

RETAILFOODGROUP^{LIMITED}

STRENGTH IN BRANDS



RESULTS PRESENTATION - FINANCIAL YEAR 2011

Retail Food Group Limited (ASX: RFG)



- RFG designs, develops and manages retail franchise systems and is the intellectual property owner and licensor of the following franchise systems:
 - Donut King
 - Michel's Patisserie
 - Brumby's Bakeries (including Big Dad's Pies and Brumby's GO)
 - bb's café and Esquires Coffee Houses
- RFG is also the roaster and supplier of coffee products which in FY11 delivered in excess of 620 tonnes of coffee into its franchise systems
- Business model developed to deliver strong and consistent free cash flows with low capital inventory
- Franchise Outlets: 1,148 franchise outlets operating throughout five countries ⁽¹⁾
- Market capitalisation: \$259.8m ⁽¹⁾
- Enterprise value: \$345.4m ⁽¹⁾
- FY12 Dividend Yield: 9.9% gross ⁽²⁾
- P/E Ratio: 8.3 ⁽²⁾

(1) As at 30 June 2011

(2) As at 12 August 2011, based on FY11 EPS

FY11 Summary



	Statutory Results							Core Operations ⁽¹⁾		
	FY06	FY07	FY08	FY09	FY10	FY11	PCP %	FY10	FY11	PCP %
Franchise Network Sales ⁽²⁾	\$143.1m	\$158.2m	\$592.0m	\$632.0m	\$640.6m	\$651.1m	1.6%			
Total Revenue ⁽³⁾	\$20.5m	\$23.6m	\$114.1m	\$130.5m	\$118.6m	\$110.0m	(7.3%)			
Adjusted Revenue ⁽⁴⁾					\$66.6m	\$77.8m	16.8%			
EBIT	\$9.8m	\$12.2m	\$34.4m	\$40.3m	\$43.8m	\$45.1m	3.0%	\$44.3m	\$46.0m ⁽⁵⁾	3.8%
NPAT	\$5.9m	\$7.5m	\$17.6m	\$23.5m	\$26.0m	\$27.2m	4.6%	\$26.4m	\$27.9m ⁽⁵⁾	5.7%
Basic EPS	8.6 cps	10.5 cps	19.9 cps	23.7 cps	25.3 cps	25.4 cps	0.4%	25.6 cps	26.0 cps	1.6%
Dividend (paid or payable)	n/a	6.25 cps	8.5 cps	9.25 cps	11.75 cps	14.5 cps	23.4%			
Franchised Outlets	332	360	1,052	1,063	1,122	1,148	2.3%			
New Outlets	27	37	742	59	97	87				

(1) Results from 'Core Operations' exclude amounts recognised in the income statement relating to the pre-tax impact of:

- derivative financial instruments - interest rate swaps (FY11: \$1.0m loss; FY10: \$0.5m loss); and
- derivative financial instruments - foreign exchange forward contract (FY11: \$0.1m gain; FY10: \$nil).

(2) Derived from financial information including franchisee-reported turnover and not subject to audit.

(3) Excludes revenue derived from marketing activities (FY11: \$15.7m; FY10: \$15.4m; FY09: \$12.6m; FY08: \$10.3m; FY07: \$6.2m).

(4) Adjusted Revenue excludes sales revenue derived from the wholesale bakery supply to Michel's Patisserie (FY11: \$32.2m; FY10: \$52.0m). Refer Appendix 1.

(5) Core FY11 EBIT and Core NPAT have not been adjusted for financial impact of natural disasters in Australia and New Zealand. Refer page 6.

Resilient Business Model (1 of 3)



- Continued growth despite sustained lethargy in retail trading conditions and stagnant shopping centre development:
 - ✓ Core NPAT: \$27.9m (up 5.7% on pcp)
 - ✓ NPAT CAGR: 35.8% (6 years)
 - ✓ Core EPS: 26.0 cps (up 1.6% on pcp)
 - ✓ EPS CAGR: 24.2% (6 years)
 - ✓ Dividends: 14.5 cps (up 23.4% on pcp) increasing dividend payout ratio to 57.4% ⁽¹⁾
 - ✓ Net debt: \$70.5m with increased facility headroom of \$25 million
 - ✓ Net cash inflows from operating activities of \$26.8 million reflecting a conversion to EBITDA of 97.3% (FY10: 98.2%)

- Enhanced and sustained operational outcomes:
 - Average weekly sales (AWS) and average transaction values (ATV) increases reported in each franchise system ⁽²⁾
 - Operational and training capacity significantly increased following national office commissioning
 - Esquires Coffee Houses system acquired and integrated within 5 months of acquisition
 - Additional territorial licences granted in respect of Indonesia (Michel's), PNG (Brumby's and Donut King), Saudi Arabia (Donut King) and New Zealand (Donut King).
 - Broadening international system and brand recognition with outlet openings in China, Papua New Guinea, Saudi Arabia, and New Zealand
 - Continued conversion of the Michel's wholesale system to a royalty-based model now ≈ 82% complete
 - Phase II of Michel's supply chain restructure to national third party logistics group completed

(1) Based on FY11 interim dividend of 7.0 cps and FY11 final dividend of 7.5 cps

(2) Excludes Esquires acquired 7 February 2011

Resilient Business Model (2 of 3)



- 2H11 Initiatives
 - Commissioned independent market research and developed medium and long term marketing strategies on all franchise systems
 - Development of new products and menu innovations for FY12 launch
 - Enhancement of franchise system supplier relationships
 - Improved supplier trading terms (Brumby's and Michel's franchise systems)
 - Reduced input costs as part of targeted program (2% reduction in specific Brumby's inputs)
 - Restructured Esquires and Big Dad's Pies supply chains
 - Reduced pricing achieved for Esquires franchisees
 - Expansion of successful online ordering sites
 - 57% increase in retail sales for Michel's online and "Create a Cake" option since soft launch (onlineorders.michels.com.au) in March 2011 and based upon sales for the months of May and June 2011 is equivalent to an additional 2 outlets.
 - Barista's Choice online store (www.caffecoffee.com.au) launch early 2H11
 - Michel's wholesale bakery to franchisee pilot expanded (following success in Qld) to NSW, VIC and SA
 - Will assist in completion of system conversion for Michel's franchisees from wholesale model to traditional royalty model
 - Further development of non traditional sites and international licensing opportunities
- Acquisitions
 - Integration of Esquires Coffee Houses (acquired February 2011) into RFG franchisee support framework
 - Evaluation of complementary and competition based retail food franchise continues

Resilient Business Model (3 of 3)



- Robust FY11 franchisee outlet trading performance, notwithstanding:
 - Significant impact of Qld/Nthn NSW, NT and NZ natural disasters:
 - 180 Australian outlets impacted, 6 remain closed
 - 13 NZ outlets impacted, 4 remain closed
 - Depressed retail conditions

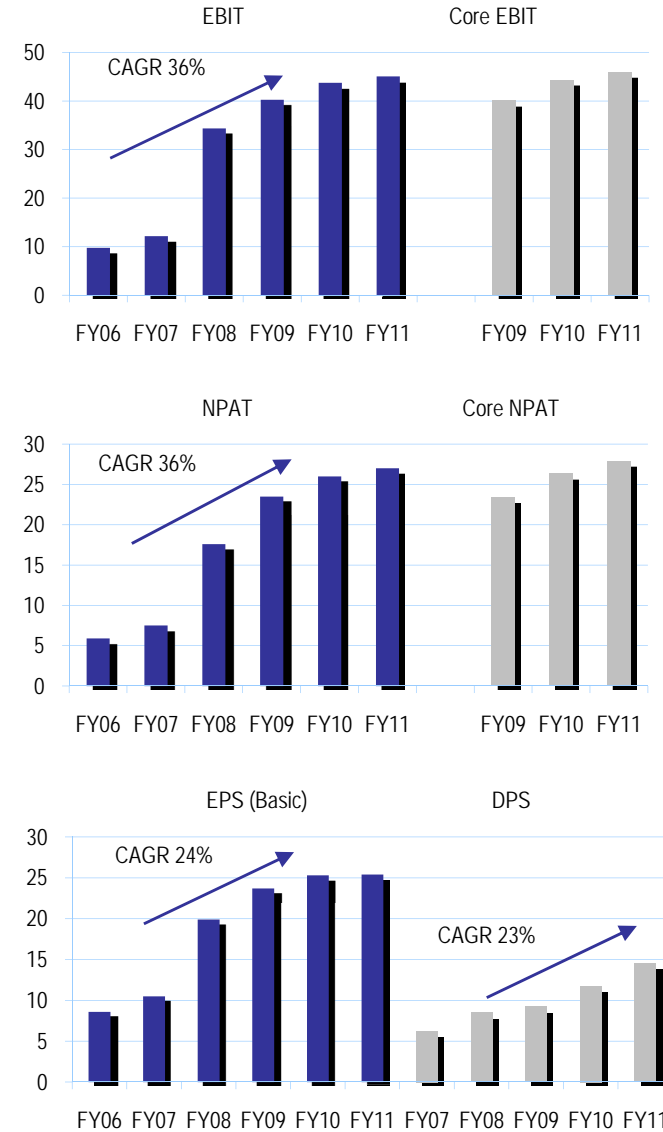
- RFG provided extensive assistance to franchisees impacted by natural disasters including:
 - direct financial assistance including payment of rent
 - marketing assistance
 - waiver of royalties / debts
 - subsidised bakery accounts
 - payment of additional product freight costs
 - forgoing of royalties going forward
 - financial assistance to progress conversion opportunities (FY11: 3; FY12 proposed: 6)
 - use of RFG resources to re-establish and or re-commission outlets including in-store assistance
 - negotiation with lessors regarding rental abatement and or waiver

- Estimated impact on RFG FY11 performance of natural disasters– closed store days, franchisee financial and operational support, lost organic outlet growth – circa:
 - EBIT: \$2.9 million
 - NPAT: \$2.0 million

Financial Highlights (1 of 2)



- Core EBIT of \$46 million represents a 3.8% increase on pcp (\$44.3m) notwithstanding:
 - adverse impact of natural disasters (circa \$2.9m)
 - abnormal franchisee outlet closures in poor performing shopping centres or due to rent excesses, and
 - lost organic growth opportunity in natural disaster affected regions
- Core NPAT increase of 5.7% to \$27.9m (FY10: \$26.4m)
 - Annual NPAT growth rate from 2006 – 20011 exceeds peers at 35.75%
 - Gross margin expansion of 7.5% to 66.8%
- Statutory NPAT of \$27.2m (FY10: \$26.0m) includes \$ 1.0m unfavourable post-tax impact of derivative financial instruments (FY10: \$0.5m unfavourable post-tax)
- Core EPS up 1.6% to 26.0 cps
 - Annual EPS growth rate from 2006 – 20011 exceeds peers at 24.2%
- Fully franked FY11 dividends of 14.5 cps (up 23.4% on pcp)
 - FY11 final dividend of 7.5 cps
 - represents 11th consecutive 6 monthly dividend increase
 - Dividend payout ratio now exceeds 57%



Financial Highlights (2 of 2)

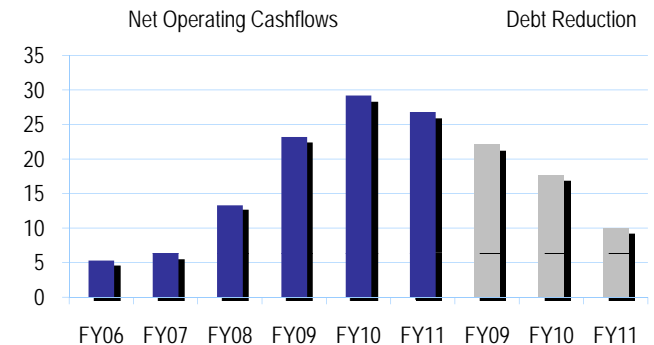
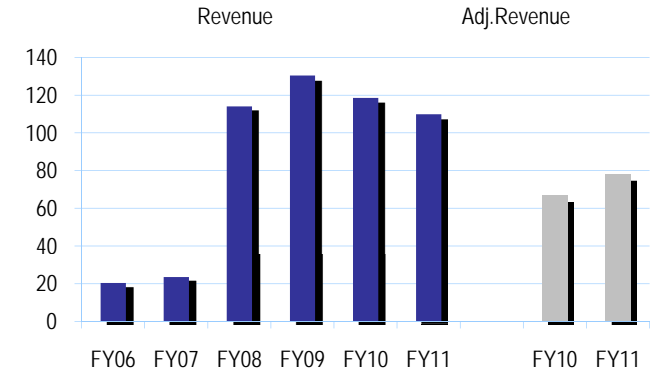


- Adjusted Revenue increase of 16.8% to \$77.8m
 - Excludes the impact of sales revenue derived from the wholesale bakery supply to Michel's outlets which are transitioning from a wholesale supply and distribution model to a traditional royalty based model (FY11: \$32.2m v FY10: \$52.0m)
 - Ongoing transition of Michel's franchisees from wholesale bakery model to traditional royalty model (263 as at 30 June 2011 and exceeding original forecast (250)),
 - Completion of full rollout of bakery-to-franchisee distribution for Queensland Michel's outlets

- Franchise revenue increased 12.7% to \$69.3m

- Decline in Total Revenue of 7.3% consistent with Michel's programmed model change (FY11: \$110.0m v FY10: \$118.6m)

- Exceptional free cash flow liberation:
 - Net cash inflows from operating activities of \$26.8 million reflects a conversion to EBITDA of 97.3% (FY10: 98.2%)
 - Cash and deposits increased to \$15.2m (FY10: \$13.1m)
 - Cash flows utilised to fund:
 - Increased dividend payout ratio (FY11: 57.4% v FY10: 46.7%)
 - Voluntary debt reduction of \$9.0m in July 2010 and further reduction of \$10.0m in July 2011
 - Esquires Coffee Houses acquisition (\$8.4 m)
 - Acquisition and fitout of new national office incorporating expanded training and R&D facilities (\$5.6 m)



Operational Highlights



- Resilient franchise systems in challenging retail environment:
 - Network sales up \$10.5m to \$651.1m
 - Strong performance against peers
- FY11 organic outlet growth of 40 consistent with guidance, and reflective of climatic events, continued depressed shopping centre development activity, reduced premium site opportunities and prospective franchisee caution
- Coffee roasting operations driving synergies, enhancing product quality and increasing contribution to EBIT
- Conversion of Michel's franchisees to royalty-based model and rollout of QLD bakery-to-franchisee distribution
- Unique business model supports enhanced investment in franchisee support services including training and field servicing
- New national office commissioned in May 2011:
 - Over twice the size of previous national office
 - Significantly expanded training and R&D facilities increasing both revenue capacity and removes training bottlenecks
 - Brumby's Bakeries franchisees now trained in-house and in significantly reduced timeframe
 - Enabled relocation and consolidation of Legal Services Department from Victorian office
 - Minimal NSW, VIC and NZ administration functions remain, enabling future reductions in administrative costs

Debt Structure & Covenants



- Senior debt facility of \$85.0m refinanced with National Australia Bank (NAB) in August 2010:
 - 3 year term
 - Structure allows for voluntary repayment of debt (repayments of \$9.0m and \$10.0m made in July 2010 and July 2011 respectively)
 - Covenants limited to interest cover, leverage and gearing
 - Step down pricing targets (range 170bps to 150bps) over BBSY
 - Demonstrated commitment to increase facility to support growth
- Senior facility expanded to \$95.0m during January 2011, providing headroom for further acquisition and capital management opportunities
- Present facility headroom \$25.0m
- All covenants comfortably complied with as at 30 June 2011
- Lowest Gearing ratio (30.8%) since completion of Brumby's Bakeries and Michel's Patisserie acquisitions in 1H08

'NAB' Facility	FY11	FY10	Change %
Net debt	\$70.5m	\$72.9m	3.3%
Interest expense	\$6.7m	\$7.2m	-6.9%
Interest cover (times)	7.01	6.15	14.0%
Leverage ratio	1.51	1.89	-20.1%
Gearing ratio (net debt / (net debt + equity))	30.8%	34.4%	-3.6%

FY11 Franchise System Metrics – KPIs (1 of 2)



System (Australian stores only)	Average Weekly Sales (AWS)		Average Transaction Values (ATV)	
	FY11	FY10	FY11	FY10
Donut King	9,469	9,357	5.23	5.11
<i>Growth v prior period</i>	1.2%	1.1%	2.4%	3.7%
bb's café	11,499	11,329	7.57	7.41
<i>Growth v prior period</i>	1.5%	0.8%	2.1%	3.4%
Brumby's Bakeries	13,528	13,488	5.97	5.81
<i>Growth v prior period</i>	0.3%	0.6%	2.7%	2.8%
Michel's Patisserie	12,383	12,140	6.52	6.35
<i>Growth v prior period</i>	2.0%	2.3%	2.7%	4.4%

- Revenue base expansion results in less reliance on and sensitivity to AWS metrics in terms of RFG performance
- Strategic marketing review completed in 2H11 indicates RFG franchise systems continue to compete in a highly competitive market, however:
 - Remain in growth and possess long term retail relevance and sustainability,
 - Identified:
 - further menu extension,
 - design initiatives,
 - Social media and IT engagement solutions
 - Are performing consistent with or outperforming their direct peers

FY11 Franchise System Metrics – KPIs (2 of 2)



- AWS increase in all four systems
 - Brumbys' minimal AWS increase on pcp direct result of circa 50 North Queensland outlets not performing to pre natural disaster retail revenue levels
 - Michels' AWS lower due to 56% of outlet population being situated in NSW
- Quantum of AWS growth reflective of:
 - Lower and or stagnant shopping centre traffic
 - Acquisition of lower AWS systems for integration with existing systems (DCM Coffee & Donuts, Big Dad's Pies), and
 - Organic outlet growth predominantly in lower AWS sites
- Franchisee health and micro management of occupancy and supplier costs are RFG's key focus

FY11 Franchise System Metrics - Outlets



System	QLD	NSW	VIC	TAS	SA	WA	NT	Aust	NZ	China	PNG	Saudi Arabia	Total
Donut King	97	145	70	8	10	15	3	348	1	14	1	1	365
Brumby's Bakeries	156	32	67	1	19	48	9	332	16	-	1	-	349
Michel's Patisserie	54	180	60	-	23	11	-	328	4	-	-	-	332
bb's café / Esquires	20	1	8	-	7	-	-	36	66	-	-	-	102
Total	327	358	205	9	59	74	12	1,044	87	14	2	1	1,148

- FY11 net outlet growth of 26 includes:
 - Organic commissioning of 40 consistent with guidance, and
 - Acquisitions of 47 Esquires Coffee Houses outlets
- Other developments
 - 2H11 outlet closures of 21 decreased significantly from 1H11 (40)
 - Successful outlet commissionings in international markets of NZ, Saudi Arabia and PNG
 - Increased outlet population over last 3 years results in threshold for outlet retention being increased
- Outlet closures reflective of
 - RFG continued resolve to not renew leases in poor performing shopping centres and where rental increase demands are inconsistent with shopping centre performance (1H11: 21; 2H11: 11)
 - Insolvency and subsequent closure of 14 Big Dad's Pies outlets (associated with the original owner and vendor of the Big Dad's Pies franchise system)

FY11 Acquisitions

- Esquires Coffee Houses (ECH)
 - ECH franchise system acquired 7 February 2011
 - Acquisition consisted of two components:
 - New Zealand master franchise business consisting of 46 outlets
 - Intellectual Property for the territories of New Zealand and Australia
 - Strategic acquisition designed to support bb's café system operations in New Zealand and attain growth momentum in Australia via alignment of marketing, procurement and personnel
 - Contribution of c. AUD\$1.4m to annual EBIT, upon full integration of master franchise business



FY 12 Acquisitions



- **Evolution Coffee Roasters Group (ECR)**

- Agreement to acquire NZ domiciled ECR announced 28 July 2011, with settlement scheduled on or before 1 September 2011
- Acquisition investment circa NZD4.0m representing an EV/EBITDA multiple of 4 (on full integration)
- ECR consists of:
 - Evolution Coffee Roasters: premium quality coffee roasting facility that presently manufactures and distributes approximately 170 tonnes annually (wholesale and contract roasting) throughout New Zealand, Asia and the Middle East
 - Roasted Addiqtion Coffee Dealers: merchandiser of a range of proprietary premium coffee blends and syrups to an existing customer base of approximately 150 cafes, restaurants and supermarkets throughout New Zealand; and
 - Evil Child Beverage Co. manufacturer of premium drinking chocolate powders and frappe blends for cafes, restaurants and supermarkets throughout New Zealand
- Delivers on aspiration to significantly expand coffee assets, roasting capacity, wholesaling and ability to further vertically integrate within franchise systems (e.g. chocolate powder, flavours and frappe)
- Acquisition will result in:
 - Relocation of RFG NZ National Office to ECR premises in Auckland, and
 - NZ based training facility capability
 - Greater opportunity to pursue other assets in NZ

evolution
 COFFEE ROASTERS

Roasted Addiqtion
 COFFEE DEALERS



FY12 Initiatives (1 of 2)



- Positioning, Design and Relevance
 - Execute on augmentation strategies evolved from market research
 - Focus attention on enhancing customer service and experience – Giving Every Customer A Reason to Return
 - Introduction of Digital Loyalty Program
 - Digital Menu Panels and Screens, “in store” designs and refurbishments
 - category menu re-invigoration incorporating all parts of the day offers and combination offers
 - investment in in-store technology and social engagement media to create stronger brand experience and advocacy
 - Ongoing development of outlets in non-traditional areas including “hole in the wall” store concepts focusing on coffee offer
 - Reduction in new-store setup cost across all brands
 - First “modulised Donut King outlet” being commissioned pre December 2011
 - Positioning systems to be commercially proficient outside the traditional shopping centre environment

- Other brand specific initiatives include:
 - Donut King
 - Menu offer extensions and changes, including the introduction of a savory offer
 - Introduction of Hot Cabinet
 - Continuation of coffee focus with “A Barista in every Outlet” campaign
 - Reformulation of the Donut Mix to facilitate an enhanced donut taste profile and healthier options.

FY12 Initiatives (2 of 2)



- Brumby's Bakeries
 - Standardised national savoury offer
 - Stronger focus on regional & segmentation marketing
 - Focus on quality bread and new product development to further differentiate the business
 - Active proliferation of the Brumby's Go model



- Michel's Patisserie
 - Enhancement of Create a Cake and Online ordering
 - Expanded on-line ordering and specialty cake focus
 - Electronic ordering facilities in outlet to replace flip charts and the manual process
 - Development of national filled bread range
 - Improved cake quality through alternatively sourced products



- Esquires / bb's Cafe
 - Rebranding of identified bb's Café outlets and launch of Esquires Coffee Houses outlets in Australia
 - Positioning of brand to be cutting edge with technology including SMS ordering



- Acquisition Opportunity
 - Healthy pipeline of acquisition opportunity driven by motivated vendors
 - Dedicated and experienced Strategy, Acquisitions and Emerging Markets team established and operational
 - Active investigation and due diligence on both large (>75 outlets) and micro (<30 outlets) systems continues



FY12 Outlook



- Prevailing economic and retail conditions together with changing socio-economic attitudes and geographical redistribution of wealth will ensure a challenging and unpredictable FY12
- For many retail lessors and branded retailers it will be a year of business model transition
- Continued financial and resource assistance to those franchisees operating in regions impacted by natural disasters
 - Many franchisees, particularly in North Qld and NZ, may never return to pre natural disaster revenue levels
 - Compounding Qld's trading challenges is the depressed tourism industry
- Investigation of further acquisitions and initiatives to support organic outlet growth being executed
- New national head office incorporating R&D / Training Facility provides for increasing productivity of management, franchise system development and franchisee support networks
- FY12 Core NPAT guidance c.10%

Appendices



Appendix 1 – FY11 Performance



Appendix 2 – Earnings Performance



Appendix 3 – Cashflow Performance



Appendix 4 – Financial Position



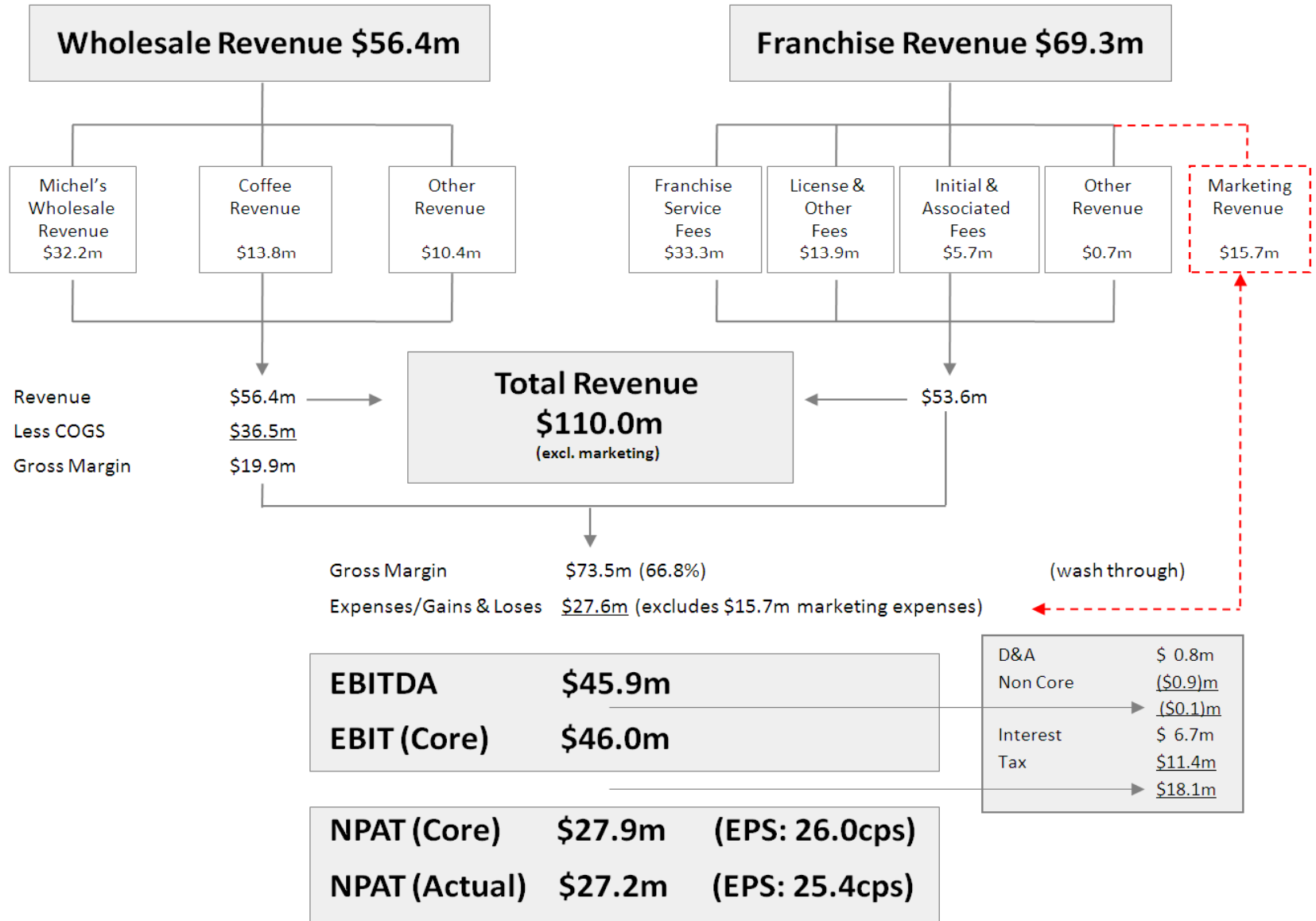
Appendix 5 – Franchise Systems

- Donut King
- bb's café
- Brumby's Bakeries, including
 - Brumby's GO! Concept
 - Big Dad's Pies Concept
- Michel's Patisserie
- Esquires Coffee Houses

Appendix 6 – Oaks Hotels and Resorts Limited



Appendix 1 – FY11 Performance



Appendix 2 - Earnings Performance



	FY11 \$'m	FY10 \$'m
Revenue from franchising operations	69.3	61.3
Revenue from wholesale / retail operations	56.4	72.5
	125.7	133.8
Cost of sales	(36.5)	(48.3)
Gross margin	89.2	85.5
Gross margin %	71.0%	63.9%
Overhead expenses	(21.5)	(20.7)
Company store expenses	(6.0)	(4.1)
Marketing expenses	(15.7)	(15.3)
Other gains and losses	(0.1)	(0.5)
EBITDA	45.9	44.9
Depreciation	(0.8)	(1.1)
EBIT	45.1	43.8
Interest expense	(6.7)	(7.2)
EBT	38.4	36.6
Income tax expense	(11.2)	(10.6)
NPAT	27.2	26.0
Earnings per share	25.4 cps	25.3 cps
Dividends per share	14.5 cps	11.75 cps

Key earnings highlights:

- Core NPAT of \$27.9m (5.7% increase on FY10) after adjusting for impacts of derivative financial instruments
- Record \$27.2m NPAT – 4.6% increase on FY10 – achieved during a period of depressed retail conditions and major environmental events
- Gross margin expansion to 71.0% (based on combined performance of wholesale/retail and franchising operations segments) reflects benefits of Michel's system conversion and related distribution savings, as well as increasing contribution from coffee operations
- Operational expenses held relatively steady notwithstanding increased resources to franchisee servicing (post weather and earthquake events)
- Debt reduction of \$9.0m July 2010 (and a further reduction of \$10.0m in July 2011) as part of RFG's active debt management strategy resulted in lower overall interest expense
- Strong earnings performance supports excellent cash flows and allows increasing dividend payout ratio with record dividend

Appendix 3 - Cash Flow Performance



	FY11 \$'m	FY10 \$'m
Receipts from customers	136.8	147.7
Payments to suppliers and employees	(92.0)	(103.6)
Gross operating cash flows	44.8	44.1
EBITDA	45.9	44.9
Ratio of gross operating cash flows to EBITDA	97.6%	98.2%
Interest and other costs of finance paid	(6.6)	(6.9)
Income tax paid	(11.4)	(8.0)
Net operating cash inflows	26.8	29.2
Dividends paid	(11.9)	(8.9)
Debt reduction	(9.0)	(10.0)
Acquisitions of business and intangibles	(8.4)	(11.5)
Acquisition of property & equipment	(5.8)	(0.6)
Net capital raising	0.8	9.8
Proceeds from borrowings	8.6	
Other cash activities	1.0	(0.3)
	(24.7)	(21.5)
Net (decrease) / increase in cash reserves	2.1	7.7
Cash reserves at year end	15.2	13.1

Key cash flow highlights:

- Continuing strong cash flows – a feature of RFG's business model – supported by balanced investment and financing activities
- 97.6% conversion of operating cash flow into EBITDA reflects "real" cash earnings and improving working capital balances
- Excess free cash used to fund
 - Voluntary debt reduction of \$9.0m
 - Acquisition and development of Company's new national office, training and research and development facility (\$5.6m)
 - Acquisition of Esquires Coffee Houses (\$8.4m)
 - Increased dividend payout ratio to 57.4%
- Debt reduction lessens impact of interest and finance costs
- Further voluntary debt reduction of \$10.0m in July 2011

Appendix 4 - Financial Position



	FY11 \$'000	FY10 \$'000
Assets:		
Cash reserves	15.1	13.1
Trade receivables	12.1	13.1
Financial assets	3.1	2.6
Inventories	2.4	2.3
Plant & equipment	7.9	2.7
Intangibles	215.7	207.1
Other	1.5	2.6
	257.8	243.5
Liabilities:		
Trade payables	6.2	7.5
Provisions	2.0	2.1
Tax payable	4.6	5.0
Borrowings	85.7	85.9
Other (includes interest rate swaps)	2.4	4.2
	100.9	104.7
Equity:		
Share capital	98.8	95.2
Reserves	(0.8)	(2.5)
Retained earnings	58.9	46.1
	156.9	138.8

Key balance sheet highlights:

- Increase in cash reserves, decrease in trade receivables and trade payables indicative of a robust well managed business model
- Increase in net assets by \$18.0m reflects reducing working capital requirements and well managed debt and equity structures
- Significant cash holdings, notwithstanding FY11 voluntary debt reduction (\$9.0m), Esquires Coffee Houses acquisition (\$8.4m) land & building acquisition funding (\$5.6m) and increase in dividend payout ratio
- Trade debtors continue to decline reflecting improved collections as well as benefits of Michel's Patisserie model conversion and distribution restructure
- Intangibles of \$215.7m, including franchise networks, brand names and trademarks, supported by valuations indicating significant 'headroom' (+\$130m) using conservative forecasts
- Borrowings of \$85.7m classified as non-current liability reflecting 31 August 2013 maturity
- Hedge reserves continuing to unwind as interest rate swaps mature

Appendix 5 – Franchise Systems



- Australia's largest specialty donut and coffee chain
 - Serves 30 million donuts to Australians every year
 - Operates within the 'impulse buy', 'reward' and 'treat' segments of the food retailing sector

- Network Sales: \$162.6m
- Total Outlets: 365
- AWS (Aust Only): \$9,469
- International expansion continuing:
 - China (14 outlets)
 - Papua New Guinea (master license granted, outlet opened)
 - Saudi Arabia (master license granted, outlet opened)
 - New Zealand (master license granted, outlet opened)



(1) Includes DCM Coffee & Donuts outlets

Appendix 5 – Franchise Systems



- Australia's largest "specialty bread and savoury" retail franchise chain
 - Incorporates Big Dad's Pies, Brumby's Go and Brumby's Express outlet configurations
 - Operates within the "baked fresh" and "convenient" bakery segment
 - "You'll Get More at Brumby's" marketing campaign
- Current focus on non-traditional site opportunities
- Network Sales: \$240.0m
- Total Outlets (1): 349
- AWS (Aust only): \$13,528
- Master franchise regime operates solely in SA, after acquisition of master rights in WA, NT, FNQ and NZ in FY10
- Metrics includes contribution from sub-concepts, Brumby's GO! and Big Dad's Pies
- System successfully fortifying its position against supermarket discounting of bakery products without sacrificing margin



(1) Includes Brumby's GO! and Big Dad's Pies outlets

Appendix 5 – Franchise System sub-brands



- Brumby's GO! offers quality fresh sandwiches, snacks and savouries
 - Operates within the “pre-made”, “snack ”and “convenience” segments
 - Concept developed to meet market for fresh, healthy and ready-made bakery products
 - 12 outlets commissioned , focus on regional locations
- Offers an alternative to the traditional Brumby's product offering
- Brumby's GO! outlets offered as rapid and attractive conversion opportunity to existing Big Dad's Pies franchisees
- Network sales incorporated into Brumby's Bakeries metrics



- South East Queensland-centric brand, acquired April 2010
 - Famous for pie offerings with traditional home made baked veneer
 - Existing outlet locations are non-shopping centre
- Network sales incorporated into Brumby's Bakeries metrics



Appendix 5 – Franchise Systems



Celebrate the good things

- Australia's largest specialty coffee and cake retailer
 - Rated the "Best Tasting Coffee Franchise" by Choice Magazine (July 2010)
 - Operates within the "treat", "take a break" and "special occasions" segment
- Network Sales: \$216.2m
- Total Outlets: 332
- AWS (Aust Only): \$12,383
- Net outlet population reduction of 3 from 6 commissionings reflects finalisation of legacy store closures
- System conversion (263 outlets) to traditional royalty model over 80% completed with positive franchisee feedback
- Further refinement of national wholesale bakery supply chain strategy:
 - Successful completion of QLD bakery distribution pilot program



Appendix 5 – Franchise Systems



- Café franchise with 36 outlets in Australia and 19 outlets in New Zealand
 - Operates within the 'time out', 'relaxation' and 'meeting place' segment of the food retailing and quality coffee sector
 - Successful launch of 'My Local Café' sub-branding designed to distinguish bb's café from its competitors
- Network Sales: \$32.3m
- Total Outlets: 55
- AWS (Aust only): \$11,499
- Competition for sites amongst café and specialist coffee retailers remains strong
- Marketing campaigns focused on local area initiatives
- bb's café system and model fortified by recent acquisition of Esquires Coffee Houses with combined outlets exceeding 100
- Conversion opportunities for bb's Café outlets into Esquires Coffee Houses



Appendix 5 – Franchise Systems



great coffee helps™

- Founded in 1993 in Vancouver, Esquires Coffee Houses has grown internationally with outlets in New Zealand, Fiji, Ireland and North America.
 - First New Zealand store opened in 2002
 - Fastest growing coffee house franchise in New Zealand
- Acquisition by RFG completed 7 February 2011, comprising two components:
 - New Zealand master franchise business consisting of 47 outlets
 - Intellectual Property for the territories of New Zealand and Australia
- Strategic acquisition designed to support bb's café system operations in New Zealand and attain growth momentum in Australia via alignment of marketing, procurement and personnel
- Strong focus on providing gourmet and speciality coffee in vibrant outlets
- Menu offering includes sandwiches, snacks and savouries



Appendix 6 – Oaks Hotels and Resorts Limited (ASX: OAK)



- Offer commercially prudent and strategy sound
 - Underlying business model (notwithstanding different industry) akin to company store and franchise model – difference being RFG operates under a franchise model (no company stores) and Oaks operates a fully company operated model (ie. no franchising of management letting rights (MLR's))
 - Opportunity to utilize RFG franchising expertise in further developing and thereby de-risking Oaks business model eg. franchising of existing and future regional MLR's via franchising (a business model already utilized by another competitor)
 - Considered easily integrated and significant opportunity for integration synergies beyond expenses related to public listing
- Financial business case compelling
 - EV/EBITDA multiple relative to RFG's offer circa 5x
 - EV/EBITDA multiple EV/EBITDA multiples for retail food businesses of EBITDA scale of Oaks equal or exceed 8x
 - Oaks business and model performing strongly
- Offer withdrawn due to uncertainty of ultimate success of Offer for Oaks coupled with mixed investor reaction to diversification from strict retail food franchising
- Cost of Offer recovered on exit of RFG Oaks holding
- Market acceptance of takeover hampered by inability to engage with relevant stakeholders (confidentiality and competitive bid process)
 - RFG will not pursue a transaction which includes this level of complexity and inability to properly engage with our shareholders

RFG Investment Credentials



Leading retail food brand manager and franchisor

- RFG was established in 1989 and is a leading Australian retail food brand manager and franchising company with 1,148 franchised outlets in Australia, New Zealand, China, Papua New Guinea and Saudi Arabia (as at 30 June 2011)
- RFG is an intellectual property owner, licensing systems designer, developer and manager
- RFG is a premium coffee roaster and distributor
- Five franchise systems: Donut King, bb's café, Brumby's Bakeries, Michel's Patisserie and Esquires Coffee Houses



Robust revenue profile

- Franchise Network System Sales of \$651.1m FY11
- Diversified revenue base with recurring revenues from franchisee royalties (payable on a weekly basis), licence fees from suppliers of product, and wholesale sales of product to franchisees
- Ongoing development of non-traditional revenue streams



High margin and scaleable business model

- Infrastructure to support growth in outlets and additional franchise brands /systems
- Donut King, bb's café, Michel's Patisserie and Esquires Coffee Houses outlets predominantly located in shopping centres
- Brumby's Bakeries outlets typically located in high street and convenience shopping centres



Strong cash flow generation and returns

- Strong cash flow business with limited capital expenditure
- Outlets are franchised – company outlet model not adopted
- Franchisees responsible for inventory and new outlet establishment cost
- Permits payment of strong dividend stream while enabling voluntary principal debt reduction



Committed and experienced board and management team

- Experienced and financially astute board
- Current senior management team has long term tenure with RFG and responsible for the development of RFG's strong internal systems and growth achieved to date

Potential for earnings upside with acquisitions

- Growing number of maturing retail food and café franchises in Australia and New Zealand
- Positioned to acquire and build upon other brands/systems given its existing multi-brand ownership structure, strong systems-focus and national presence
- Acquisitions increase scale and leverage RFG's existing back office systems
- International franchise system proliferation outside New Zealand now being executed

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