

Retail Food Group Limited AGM 2014



Chairman's Address 25 November 2014

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A Global Franchising Powerhouse:

First established in 1989 to manage the Donut King Brand System, which at that time had yet to surpass fifty outlets, and a novel coffee shop concept then known as “BB’s Coffee & Croissants”, Retail Food Group has grown to become one of the pre-eminent retail food franchisors and Brand System managers in Australia.

During 2014, the Company has celebrated its remarkable 25 year journey in emphatic style.

Earlier in the year the Group released its financial results for FY14, delivering record outcomes amongst all key metrics and providing shareholders with another robust profit and dividend.

More recently, the Company has engaged in considerable strategic activity, both organic and acquisitive, which when fully completed, will genuinely position RFG as a global franchising powerhouse, fortified by an expansive wholesale coffee business and international Brand System licensing platform.

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Building on 25 Years of Success

‘Building’ was the obvious theme espoused in RFG’s 2014 Annual Report.

This term is an eminently appropriate descriptor for the Company’s recent activities.

Whilst CY13 represented the culmination of a sustained period of evolutionary change within RFG’s Brand Systems and organizational structure, the past 11 months have been no less significant in terms of its transformative effect on RFG’s scale and business operations.

During this period, RFG has harnessed its unique business model to deliver enhanced outcomes via, without limitation, diversification of revenue streams, increased economies of scale, and further desensitization to risk.

It has built upon the innovative concepts and retail store designs developed as part of RFG’s Project EVO initiative, driving enhanced Brand System performance and new outlet opportunities.

It has built upon the opportunity afforded by its QSR Brand Systems to expedite gourmet pizza outlet growth, and cement the Company’s market leadership within this niche segment of the retail market.

It has built further scalability within its wholesale coffee operations via establishment of a second Australian coffee roasting facility, more able to facilitate growing third party demand for the Company’s coffee and allied beverage products.

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The Acquirer of Choice

Additionally, RFG has during its journey built a solid reputation as the acquirer of choice within the retail food franchising and coffee industries, facilitating the myriad acquisitive opportunities that have crystalized during the past six months. Those opportunities include:

- Acquisition of a boutique Sydney-based coffee wholesale business, which has further diversified RFG's wholesale coffee channels to market;
- Acquisition of the four outlet Brisbane based 'Bred Bakeries' group for conversion to the Brumby's EVO standard;
- Acquisition of the Cafe2U Brand System, the world's largest mobile coffee franchise concept;
- The pending acquisition of the Gloria Jean's Coffees group; together with
- Announcement today of the Company's entry into a Share Purchase Agreement to acquire the Di Bella Coffee group, a transaction which will complete RFG's strategic coffee platform.

Our CEO will shortly speak in further depth concerning these activities.

In the meantime, it is poignant to emphasize that the foregoing activity demonstrably supports the Company's decision to raise capital in late CY13 for the purposes of internal growth and small scale acquisitive opportunity, notwithstanding the short term dilutionary effect of that transaction on FY14 Earnings per Share (EPS) which was solely as a result of targeted acquisition opportunities being delayed in terms of completion.

Furthermore, I assure shareholders that the RFG Board carefully reviews any capital raising to ensure accretive benefits significantly outweigh any short term dilutionary effects, and that we have ensured wholesale investor placements have been followed by Share Purchase Plans, allowing our Retail Shareholders the opportunity to invest at the same price. We have managed this carefully since 2006, where the Company's share price subsequent to IPO was c.73 cents, and has since risen to c.\$5.90, an c.800% increase.

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Impressive FY14 Outcomes

Notwithstanding the dilution mentioned, RFG achieved a healthy FY14 EPS result of 26.5 cents per share (cps), an increase of 1.9% over the prior corresponding period (PCP).

This outcome was the product of a record FY14 Net Profit after Tax (NPAT) of \$36.9m, a 15.2% increase over FY13, which contributed to a cumulative annual growth rate of 25.5% since Listing some eight years ago.

FY14 NPAT was in turn driven by an \$11.8m increase in underlying revenue (to \$128.8m, a record for the Company) and a 9.8% increase in EBITDA to \$59.1m (also a record result).

This achievement is extremely pleasing given the significant investment made in accelerating QSR outlet population on the one hand, whilst deferring new outlet expansion amongst the Michel's Patisserie and Brumby's Bakery Brand Systems on the other, pending full implementation of the Project EVO model.

The allocation of \$9m towards capital investment activities, and a further \$4m towards franchisee financing initiatives, further demonstrate the underlying strength of the Company's business model, accentuating the fact that RFG is fortunate to be the steward of a business both capable of delivering sustainable growth concurrent with significant investment in the future, and one which is possessed of multiple growth levers and earnings potential.

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Strong Dividend Returns

The impressive results just referenced established the platform for a final FY14 fully franked dividend of 11.25 cps, a 9.8% increase on PCP, which maintained RFG's record for delivering shareholders ongoing bi-annual dividend increases.

Indeed, the final FY14 dividend represented the 16th consecutive bi-annual dividend increase for shareholders, that is, an increase in every dividend period since the Company's Listing.

The combination of FY14 interim and final dividends amounted to 22.0 cps, an 11.4% increase on FY13, and contributed to a Total Shareholder Return for the 12 months to June 2014 of 22.8% (pre-tax).

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Strategic Foresight

RFG's FY14 results demonstrate the foresight with which the Company embarked upon a number of strategic initiatives in past years.

In August this year I indicated that the Company's resolve to enter the Quick Service Restaurant (QSR) segment via acquisition of the Pizza Capers and Crust Brand Systems had proven a masterstroke, and my view concerning this decision has certainly not waned.

Project QSR400 facilitated the commissioning of 85 new QSR outlets during FY14, representing c.57% of total new outlet commissionings for the year (being 150, a record for the Company).

QSR contribution to FY14 Group EBITDA represented 22.7%, or \$13.5m, further vindicating RFG's 'strength in brands' philosophy and pursuit of a multi-revenue and multi-Brand System strategy.

Not only do RFG's QSR Brand Systems afford further diversification of RFG revenue streams, each advance the Company's strategic objectives of reducing exposure to traditional shopping centre site locations, enhancing synergistic supply-side and R&D scale, and broadening day-part and menu offer across the Company's stable of Brand Systems.

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Project EVO

Structural enhancement of the Company's traditional Brand Systems, via Project EVO, has also proven to be a prescient initiative that has delivered exceptional outcomes at both franchisee and Brand System level.

The December 2012 commissioning of the Donut King EVO pilot outlet established a benchmark for new store design and innovation within the retail treat market. This success was followed by the commissioning of the Michel's Patisserie and Brumby's Bakery EVO

pilot outlets in July and December 2013 respectively, drawing immediate positive consumer feedback.

By 30 June 2014, the EVO blueprint has been rolled out amongst 117 locations, with 44 new outlets, and 57 EVO refurbishments, having been established or undertaken during the last financial year.

Whilst Project EVO continues to gather traction, the successful outcomes witnessed to date demonstrate that RFG has laid the platform for revitalization of its traditional Brand Systems and the creation of enhanced earnings potential.

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New Capital

Last month RFG raised \$40m via an institutional placement that was significantly oversubscribed and well supported by existing investors, as well as new shareholders.

The placement will be supported by a Share Purchase Plan set to raise a further \$15m, offer documentation in respect to which is scheduled for dissemination tomorrow.

The proceeds of both capital initiatives will be used to assist in the funding of the Gloria Jean's Coffees acquisition our CEO will speak to shortly, and otherwise to provide adequate headroom to further execute on the Company's growth aspirations.

Pending that, I would like to take the opportunity on behalf of the RFG Board to sincerely welcome those new shareholders who have joined the Company's register, and to thank them, together with RFG's existing shareholders, for their valued support and endorsement of the Company's unique business model.

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A Platform for Growth

Since Listing on the ASX in 2006, RFG has demonstrated the significant potential inherent in its business model and 'strength in brands' philosophy by building a stable of high quality complementary Brand Systems.

With multiple growth levers at its disposal, and a network population that will soon reach 2,400 outlets, the outlook for RFG is overwhelmingly positive.

These outcomes would not be possible without the dedication and hard work of RFG's valued management, staff and franchisee community whose efforts throughout the past year have been exemplary. On behalf of the Board, I sincerely thank them for their commitment to RFG and its Brand Systems.

I would also take this opportunity to thank you, the Company's valued shareholders, for your support and commitment to Retail Food Group.

Lastly, I applaud our Managing Director and CEO, Tony Alford, for his dynamic leadership and vision which has propelled this Company to its current position of prominence.

Thank you. I would now like to ask Tony Alford, to speak to you in more detail regarding RFG's recent performance and future plans.

Ends

CHAIRMAN'S ADDRESS

RFG AGM 2014

RETAILFOODGROUP
STRENGTH IN BRANDS

BUILDING ON 25 YEARS OF SUCCESS

**donut
king**

Brunby's
BAKERY
EST. 1950

Michel's
PATISserie

ESQUIRES
COFFEE

bb's
My local coffee

**PIZZA
CAPERS**
PASTA & BREAD

crust
General Pizzeria Ltd

BARISTA'S
CHOICE

COFFEE
PREMIUM ROASTED COFFEE BEANS

**THE
COFFEE
GUY**

**Evil
Child**
Beverage Co.

evolution
COFFEE ROASTERS

Roasted Addiction
COFFEE & BREAD

cafe2u
A Coffee Shop

A Global Franchising Powerhouse

Retail Food Group has grown to become one of the pre-eminent retail food franchisors and Brand System managers in Australia

RFG celebrated its 25th anniversary emphatically

- Delivering record FY14 profit and dividends
- Engaging in strategic activities that will genuinely position it as a global franchising powerhouse

Building on 25 Years of Success

CY13 represented the culmination of sustained evolutionary change – but CY14 has been no less transformative

RFG has built:

- Upon innovative concepts and retail store designs developed via the Project EVO initiative
- Upon the opportunity afforded by QSR to expedite outlet growth and cement gourmet pizza market leadership
- Further scalability within its wholesale coffee operations

The Acquirer of Choice

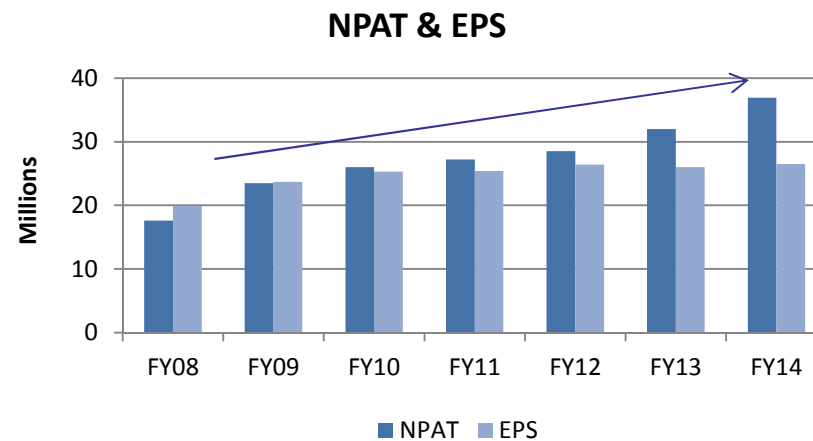
RFG has developed a solid reputation as the acquirer of choice within the retail food franchising and coffee industries

Opportunities crystalized in the past 6 months include:

- A boutique Sydney-based coffee wholesaler
- Acquisition of the 4 outlet Bred Bakeries
- Acquisition of Cafe2U Brand System
- Pending acquisition of Gloria Jean's Coffees
- Pending acquisition of Di Bella Coffee

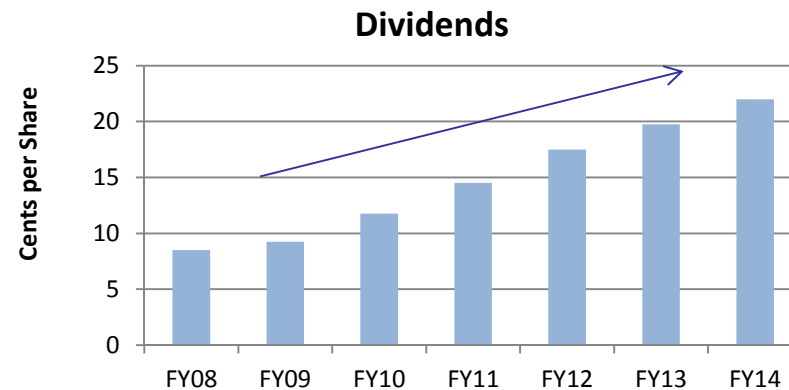
Impressive FY14 Outcomes

- FY14 EPS of 26.6cps represented a 1.9% increase over PCP
- Record FY14 NPAT of \$36.9m, a 15.2% increase on PCP



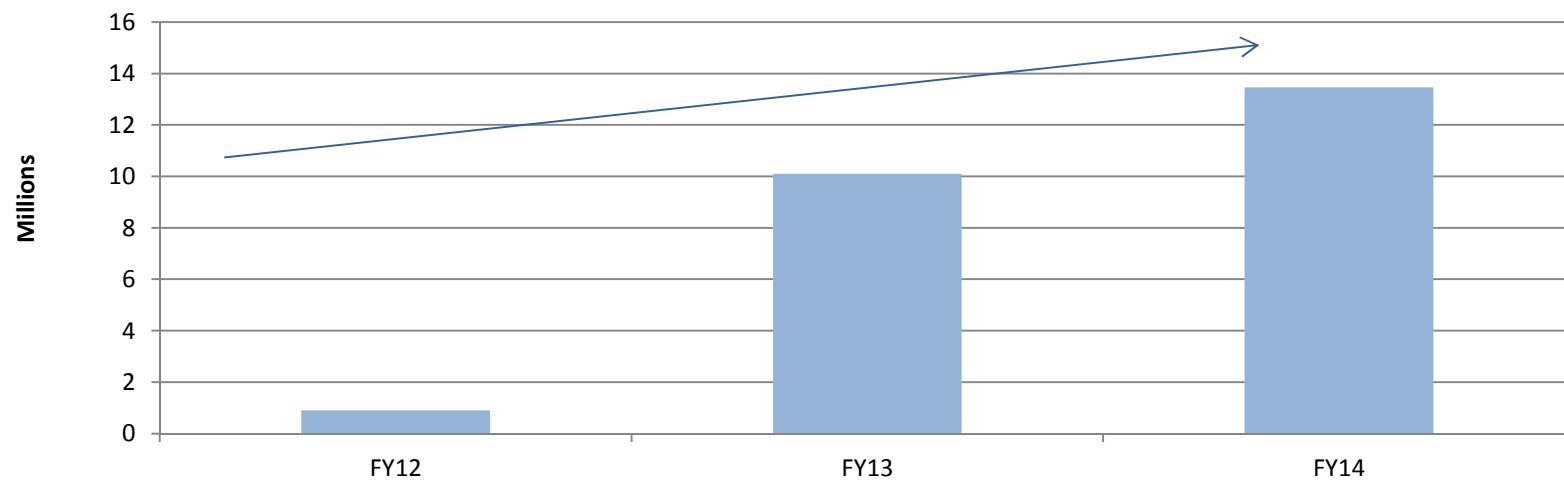
Strong Dividend Returns

- Final FY14 fully franked dividend of 11.25cps represented 16th consecutive bi-annual dividend increase and contributed to TSR of 22.8% (pre-tax) for 12 months to 30 June 2014



Strategic Foresight

QSR EBITDA Contribution



Project EVO

RFG has laid the platform for revitalization of its traditional Brand Systems



New Capital

- \$40m Placement undertaken October 2014 significantly over-subscribed
- SPP to raise further \$15m due to open tomorrow, 26 November 2014

A Platform for Growth

- RFG has demonstrated the significant potential inherent in its business model and 'strength in brands' philosophy
- With multiple growth levers at its disposal, and a network population that will soon exceed 2,400 outlets, the outlook for RFG is overwhelmingly positive