

26 June 2020

Trading Update & FY20 Guidance

Highlights:

- FY20 underlying EBITDA guidance of c.\$35m⁽¹⁾;
 - Anticipated Net Debt at 30 June 2020 of c.\$25m⁽²⁾;
 - Wholesale coffee business restructure complete, realising annualised cost savings of c.\$6m pa;
 - Customer count improving amongst domestic franchise network, albeit below pre-COVID levels;
 - Limited domestic closures attributable to COVID19;
 - Rent concessions obtained for c.415 outlets;
 - Support for domestic franchisee network maintained;
 - Significant proportion of international outlets reopened for trade.
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Retail Food Group Limited (RFG, the Company or Group) today announced it had continued to observe an increase amongst customers within shopping centres as government restrictions regarding COVID19 had been eased.

RFG Executive Chairman Peter George said, “customer count has continued to improve, with recent trading data reflecting a weighted average decline amongst all brands of 13.76% versus the previous corresponding period⁽³⁾, albeit this remained well below pre-pandemic levels. The Company is also closely monitoring the situation in Victoria given a recent spike in COVID19 infections and speculation regarding the potential re-introduction of restrictions within that State”.

Mr George noted that the limited number of outlet closures thus far attributable to COVID19 evidenced the resilience of the Group’s domestic franchise network.

“Of the remaining 17 outlets temporarily closed as a consequence of the pandemic, we are working with impacted franchisees to facilitate re-opening, however, anticipate c.7 will be permanent closures. These were forecast to close in the near future, and COVID19 has simply expedited that outcome”.

“Further traction had also been observed in terms of rental relief for franchisees, with concessions now having been obtained in respect of c.415 outlets. This is a positive outcome for both franchisees and RFG which provides both cash-flow support and added certainty. Negotiations with landlords regarding relief arrangements are ongoing and are anticipated to persist for the duration of the pandemic and a reasonable recovery period thereafter”, Mr George said.

Temporary closures amongst the Group’s international franchise network had reduced considerably as local government restrictions eased. Whilst c.138 international outlets remained closed, 30 of which permanently, c.150 were now operating with limited ‘dine-in’, and a further c.230 on a ‘takeaway’ only basis. As previously advised, all of the Group’s international mobile units have recommenced trade.

RFG had now completed restructure of its wholesale coffee business, realising annualised cost savings of c.\$6m per annum and centralising domestic roasting operations within its state-of-the-art Sydney facility.

“RFG expects trading conditions to remain challenging in the foreseeable term and therefore anticipates a continuation of those measures implemented by the Group in response to the pandemic to support franchisees. That said, there are a number of positive developments within the Group’s business that provide optimism for the future”, Mr George said.

The Company is pleased to provide FY20 underlying EBITDA guidance of c.\$35m, assuming full year contributions from all continuing operations, but excluding the impact of AASB15 and AASB16⁽¹⁾. The Company also anticipates Net Debt at 30 June 2020 to be c.\$25m⁽²⁾.

This announcement has been authorised by the Board of Directors.

¹. Based on unaudited management accounts. To assist assessment of the Group's anticipated FY20 performance, FY20 underlying EBITDA guidance provided above is given on the same basis that the Group's original FY20 underlying EBITDA guidance (which was withdrawn on 24 March 2020) was provided.

². Excludes lease liability

³. Based on unaudited trading data reported by franchisees for the week ending 21 June 2020, versus unaudited trading data reported by franchisees for the week ending 23 June 2019

ENDS

For further information, interviews or images, please contact:

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About Retail Food Group Limited:

RFG is a global food and beverage company headquartered in Queensland. It is Australia's largest multi-brand retail food franchise owner and a roaster and supplier of high-quality coffee products. The Company also operates in the dairy processing sector. For more information about RFG visit: www.rfg.com.au