

25 August 2021

Bread, Coffee and Pizza Drives RFG's Full Year Results⁽¹⁾⁽²⁾⁽³⁾

Drive-Thru coffee, fresh bread and more affordable premium pizzas have driven FY21 Same Store Sales growth for Retail Food Group Limited (ASX:RFG), even as COVID-19 restrictions hurt the Australian retail economy.

Despite a year of COVID-19 lockdowns and trading restrictions, RFG's Same Store Sales grew +3.2 per cent from FY20 to FY21 with stand outs including Gloria Jean's Drive-Thru outlets growing +17.8 per cent, Brumby's Bakery growing +9.1 per cent, and the QSR brands (Crust and Pizza Capers) experiencing +4.3 per cent Same Store Sales growth, including an extra c.600,000 pizzas sold.

The 2020/21 financial year generated underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$26.9 million, down on the FY20 result of \$31.7 million but consistent with consensus forecasts. Statutory Net Profit After Tax (NPAT) for FY21 was \$1.5 million, a 136.6% increase on FY20's statutory loss of \$4.0 million and represented the Group's first statutory profit since FY17.

The business lines most affected by COVID-19 during the 2020-21 financial year included the 590-store International Division, and RFG's domestic coffee brands (Gloria Jean's, Donut King and Michel's Patisserie) primarily located in major shopping centres within metropolitan NSW and Victoria.

RFG Executive Chairman, Peter George, said the FY21 results for the Group were creditable and not unexpected given the trading conditions that RFG's eight retail brands and c.750 domestic franchised outlets had to endure.

"The year's results reflect periodic suppression of customer traffic in the major East Coast cities, store closures, and the challenges experienced by franchise partners who had volatile revenues but significant rental overheads," said Mr George. "These have been tough and unavoidable trading conditions and we believe that hard-working franchise partners, strong brands and ongoing promotional support from RFG has kept the impact to a minimum and built a strong base for FY22. We are cautiously optimistic."

Mr George said the downturn in underlying EBITDA for FY21 was limited by a number of bright spots which included:

- +39.1 per cent increase in underlying earnings (EBITDA) for Brumby's Bakery, reflecting customer preference for local, fresh-baked products;
- Donut King's +6.6 per cent growth in Same Store Sales in non-metro regions;
- +4.3 per cent Same Store Sales growth for the QSR Division (Crust and Pizza Capers);
- Gloria Jean's +6.6 per cent Same Store Sales growth in regional Australia; and
- +17.8 per cent growth in Gloria Jean's Drive-Thru Same Store Sales (despite Gloria Jean's Same Store Sales being virtually flat year-on-year with +0.2% growth).

Mr George said RFG had worked hard during FY21 to engage landlords and negotiate additional rental abatements and deferrals on behalf of franchise partners.

The company had also invested in programs to support businesses at the store level, with new brand loyalty programs, product innovations and extensive marketing campaign support which included re-launching the Crust pizza business with \$11 pick-up pizzas and a new \$5 sides menu.

“Introducing entry-level pricing to a premium pizza range has proved very popular with consumers and we’ve seen this success reflected in Same Store Sales,” said Mr George.

“Over the past two years we’ve worked hard on becoming a more nimble, consumer-focused organisation and that has been an advantage to us as we’ve responded to changing consumer behaviour during COVID.”

He said RFG had also placed itself in a stronger position to respond to the challenges of FY21 by addressing financial and balance sheet issues in FY19 and FY20.

“We have significantly streamlined the company’s business, selling non-core assets and restructuring debt and overheads. It has allowed RFG to better pursue a ‘franchisee first’ business model, investing primarily in those things that drive successful stores: products, brands, marketing and support services. An encouraging outcome in FY21 was a 5.7 per cent increase in Average Transaction Value across our domestic network. The bright spots that we see in the FY21 results are largely a product of the ongoing commitment to an agile ‘franchisee first’ approach, which we are pursuing into FY22.”

Mr George said the Australian Competition and Consumer Commission (ACCC) action against Retail Food Group relating to historical conduct was still being addressed. The company has filed a comprehensive and detailed defence in response to the ACCC’s allegations.

“Given our focus on the positive initiatives which have and continue to be implemented under RFG’s new management, the company believes that the interests of franchisees are best served by an early resolution of the proceeding. However, if this cannot occur, the company remained committed to defending its position,” Mr George said.

- (1) This Media Release 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. This Media Release contains certain non-IFRS financial measures, including underlying EBITDA. 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 FY21 Results Presentation lodged with the ASX on 25 August 2021.
- (2) FY20 comparative information restated for Discontinued Operations – refer Note 33 in Financial Report for Financial Year Ending 2 July 2021, lodged with the ASX on 25 August 2021.
- (3) Unless otherwise noted, all Same Store Sales (SSS), Average Transaction Value (ATV) and Customer Count (CC) metrics provided are based on unaudited reported sales by franchisees amongst stores trading a minimum 46 of 52 weeks during FY21, versus unaudited reported sales by franchisees against same stores trading a minimum 46 of 52 weeks during FY20.

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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. For more information about RFG visit: www.rfg.com.au