

**10.00am (QUEENSLAND TIME)
TUESDAY, 19 NOVEMBER 2019
The Norfolk Room
RACV Royal Pines
Ross Street
Benowa Qld 4217**



**NOTICE OF GENERAL
MEETING AND
EXPLANATORY
MEMORANDUM**

**RETAIL FOOD GROUP LIMITED
ACN 106 840 082**

NOTICE OF GENERAL MEETING

RETAIL FOOD GROUP LIMITED

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DATE: TUESDAY, 19 NOVEMBER 2019
TIME: 10.00am (Queensland Time)
PLACE: The Norfolk Room
RACV Royal Pines
Ross Street
Benowa Qld 4217

NOTICE is given that a general meeting (**General Meeting**) of Retail Food Group Limited (**Company**) will be held at 10.00am (Queensland time) on Tuesday, 19 November 2019 in The Norfolk Room, RACV Royal Pines, Ross Street, Benowa, Queensland.

Agenda Items:

1. **Approval of Placement ('Resolution 1'):**

To consider and, if in favour, to pass the following ordinary resolution:

'That for purposes of the requirements of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 1,700 million fully paid ordinary shares (**Shares**) to institutional, professional and sophisticated investors, on the terms detailed in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting, be approved (**Placement**).'

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of any person or any associate of that person who may participate in the Placement or who might obtain a benefit as a result of the Placement other than as a holder of Shares (regardless of the capacity in which the vote is cast).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairman of the meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation in the proxy form to vote as the proxy decides.

Dated 18 October 2019.

By order of the Board



Anthony Mark Connors
Company Secretary
Retail Food Group Limited

NOTES:

1. Pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Directors have determined that, for the purposes of the General Meeting, all shares in the Company shall be taken to be held by the persons who were registered as shareholders at 7.00pm (Queensland time) on Sunday 17 November 2019. Accordingly, those persons are entitled to attend and vote at the General Meeting.

2. Eligible members are encouraged to attend the General Meeting. If unable to attend, members may appoint a proxy to attend and vote for them. A proxy need not be a member of the Company.

If members are entitled to cast two or more votes, they may nominate two persons to vote on their behalf at the General Meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of the member's votes. Fractions of votes will be disregarded. If no number or proportion is specified, each proxy may exercise half the member's votes.

A proxy form and reply paid envelope have been included for members with this notice of General Meeting. Proxy voting instructions are provided on the proxy form.

Members who wish to direct a proxy how to vote on a resolution must place a mark (i.e. a cross 'X') in the appropriate box on the proxy form.

3. Proxy forms must be completed and respectively returned online, by post, facsimile or delivery to the Company's share registry, Computershare Investor Services Pty Limited:

a) via GPO Box 242, Melbourne Vic 3001;

b) via 1800 783 447 or + 61 3 9473 2555 (outside Australia);

c) online at www.investorvote.com.au and quoting the 6 digit control number found on the front of the shareholder's proxy form. Shareholders may also scan the QR code on the front of the accompanying proxy form with their mobile device and insert their post code; or

d) Intermediary Online Subscribers (Custodians/Nominees) may lodge their vote electronically by visiting www.intermediaryonline.com

on or before 10.00am (Queensland time) on Sunday, 17 November 2019. As the final date and time for receipt of proxy forms, authorities or powers of attorney is outside of business hours, you will need to allow extra time to ensure that any deliveries by hand or by mail are received no later than 5.00pm (Queensland time) on Friday, 15 November 2019.

4. Any revocations of proxies must be received (at the addresses or in the manner noted at Note 3 above) before commencement of the General Meeting, or at the registration desk at The Norfolk Room, RACV Royal Pines, Ross Street, Benowa, Queensland, from 9.30am to 10.00am (Queensland time) on Tuesday, 19 November 2019.

5. Any proxy form, or revocation thereof, received after the deadlines indicated above will be treated as invalid.

6. If a member has appointed an attorney to attend and vote at the meeting, or if a proxy form is signed by an attorney, the power of attorney (or a certified copy of it) must be received by the Company or its share registry (at the addresses or in the manner noted at Note 3 above) by 10.00am (Queensland time) on Sunday, 17 November 2019.

7. If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person must be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the law and the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company.

8. A proxy may decide whether to vote on any motion except where required by law or the Company's constitution to abstain in their capacity as proxy. If a proxy is directed to vote on an agenda item, he or she may vote only in accordance with the direction. If a proxy is not directed how to vote on an agenda item, he or she may vote as the proxy thinks fit.

9. If a member appoints the chairman of the meeting as the member's proxy and does not specify how the chairman is to vote on an item of business, the member expressly authorises the chairman to vote, and the chairman will vote, as proxy for that member, in favour of that item. If the member wishes to appoint the chairman as proxy with a direction to vote for, against, or abstain from voting on an item they should specify this on the proxy form.

EXPLANATORY MEMORANDUM:**RESOLUTION 1: APPROVAL OF PLACEMENT****Background**

The 2019 financial year has seen a restructuring and refocussing of the Company's business on its core competencies of retail food franchising and coffee operations. Crucial to the Company's restructuring and turnaround plan has been the progression of debt reduction strategies to repair the Company's balance sheet and position it for future growth. Throughout the 2019 financial year, the Company has been exploring a range of debt reduction options, including equity and other debt funding proposals, as well as asset sales. In addition, the Company has implemented major restructuring and cost reduction initiatives. Further restructuring and cost reduction initiatives will continue to be implemented throughout the 2020 financial year, and additional efficiencies, and benefits derived from system enhancements, are considered achievable in the 2021 financial year. Shareholders should read the announcement and investor presentation lodged with ASX on Tuesday, 15 October 2019.

Capital Raising

On Tuesday, 15 October 2019, the Company announced that, subject to shareholder approval, it had successfully undertaken a placement of 1,700 million Shares at \$0.10 per share to institutional and other professional and sophisticated investors to raise gross proceeds of approximately \$170 million (**Placement**). The Company also announced that it would offer existing shareholders a share purchase plan pursuant to which it would offer existing shareholders on the register at 7:00pm (Queensland time) on Thursday, 10 October 2019 the opportunity to subscribe for up to \$30,000 worth of Shares (**SPP**), subject to scale back. The SPP is expected to raise gross proceeds of up to an additional \$20 million, and Shares under the SPP will be offered to existing shareholders at the same price as the Placement. The Company has also agreed to make a small 'top-up' placement to Invesco, following the SPP, to maintain its post-Placement holding at 19.9% of the Company.

The Placement is fully underwritten by Petra Capital Pty Limited and Shaw and Partners Limited (each a **Joint Lead Manager** and together the **Joint Lead Managers**).

The net proceeds raised from the Placement will primarily be applied to repay debt, strengthen the Company's balance sheet and provide sufficient working capital to stabilise the Company¹:

Source of funds	\$ million	Use of funds	\$ million
Placement	170.0	Debt repayment	118.5
Cash	7.8	Working capital	46.8
		Transaction costs	12.5
Total	177.8		177.8

Excludes funds raised under the SPP and any 'top-up' placement to Invesco. Net proceeds raised under the SPP (and any 'top-up' placement to Invesco) will be applied to reduce pro-forma debt.

Debt Restructure

As at 30 June 2019, the Company had net debt of approximately \$260 million².

To facilitate the Placement and SPP, the senior lenders (**Lenders**) have agreed to extend the maturity of current debt facilities from 31 October 2019 to 28 February 2020. The Company has also been actively pursuing options to secure new financing arrangements with the Lenders. On Friday, 11 October 2019, the Company announced that it had entered into a binding commitment letter and term sheet with the Lenders in connection with a restructuring of the Company's existing debt facilities (**Debt Restructure**). The Debt Restructure includes:

- a minimum \$118.5 million of net Placement proceeds to be applied to the reduction of debt;
- extinguishment of \$71.8 million (which represents 27 cents in the dollar) of the Company's existing debt; and

¹ The source of funds and use of funds are calculated on a pro-forma basis as at 30 June 2019.

² Net debt excludes restricted cash and is calculated in accordance with the Company's senior facility agreement.

- the provision of a new \$75.5 million debt facility maturing in November 2022 to refinance existing senior debt. Proceeds from the equity facility (net of transaction costs) in excess of \$170 million will further reduce this debt facility amount.

The Debt Restructure is subject to certain conditions precedent, including entry into definitive full form documentation (which is required to be completed prior to the general meeting to meet the conditions of the underwriting agreement), and completion of the Placement (which is subject to shareholders approving the resolution being put to the General Meeting).

The key terms of the new debt facility are as follows:

- Maturity:
 - 3 years
- Interest rate:
 - Interest rate calculated as BBSY plus margin on drawn balance (the margin is calculated based on the secured operating leverage ratio)
- Covenants (to be tested quarterly on a 12 month rolling basis):
 - Interest cover ratio (EBITDA/total interest expense)
 - Secured operating leverage ratio (net debt/EBITDA)
- Key conditions:
 - Successful completion of the equity raise (including shareholder approval)

Benefits for the Company from the Capital Raising and Debt Restructure

If shareholders approve the resolution being put to this meeting, and the Placement and Debt Restructure are completed, the Directors consider that the Company will be afforded a stable and sustainable go forward capital structure and net debt position³. In this regard, completion of the Debt Restructure and capital raising will facilitate a significant reduction in the Company's net debt, from approximately \$260 million as at 30 June 2019 to approximately \$54.6 million (on a pro-forma basis as at 30 June 2019). It is also expected to provide the Company with a material liquidity buffer whilst management continues to implement various cost reduction and performance improvement initiatives.

The Company has remained focused on the implementation of significant restructuring initiatives to improve business performance and reduce cost base, a key element of which is driving franchise business performance through strategic initiatives including product category extensions and marketing campaigns to drive foot traffic and revenue for franchisees.

The Company is targeting an additional approximately \$30 million of gross margin generation at the franchisee level from current initiatives, including driving:

- Significant savings to franchisees in connection with rental arrangements, fit-out and refurbishment costs;
- Cost of Goods (COGs) reductions, including an approximately 15-20% reduction in wholesale coffee pricing (dependent upon brand) implemented 1 July 2019, which had delivered an approximately 18% increase in average coffee volumes ordered per store in July 2019 compared to prior month, and a 10% increase compared to July 2018; and
- Improvements in franchisee sales through new product ranges and marketing support, with the potential to materially increase Average Transaction Values and Same Store Sales, leveraging an expected additional approximately \$4 million⁴ for direct marketing spend through optimisation of marketing funds.

³ Any, or a combination, of risks may have a material adverse impact on the Company's business, financial condition, operating and financial performance, or growth. See "Key risks" in the investor presentation lodged with ASX on Tuesday, 15 October 2019.

⁴ Compared to FY18. Expected additional direct marketing spend of c.\$2m compared to FY19. Restructuring of marketing functions and optimization of marketing funds commenced in FY19, with a part year impact of marketing enhancements enjoyed during that period.

The Company has over 87 product and marketing campaigns planned across the brand portfolio for FY20. Eight products launched across Gloria Jean's, Michel's Patisserie and Brumby's Bakery so far have generated estimated annualised network sales of \$10 million to date. Refer to pages 24 and 25 of the Investor Presentation for further information.

At a corporate level, the Company has achieved approximately \$10.7 million⁵ annualised payroll reduction following restructuring activity in the 2019 financial year. Further annualised savings of approximately \$8.0 million to \$9.0 million per annum are expected to be delivered through a 2020 financial year cost-out plan, that would incur one-off cash expenditure of approximately \$5.1 million. Additional efficiencies, and benefits derived from system investment, are considered achievable in FY21, and are targeted to deliver approximately \$2.0 million to \$4.1 million in cost savings per annum, at an expected cost of approximately \$5.0 million to \$6.0 million.

In the 2019 financial year, one-off restructuring cash costs amounted to approximately \$40 million. The Company expects that one-off restructuring cash costs in the 2020 financial year will be materially less than those incurred in the 2019 financial year, and that one-off restructuring cash costs in the 2021 financial year will be materially lower than those incurred in the 2020 financial year.

Alternatives to the Placement

Over the 2019 financial year, the Company and its advisers have been actively exploring a range of debt reduction options, and have engaged with a number of third parties regarding potential alternative transactions. As announced to ASX on 9 July 2019, the Company received an indicative non-binding proposal from Soliton Capital Partners to provide approximately \$160 million to recapitalise the Company. The Company granted limited exclusivity to Soliton Capital Partners to enable discussions to continue between the parties and for further due diligence to be undertaken. The Company engaged in extensive discussions with Soliton Capital Partners during the exclusivity period. However, the exclusivity period has now expired, and the Company has not received any binding proposal from Soliton Capital Partners at this time.

The Company considers the Debt Restructure and equity raising to be the best outcome available to the Company and shareholders, delivering a strengthened balance sheet and an opportunity for stabilisation and business improvement.

The Company is continuing to investigate ways to maximise cash flow for the business, including through targeted asset sales. In particular, the Company has been exploring options for the potential divestment of its non-core Manufacturing and Distribution Division assets, with advanced discussions in relation to the sale of Dairy Country. Whilst at 30 June 2019, the entire Manufacturing and Distribution Division was classified as a discontinued operation, it is now intended for Dairy Country to be retained in the near term as a continuing operation. The Company expects to close or divest the Hudson Pacific business prior to 31 December 2019.

As at the date of this Notice of Meeting, the directors are not aware of any preferable alternative transactions available to the Company which would, in the circumstances, allow the Company to reduce its current debt obligations. Notwithstanding the dilutionary impact of the Placement on existing shareholders (in relation to which see below), the directors consider that it is in the best interests of the Company and its shareholders to proceed with the capital raising and Debt Restructure.

If shareholders do not approve the resolution being put to the General Meeting, the Company will need to approach the Lenders to determine whether any other solution is available to refinance or extend its current debt facilities. There is no guarantee that any new proposal could be agreed with the Lenders or that, if a new proposal could be agreed, it would be on more favourable terms than the capital raising and Debt Restructure. The failure of the Company to refinance or extend its current debt with the Lenders could result in the Lenders appointing receivers or selling the debt to a third party (who may impose more onerous debt terms on the Company). Alternatively, the directors may resolve to appoint administrators to the Company should they form the view that the Company is no longer able to pay its debts as and when they fall due.

Dilutionary effect of the Capital Raising

The Placement will significantly dilute current shareholders' ownership in the Company. Having regard to the dilutionary impact of the Placement on current shareholders, the Directors have determined that the Company should offer existing shareholders who are on the register at 7:00pm (Queensland time) on Thursday, 10 October 2019 the opportunity to participate in the SPP.

⁵ Excludes the Manufacturing and Distribution business unit (i.e. Dairy Country, Hudson Pacific and Bakery Fresh).

The below table shows the potential dilutionary impact of the Placement, assuming different sizes of shareholding and different levels of participation in the SPP. The value of a current holding has been calculated using a share price of \$0.17.

Current Holding	Not participating in the SPP	SPP take up of \$1,000	SPP take up of \$10,000	SPP take up of \$20,000	SPP take up of \$30,000
5,882 shares (\$1,000) 0.003% holding in the Company	91.2%	76.3%	57.9% accretion	207.1% accretion	356.3% accretion
58,824 shares (\$10,000) 0.032% holding in the Company	91.2%	89.7%	76.3%	61.4%	46.5%
147,059 shares (\$25,000) 0.080% holding in the Company	91.2%	90.6%	85.3%	79.3%	73.3%
294,118 shares (\$50,000) 0.161% holding in the Company	91.2%	90.9%	88.2%	85.3%	82.3%

The Company has agreed to make a small 'top up' placement to Invesco, following the SPP, to maintain its post Placement holding at 19.9% of the Company⁶. As a result, some further dilution will occur following completion of the 'top-up' placement to Invesco.

Placement Capacity

Listing Rule 7.1 provides that a company must not, within a 12 month period, issue or agree to issue equity securities representing more than 15% of its total fully paid ordinary securities on issue at the commencement of that 12 month period unless a specified exception is made with the prior approval of shareholders.

Given that the issue of the Shares under the Placement will result in the Company exceeding this 15% threshold, shareholder approval is now sought in accordance with Listing Rule 7.1.

Pursuant to and in accordance with Listing Rule 7.3, the following additional information is provided in relation to Resolution 1:

- i) Presuming Resolution 1 is approved, the Company will issue a maximum of 1,700 million Shares.
- ii) The Shares are expected to be issued on Tuesday, 26 November 2019, and in any event will be issued no later than 3 months after the date of the General Meeting.
- iii) The Shares will be issued at a fixed price of \$0.10 per Share.
- iv) The Shares will be issued to certain institutional and professional or sophisticated investors to whom the Company and the Joint Lead Managers agreed to allocate Shares in the Placement.
- v) The Shares will rank equally in all respects with existing issued fully paid ordinary shares of the Company quoted on ASX.

⁶ The SPP is not underwritten. However, the Company has agreed to make a small 'top-up' placement to Invesco (which will hold 19.9% of the Company immediately following settlement of the Placement), following the SPP, to maintain their holding at 19.9% of the Company.

- vi) The Company intends to use the funds raised from the issue of the Shares to repay debt, pay the costs of and incidental to the equity raising, and provide sufficient working capital to stabilise the Company.
- vii) A voting exclusion statement is included in the Notice of Meeting preceding this Explanatory Memorandum.

Directors' recommendation

The Board unanimously recommends that shareholders vote in favour of Resolution 1 at the Company's General Meeting. The Chairman intends to vote all undirected proxies in favour of Resolution 1.



RETAIL FOOD GROUP

STRENGTH IN BRANDS

ABN 31 106 840 082



RFG

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (Queensland time) Sunday 17 November 2019.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I999999999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Retail Food Group Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Retail Food Group Limited to be held in The Norfolk Room, RACV Royal Pines, Ross Street, Benowa Queensland 4217 on Tuesday, 19 November 2019 at 10:00am (Queensland time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Approval of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Before completing your vote and returning by post, please consider using the preferred electronic voting option outlined on the front page of this form.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

