,434	347	279	316	342	150

✓ Superior EBITDA contribution of QSR is testament to RFG's resolve to enter the gourmet pizza sector.

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

✓ Increased FY14 EBITDA of Brand Systems notwithstanding:

- Continued wholesale pricing support in MP;
- QSR 400 start up costs;
- Increased size of operation of Company Stores; and
- Brumby's: deferred new outlet openings due to EVO concept store commissioning & assessment.

GFR = Franchise Revenue (including FSF) + net coffee contribution.

FSF = Franchise Service Fee.

NWS = Brand System Network Sales (Australia & NZ only).

AWS = Average Weekly Sales (QSR = Same Store Sales).

ATV = Average Transaction Value.

QSR = Pizza Capers + Crust Gourmet Pizza.

Other = Esquires (including bb's Café), The Coffee Guy, Evolution Coffee & sundry.

(1) Values are gross of statutory consolidation adjustments.

Project Evolution



Continued EVO Traction

- FY14 witnessed establishment of Michel's Patisserie & Brumby's Bakery EVO pilot outlets, together with the commissioning of the inaugural full format Donut King Drive-Thru outlet;
- 117 EVO outlets are now established (including 44 new outlets and 57 refurbished outlets in FY14);
- All future outlets will be commissioned per EVO format;
- 110 FY15 scheduled refurbishments incorporating EVO attributes; and
- EVO attributes backfilled into existing outlet network where feasible & allowed under lease terms.

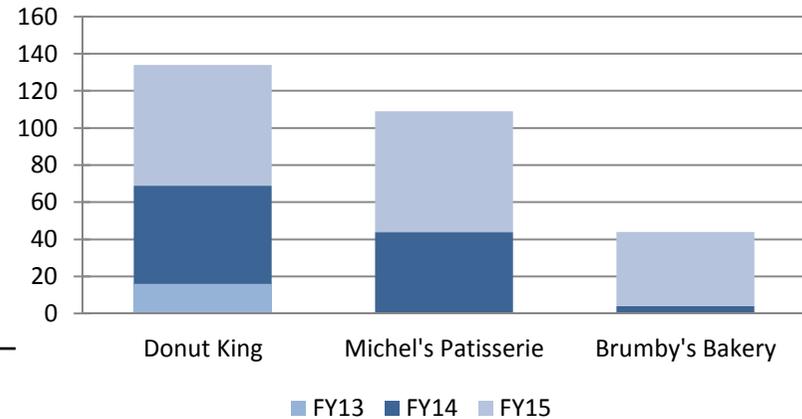
Positive Trends

- Donut King AWS amongst new EVO outlets 13.3% above comparable store set (CSS) AWS, and for existing outlets, 4.8% above pre-refurbishment levels;
- Michel's Patisserie AWS amongst new EVO outlets 11.4% above CSS, and, for existing outlets, 10.4% above pre-refurbishment levels; and
- Brumby's EVO pilot assessment ongoing with early stage positive results and consumer feedback:
 - AWS trending at 28.1% above CSS (pilot outlet); and
 - 18% reduction in new build costs identified to date.

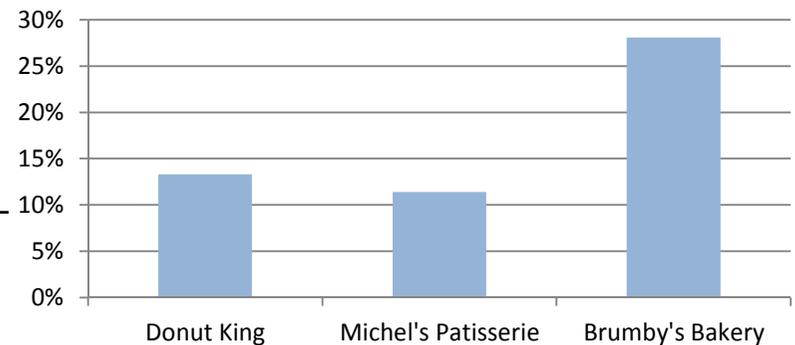
Michel's Bakery Solution

- NSW network partially transitioned to external frozen product 14 months ahead of schedule;
- Old rollout of in-store freezer concept underway, with project completion scheduled for early 2Q15; and
- New product development complementing bakery solution transition – introducing enhanced 'patisserie' range.

EVO Outlet Commissionings (New & Refurbishments)



FY14 EVO New Outlet AWS Performance vs CSS



QSR: Crust Gourmet Pizza Bar & Pizza Capers



Crust FY14 Highlights

- Network sales growth driven by:
 - Domestic network development (48 new outlets commissioned); and
 - ATV growth fortified by new menu development;
- Official launch of Mobile Pizza Bar at Melbourne F1 Grand Prix;
- Website relaunch, driving online order completion rate to 70% (from 53%) and 21% increase in online sales (to 30%);
- Successful launch of Gold Coast Suns sponsorship:
 - Includes uniform and apparel branding, stadium signage, media branding, scoreboard advertising; and
 - Facilitates domiciling of Mobile Pizza Bar & game day trading/activation.

Pizza Capers FY14 Highlights

- Network sales growth driven by revised marketing and sales strategy, comprising:
 - Menu refinement and new product development;
 - Product focused advertising activity (including bundling);
 - Targeted SMS customer call-outs;
- Awarded Canstar Blue “Most Satisfied Customers (Pizza Stores)” for record 4th consecutive year; and
- Sponsorship of Queensland Reds has driven customer engagement at grass root level and generated brand exposure amongst regional areas, consistent with the Brand System’s growth strategy.

QSR	FY14	FY13	PCP %
Outlet Population			
Australia & NZ	335	265	26.4%
Other	7	5	
Outlet Sales			
NWS – Australia & NZ only (\$m)	200.2	155.3	28.9%
AWS Growth (% increase on PCP)	2.7%	1.5%	
QSR Revenue			
GFR (\$m) Gross Franchise Revenue	20.5	14.1	45.4%
Including:			
FSF (\$m) Franchise Service Fee	12.1	9.8	23.5%
QSR EBITDA (\$m)	13.5	10.1	33.7%
Analysis			
GFR/NWS	10.2%	9.1%	
EBITDA/NWS	6.7%	6.5%	
QSR/Group EBITDA	22.7%	18.5%	



Reliable Growth Generator

- 22 new outlets commissioned in FY14:
 - Represents 16% increase on PCP (19) and 120% increase on FY12 (10);
 - Evidences sustainable new outlet growth traction and potential;
 - Outlets established in traditional and non-traditional (EVO influenced) sites;
 - Continues to generate high potential franchisee interest (including Multi-Store Owners); and
 - Sales team bolstered & centralised amongst RFG National Office.
- FY14 AWS & ATV growth of 3.5% and 7.6% above PCP, driven by EVO outlets & refurbishments, innovative marketing & new product development:
 - ATV growth higher than originally programmed for Project Evolution.
- Coffee throughput increased 1.7% on PCP, driven by enhanced focus on Barista training and in-store coffee quality.

Brand System Highlights & FY15 Focus:

- 31 refurbishments undertaken, representing 94% increase on PCP (16);
- Continued focus on new product development to ensure menu remains fresh and compelling, including:
 - FY14 launch of “Shaker Shots”;
 - FY15 debut of “The Bronut”;
 - Renewed focus on ‘core’ donut product, including expanded themed range targeted at special occasions, including Halloween and Christmas.

Donut King	FY14	FY13	PCP %
Outlet Population			
Australia & NZ	340	333	2.1%
Other	7	12	
Outlet Sales			
NWS – Australia & NZ only (\$m)	162.3	160.0	1.4%
AWS Growth (% increase on PCP)	3.5%	4.4%	
DK Revenue			
GFR (\$m) Gross Franchise Revenue	18.7	18.4	1.6%
Including:			
FSF (\$m) Franchise Service Fee	10.3	10.5	(1.9%)
Net coffee contribution (\$m)	3.0	2.8	7.1%
DK Brand EBITDA (\$m)	13.3	12.7	4.7%
Analysis			
GFR/NWS	11.5%	11.5%	
EBITDA/NWS	8.2%	7.9%	
DK/Group EBITDA	22.3%	23.3%	

Michel's Patisserie



Profit Generator

- Michel's remains a key RFG profit generator notwithstanding bakery transition:
 - FY14 EBITDA Contribution of \$ 17.3m (PCP: \$15.5m);
 - Highest Brand System contribution to EBITDA (29.0%); and
 - Largest acquirer of RFG wholesale coffee.

Brand System Highlights & FY15 Focus:

- Awarded Roy Morgan 'Coffee Shop of the Year' (CY13) for third year in succession;
- 44 EVO outlets now launched (18 new/26 refurbished);
- Brand System team bolstered to drive outlet and AWS growth, together with expedited transition to full format National Bakery Solution;
- Freezer roll-out underway amongst Queensland network:
 - RFG funded rental scheme;
 - Facilitates expedited rollout (targeted completion by 2Q15);
 - Facilitates transition from daily fresh delivery to bi-weekly product supply, significantly reducing distribution costs; and
 - National roll-out staggered by State with completion targeted for 1H16; and
- Freezer rollout represents first step in equipment leasing program:
 - Scope for additional RFG finance/equipment leasing opportunity across all Brand Systems.

Michel's Patisserie	FY14	FY13	PCP %
Outlet Population			
Australia & NZ	314	315	(0.3%)
Other	2	2	
Outlet Sales			
NWS – Australia & NZ only (\$m)	173.7	169.2	2.7%
AWS Growth (% increase on PCP)	-1.0%	-1.3%	
MP Revenue			
GFR (\$m) Gross Franchise Revenue	26.9	27.2	(1.1%)
Including:			
FSF (\$m) Franchise Service Fee	9.6	9.4	2.1%
Net coffee contribution (\$m)	7.2	6.9	4.4%
MP Brand EBITDA (\$m)	17.3	15.5	11.6%
Analysis			
GFR/NWS	15.5%	16.1%	
EBITDA/NWS	10.0%	9.2%	
MP/Group EBITDA	29.0%	28.4%	

Brumby's Bakery



Brand System Highlights

- EVO pilot store established December 2013:
 - Introduces significant coffee opportunity;
 - Outlet assessment advanced, with 18% reduction in build costs already identified; and
 - Represents platform for reinvigorated new outlet growth;
- 'World First' partnership with Nutella, driving 14% increase in Hot Cross Bun sales over PCP;
- Launch of Brumby's Bread Ambassador, Matthew Hayden:
 - Complements bread category new product development (including 'Get Active', 'Preservative Free' and winter bread ranges); and
 - Assisted in driving 8% increase in bread category sales over PCP;
- Savoury product supply bolstered by renewed third party supply agreement:
 - Long term agreement expiring 1H19;
 - Locks in pricing over term, providing supply-side security;
 - Contemplates FY15 introduction of premium savoury category.

"Bred" Acquisition:

- Acquisition of Brisbane based "Bred Bakeries":
 - Comprises 4 modern bakery outlets;
 - Bolsters FY14 new outlet commissionings;
 - Each to be converted to EVO concept & then franchised;
 - Acquisition price of \$800K, representing multiple of 2.2x projected EBIT following conversion to company stores.

Brumby's Bakery	FY14	FY13	PCP %
Outlet Population			
Australia & NZ	278	295	(5.8%)
Other	1	1	
Outlet Sales			
NWS – Australia & NZ only (\$m)	186.2	197.6	(5.8%)
AWS Growth (% increase on PCP)	1.9%	0.4%	
Brumby's Revenue			
GFR (\$m) Gross Franchise Revenue	17.8	17.7	0.6%
Including:			
FSF (\$m) Franchise Service Fee	10.1	11.0	(8.2%)
Net coffee contribution (\$m)	0.1	0.0	
Brumby's Brand EBITDA (\$m)	12.4	12.9	(3.9%)
Analysis			
GFR/NWS	9.6%	9.0%	
EBITDA/NWS	6.7%	6.5%	
Brumby's/Group EBITDA	20.8%	23.7%	

Coffee Wholesale & Coffee Franchise



Driving Wholesale Coffee

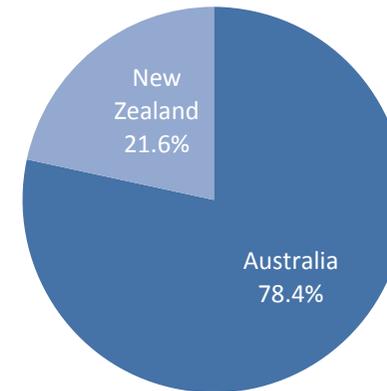
- Second Australian roaster (Yatala) commissioned:
 - Significantly expands roasting capacity; and
 - Secures supply for growing coffee business;
- Dedicated wholesale coffee team established to drive external wholesale supply opportunity:
 - Initial results promising;
 - Supports introduction of NZ brand 'Roasted Addiqion' within Australian market;
- Coffee machine pilot underway – supports low volume trade and facilitates coffee rollout amongst traditional non-coffee Brand Systems (eg Brumby's/QSR).

Coffee Franchises

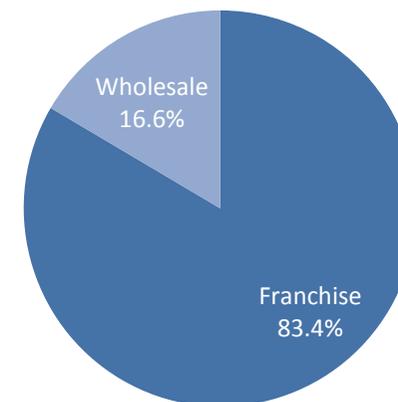
- The Coffee Guy Australian rollout underway:
 - Initial units indicating positive results; and
 - AUS model alteration to contemplate franchisor vehicle lease (protects IP, reduces entry cost, aids proliferation);
- Continued transition of BB's Café outlets to Esquires Coffee and other RFG Brand Systems.

Coffee Wholesale	FY14	FY13	PCP %
RFG outlet proliferation			
RFG outlets selling coffee	826	821	0.6%
RFG outlets selling coffee (%)	57.6%	59.7%	
Coffee EBITDA (\$m)	12.4	11.4	8.5%

Coffee Revenue – By Region



Coffee Revenue – By Composition





Initiatives & Outlook

Acquisitive Activity



Acquisitions Announced

- Share Purchase Agreements (SPAs) entered into to acquire Cafe2U and La Porchetta Brand Systems;
- Each acquisition is immediately EPS accretive with the combined investment totalling c.\$31m;
- Both transactions will be funded from cash reserves and RFG's existing debt facility headroom; and
- Represent a combined out-year EV/EBITDA multiple of c.5x (gross of integration & acquisition costs).

Cafe2U

- Settlement anticipated mid-September 2014, with due diligence satisfactorily completed pre-SPA;
- World's largest mobile coffee franchise, with 236 outlets across Australia, NZ, UK, USA and South Africa (predominantly Australia – 157 outlets);
- Cafe2U management committed and in-situ post completion; and
- Transaction represents industry consolidation:
 - Positions RFG as undisputed mobile coffee market leader;
 - Significant synergistic opportunity with The Coffee Guy;
 - Vertical integration enhances coffee roasting through-put by c.70,000 kg (annualised).



La Porchetta

- Settlement anticipated early 2015;
- SPA subject to ordinary and usual conditions, including RFG satisfaction with due diligence inquiry;
- La Porchetta network comprises 70 outlets across Australia & New Zealand (predominantly Australia – 62); and
- Offers significant synergistic opportunity with existing QSR Brand Systems and provides entry point to casual dining segment.

Acquisitions Remain Central Platform for Growth

- Acquisitions are culmination of significant and wide-ranging acquisitive opportunity investigation and due diligence activity over past 18 months;
- Acquisitive activity remains central feature of strategic growth platform;
- RFG remains motivated to pursue acquisitions in respect of complementary businesses which are:
 - Earnings per share (EPS) accretive;
 - Capable of generating increased supply-side scale and vertical integration opportunity; and
 - Enhance the number of Brand Systems & outlets under RFG stewardship;
- Other acquisitive investigations ongoing.



Initiatives & Outlook



Platform Laid

- FY14 laid solid foundation for enhanced outcomes; and
- Multiple levers available for driving future earnings growth.



Pathways to Success

- Proliferation of OSR network via Project OSR400:
 - Significant momentum to date with solid pipeline of new site opportunity;
 - Innovative new franchisee packages implemented; and
 - Growth supported by voluntary company store commissioning as precursor to franchisee stewardship;
- Continued rollout of Project EVO platform:
 - Results to date demonstrate success of program;
 - Enhanced outlet proliferation opportunity; and
 - Enhanced Brand System AWS opportunity;
- Consolidation of Sales & Leasing function at RFG National Office:
 - Bolstered sales force to drive growth & leverage existing projects (OSR400/EVO);
 - Significant opportunity for proliferation of existing Brand System networks;
 - Significant variety in RFG franchise offer across Brand Systems;
 - Targeting FY15 organic new outlet growth of c.150 (OSR: 60; Traditional: c.90);
- Reinvigoration of international opportunity:
 - Leverage of existing international footholds (incl. Crust USA, Michel's Indonesia); and
 - Dedicated 'international team' being established.



Pathways to Success Cont.

- Significant opportunity to leverage existing Brand Systems via Group finance & equipment leasing programs:
 - >\$40m financial services opportunity;
 - Contemplates new outlet fitouts, refurbishments, PP&E rental, & in-store digital solutions (tills, LCDs etc); and
 - First steps taken via Michel's freezer program;
- Leverage RFG coffee expertise & roasting capacity to drive external wholesale supply opportunity – additional \$14m turnover targeted over 5 years;
- Ongoing focus on Brand System/outlet profitability:
 - Refocus of operational teams – performance driven; and
 - Introduction of ongoing performance enhancement training;
- Driving enhanced business intelligence to facilitate better speed to market and decision making opportunity; and
- Transition 'one off' revenue streams into recurring weekly revenue.

Outlook

- RFG enthusiastic regarding FY15 outlook:
 - Capitalise on acquisitive activity & FY14 investment in growth;
 - Notwithstanding capital intensive nature of growth program & challenging retail market influenced by fluctuating consumer sentiment & increasing unemployment;
- Confidence in achieving c.15% underlying NPAT growth over PCP in FY15; and
- Where Cafe2U and La Porchetta acquisitions are settled by the end of October 2014, NPAT accretion will be a further 5% over PCP, prior to transaction and integration expenses.



Appendix 1 – Cash Flow Performance



Appendix 2 – Financial Position



Appendix 3 – Debt Structure



Appendix 4 – Capital Management



Appendix 1 – Cash Flow Performance

	FY14 \$'m	FY13 \$'m	
 Receipts from customers	175.5	150.3	
Payments to suppliers and employees	(124.9)	(98.4)	
Gross operating cash flows	50.6	51.9	✓
EBITDA	59.1	53.8	Continuing strong cash flows – a feature of RFG's business model – supported by balanced investment and financing activities;
Ratio of gross operating cash flows to EBITDA	85.8%	96.5%	✓
Interest and other costs of finance paid	(5.4)	(7.0)	85.8% conversion of operating cash flow into EBITDA reflects "real" cash earnings of the business;
Income tax paid	(15.3)	(13.8)	
Net operating cash inflows	29.9	31.1	✓
Dividends paid	(25.3)	(22.2)	Operating cash flows used to fund the increased scale of Michel's Bakery operations, and increased short-term funding of Marketing & Innovation programs undertaken by the marketing funds; and
Net Debt reduction	(40.0)	(2.0)	✓
Acquisitions of business and intangibles	(3.7)	(38.3)	Excess free cash derived from operations and capital raising used to fund:
Acquisition of property, plant & equipment	(15.4)	(11.1)	- A net \$40m voluntary reduction in gross borrowings;
Net capital raising	56.7	52.7	- A \$2m earnout payment to Crust vendors;
Funding Marketing Fund R&D initiatives	(7.8)	(5.4)	- Investment in property, plant & equipment to support QSR400 store growth, fit out of purpose built bakery & distribution facility in Yatala, Qld;
Other cash activities	0.3	(0.8)	- Long-term funding of Marketing R&D initiatives, including EVO concepts; and
	(35.2)	(27.1)	- Increased total dividend to 22.0cps (up 11.4% on PCP).
Net (decrease) / increase in cash reserves	(5.3)	4.0	
Cash reserves at year end	11.6	16.8	

Appendix 2 – Financial Position

	FY14 \$'m	FY13 \$'m	
			
Assets:			
Cash reserves	11.6	16.8	✓ Working capital increases attributable to increased funding of marketing initiatives, seasonal increases in revenues and payment terms offered to franchisees on new store openings and franchise renewal.
Trade receivables	23.7	19.0	
Financial assets	23.9	12.7	
Inventories	10.1	5.2	✓ Increase in Inventories reflects investment in OSR400 and Project Evolution outlets.
Plant & equipment	27.7	18.7	
Intangibles	299.1	297.4	✓ Increase in Plant & Equipment reflects further investment in OSR400 and Project Evolution outlets, as well as commissioning of distribution facility in Yatala, Qld and fitout of training and office facility at Ashmore, Qld.
Other	2.0	1.6	
	398.1	371.4	
Liabilities:			
Trade payables	8.3	10.0	
Provisions	2.0	2.0	
Tax payable	5.0	4.8	✓ Borrowings of \$68.9m classified as non-current liability, reflecting March 2016 maturity. Gearing ratio of 16.6% is conservative and compliance with all lending covenants comfortably maintained.
Borrowings	68.9	108.9	
Other (includes Crust earn out)	3.9	5.2	
	88.1	130.9	
Equity:			
Share capital	221.7	160.5	✓ Share capital increase of \$61.2m reflecting \$53m capital raising, \$5.3m SPP and \$3.5m DRP.
Reserves	0.3	-	
Retained earnings	88.0	80.0	
	310.0	240.5	
			
			
			
			
			
			
			

Appendix 3 – Debt Structure



✓ Facility headroom (including cash) at 30 June 2014 of \$77.7m.



- ✓ Gross debt of \$69m at 30 June 2014:
- \$50m of debt on fixed interest rate to March 2016;
 - \$19m of debt subject to variable interest rates;
 - Allocation of debt between fixed and floating interest rates at the discretion of management.



- ✓ Weighted average interest rate as at August 2014 is 4.83%:
- Margin over BBSY currently 1.7%.



- ✓ Compliance with all lending covenants as at 30 June 2014 comfortably maintained.



- ✓ Extended term facility date to March 2016.



⁽¹⁾ Calculated in accordance with Senior Debt Facility Agreement.

'NAB' Facility	FY14
Net debt ⁽¹⁾	\$61.5m
Interest expense ⁽¹⁾	\$4.7m
Interest cover (times) ⁽¹⁾	12.3x
Leverage ratio ⁽¹⁾	1.04
Gearing ratio ⁽¹⁾ (net debt / (net debt + equity))	16.6%
Total Facility	\$135.0m

Appendix 4 – Capital Management



	Shares	Price	Proceeds/Value (\$m)
Shares on issue 1 st July 2013	130,277,856		
Institutional/Sophisticated Investor Placement	12,325,582	4.30	53.0
SPP	1,238,210	4.30	5.32
FY13 Performance Shares issued to CEO (shareholder approved)	104,408	4.31	0.45
ESOP – exercise of options	103,334	2.43	0.25
Dividend Reinvestment Plan	819,118	4.27	3.50
Shares 30 th June 2014	144,868,508		
Share Value ⁽¹⁾			\$62,522m

- ✓ Institutional placement considerably over subscribed.
- ✓ Proceeds utilised to:
 - Strengthen balance sheet;
 - Increase cost and debt facility headroom;
 - Assist in funding acquisition activity.

(1) Before issue costs and associated expenses of \$1.3m.

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