

20 June 2022

Market Update & FY22 Guidance

Highlights:

- FY22 underlying EBITDA guidance of c.\$21.4m⁽¹⁾
 - Significantly influenced by unavoidable COVID impact, particularly in 1H22
 - No JobKeeper in FY22 vs \$3.7m received in FY21
- Anticipated Net Debt at 30 June 2022 of c.\$22.5m⁽²⁾
- Customer count improving amongst domestic network, albeit remains below pre-COVID levels⁽³⁾
- FY22YTD SSS growth (+2.2%) and ATV growth (+7.8%) vs PCP⁽⁴⁾
 - Reflects solid improvement vs 1H22 performance (-2.5% SSS & +7.4% ATV⁽⁵⁾)
- 37 new 2H22 outlets driving international network momentum⁽⁶⁾
- Strong value proposition & low ATV provides flexibility to better compete & manage retail prices
- No significant developments concerning material litigious matters

Retail Food Group Limited (RFG, the Company or Group) today provided the following update:

Trading Update:

The Company has continued to observe gradual improvement in network performance during the 2H22, as COVID restrictions have eased and the impact of the Omicron strain has diminished.

Domestic customer count has continued to improve over recent months, with 2H22YTD trading data reflecting a weighted average increase of +10.1% across the network versus 1H22⁽³⁾. While still below pre-pandemic levels, improved customer counts were particularly evident amongst coffee based Brand Systems with high exposure to shopping centres (Donut King: +13.4%, Gloria Jean's Coffees: +14.2%, Michel's Patisserie: +17.3%)⁽³⁾.

RFG Executive Chairman Peter George noted that the growing customer numbers had contributed to improved sales for Franchise Partners at store level, with FY22YTD weighted average network Same Store Sales (SSS) having increased +2.2% versus the prior corresponding period (PCP)⁽⁴⁾.

"A positive growth trend has emerged throughout the 2H22 as customers have returned. Network sales over the past 2 weeks have reflected the highest weekly sales across FY22YTD on a SSS basis. The last week's network sales are the highest achieved on a SSS basis in the past 24 months", he said⁽⁷⁾.

"Performance of the Group's pizza brands, Crust and Pizza Capers, has been particularly satisfying. Both brands' FY21 momentum has been sustained with strong FY22YTD SSS growth of +10.8% (Crust) and +6.3% (Capers) versus PCP"⁽⁴⁾.

"Pleasingly, Average Transaction Value (ATV) growth has also been maintained throughout the 2H22, with an FY22YTD +7.8% increase over PCP evidencing ongoing traction amongst those initiatives implemented by the Group to increase Franchise Partner basket size⁽⁴⁾. This increase grows to +19.7% when compared to FY19's pre-pandemic performance"⁽⁸⁾.

The Group's international business had also benefited from improved trading conditions across most territories, together with the efficiencies delivered by prior restructuring activity. While 26 international outlets had closed during the 2H22YTD, these were offset by 37 new outlets. Further net outlet growth of 5 stores is anticipated by 30 June⁽⁶⁾.

“The various positive indicators observed across the Group’s business during the 2H22 provides confidence that RFG continues to tread the right path in its turnaround journey, although with a clear appreciation of the challenging trading environment that continues to exist”, Mr George said.

“The network is yet to return to optimum trading levels. Lost trading days and hours attributable to a robust labour market and ongoing COVID isolation protocols continue to weigh on performance. We are closely managing inflationary pressures on our supply chain, albeit these have had relatively limited impact to date. There also remains a risk of heightened store closures attributable to sustained COVID related trading pressures occurring earlier in the year, particularly in NSW and Victoria”.

“Balancing these factors are the positive operational results we have achieved that serve to illustrate the resilience of our multi-brand system portfolio and the strong value proposition each of our brands offer consumers. Whilst we have significantly increased average basket size for our Franchise Partners over the past three years, ATV remains relatively low and therefore gives us scope and flexibility to better compete and more effectively manage retail prices in a challenging trading environment”, he said.

Material Litigious Matters:

There has been no material progression in the Michel’s Patisserie class action, which remains at an early stage. The Applicant is required to file a Statement of Claim precisely outlining and particularising her allegations against the Company by 15 August 2022. Separately, the Applicant’s interlocutory application seeking approval of funding arrangements, which is opposed by RFG, is listed for hearing on 20 October 2022.

A number of procedural matters have been progressed in the ACCC matter. In addition to those steps, RFG has filed an application seeking certain orders as to the future conduct of the proceeding, which it considers will substantially narrow the scope and thereby increase the efficiency of the proceeding in a manner consistent with the parties’ overarching obligations to the Court. The ACCC has opposed that application. It is anticipated that the application will be heard in August or September 2022.

RFG remains committed to defending its position in the ACCC matter based on the facts outlined in its Defence and further identified in the course of preparing its evidence. However, as a matter of practical and commercial significance, RFG remains of the view that the ACCC should act with a view to protecting the current interests of all Franchise Partners by agreeing to a reasonable resolution of the proceeding, which concerns long dated historical matters.

FY22 Guidance:

The Company anticipates FY22 underlying EBITDA of c.\$21.4m, assuming full year contributions from all continuing operations, but excluding the impact of AASB15 and AASB16⁽¹⁾. Consistent with the Group’s February 2022 update, the forecast result does not include \$3.7m in JobKeeper support which benefited PCP performance, and is otherwise influenced by the sustained and unavoidable impact of COVID across the Group’s operations during the year, particularly in the 1H22.

The Company also anticipates Net Debt at 30 June 2022 to be c.\$22.5m⁽²⁾. As indicated on 2 June 2022, the Group recently extended the maturity of its existing senior debt facilities from December 2022 to 30 September 2023⁹.

This announcement has been authorised by the Board of Directors.

¹. Based on unaudited management accounts

². Net Debt is calculated in accordance with Senior Debt Facility Agreement definition

³. Based on unaudited reported data by franchisees for weeks 1 to 26 (26 weeks, ie 1H22) versus unaudited reported data by same franchisees for weeks 27 to 50 (24 weeks, ie 1H22YTD)

⁴. Based on unaudited reported data by franchisees amongst stores trading a minimum 46 of 50 weeks during FY22 versus unaudited reported data reported by franchisees against same stores trading a minimum 46 of 50 weeks during FY21

⁵. Based on unaudited reported data by franchisees amongst stores trading a minimum 23 of 26 weeks during 1H22 vs unaudited reported data by franchisees against same stores trading a minimum 23 of 26 weeks during 1H21



- ⁶. As reported by Master Franchise Partners
- ⁷. Based on unaudited reported data by franchisees
- ⁸. Based on unaudited reported data by franchisees amongst stores trading a minimum 46 of 50 weeks during FY22 versus unaudited reported data by franchisees against same stores trading a minimum 46 of 50 weeks during FY19
- ⁹. Refer Announcement to ASX of 2 June 2022

ENDS

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 manager, and is the owner of iconic brands including Gloria Jean's, Donut King, Brumby's Bakery, Michel's Patisserie, Crust Gourmet Pizza, Pizza Capers, Cafe2U and The Coffee Guy. The Company is also a roaster and supplier of high-quality coffee products, supplied under the Di Bella Coffee brand. For more information about RFG visit: www.rfg.com.au