

20 August 2024

## **RFG DELIVERS NET OUTLET GROWTH, UNDERLYING REVENUE GROWTH OF +12.9% AND UNDERLYING EBITDA GROWTH +15.0% ON PCP**

- **FY24 domestic Network Sales of \$504m. Network sales growth accelerated in H2 (+2.4% on PCP) which has continued in early FY25**
- **Domestic network growth with net trading outlets up +42 and the acquisition of Beefy's Pies in December 2023**
- **The Café, Coffee, Bakery ('CCB') segment provides 89.3% of Group underlying revenue and performed well in tougher economic conditions with SSS growth of +4.9% whilst Quick Service Restaurants ('QSR') remained challenged by competitor discounting leading to a 3.4% SSS decline**
- **Success in the execution of both organic and inorganic elements of the Group growth strategy including IT improvement plan, delivery of synergies identified for the Beefy's acquisition and relaunching Franchise Partner recruitment programs**

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Retail Food Group Limited (ASX: RFG) is pleased to release today its FY24 financial report, with its Appendix 4E, and ASX Presentation.

Commenting on these results, RFG CEO, Matt Marshall said,

*"In a tough macro environment, we are pleased to have delivered on the first year of our growth strategy whilst building organisational capability and a customer led culture. We successfully delivered the acquisition of Beefy's Pies, the launch of our second ecomm platform Donut King Occasions, deployment of new customer facing technology solutions and network growth. We will continue to focus on the quality of execution in our core brands and unlocking profitable growth opportunities in the year ahead".*

Highlights for the year ended 28 June 2024 include:

### **Domestic Network Performance:**

- 92 new outlets opened in FY24, up from 69 in FY23, with domestic net outlet growth for the first time in recent years. Net outlet growth of +42 in FY24 (FY23: decline of 17 outlets) alongside the completion of 131 franchise renewals and 43 refurbishments.
- Network health improved as tracked by Average Weekly Sales ('AWS'), which grew 5.3% driven by the CCB segment (up 9.0% on PCP).
- Despite a challenging economy and pessimism within the food and beverage sector, our brands remained resilient. Network sales of \$504m grew slightly on PCP with an improved performance in H2 as we cycled tougher comparatives and saw price competition in the QSR segment.
- CCB segment Network Sales grew 3.0% on PCP as we focused on the quality of execution standards and delivering value to the customer. We also benefited from newer, higher quality outlets opened in H1.
- In QSR, competitors continued to chase volume through heavy discounting and the segment customer count declined 12.6% by not matching discounts. QSR is focused on protecting

franchise partner profitability through growth in Rack'em Bones BBQ Ribs and expansion of product range (burnt ends & cheesy crust).

- Our virtual brand, Rack 'em Bones BBQ Ribs was launched in FY23 to leverage our physical QSR store network into a new category for delivery only. Rack 'em Bones grew rapidly in FY24 and was live in 101 QSR outlets (up from 42 outlets at 30 June 2023), generating network sales of \$6.5m (FY23: \$1.1m). Late in FY24 we released a direct to consumer eComm site to expand beyond UberEats.
- The acquisition of Beefy's Pies was completed on 11 December 2023 and contributed underlying EBITDA of \$1.7m to our result. We have executed all key synergies and growth opportunities identified in the acquisition business case including the launch of a new outlet in Ballina in June which will contribute to FY25. In the 12 months ahead we intend to grow Beefy's to 15 stores with leases already secured on the next three new locations in Brisbane and Toowoomba.
- Our company store portfolio grew from 31 outlets at 30 June 2023 to 63 outlets at 28 June 2024, including 10 Beefy's outlets.

### **Revenue, EBITDA & NPAT**

- Underlying Revenue increased 12.9% on FY24 with a larger corporate store portfolio and the acquisition of Beefy's Pies.
- Stable underlying Gross Profit margins of 70.6% (PCP: 70.9%) were achieved, despite a greater mix of corporate stores.
- Total overhead expenses were higher than PCP at \$51.9m (PCP: \$46.7m) due to growth in the company stores division and payroll costs which were partially offset by lease impairment releases and lower corporate overheads.
- Corporate payroll costs increased \$2.1m on PCP due to wage inflation and the implementation of a variable short & long term remuneration plan necessary to motivate, retain and attract high performers. The total cost of the short and long term plan incurred in the year was \$2.9m (PCP: \$0.8m)
- Significant progress made in re-opening, exiting, surrendering and negotiating with landlords on legacy lease liabilities resulting in reduction in onerous lease provisions of \$11.4m (PCP: \$8.1m)
- Underlying EBITDA of \$29.2m was up 15.0% on PCP with EBITDA margins of 25.4% in line with PCP of 25.0% and within our November 2023 guidance range.
- Statutory NPAT of \$5.8m up from a (\$8.9m) loss in FY23.

### **Balance Sheet & Cashflow**

- We delivered an improvement in underlying operating cash conversion to 77% in FY24, up from 46% in FY23. Underlying operating cash inflow was \$22.5m, up 95% on PCP.
- At 28 June 2024, the Group had unrestricted cash on hand of \$18.3m (30 June 2023: \$17.9m), resulting in net debt of \$6.2m.
- During the year, and as previously announced, RFG agreed an increase in our total senior secured debt facility by a further \$20 million, and drew down \$5.0m to partially fund the acquisition of Beefy's Pies. We have \$15m of our facility remaining undrawn with a secured tenor to April 2026.

## Outlook

- FY25 has started well with network sales of \$59.8m in the first 6 weeks, up 2.3% on the same period of FY24.
- Our Multi Site Operator (MSO) incentive plans continue to drive growth. Since inception we have agreed four business development plans to incentivise our best franchise partners to grow their outlet portfolio with RFG.
- Our second ecommerce platform, Donut King Occasions ([dkoccasions.com.au](https://dkoccasions.com.au)) reached a national launch milestone on 19 August 2024 with 68% of Donut King outlets live.

## Investor Briefing

RFG's Chief Executive Officer, Matt Marshall, and Chief Financial Officer, Rob Shore, will provide a briefing for analysts and investors at 10:00am AEST on Tuesday 20 August 2024.

Participants can register for the conference call using the link below:

<https://s1.c-conf.com/diamondpass/10040991-5k3ixg.html>

Registered participants will receive their dial in number on registration, a calendar invitation and a unique PIN to access the conference call.

The webinar will be available live, and can be accessed through this link:

<https://webcast.openbriefing.com/rfg-fyr-2024/>

This announcement has been authorised by the Board of Directors.

## Investor Enquiries:

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- (1) This Announcement should be read in conjunction with RFG's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), available at [www.asx.com.au](http://www.asx.com.au). This Announcement contains certain non-IFRS financial measures, including underlying EBITDA and Revenue. Non-IFRS financial measures have not been subject to audit or review. A reconciliation and description of the items that contribute to the difference between RFG's underlying and statutory results is provided in the Company's FY24 Annual Results Presentation lodged with the ASX.
- (2) Unless otherwise specified, operational metrics (SSS, CC, ATV) provided in this Announcement are based on unaudited reported sales by Franchise Partners and corporate stores amongst stores trading, in the case of a half year, a minimum 23 of 26 weeks, and in the case of a full year, a minimum 46 of 52 weeks, versus unaudited reported sales by Franchise Partners and corporate stores against same stores trading a similar number of weeks during the comparable preceding period (as the case may be).
- (3) Network sales is based on unaudited reported sales across all domestic network outlets.
- (4) Unless otherwise specified, trading outlets includes domestic active physical stores, mobile and virtual outlets as at the end of the financial period, excluding non-trading locations.
- (5) Underlying Revenue is a non-IFRS measure not subject to audit. Underlying Revenue excludes restricted domestic marketing fund revenues and USA operations
- (6) Underlying EBITDA is a non-IFRS measure not subject to audit. Underlying EBITDA excludes non-recurring, non-core costs of legacy legal matters, restructuring and non-cash impairments and is inclusive of AASB15 and AASB16.
- (7) Net debt calculated as external borrowings less unrestricted cash on hand.

## 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 manager and is the owner of iconic brands including Gloria Jean's, Donut King, Brumby's Bakery, Crust Gourmet Pizza and Beefy's Pies. The Company is also a roaster and supplier of high-quality coffee products. For more information about RFG visit: [www.rfg.com.au](http://www.rfg.com.au)

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