

2 June 2015

## ORGANISATIONAL EVOLUTION TO TARGET SIGNIFICANT GROWTH OPPORTUNITY

Australia's largest multi-brand retail food franchisor and leading wholesale coffee roaster, Retail Food Group Limited (RFG, the Company or Group) is pleased to announce an organisational realignment and expansion, targeted at realising the significant growth opportunity arising from recent strategic acquisitions.

RFG Managing Director Tony Alford said, "FY15 M&A activity has established RFG as a genuine global franchising powerhouse, fortified by an expansive coffee and beverage business and an international licensing platform. The initiatives outlined today position the Group to take advantage of the multiple growth opportunities arising from this transformation".

The Company's three year strategic plan, which is the foundation of the Group's growth, includes:

- Ongoing pursuit of acquisition opportunities;
- Driving Brand and Brand System development with increased focus on digital opportunity;
- Establishment of the Company's first dedicated International Division to support and expand presence in foreign markets (including 58 existing licensed territories);
- Accelerated penetration of Di Bella Coffee domestically and in international markets;
- Expansion of the Group's beverage business including new product lines and the establishment of a commissariat to service existing and future third party (non-franchised) demand; and
- Acceleration of the financial services platform to support franchisees.

Details of the Company's plans have been released on the ASX in conjunction with a trading update and synopsis of the strategic pillars upon which further growth will be driven over the next three years.

### Trading Update & Outlook:

Mr Alford noted the Company's outlook remained positive notwithstanding the transitional initiatives announced and prolonged challenges within the retail environment that were complicated by growing unemployment.

"The initiatives outlined today enable RFG to consolidate its business streams and operations in order to reset its strategic direction and redefine the Company's position within the markets in which it operates", he said.

RFG Chairman Colin Archer said, "RFG is no longer exclusively wedded to domestic retail conditions, but is now possessed of the multiple levers for growth typical of a truly global enterprise. The Group's recent transformation gives the Board every confidence in the continued performance of RFG over the foreseeable future".

The Company continues to hold a buoyant outlook, with RFG's FY15 underlying NPAT guidance of c.\$55m, representing a c.50% increase on FY14 performance, remaining unchanged.



### **Harnessing Additional EBITDA:**

RFG has increased its target of \$13m in efficiency gains to be realised within three years, with the Company's enhanced EBITDA contribution target of c.\$16m representing a 23% increase (+\$3m) over prior expectations announced to the market. Incorporating a variety of synergistic, integration and growth initiatives, the improved profitability involves a cash investment commitment of c.\$16.3m (previously \$13m) which will be expensed by the end of FY17.

Due to the significant growth opportunities presented by the acquisitions made in FY15, the Group is taking the opportunity to streamline the business, consolidating duplicated operations, systems and facilities, together with reallocating resources to focus on outlet quality in preference to maintaining an oversized network population. These measures will result in an additional c.\$18.5m (non-cash) write down of redundant fixed assets, outlet carrying values, and sub-scale Brand System intangibles.

### **Board of Directors:**

The RFG Board will be enhanced by new appointments that will inject further skillsets into policy and decision making processes, ensuring the Company remains appropriately structured and resourced to support strategic oversight and ongoing governance requirements.

Recruitment is currently underway, with the Board presently evaluating the appointment of two new Non-executive Independent Directors.

Coinciding with the above appointments, Non-executive Director Jessica Buchanan will resign from the Board in order to assume a full time executive role as RFG's Chief Brand Officer. Ms Buchanan will be focused on innovation, consumer engagement, product range enhancement, and embellishing the position of relevant Brand Systems as undisputed category leaders.

"Having developed close working relationships with the Company's executive team during her three year tenure as a Director, Jessica will seamlessly transition into her new role", Mr Archer said.

"Jessica has worked with over 60 retail brands globally, the vast bulk of which have been franchised, and the Board has no doubt that her unique skillsets and broad experience will be invaluable to the Company as it embarks upon the next phase of its growth journey".

Ms Buchanan said, "RFG's Brand System portfolio is both dynamic and brimming with opportunity. I'm extremely excited about taking on the executive role of Chief Brand Officer".

### **Separation of CEO & MD Functions:**

RFG today announced its Managing Director and CEO functions will be separated in order to allow the Company to maximise the potential of recent acquisition and mid-term strategic opportunities.

Managing Director Tony Alford will continue to lead RFG's management team as full time executive Managing Director, with primary focus on the broader strategic imperatives of the Group, including acquisition and alignment opportunity, international development and penetration of new markets.

Having vacated the CEO position, Mr Alford will be supported by the appointment of joint CEOs:

- CEO Franchise: Retiring Chief Operating Officer Andre Nell has been appointed, with focus on driving Brand Systems and leveraging the global platform afforded by the Company's existing international licensing operations;

- **CEO Commercial:** Formerly Director of Franchise, Gary Alford has been appointed, with focus on global enhancement of the Company's non-franchised operations, including manufacturing and wholesale operations, supply-chain and procurement, specialty coffee and allied products.

Mr Alford said, "the Company's significant growth opportunities require and will be enhanced by the demarcation of roles and responsibilities. I have absolute confidence in Andre and Gary, and believe the creation of joint CEO functions will ensure that appropriate resources are focused on driving the entire complement of RFG's growth initiatives".

#### **Company Secretary & COO:**

Simultaneously, RFG Chief Legal Officer Mark Connors has been promoted to the role of Chief Operating Officer, responsible for the management and leadership of RFG's corporate service and support functions, as well as driving M&A activity and the identification of new markets.

Mr Alford noted that Mr Connors was a natural choice for advancement having achieved considerable success over a long career with RFG that spans more than a decade.

"During this time Mark has held a variety of roles, including Chief Legal Officer, Company Secretary and Deputy Chief Operating Officer. More recently he led RFG's project teams in respect to the Gloria Jean's Coffees Group and Di Bella Coffee acquisitions, and is ably positioned to drive those service and support functions integral of the success of RFG's business", he said.

Mr Connors will step down as Company Secretary following appointment of a suitable replacement.

#### **Broader Enhancement:**

The appointments above form part of a wider organisational enhancement program which enhances RFG senior management expertise and provides for the consolidation and realignment of the Company's resources. During 2H15, 16 senior appointments have been attended including the newly created positions of Head of Projects & Special Situations, General Manager – Franchise Services, and Head of Loss Prevention.

#### **About Retail Food Group Limited**

RFG owns the Donut King, Brumby's Bakery, Michel's Patisserie, bb's Café, Gloria Jean's Coffees, It's A Grind, The Coffee Guy, Café2U, Esquires, Pizza Capers Gourmet Kitchen and Crust Gourmet Pizza Bar franchise systems. In addition, the Company is a significant wholesale coffee roaster supplying existing Brand Systems and third party accounts under the Di Bella Coffee, Evolution Coffee Roasters Group, Caffe Coffee, Roasted Addiqtion, Café Palazzo, Roasting Australia and Barista's Choice coffee brands.

#### **ENDS**

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