

# Retail Food Group Limited 2016 AGM



## Managing Director's Address 30 November 2016

### [Slide 1]

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Thank you Mr Chairman and good afternoon ladies and gentlemen.

Although I have been part of the Group since 2006, today represents my first AGM as RFG's Managing Director, and as I stand before you this afternoon, I am stepping into some rather large shoes.

Those shoes belong to Tony Alford, who over a career with RFG spanning more than two decades, has presided over an extraordinary growth story.

I would therefore like to echo our Chairman's expression of congratulations and gratitude for Tony's myriad achievements, astute guidance and profound contribution to RFG's success, which continues today in his role as a Non-Executive Director.

Thank you Tony.

### [Slide 2]

#### **Compass to Success**

As our Chairman mentioned earlier, calendar year 2016 represents a milestone year for RFG during which the Company celebrated a decade since Listing on the ASX.

That celebration was bolstered by the delivery of record performance in FY16, together with a significant acquisition, unique amongst those previously undertaken by the Group.

The Company will end the calendar year having embarked upon a new era, following its further evolution into a full service food and beverage company, possessed of a global reach, an abundance of opportunity, and an engaged team, guided by an organizational compass pointing steadfastly towards success.

Underscored by key values that incorporate:

- A deep respect for all stakeholders and the many participants in those markets and communities in which the Group operates;
- An acknowledgment that we remain accountable to you, the Company's shareholders;
- An ambition to succeed, allied with the courage to harness new opportunity; and
- A motivation to achieve and replicate excellence across the entirety of our business;

RFG's compass commands the realization of the Group's vision to execute upon compelling global opportunities.

Intricate to this philosophy are RFG's key growth platforms, each of which represent fundamental and complementary cogs in a high performance engine.

### [Slide 3]

#### **Dynamic Business Drivers**

Whilst we will discuss these in further depth shortly, it is important to provide a brief synopsis of the Company's growth platforms, as these represent the foundations of RFG's continued success and the key influencers of strategy.

As well, such a review provides enhanced context for later discussion, and rudimentary insight into the recent evolution of RFG's business model.

RFG is Australia's largest multi-brand retail food franchise operator, maintaining a diverse portfolio of 12 market-leading Brand Systems across the bakery, café, retail coffee, mobile and QSR segments of the market.

Represented by over 2,500 outlets, the Company's Franchise Division leverages its iconic brands, enviable systems and compelling retail offer to drive positive outcomes for a dedicated complement of Franchise Partners who attended well over 100m customer transactions during FY16.

Additionally, RFG is a leading roaster and distributor of coffee and allied beverage products, sourcing and roasting green beans for distribution of its unique blends across a dynamic, vertically integrated supply chain servicing the Company's franchise network, independent customers and retail consumers.

The Company is also a major player within the 'in home' and broader commercial markets via its wholesale and coffee capsule programs, leveraging ecommerce, supermarkets and other channels to drive enhanced volumes.

More recently, the Division commenced production and distribution of proprietary drinking powder products.

RFG also maintains an extensive international business, underpinned by 69 master franchised territories, whose growing networks are serviced by a global supply chain supported by roasting facilities and supply chain hubs situated in Australia, New Zealand and the United States.

Each of these Divisions have been fortified by the Company's ambitious but prudent M&A platform, which has been a fundamental driver of RFG's evolution via realization of more than 15 strategic acquisitions since Listing in 2006.

Having historically capitalized on the success of its Franchise, Coffee & Allied Beverage, International and M&A drivers, the 1H17 acquisition of Hudson Pacific Corporation, or HPC, added a new dimension and significant growth pillar to RFG.

Facilitating a step-change in operations together with formal entry into enhanced procurement, warehouse, distribution and food manufacturing pursuits, the acquisition warranted establishment of a dedicated Commercial Division whose guiding mission is to extract the substantial opportunity resulting from HPC's alignment within the Group.

The Commercial Division complements and enhances RFG's remaining growth pillars, whilst also providing a foundation upon which the Group can build, both organically and via further acquisition, an enhanced foodservice and manufacturing base that will support further diversification of the Company's operations and earnings drivers.

## [Slide 4]

### A Decade of Success/FY16 Results

In FY16, RFG embellished a decade of remarkable performance by delivering further record outcomes.

Underlying EBITDA exceeded \$110m for the first occasion, resulting in an underlying NPAT of \$66.4m, a 20.5% increase on the prior year.

These outcomes translated into exceptional rewards for shareholders, with:

- Underlying EPS of 40.5cps, exceeding FY15's result by 13.7%; and
- Total, fully franked dividends paid in respect of the year amounting to 27.5cps, a record for the Company which exceeded prior year by 18.3%.

Our Chairman suggested that RFG's proud history of having declared 20 consecutive bi-annual dividend increases was a remarkable achievement.

Whilst that observation is both valid and indicative of RFG's strong investment case, the potency of the statement is significantly enhanced when one considers that this record has been achieved via the application of a consistent but prudent payout ratio that:

- Not only rewards shareholders, but facilitates meaningful investment in organic and acquisitive growth; and
- Demonstrates the strong cash generating attributes of the Company's unique business model.

Insofar as this last point is concerned, during FY16 RFG maintained an enviable EBITDA cash conversion ratio exceeding 90%, and grew net operating cash flows by \$30.8m, or c.89%, to \$65.5m.

These outcomes were complemented by a number of additional achievements, including:

- Record new outlet commissionings of 258, which exceeded guidance, and net outlet growth of 84, each of which demonstrate the enduring appeal of RFG's franchise offer, the relevance of new store concepts brought to market, and the traction engendered by RFG's franchise candidate recruitment initiatives;
- Expansion of RFG's global network via the grant of new Master Franchise licences across Europe, the Middle East, Asia and the Pacific;
- Completion of the Group's integration and synergy extraction from FY15 acquired assets, which delivered a combined \$45.8m contribution to underlying FY16 Group EBITDA, some 31% above guidance;
- Weighted Same Store Sales (SSS) and Average Transaction Value (ATV) growth of 1.7% and 3.2% respectively across the Company's domestic franchise network, notwithstanding strong competitor activity and a challenging retail market;
- A 5.1% increase in annualized Coffee & Allied Beverages throughput to 6.2m kilograms, aided by a 14% increase in coffee volumes exported to international territories;

- Finalisation and launch of the Gloria Jean's Coffees drive thru model, which in turn facilitated the grant of domestic network management rights in respect of the concept, generating new revenue streams and evidencing the broader network licensing opportunities available to the Group;
- Launch of the first 'global' marketing campaign for the Gloria Jean's Coffees Brand System across more than 40 international territories;
- Commissioning of RFG's domestic powders manufacturing facility, which has delivered enhanced supply-chain oversight, product quality and provenance, whilst further diversifying revenue opportunity within the beverages space; and
- Completion of the Michel's Patisserie National Bakery Solution rollout, which has facilitated introduction of a national menu and marketing opportunities, as well as the launch of unique in-store customizable special order technologies.

### **[Slide 5]**

#### **Diverse Business Model**

These achievements aside, perhaps the most pleasing aspect of RFG's FY16 performance was reflected in the growing diversification and sustainability of the Group's earnings.

Supported by prudent acquisitive activity and a focus on building new revenue streams and distribution channels that capitalize on increased scale, the Company's business model has diversified.

The transformation into a global food and beverage company possessed of multiple earnings levers is best illustrated by Divisional EBITDA performance, where contributions from international franchise operations, coffee wholesale and Brand System coffee supply generated in excess of 50% of FY16 Group EBITDA.

This result is in stark contrast to the Company's almost total reliance, when Listing in 2006, on earnings derived from domestic franchise operations.

Reduced reliance on domestic franchise earnings and the performance of any one business unit, a factor which will be further enhanced by the 1H17 acquisition of Hudson Pacific Corporation, not only moderates risk, but also:

- Provides additional growth platforms;
- Enhances the Group's ability to capitalize on new growth opportunity whilst supporting existing business units;
- Facilitates effective utilization of corporate resources and the realization of scale opportunities, including those benefiting our franchisee communities; and also
- Supports the Company's acquisitive strategy which is focused on building additional revenue streams and distribution channels.

Allied to the many benefits derived from the Group's growing revenue diversification, was the enhanced quality of FY16 earnings, particularly amongst the Company's Franchise platform.

Highlighted by the performance of the QSR Division whose EBITDA contribution increased by 13.8%, each of the Company's Franchise Divisions enjoyed increased contribution to Group EBITDA results.

At a more granular level, EBITDA contribution on a per outlet basis grew 17.2% in FY16, validating the restructuring and consolidation program implemented in FY15 to liberate resources and prioritize focus on franchisee support, together with the most compelling of the many growth opportunities at RFG's disposal.

## **[Slide 6]**

### **Leadership in Franchising**

Not only does RFG believe in the strength and vibrancy of the full format franchising model, it is a passionate and loyal supporter thereof.

Franchising is a commercially beneficial and rewarding model by which risk and reward is shared amongst franchisor and franchisee, facilitating commercial and financial benefits the Group considers are incapable of emulation by alternative multi-outlet and or multi-brand models.

With a track record for success and a suite of iconic Brand Systems under its stewardship, RFG remains at the forefront of franchising in Australia, and is driving leadership within the broader industry via exploration and investment in unique and innovative partnerships that are not only advantageous for the Company and its franchise partners, but also positively profile the sector as a whole.

A recent example of this is the Company's 1H17 launch of "RFG Foundations", an innovative internal support program for Franchise Partners developed in collaboration with the National Retail Association, or NRA.

Available to Franchise Partners across the Company's domestic franchise network, RFG Foundations delivers Franchise Partners and their teams a wealth of valuable resources and opportunity, including but not limited to:

- Subsidized NRA membership, facilitating access to employment tools, workplace relations and legal advice, a national toll free workplace advice line and online resource portal;
- Internally led training workshops and materials, together with access to a range of NRA accredited training programs; and
- Compelling third party offers and value add opportunities that represent an undeniable benefit, that differentiates RFG's franchise offer from that of its peers.

A further example of the Company's desire to elevate RFG's and its Brand Systems' public profile, and that of franchising more generally, was the inaugural "RFG Franchise Expo" conducted as a precursor to the Group's successful 2016 global conference, which I will elaborate on presently.

In the meantime, the Expo witnessed each of the Company's Brand Systems and business units, together with commercial stakeholders and trade partners, converge at the Gold Coast's Convention & Exhibition Centre in order to profile franchising, RFG's compelling franchise proposition, the Group's innovative retail offers, and a number of fantastic events designed to provoke third party interest.

Supported by a constant flow of guests from the public, this event represented an overwhelming success which generated a plethora of new franchise leads, significant media coverage for the Group and its business, including live crosses from Channel 7's Weekend Sunrise program, and extensive post-event exposure.

As well, RFG recently announced its partnership with "The Franchise Show", an informative franchise focused program now being aired on the Channel Seven Network.

The weekly half-hour program, hosted by Money Magazine's Effie Zahos, provides balanced insight into the franchising industry and explores a wide range of franchising concepts and issues, and features information and tips from a select group of industry leaders and participants.

RFG has been well represented on the program by multiple Franchise Partners from across the Group's Brand System complement, and we encourage all shareholders to visit The Franchise Show website to watch for yourself each of the episodes aired to date (<https://www.youtube.com/playlist?list=PLr8JLn722mAZfOXWTj4SpAH5dUeCgtSUP>).

Since launching, The Franchise Show has enjoyed cumulative viewership of circa 800,000. It has driven a 5% spike in traffic amongst RFG's corporate website, and a 10% spike in traffic across RFG's Brand System websites. Importantly, it has raised the profile and positive aspects of franchising, whilst affording RFG unique access to an enlarged pool of potential franchisee candidates.

#### **[Slide 7]**

#### **2016 Connect Conference & Trade Show**

Perhaps the most important event on RFG's 2016 calendar, other than today's AGM, was the 2016 Connect Conference & Trade Show alluded to earlier.

Launching immediately after conclusion of the RFG Franchise Expo just mentioned, the conference and trade show was attended by Franchise Partners, Master Franchise Partners, corporate team members, exhibitors, trade partners and suppliers, and represented an unprecedented opportunity to re-energize our Brand System networks and align all on our common desire to achieve success.

An overwhelming triumph, this type of initiative is representative of the growing sophistication and scale of RFG's business, and we would like to provide you better insight by sharing a short clip of the event:

<https://www.youtube.com/watch?v=JzwYcOm8pVg>.

#### **[Slide 8]**

#### **Leading Innovation**

Key aspects of the 2016 Connect Conference & Trade Show were exploration of RFG's enhanced investment in organizational capability to fortify key business drivers, our embrace of and investment in technology within the digital space, and the Group's focus on innovation to drive lasting positive change.

During the 2H16 the Company realigned its franchise support structures across core divisions in order to drive enhanced outcomes and better leverage scale consistent with the Group's 'strength in brands' philosophy.

This initiative resulted in:

1. The implementation of a Franchise Divisional structure which has enhanced efficiencies and promoted the cross-pollination of resources and expertise across the Company's Brand Systems.
2. Establishment of novel franchisee support platforms which represent a departure from traditional servicing methodology.
3. The creation of a dedicated Sales & Performance team tasked with working alongside our Franchisee Partners to drive sales and grow franchised businesses, and supported by a Franchise Care Centre which facilitates more nimble communication between the Group's Franchisees and support experts, RFG's re-engineered operational support platform challenges the status quo and is already delivering improved outcomes.
4. The introduction of initiatives to further embrace the digital opportunities inherent within 21<sup>st</sup> century retailing.

Now centralized within an expanded Digital Centre of Excellence, the Group has created a team of experts tasked with empowering and enabling RFG's Brand Systems and wider business with digital solutions directed at transforming customer experience, enhancing loyalty platforms, driving efficiencies and effecting positive change.

Allied with a focus on business intelligence and data solutions which create a single view of the customer, RFG will soon leverage an enhanced enterprise cloud platform to better manage content, diverse digital assets, loyalty programs, ecommerce and analytics.

The recently established Brumby's Bakery digital pilot loyalty program provides a window into the opportunity RFG seeks to harness via these initiatives.

The pilot trial which has thus far been limited to a portion of the Brumby's network has to date garnered significant traction, enjoying a circa 32% conversion rate and driving a 23% premium in member ATV vs non-member ATV.

This successful initiative will be launched nationally in the 2H17 and represents a precursor to wider enhanced digital loyalty schemes and initiatives across the Company's Franchise Division.

5. Establishment of a centralized Product Innovation Department which is driving an exciting pipeline of new product development for each of the Group's Brand Systems.

A portent of the myriad product opportunities emanating from RFG's innovation kitchens is the Donut King 'Royal' range, an assortment of 'Instagram worthy' decadent and on-trend donuts officially launched less than a fortnight ago. Indeed, this launch had to be delayed given the positive customer response to the product during pilot trials which necessitated upwards reforecasting of stock builds prior to official release.

Representing the biggest change to Donut King's core range in more than 30 years, samples of these eye catching and great tasting products will be available for your enjoyment on conclusion of today's proceedings.

In the meantime, we look forward to sharing with the Market further product innovation of this nature, and delivering our customers fresh, premium products capable of driving talkability, loyalty, and most importantly, sales, for our Brand Systems and their franchisees.

### **[Slide 9]**

#### **New Growth Opportunities**

There exists a number of unique growth stimulating opportunities available to our Brand Systems.

RFG today announced a partnership with BP, one of Australia's largest fuel suppliers and the steward of some 1,300 retail service stations, to explore opportunities to expand the fresh food and coffee choices for customers at BP locations, bringing some of Australia's leading retail food brands together under one roof.

As part of this partnership, the Company and BP will be working together to identify opportunities to leverage RFG's iconic brands into BP's retail offer. With an initial pilot concept scheduled to launch in December, we will further update the market regarding this program when the Company publishes 1H17 results.

Another key project designed to leverage the convenience market is the Gloria Jean's Coffees Drive Thru program, which has realized 25 committed sites to date, consistent with guidance.

A high performing model for the Gloria Jean's Coffees Brand System, and one which has attracted strong Franchise Partner candidate inquiry, the 2H16 grant of network management rights for the model is set to expedite proliferation in the near to medium term.

As well, the Company has been focused on bringing to market novel in-store customization solutions that offer consumers innovative and engaging products that bolster the Group's retail offer and create compelling points of difference.

Representing a foretaste of the new technologies being harnessed by our Brand System and product innovation teams is the recently launched Michel's Patisserie instore image printer, which puts customization at the fingertips of our Franchise Partners and their customers.

In this respect, Franchise Partners are able to utilize new technology that can reproduce licensed images, personal photographs and tailored messages for application to Michel's delicious cakes, all within minutes. This advancement represents an evolution within the celebration cake market which we will demonstrate following conclusion of today's AGM.

### **[Slide 10]**

#### **Trading Update – Franchise Division**

Having implemented a number of initiatives in FY16 and FY17YTD, RFG is well positioned to build upon the successes enjoyed in the last financial year.

Weighted YTD Same Store Sales (SSS) and Average Transaction Values (ATV) across the Group's Brand Systems following the first 19 weeks' trade of FY17, were +1.5% and +2.3% respectively, a credible result having regard to the fact that the Group was yet to enter the busy Christmas trading season, and many of the initiatives touched upon this afternoon have only recently been brought to market.



On a Divisional basis, having maintained the momentum achieved during FY16, Bakery/Café SSS and ATV is tracking at +2.4% and +2.8% respectively, aided by strong food and beverage menu development, innovative marketing and the benefits of structural change, best exemplified by FY16 finalization of the Michel's Patisserie National Bakery Solution rollout.

Coffee Retail recorded steady YTD SSS and ATV of +1.1% and +1.9%, with future traction to be garnered from further menu refinement and strong marketing activity, together with CY17 rollout of innovative outlet initiatives, including store design and Drive Thru model proliferation.

YTD SSS and ATV amongst the Group's QSR Division are tracking at negative 0.3% and positive 1.7% respectively. With a strong focus on new product development, novel brand collaboration activity and innovative marketing, and an emphasis on the provenance of those ingredients incorporated in the Division's gourmet offering, the Group remains resolute in its commitment to the QSR Division's premium positioning and the protection of franchisee margins.

In terms of network growth, the Company's Brand Systems continue to enjoy a robust global site pipeline, franchisee candidate profile, innovative store designs and a motivated Master Franchisee complement.

Benefiting from continued traction and another strong start to the financial year, RFG is forecasting 1H17 new outlet commissionings of c.140, in line with prior corresponding period and reflecting a circa 20% increase on 2H16.

#### **[Slide 11]**

#### **Coffee & Allied Beverage**

It is now appropriate that we move on from Franchise operations to discuss coffee.

Coffee remains one of the world's highest traded commodities, with the market growing, evolving and informing wider popular culture across both mature and emerging markets.

It is predicted that, by the end of FY17, world consumption will be circa 10bn kilograms per annum, driven by emerging coffee cultures in Asia and enhanced sophistication within other markets such as the Middle East and North America.

Domestically, the coffee market is forecast to grow some \$2bn over the next five years.

As the steward of multiple coffee focused Brand Systems and wholesale specialty brands, state-of-the-art roasting infrastructure, a dynamic and global supply chain, together with considerable expertise and extensive relationships throughout the industry, RFG is well placed to tap both this domestic and global demand.

#### **[Slide 12]**

#### **Expanding Growth Platforms**

RFG remains excited by the plethora of opportunity which remains untapped within the coffee and allied beverage space.

The Group's coffee capsule operations have been bolstered by the launch of new and enhanced machines, to be supported by extensive Christmas promotional activity undertaken in conjunction with RFG's key retail partner, Woolworths.

We are pleased to have on display for you this afternoon the re-engineered Professional Machine, and furthermore, take great pleasure in offering today's attendees one of the Group's new retail machines so that you may experience RFG's in-home capsule offer first hand.

In terms of specialty coffee, the FY15 acquisition of Di Bella has provided considerable customer growth impetus as well as access to new markets, whilst also enhancing RFG's coffee expertise and credentials. In this last respect, it is worthy to note Di Bella Coffee's success last week at the prestigious 2016 Golden Bean Awards, where it was awarded some 23 medals together with the title of 2016 Golden Bean Champion.

The brand has been further leveraged via introduction to the North American market, and domestically by an enhanced ecommerce strategy and new product development.

Significant scope to boost Coffee & Allied Beverage throughput arises as a consequence of both international market penetration and customers procured via the HPC acquisition.

Indeed, RFG's vertical integration and enhanced manufacturing capability provides considerable scope for leveraging HPC's existing customer base, and the broader foodservice market, for rapid penetration of the Company's products.

As an example, prior to acquisition, HPC did not stock a coffee range notwithstanding that more than 50% of its circa 2,000 clientele operate cafes or restaurants.

Likewise, RFG's specialty coffee operations maintain a limited range of (non-coffee/beverage) products for distribution, opening potential for HPC to provide a full basket of goods solution.

Putative steps to capitalize on these significant opportunities are underway.

### **[Slide 13]**

#### **International Coffee Opportunity**

RFG has previously discussed the opportunity inherent in the Company's international hub program, which contemplates redeployment of excess roasting infrastructure to strategic offshore locations in order to:

- More efficiently service existing international networks and grow wholesale, contract-roasting and specialty coffee opportunity; and
- Accelerate growth amongst RFG's global franchise networks.

The hub program also represents a pathway for realizing significant Brand System licensing opportunity, and alignment with local partners capable of facilitating enhanced and expedited growth opportunity.

To summarize, the hub program constitutes a unique and compelling opportunity for RFG to 'break down borders', and ultimately, replicate the Company's domestic service model in locations throughout the globe.

Pleasingly we are in advanced discussions with a number of international enterprises in connection with establishment of roasting hubs within the Asian and Middle Eastern markets.

#### **[Slide 14]**

##### **Global Network**

Supported by a dedicated International Division and passionate Master Franchise Partner community, RFG's international operations continue to gain traction, contributing 57% of the Company's FY16 new outlet commissionings.

During the past financial year new licences were granted for Gloria Jean's Coffees in respect of nine territories, including Croatia, Iran, Macedonia, Myanmar, Bulgaria, Georgia, Serbia, Slovenia and Montenegro. The Donut King Brand System will also enter the Iranian market following grant of a Master Franchise license for that territory.

As well, the Brumby's Bakery, Esquires, BB's Café, The Coffee Guy and Cafe2U New Zealand networks were transferred to Master Franchise Partner stewardship.

The inaugural Gloria Jean's Coffees outlet was established in Myanmar, Donut King opened its first outlet in Fiji, and the Master Franchised network in Turkey surpassed 50 retail outlets following 20 new outlet commissionings throughout FY16.

Traction has been no less positive during the 1H17, with RFG having received non-refundable deposits in connection with the grant of Gloria Jean's Coffees master franchises for the territories of Indonesian Airports and Singapore.

Further, the Company has agreed commercial terms for Gloria Jean's Coffees, Crust and Donut King to respectively enter the Northern England, Pakistan and Myanmar markets, and is considerably advanced in terms of negotiations for the entry of various Brand Systems into other new markets.

Additionally, consistent with FY16, it is anticipated that the Company's international network will contribute in excess of 50% of RFG's 1H17 forecast new outlet commissionings.

#### **[Slide 15]**

##### **Increasing Global Expansion**

This growth has resulted in numerous positive outcomes, together with growing penetration of RFG's Brand Systems across the globe.

Whereas RFG's international networks remain predominantly underpinned by the Gloria Jean's Coffees Brand System, cursory inspection of the World map evidences the considerable untapped international opportunity which remains available to that brand.

That opportunity is even more evident when placed into the context of RFG's other Brand Systems, each of which have significant potential for further international penetration, including leveraging the Company's existing Gloria Jean's Coffees Master Franchise Partner network.

Representing approximately one third of RFG's total outlet population, forecast FY17 international new outlet growth will facilitate global Brand System penetration reaching new heights, providing a springboard from which the Company might expedite its network growth and earnings profiles.

**[Slide 16]**  
**Commercial**

In terms of the Group's newly formed Commercial Division, given the relevance and complementary nature of foodservice to RFG's existing business, the Company has long evaluated opportunities within this space, either via acquisition or organic development.

However, for RFG to procure sizeable scale in the short term, it was considered that the acquisition of a strong foodservice business was necessary in order to create a foundation upon which the Group can build self-sufficiency and drive superior outcomes.

That realization led to engagement with a number of potential targets, and ultimately, to the Company's acquisition of Hudson Pacific Corporation, an organization with whom RFG has maintained a successful 20 year relationship.

HPC has been aligned within the newly established Commercial Division, which is focused on extracting the sizeable opportunity available to the Group.

Incorporating three separate but inter-related business units, Hudson Pacific Food Service, Dairy Country and Bakery Fresh, the HPC acquisition complements RFG's existing operations whilst offering further revenue diversification and vertical integration opportunity. As well, it generates significant scale, and importantly, will provide meaningful benefit to the Company's existing franchisee community and wholesale customer base.

**[Slide 17]**  
**Opportunity Profile**

The acquisition of HPC, whilst adding significant EBITDA contribution of itself, represents a platform from which RFG will:

- Further increase Group earnings over the next three to five years; and
- Expand upon the franchisee support programs maintained by the Company.

Those earnings will be derived from an expansive opportunity profile that includes:

- Penetration of RFG's Coffee & Allied Beverages products within foodservice;
- Consolidation and leverage opportunity in connection with RFG's existing distribution value, which exceeds \$300m;
- Scope for consolidation across a fragmented foodservice and manufacturing industry; and
- Leveraging HPC's dairy processing and central bakery capability to drive bespoke products for RFG's Brand Systems and the broader foodservice market.

Integration of the HPC business is well underway and proceeding according to plan, with the business performing to expectation.

Ultimately, the Group remains optimistic regarding the benefits the newly formed Commercial Division is capable of delivering, and we look forward to keeping shareholders informed of developments.

## **[Slide 18]**

### **Mergers & Acquisitions**

Notwithstanding significant past activity undertaken, and the ongoing synergy liberation of recently acquired assets, M&A opportunity remains a key instrument of the Group's growth.

RFG has attended to more than 15 strategic acquisitions since Listing, driving its evolution into the global, full service food & beverage organization it has become today.

That being said, RFG's approach to M&A remains a prudent and measured one.

Indeed, one might say that the true measure of success in terms of the M&A program is not reflected in the opportunities the Company has realized, but rather, the plethora of those which the Group has resolved not to pursue following application of a strict investment criteria and rigorous due diligence process.

RFG's acquisitive blueprint remains unchanged and demands opportunities which are complementary of the Group's existing operations, are EPS accretive, generate increased scale, and which offer synergistic and vertical integration potential.

Where compelling, this blueprint also includes scope for international opportunities.

Having consistently applied these tenets, the Company has proudly become an acquirer of choice.

RFG is presently evaluating a number of complementary M&A opportunities of various scales across the franchise, coffee & allied beverage, food service and manufacturing industries.

At least a dozen of those opportunities are the subject of active engagement.

Complementing this M&A opportunity profile, the Group enjoys a strong and supportive relationship with its bankers.

As a consequence of the HPC acquisition and consistent with the terms of its senior debt facility, the Group is currently engaged with its bankers to further increase the facility by c.\$40m, which will result in total headroom of c.\$100m.

In summary, RFG is enthused about the overabundance of M&A opportunity now under consideration, and what that might mean for the Company's future prospects.

That said, the Group's approach to M&A is a prudent and measured one as indicated, and ultimately, we will keep the Market appropriately informed.

## **[Slide 19]**

### **FY17 Outlook**

Having delivered record FY16 performance, RFG's increasingly diverse and global operations have once more evolved via realization of a multifaceted acquisition laden with opportunity.

The Company's unique business model continues to allow for investment in both organic and acquisitive growth opportunity, evidenced by the myriad initiatives discussed with you today.

The Group entered FY17 with a positive outlook.

That outlook remains unchanged, and consequently, RFG affirms its FY17 guidance of circa 20% underlying NPAT growth (excluding acquisition and integration costs).

That growth will be weighted as to c.54% to the 2H17, reflecting the impact of 1H17 acquisitive activity, together with the timing and realization of international growth initiatives.

At this juncture, I would like to take this opportunity to thank each of RFG's dedicated Franchise and Master Franchise Partners for their contribution to the Company's success, and also, our many loyal customers for their ongoing business.

I would also like to thank you, our valued shareholders, many of whom have been long term investors in RFG, for your support and enthusiasm for the business to date.

In closing, I would also take this opportunity to thank each of RFG's team members for their commitment, creativity and passion for excellence. The Board and senior management team are extremely proud to have the support of such a talented group of people, whose contribution to the Company's past success and future prospects, is incapable of overstatement.

Thank you.

# MANAGING DIRECTOR'S ADDRESS

Andre Nell | Managing Director  
Retail Food Group Limited



# COMPASS TO SUCCESS

VISION: CREATING COMPELLING  
OPPORTUNITIES FOR SUCCESS GLOBALLY



**FRANCHISE**



**COFFEE &  
ALLIED BEVERAGE**



**INTERNATIONAL**



**COMMERCIAL**



**M&A**



# DYNAMIC BUSINESS DRIVERS



FRANCHISE



COFFEE &  
ALLIED BEVERAGE



INTERNATIONAL



COMMERCIAL



M&A



**69** INTERNATIONAL  
LICENSED  
TERRITORIES

**4** ROASTING FACILITIES  
IN AU, NZ & USA WITH  
SUPPLY CHAINS  
ACROSS THE WORLD

RFG ANNUAL GENERAL MEETING

PROCUREMENT,  
WAREHOUSE,  
DISTRIBUTION &  
MANUFACTURING



**15+**

SUCCESSFUL ACQUISITIONS  
UNDERTAKEN SINCE LISTING  
ON THE ASX IN 2006

# A DECADE OF SUCCESS

# RECORD FY16 RESULTS

**20** CONSECUTIVE BI-ANNUAL  
DIVIDEND INCREASES

LEADING VERTICALLY INTEGRATED  
GLOBAL ORGANISATION ↑

**RECORD 258**  
NEW OUTLET COMMISSIONINGS

RECORD NET OUTLET  
GROWTH OF **84**

NET OPERATING CASH FLOW

**\$65.5m**

**89%**

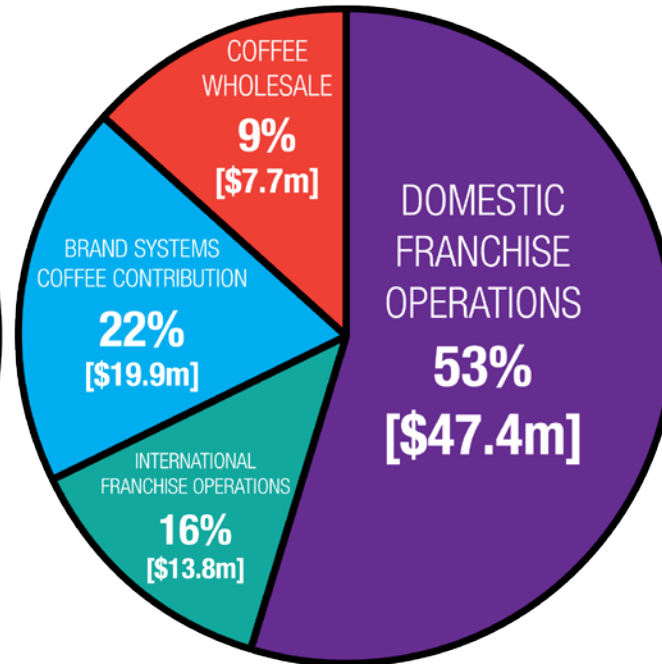
INCREASE ON FY15

# DIVERSE BUSINESS MODEL

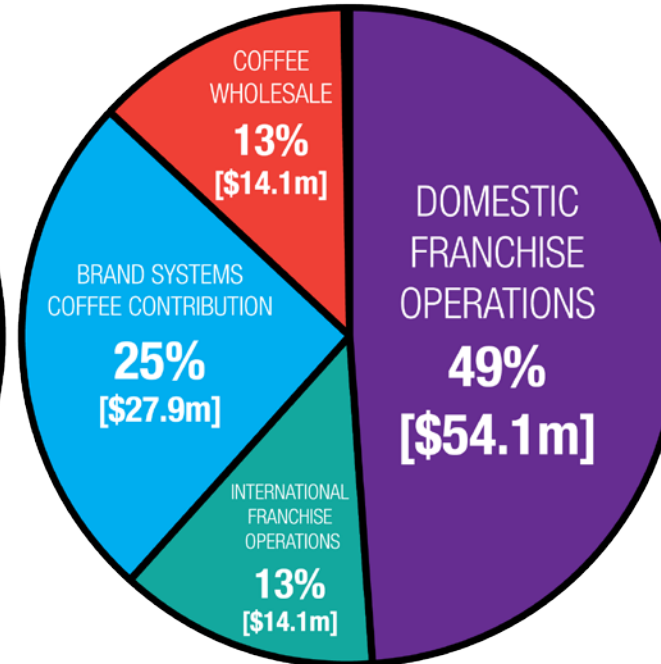
FY06 EBITDA **\$10.7m**



FY15 EBITDA **\$88.8m**



FY16 EBITDA **\$110.2m**



FY17 & **BEYOND**

MULTIPLE GROWTH PILLARS DRIVING ENHANCED DIVERSIFICATION & OUTCOMES ACROSS GLOBAL OPERATIONS

# LEADERSHIP FRANCHISING

## INNOVATIVE SUPPORT PROGRAMS

**RFG  
FOUNDATIONS**  
BUILD YOUR BEST BUSINESS

**NRA** National  
Retail  
Association

## INAUGURAL RFG PUBLIC DAY

**RFG**  
*Franchise Expo*  
25 September

GOLD COAST CONVENTION  
& EXHIBITION CENTRE  
10am - 4pm  
FREE ENTRY

PROUDLY BROUGHT TO YOU BY:  
**RETAILFOODGROUP**  
STRENGTH IN BRANDS

CCA  
DCA-CRA-AMATE

[www.rfg.com.au](http://www.rfg.com.au)

## NATIONAL FRANCHISING TV SHOW



# 2016 CONNECT CONFERENCE



[VIEW CLIP HERE](#)

RFG ANNUAL GENERAL MEETING

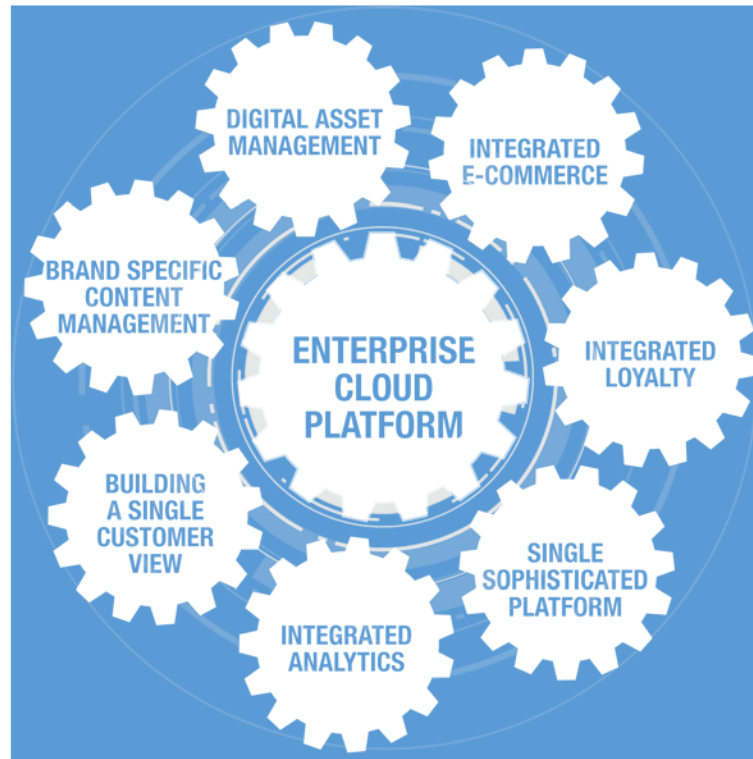
# LEADING INNOVATION

## DIVISIONAL STRUCTURE

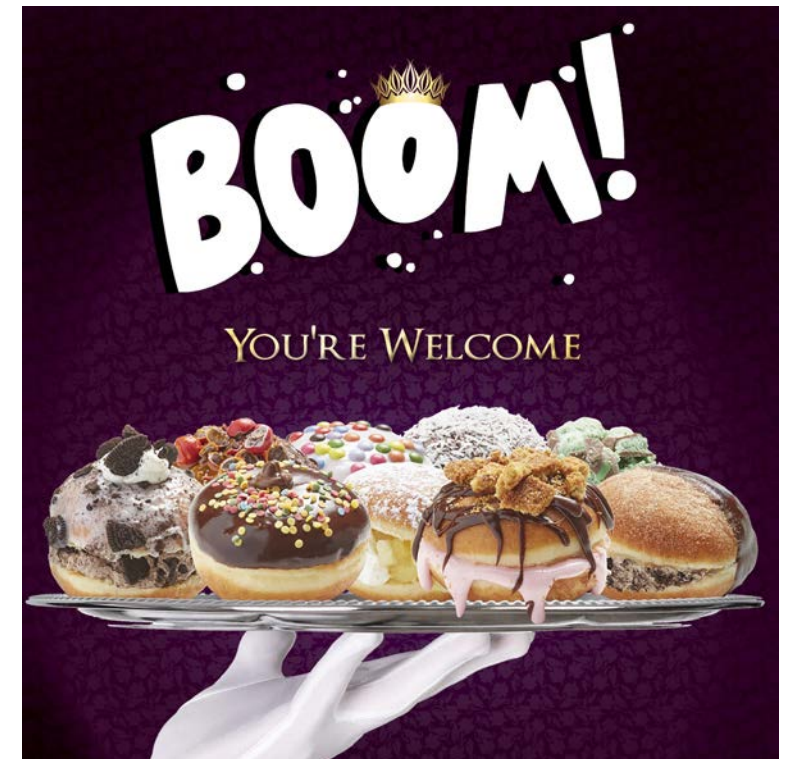


**ALIGNMENT OF BRAND RESOURCES ACROSS CORE DIVISIONS TO DRIVE POSITIVE OUTCOMES, SUPPORT FRANCHISEES & LEVERAGE "STRENGTH IN BRANDS" PHILOSOPHY**

## DIGITAL CENTRE OF EXCELLENCE



## PRODUCT INNOVATION



# NEW GROWTH OPPORTUNITIES

## RETAIL INNOVATION



## DRIVE THRU EXPANSION



## IN-STORE CUSTOMISATION



**Michel's**  
PATISSERIE

## 1H17 FORECAST NEW OUTLET COMMISSIONINGS OF c.140

- STRONG START TO FY17
- ROBUST GLOBAL OUTLET PIPELINE

| FY17 YTD       | SSS    | ATV  |
|----------------|--------|------|
| Group Weighted | 1.5%   | 2.3% |
| Bakery/Café    | 2.4%   | 2.8% |
| Coffee Retail  | 1.1%   | 1.9% |
| QSR            | (0.3)% | 1.7% |

# TRADING UPDATE FRANCHISE DIVISION



**CONTRIBUTED 38%**  
TO FY16 GROUP EBITDA:

**\$42m**

**6.2m KG**

COFFEE & ALLIED BEVERAGE THROUGHPUT

**5.1% INCREASE**

**ON FY15**

FY16 WHOLESALE COFFEE EBITDA:

**\$14.1m**

83% INCREASE ON FY15

**COFFEE & ALLIED BEVERAGE**

# EXPANDING GROWTH PLATFORMS

## CAPSULE PROGRAM



## DI BELLA COFFEE SUCCESS



## FOOD SERVICE OPPORTUNITIES



# INTERNATIONAL COFFEE OPPORTUNITY

## INTERNATIONAL ROASTING 'HUB' PROVIDES:

- ENHANCED SUPPLY CHAIN FOR MASTER FRANCHISE PARTNERS
- BASE FOR INCREASED INTERNATIONAL WHOLESALE COFFEE GROWTH
- PLATFORM FOR BRAND SYSTEM PENETRATION & LICENSING



# GLOBAL NETWORK

2,500+ **GLOBAL**LY  
FRANCHISED OUTLETS

**TOP 5**  
**MARKETS**  
(FY16 NEW OUTLETS)

|           |     |
|-----------|-----|
| AUSTRALIA | 112 |
| TURKEY    | 20  |
| CHINA     | 18  |
| UK        | 14  |
| MALAYSIA  | 14  |

FRANCHISE NETWORK SPANNING  
**5 CONTINENTS**

MAJOR OFFICES IN **GOLD COAST, BRISBANE, SYDNEY**  
**MELBOURNE, LOS ANGELES & AUCKLAND**  
[ROASTING FACILITIES IN **SYDNEY, BRISBANE, AUCKLAND & LOS ANGELES**]

**69 LICENSED**  
INTERNATIONAL TERRITORIES

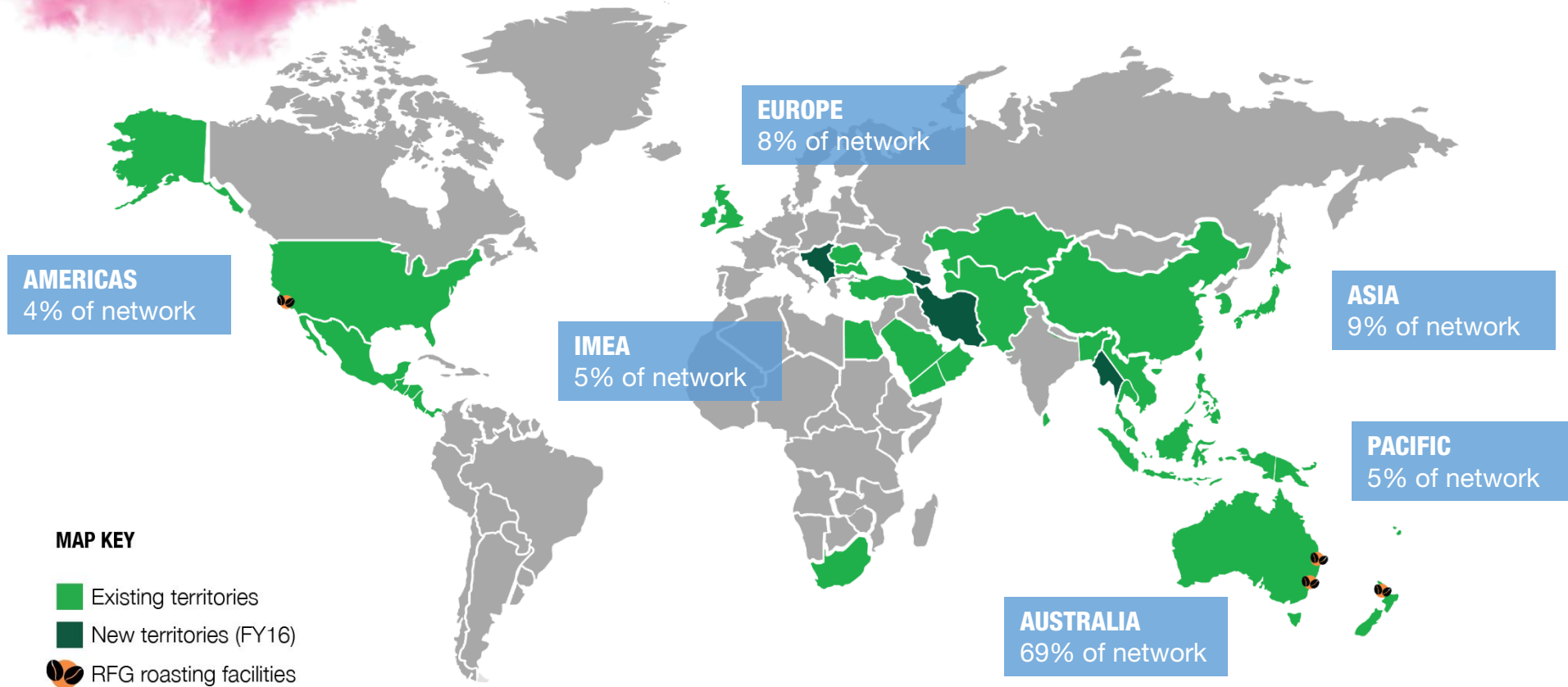
*BRUMBY'S BAKERY,*  
*ESQUIRES, BB'S CAFE,*  
*THE COFFEE GUY & CAFE2U* } NEW ZEALAND NETWORKS  
**TRANSFERRED TO**  
**MASTER LICENSEE**

NEW LICENSE **DONUT KING**  
*GRANTED FOR* **IN IRAN**

**NEW LICENSES**  
*GRANTED FOR*  
GLORIA JEAN'S COFFEES IN

|                   |           |
|-------------------|-----------|
| CROATIA           | MACEDONIA |
| IRAN              | MYANMAR   |
| BULGARIA          | GEORGIA   |
| SERBIA            | SLOVENIA  |
| <b>MONTENEGRO</b> |           |

# INCREASING GLOBAL EXPANSION





FOUNDATION FOR SUPERIOR OUTCOMES DRIVEN BY  
**SCALE & VERTICAL INTEGRATION**

**ACCESS TO 5,500+**  
CUSTOMERS ACROSS  **& RETAIL FOOD GROUP**

SUPPLY CHANNELS INCLUDING SUPERMARKET, FOOD SERVICE & FRANCHISE

**25  
000  
TONNES**

OF  PROCESSED  
EACH YEAR

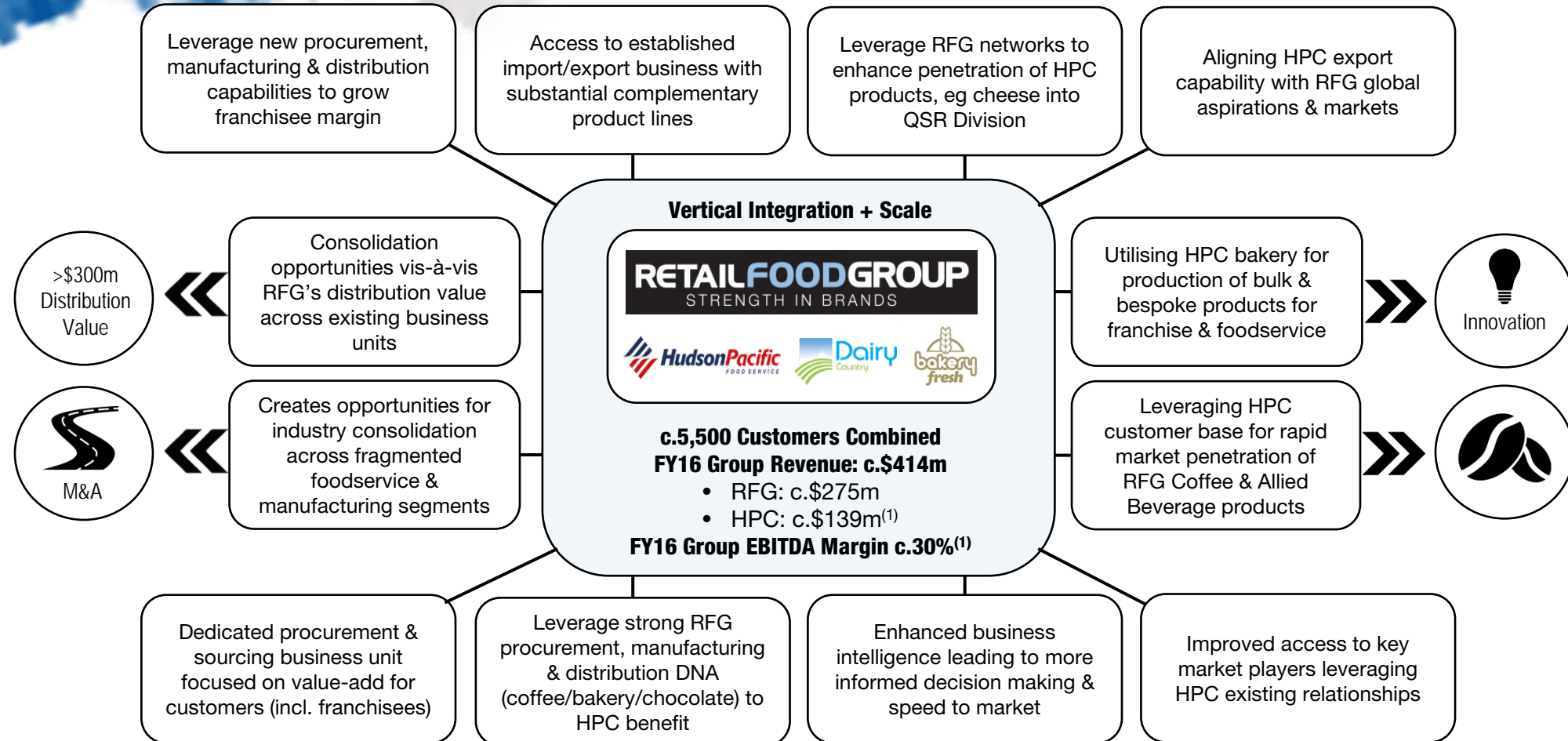
AUSTRALIAN QUARANTINE &  
INSPECTION SERVICE

{ **AQIS** }

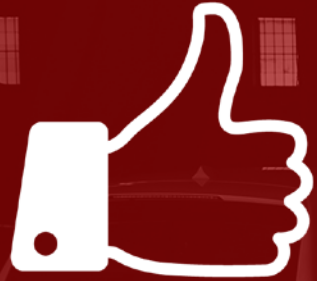


# COMMERCIAL

# OPPORTUNITY PROFILE



(1) FY16 Pro Forma subject to audit in respect of HPC



ACQUIRER OF  
**CHOICE**

**50+ OPPORTUNITIES**  
PRESENTLY UNDER EVALUATION

FOCUSSED ON  
**COMPLEMENTARY**  
ACQUISITIONS THAT ARE:

- EPS ACCRETIVE
- GENERATE INCREASED SCALE
- OFFER SYNERGISTIC & VERTICAL INTEGRATION OPPORTUNITY

SCOPE FOR **COMPELLING**  
INTERNATIONAL  
**TARGETS**

**MERGERS & ACQUISITIONS**



**FY17**

# **OUTLOOK**

**FY17 GUIDANCE OF c.20% UNDERLYING NPAT GROWTH MAINTAINED  
EXCLUDING ACQUISITION & INTEGRATION COSTS**

