

24 March 2020

COVID-19 Update & Withdrawal of FY20 Guidance

On 11 October 2019 Retail Food Group (RFG, the Company or Group) provided FY20 underlying EBITDA guidance of \$42 - \$46m, assuming full year contributions from all continuing operations but excluding the impact of AASB15 and AASB16¹. When releasing its 1H20 financial results on 27 February 2020, RFG maintained its FY20 guidance range, noting that whilst market conditions remained challenging, the positive impacts of business improvement initiatives were being observed.

The Company has been closely monitoring the evolving COVID-19 situation, and notes the significant escalation of measures taken by governments in each of the Company's markets in an effort to slow COVID-19 infection rates. These include the Australian government's implementation yesterday of Stage 1 restrictions on social gatherings that limit restaurants and cafés to takeaway and or home delivery operations, which will impact the Group's coffee and donut based brand systems together with Di Bella Coffee's retail customer network.

A reduced customer count amongst RFG's domestic franchise network, as a consequence of the increasingly onerous restrictions made in a series of announcements by the government since last week, is anticipated by the Company (and supported by recent trading data referable to that period). The trend will likely be more pronounced, in the Company's view, amongst outlets operating within shopping centres.

Given these matters, together with the significant uncertainty that exists in relation to the duration and impact of the COVID-19 pandemic, the Company no longer considers it appropriate to maintain its existing FY20 guidance, which is now withdrawn.

RFG Executive Chairman Peter George noted that the evolving situation was impacting brands differently, with Brumby's achieving strong sales over the past fortnight following increased demand for bread and bakery products. The Company's Quick Service Restaurant Division (Crust and Pizza Capers) is also experiencing promising customer engagement given the increasing demand in home delivery services at this time, and Di Bella Coffee has experienced growth in its e-commerce division due to an increase in online ordering demand, as well as growth in its grocery division due to increasing supermarket demand.

"Our coffee and bakery brands are all delivering compelling value deals, bundling, grab'n'go, and take-home promotions, and have all now partnered with aggregators to capitalize on the home delivery opportunity. Crust and Pizza Capers have quickly rolled out a series of value deals to the broader mass market as well as a contactless delivery promise."

"To date we have only experienced a handful of temporary domestic outlet closures which are attributable to the coronavirus, however some of our master franchise partners and the USA network have indicated more direct impacts on trading as a consequence of stricter health measures within their territories. At this juncture c.200 international outlets have temporarily closed, including 29 in the USA, and an additional number are trading on a 'take away only' basis".

"We remain committed to doing everything we can to support our franchise and master franchise partners during this period, including implementation of operational modifications to meet changing circumstances, vigorous representation of their interests with landlords, supply chain management, and other initiatives designed to provide direct support. However, given the current significant uncertainty and the speed of change, it is difficult to reliably predict future activity and outcomes", Mr George said.

¹ Hudson Pacific operations were included in FY19 underlying EBITDA, but were excluded from FY20 underlying EBITDA guidance as a Discontinuing Operation (refer pages 41 – 42 of Investor Presentation lodged with the Australian Securities Exchange on 15 October 2019 for key assumptions underlying the FY20 underlying EBITDA guidance. Underlying EBITDA is a non-IFRS financial measure. Non-IFRS financial measures have not been subject to audit or review.

Whilst staff, franchisee and customer health and safety remained the priority for the Group, in addition to previously announced long-term restructuring initiatives, the Company has also adopted various short-term strategies to reflect the current trading climate and ensure it is positioned as well as is possible to respond to emerging issues within its network. These strategies include:

- Deferral of non-essential capital expenditure and projects;
- A recruitment freeze;
- Cessation of non-essential travel;
- Realignment of promotional activity to maximise campaign success, including campaign deferrals where appropriate; and
- Workforce planning initiatives to reduce payroll expense, including the entire Board of Directors electing to take an immediate 20% reduction in fees or remuneration until further notice.

“Whilst it remains premature to make reliable judgments, we anticipate there will be a growing need for RFG to provide additional financial and other support to its franchise community as the COVID-19 situation develops,” Mr George said.

“The strategies we are implementing, when coupled with RFG’s enhanced balance sheet following the Company’s recent recapitalisation, provide the Group with increased scope and capacity to respond to the unique set of challenges and evolving retail landscape in which its retail franchise network operates.”

The Company is continuing to closely monitor the COVID-19 situation, including regular updates provided by government and health authorities, and will advise of any material information concerning the Group.

This announcement has been authorised by the Board of the Directors.

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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