



# RETAIL FOOD GROUP (ASX:RFG)

RFG is a global food & beverage company headquartered in Queensland. It is Australia's largest multi-brand retail food franchise owner, developer & manager, with a network of >2500 outlets across 12 Brand Systems spanning 81 international territories. RFG is also a roaster & supplier of high quality coffee & affiliated products & an emerging leader in the foodservice, dairy processing & wholesale bakery sectors.

## CORPORATE

|                                     |         |
|-------------------------------------|---------|
| ASX Code                            | RFG     |
| Index                               | ASX200  |
| Share Price <sup>(1)</sup>          | \$5.04  |
| Shares on Issue                     | 176.7m  |
| Market Cap <sup>(1)</sup>           | \$891m  |
| Net Debt <sup>(1)</sup>             | \$271m  |
| Enterprise Value <sup>(1)</sup>     | \$1.2bn |
| Fully Franked Final Dividend (FY17) | 15cps   |

## BOARD & EXECUTIVE

|                  |   |
|------------------|---|
| Colin Archer     | Independent Non-executive Chairman            |
| André Nell       | Managing Director                             |
| Stephen Lonie    | Independent Non-executive Director            |
| Jessica Buchanan | Independent Non-executive Director            |
| Kerry Ryan       | Independent Non-executive Director            |
| Russell Shields  | Independent Non-executive Director            |
| Peter McGettigan | Chief Financial Officer                       |
| Mark Connors     | Director Corporate Services/Company Secretary |
| Mike Gilbert     | Chief Executive – International               |

<sup>(1)</sup> As at 18 August 2017

## MAJOR BRAND SYSTEMS (FRANCHISE)

|               |   |   |   |   |
|---------------|---|---|---|---|
| BAKERY/CAFÉ   |  |  |  |   |
| COFFEE RETAIL |  |  |  |  |
| QSR           |  |  |   |   |

## COFFEE & ALLIED BEVERAGE


SPECIALTY COFFEE &  
ALLIED BEVERAGE

Di Bella

COFFEE




ROASTING FACILITIES



AUS



NZ



USA

## COMMERCIAL

|               |   |   |
|---------------|---|---|
| FOODSERVICE   |  |  |
| MANUFACTURING |  |  |





# DYNAMIC GROWTH PILLARS



**VISION: CREATING COMPELLING OPPORTUNITIES FOR GLOBAL SUCCESS**

## FRANCHISE



A diverse portfolio of market leading Brand Systems across bakery, café, retail coffee & QSR segments, supported by an engaged complement of Franchise & Master Franchise Partners

## INTERNATIONAL



A “world of opportunity” – expanding RFG’s global footprint & providing a platform for sustainable long-term growth

## COFFEE & ALLIED BEVERAGE



State-of-the-art infrastructure, significant expertise & growing global demand, allied with a diverse market platform, offers significant opportunity to enhance earnings

## COMMERCIAL



Provides access to multiple opportunities whilst laying the foundation for an enhanced vertically integrated foodservice & manufacturing base that supports further diversification

## M&A



15+ strategic acquisitions since Listing have driven RFG’s evolution into a global food & beverage company – prudent & measured M&A approach driving additional growth opportunity

# FY17 PERFORMANCE SUMMARY



## FY17 UNDERLYING GROUP PERFORMANCE<sup>(1)</sup>

## GROUP HIGHLIGHTS

| RFG                     | FY16                   | FY17     | % Change |
|-------------------------|------------------------|----------|----------|
| Revenue                 | \$275.1m               | \$349.3m | 27.0%    |
| EBITDA                  | \$110.2m               | \$123.5m | 12.1%    |
| NPAT                    | \$66.4m                | \$75.7m  | 14.0%    |
| EPS                     | 40.5cps                | 43.7cps  | 7.9%     |
| Dividend (Full Year)    | 27.5cps                | 29.75cps | 8.2%     |
| Dividend Payout Ratio   | 67.9%                  | 68.1%    |          |
| Net Operating Cash Flow | \$64.8m <sup>(2)</sup> | \$63.8m  |          |
| Net Debt                | \$191.8m               | \$247.1m |          |
| Gearing Ratio           | 34.2% <sup>(2)</sup>   | 34.7%    |          |
| Interest Cover          | 11.5x                  | 13.2x    |          |

- Revenue growth up +27% (to \$349.3m)
- EBITDA (+12.1%) & NPAT (+14%) growth across Group
  - Product of increasingly diversified earnings base
- Translated to underlying EPS growth of 7.9%
- Final dividend of 15cps (fully franked) represents
  - 68.1% payout ratio
    - Rewards shareholders
    - Supports organic & acquisitive growth initiatives
  - Contributed to FY17 Dividends of 29.75cps
    - 8.2% increase on PCP

- The Group's statutory accounts for each of FY15 & FY16 have been restated – refer Appendix 1. The restatement in those prior years has no impact on the underlying profit of the Group.

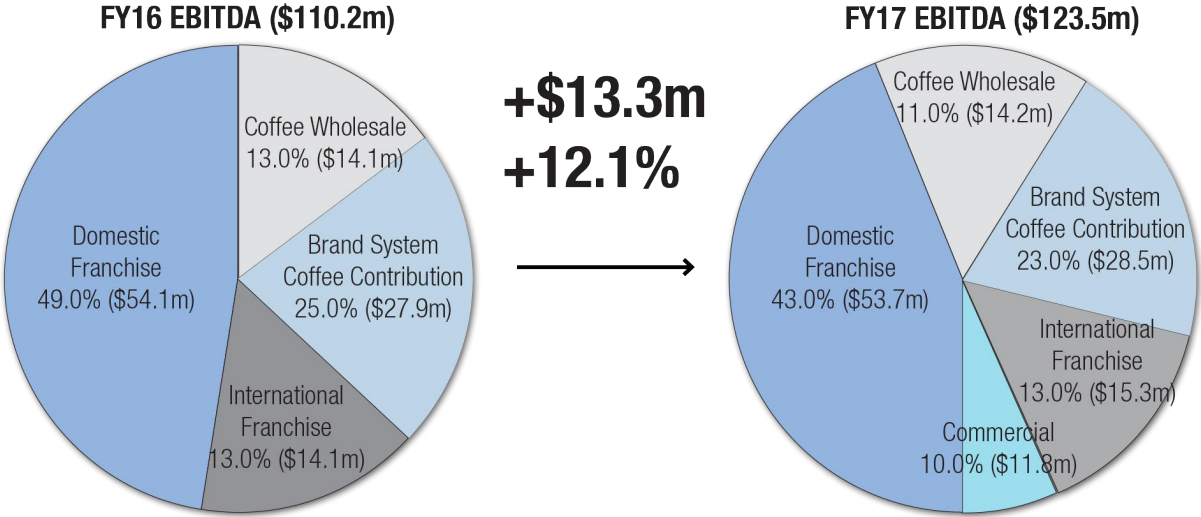


<sup>(1)</sup> Refer Appendix 2 for reconciliation report <sup>(2)</sup> FY16 restated: as further detailed in the notes to the FY17 Financial Statements



# GROWING DIVERSIFICATION

VERTICALLY INTEGRATED GLOBAL MODEL  
PROVIDES ENHANCED REVENUE DIVERSIFICATION



| Divisional EBITDA Contribution <sup>(1)</sup> | FY16 | FY17 | % Change |
|---|------|------|----------|
|---|------|------|----------|

|                                 |                 |                 |              |
|---------------------------------|-----------------|-----------------|--------------|
| Brand Systems (Domestic)        | \$78.0m         | \$78.1m         | 0.1%         |
| Brand Systems (International)   | \$18.1m         | \$19.4m         | 7.5%         |
| TOTAL BRAND SYSTEM EBITDA       | \$96.1m         | \$97.5m         | 1.5%         |
| Coffee Wholesale <sup>(3)</sup> | \$14.1m         | \$14.2m         | 0.7%         |
| Commercial Division             | N/A             | \$11.8m         | N/A          |
| <b>TOTAL GROUP EBITDA</b>       | <b>\$110.2m</b> | <b>\$123.5m</b> | <b>12.1%</b> |

| Divisional EBITDA Breakdown <sup>(1)</sup> | FY16 | FY17 | % Change |
|--|------|------|----------|
|--|------|------|----------|

|  |                 |                 |              |
|--|-----------------|-----------------|--------------|
| Domestic Franchise Operations                    | \$54.1m         | \$53.7m         | (0.8%)       |
| Domestic Coffee Contribution <sup>(2)</sup>      | \$23.9m         | \$24.4m         | 2.1%         |
| International Franchise Operations               | \$14.1m         | \$15.3m         | 8.9%         |
| International Coffee Contribution <sup>(2)</sup> | \$4.0m          | \$4.1m          | 2.5%         |
| TOTAL BRAND SYSTEM EBITDA                        | \$96.1m         | \$97.5m         | 1.5%         |
| Domestic Coffee Wholesale                        | \$13.5m         | \$13.9m         | 3.0%         |
| International Coffee Wholesale                   | \$0.6m          | \$0.3m          | (50.0%)      |
| Commercial Division                              | N/A             | \$11.8m         | N/A          |
| <b>TOTAL GROUP EBITDA</b>                        | <b>\$110.2m</b> | <b>\$123.5m</b> | <b>12.1%</b> |

<sup>(1)</sup> Underlying – Refer Appendix 2

<sup>(2)</sup> EBITDA Contribution from coffee & allied beverage sales to Brand System Franchise Partners

<sup>(3)</sup> Excludes EBITDA contribution from coffee & allied beverage to Brand System Franchise Partners

# FINANCIAL POSITION



- Increases in Working Capital, PP&E & Intangible assets primarily attributable to the acquisitions of Hudson Pacific Corporation & Associated Foodservice in the year
- Other movements include:
  - \$5.6m increase in commercial trade receivables
  - Financial assets increase of \$8.5m attributable to increase in franchise financing (c.\$5m) & commercial equipment initiatives
- Investment in property, plant & equipment including
  - Construction of new RFG Global Headquarters
  - Enhanced IT systems & infrastructure investment in digital capabilities
  - Capacity investment in manufacturing operations

- Borrowing increase of \$44.1m primarily to fund FY17 acquisitions
- Share capital increase of \$78.4m reflecting equity issues for Hudson Pacific Corporation acquisition (\$36.2m), DRP & dividend shortfall placement, including oversubscriptions (\$42.2m)
- FY16 balances restated include Financial assets, Intangible assets, Deferred tax liabilities & Retained earnings. See Appendix 1 for reconciliation

| <b>ASSETS:</b>    | <b>FY16<sup>(1)</sup> (\$m)</b> | <b>FY17(\$m)</b> |
|-------------------|---------------------------------|------------------|
| Cash reserves     | 17.4                            | 10.3             |
| Trade receivables | 44.4                            | 85.8             |
| Financial assets  | 15.2                            | 23.7             |
| Inventories       | 15.7                            | 28.5             |
| Plant & equipment | 51.1                            | 95.6             |
| Intangibles       | 595.5                           | 668.9            |
| Other             | 14.1                            | 16.9             |
|                   | 753.4                           | 929.7            |

| <b>LIABILITIES:</b>              | <b>FY16<sup>(1)</sup> (\$m)</b> | <b>FY17(\$m)</b> |
|----------------------------------|---------------------------------|------------------|
| Trade Payables                   | 22.4                            | 69.8             |
| Provisions                       | 3.8                             | 7.8              |
| Tax Payable                      | N/A                             | 2.5              |
| Borrowings                       | 205.9                           | 250.0            |
| Derivative Financial Instruments | N/A                             | 1.8              |
| Deferred Tax Liabilities         | 115.9                           | 119.4            |
| Contingent Consideration         | 21.8                            | 7.0              |
| Other                            | 7.5                             | 6.2              |
|                                  | 377.3                           | 464.5            |

| <b>EQUITY:</b>    |       |       |
|-------------------|-------|-------|
| Share capital     | 324.1 | 402.5 |
| Reserves          | 1.5   | 0.1   |
| Retained Earnings | 50.5  | 62.6  |
|                   | 376.1 | 465.2 |

<sup>(1)</sup> FY16 restated: as further detailed in the notes to the FY17 Financial Statements



# CASH FLOW STATEMENT

|   | <b>FY16<sup>(1)</sup> (\$m)</b> | <b>FY17(\$m)</b> |
|---|---------------------------------|------------------|
| Receipts from customers                       | 332.8                           | 456.0            |
| Payments to suppliers & employees             | (239.7)                         | (361.3)          |
| Gross operating cash flows                    | 93.1                            | 94.7             |
| EBITDA  | 92.7                            | 106.5            |
| Ratio of gross operating cash flows to EBITDA | 100.4%                          | 88.9%            |
| Interest & other costs to finance paid        | (9.0)                           | (9.4)            |
| Income taxes paid                             | (19.3)                          | (21.5)           |
| Net operating cash inflows                    | 64.8                            | 63.8             |
| Dividends paid                                | (31.5)                          | (42.9)           |
| Acquisition of business & intangibles         | (7.5)                           | (67.7)           |
| Payments for property, plant & equipment      | (14.4)                          | (30.7)           |
| Net capital raising                           | -                               | 35.1             |
| Net Debt increase                             | -                               | 40.0             |
| Other cash activities                         | (8.9)                           | (5.0)            |
|   | (62.3)                          | (71.2)           |
| Net (decrease)/increase in cash reserves      | 2.5                             | (7.4)            |
| Cash reserves at year end <sup>(2)</sup>      | 17.0                            | 9.6              |

- Cash conversion to EBITDA ratio of 88.9% reflects increased working capital commitments of acquired businesses, offset by \$5.2m non-cash asset impairment charges
- Gross operating cash flows includes c.\$11.2m cash outflows arising from acquisition, integration & restructuring costs
- Excess free cash derived from operations used to fund
  - FY16 final dividend (14.50 cps) & 1H17 interim dividend (14.75 cps)
  - Acquisition of Hudson Pacific Corporation & Associated Foodservice
  - Earn-out hurdles achieved relating to Gloria Jean's Coffees & Di Bella Coffee acquisitions
- Investment in property, plant & equipment including
  - Construction of new RFG Global Headquarters
  - Enhanced IT systems & infrastructure investment in digital capabilities
  - Systems integration of acquired businesses
  - Capacity investment in manufacturing operations

<sup>(1)</sup> FY16 restated: as further detailed in the notes to the FY17 Financial Statements

<sup>(2)</sup> Excluding restricted cash balances of \$0.7m (FY16: \$0.4m)













# DIVISIONAL OVERVIEW

- FRANCHISE
  - INTERNATIONAL
  - COFFEE & ALLIED BEVERAGE
  - COMMERCIAL
- 

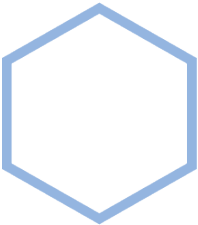


# FRANCHISE DIVISION METRICS<sup>(3)</sup>



| GLOBAL   |                           |               |                                  |         |                                |                               |         | DOMESTIC |      |                                  |         |                     |         |
|--|---------------------------|---------------|----------------------------------|---------|--------------------------------|-------------------------------|---------|----------|------|----------------------------------|---------|---------------------|---------|
| DIVISION   | NEW OUTLET COMMISSIONINGS | TOTAL OUTLETS | EBITDA <sup>(1)</sup> (\$m) FY17 | PCP (%) | CONTRIBUTION TO GROUP EBITDA % | GROSS FRANCHISE REVENUE (\$m) | PCP (%) | SSS      | ATV  | CPO <sup>(2)</sup> (\$'000) FY17 | PCP (%) | NETWORK SALES (\$m) | PCP (%) |
| BCD <div></div> | 41                        | 819           | 43.7                             | (0.5%)  | 35.4%                          | 55.3                          | (6.0%)  | 1.7%     | 1.7% | 54.1                             | 5.7%    | 433.9               | (6.9%)  |
| CRD <div></div> | 159                       | 1,386         | 40.8                             | 9.0%    | 33.0%                          | 58.1                          | 0.9%    | 0.6%     | 1.6% | 40.3                             | 16.3%   | 239.1               | (2.9%)  |
| QSR <div></div>  | 10                        | 311           | 13.0                             | (11.7%) | 10.5%                          | 19.6                          | (10.9%) | (0.6%)   | 2.1% | 41.7                             | (6.6%)  | 182.9               | (9.4%)  |
| GROUP TOTAL  | 210                       | 2,516         | 97.5                             | 1.5%    | 78.9%                          | 133.0                         | (3.9%)  | 0.9%     | 1.8% | 47.0                             | 6.1%    | 855.9               | (6.4%)  |

- Positive weighted SSS/ATV growth (+0.9%/+1.8%)
    - Credible performance in challenging retail market
    - Disciplined pricing policies sustain SSS/ATV & protect franchisee margin
    - Donut King stand out performer (SSS + 4.7% & ATV + 2.7%)
  - Commercial Division realising synergies benefiting franchise network
- 210 organic commissionings
  - Net outlet movement (14) outlets
    - Influenced by Michel's Patisserie/Pizza Capers outlet contraction (c.45 outlets combined)
  - Bakery Café NWS & GFR impacted by decline in outlet population, primarily within Michel's Patisserie
  - QSR Division GFR & EBITDA impacted by
    - FY16 periodic revenues not recurring in FY17
    - Pizza Capers outlet reduction attributable to rationalisation of trading corporate outlets & geographic repositioning (also impacting QSR Division NWS)



<sup>(1)</sup> Underlying – Refer Appendix 2

<sup>(2)</sup> CPO: EBITDA Contribution per Outlet

<sup>(3)</sup> Refer Appendix 5 for Brand System Metrics

# LEVERAGING NEW IDEAS & TECHNOLOGY TO INVEST IN OUR FRANCHISE NETWORKS

Innovative product developments, cutting-edge digital solutions & first-to-market brand initiatives accelerate customer engagement & bolster Franchise Partner profitability

RETAILFOODGROUP  
**RFG** BUSINESS  
INTELLIGENCE



## SPECIALIST SUPPORT

ACROSS RFG DIVISIONS & BRAND SYSTEMS

**DATA DRIVEN, MARKET LEADING INITIATIVES**  
PREDICTIVE MODELLING SUPPORTS NETWORK OPTIMISATION  
**STRATEGIC CUSTOMER & OPERATIONAL INSIGHT**

donutkang®  
**DONUT RUSH**



## REACHED #1

RANKING: GOOGLE PLAY & APPLE APP STORE

**c.400,000  
DOWNLOADS  
& OVER  
30m MINUTES  
OF GAMEPLAY**

ACHIEVED **343%** OF TARGETED  
**COUPON REDEMPTIONS**  
**416%** OF ESTIMATED ADVERTISING  
VALUE OVER CAMPAIGN PERIOD

Brumby's  
BAKERY  
**BREAD LOVERS  
LOYALTY CARD**



## LAUNCHED

NATIONALLY (JAN 17) AFTER PILOT TRIAL

**>28,000** REGISTERED MEMBERS  
**[DRIVING c.30%  
ATV PREMIUM  
AMONGST MEMBERS]**

Michel's  
PATISSERIE  
**IMAGE  
PRINTERS**



## NATIONAL ROLLOUT LAUNCHED 1H17

PRODUCT CUSTOMISATION NOW AT  
**CUSTOMERS FINGERTIPS**  
**1 WINNER: BEST DIGITAL INITIATIVE AWARD**  
(2017 QSR Media Awards)

RETAILFOODGROUP  
**RFG** FOUNDATIONS  
BUILD YOUR BEST BUSINESS

**INNOVATIVE  
PARTNERSHIP** WITH **NRA** National  
Retail Association

AVAILABLE TO ALL RFG FRANCHISE PARTNERS

**PROVIDES MEMBERS ACCESS TO**  
TRAINING, ONLINE RESOURCES & WORKPLACE ADVICE

crust  
Gourmet Pizza Bar



## STRATEGIC FOCUS

ON PREMIUM UPPER CRUST SEGMENT

NEW MENU ADDITIONS  
BOOSTING SALES **{ +8.6%  
ON PCP }**



## DISRUPTIVE

SNACK TARGETING MILLENNIAL CUSTOMERS

**OVER 40,000**  
UNITS SOLD DURING TWO-MONTH PROMOTION

Gloria Jean's  
COFFEES



## FRESH IS BEST

NEW PRODUCT RANGE

**QUALITY  
INGREDIENTS** **{ PRECURSOR  
TO WIDER BRAND  
EVOLUTION }**  
MADE FRESH IN STORE

# CURRENT GLOBAL FOOTPRINT

81 TERRITORIES ACROSS  
10 BRAND SYSTEMS  
(+17% ON FY16)

ROASTING HUBS IN **AUSTRALIA,**  
**NEW ZEALAND & USA**  
**MIDDLE EAST HUB FACILITY**  
**TO BE COMMISSIONED 2H18**

LEGEND

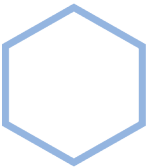
RFG EXISTING TERRITORIES

RFG ROASTING FACILITIES



# 15 NEW LICENSES GRANTED ACROSS 5 BRAND SYSTEMS

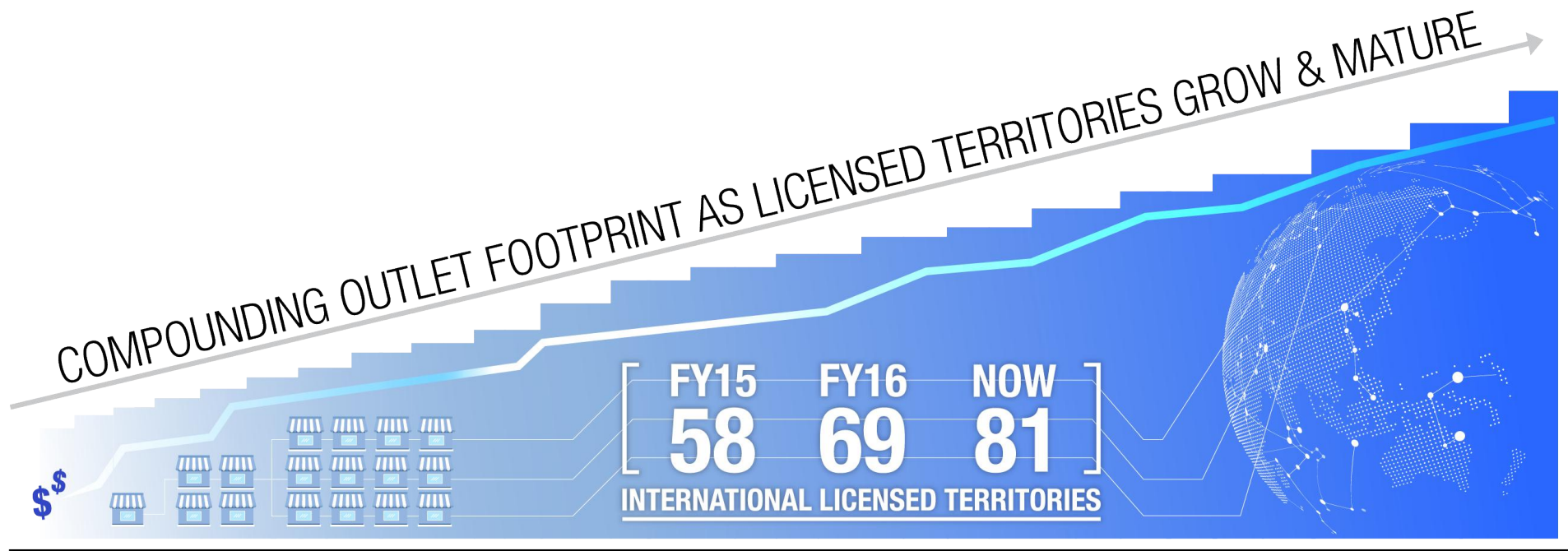
|   |   |                   |                          |                   |
|---|---|-------------------|--------------------------|-------------------|
|   |   |                   |                          |                   |
| UNITED KINGDOM<br>CHICAGO & INDIANA<br>KENYA<br>SINGAPORE<br>INDONESIA AIRPORTS | VANUATU<br>SAMOA<br>FRENCH POLYNESIA<br>NEW CALEDONIA<br>MYANMAR AIRPORTS | SWEDEN<br>MYANMAR | SAUDI ARABIA &<br>KUWAIT | INDIA<br><br>FIJI |





# GROWING INTERNATIONAL PLATFORM

SETS FOUNDATION FOR ENHANCED MEDIUM TO LONG-TERM GROWTH



## BUILDING REVENUE STREAMS

**SHORT TERM:** INITIAL LICENSE & TRAINING FEES

**LONG TERM:** GROWING RECURRENT REVENUE STREAMS  
ROYALTIES, NEW OUTLET/RENEWAL/TRANSFER FEES, PRODUCT SUPPLY

# INTERNATIONAL HUB STRATEGY



## THE HUB

### MEDIUM TO LONG-TERM GROWTH STRATEGY



## MIDDLE EAST JOINT VENTURE

- Represents important breakthrough in Hub strategy
  - Fast tracks Brand System licensing & Coffee & Allied Beverage growth
- 50% interest in JVs established with leading UAE-based businesses Al Hathboor Group & HKO Group
- Facilitates establishment of world class coffee enterprise
  - Roast & distribute for MENA region
  - Focused on realising significant untapped commercial coffee opportunities
  - More efficiently services existing Brand System networks
- Accelerates scope for Brand System expansion in Gulf region
  - Focused on greenfield opportunity – existing MFAs retained by RFG
- Low risk capital structure
  - Initial equity funding offset by initial Brand System license fees & sale of excess roasting infrastructure

# COFFEE & ALLIED BEVERAGE

|                              | FY16      | FY17      | CHANGE% |
|------------------------------|-----------|-----------|---------|
| GLOBAL THROUGHPUT            | c.6.2m kg | c.6.2m kg | —       |
| REVENUE <sup>(1)</sup>       | \$73.4m   | \$63.7m   | (13.2)% |
| EBITDA <sup>(1)</sup>        | \$14.1m   | \$14.2m   | 0.7%    |
| EBITDA MARGIN <sup>(1)</sup> | 19.2%     | 22.3%     | 1.6%    |

- Decline in revenue of 13.2% impacted by \$10m of external revenues associated with FY16 next generation capsule machine launch into supermarket channel, not recurring in FY17
- Coffee wholesale EBITDA grew 0.7% principally due to
  - Growth in commercial coffee contracts
  - Offset by reduction in lower margin supermarket capsule business

## CURRENT



## UNDERWAY



## FUTURE



REPLICATING SUCCESSFUL AUSTRALIAN MODEL 

COFFEE & ALLIED BEVERAGE OPERATIONS REPOSITIONED UNDER DI BELLA COFFEE CO TO LEVERAGE MARKET REPUTATION & BRAND STRENGTH ACROSS ENTIRE COFFEE BUSINESS

<sup>(1)</sup> Excluding C&AB supply to Brand System partners



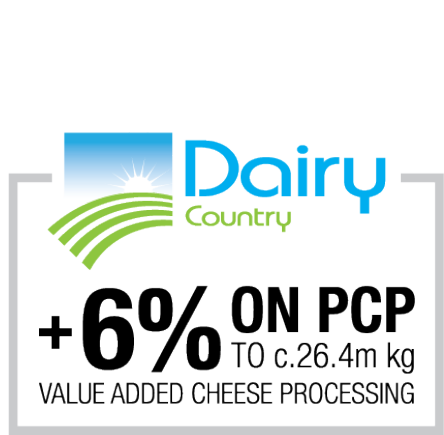
# COMMERCIAL DIVISION

## NEW DIVISION FORMED 1H17

|         | FY17 <sup>(1)</sup> |
|---------|---------------------|
| REVENUE | \$100.6m            |
| EBITDA  | \$11.8m             |
| MARGIN  | 11.7%               |

- Dedicated Commercial Division established to extract substantial opportunity arising from FY17 M&A activity
- Represents long-term national growth platform
  - Synergy extraction aligned with expiry of existing contractual obligations
  - Wholesale coffee, dairy & bakery products
  - Growing retail & wholesale channels

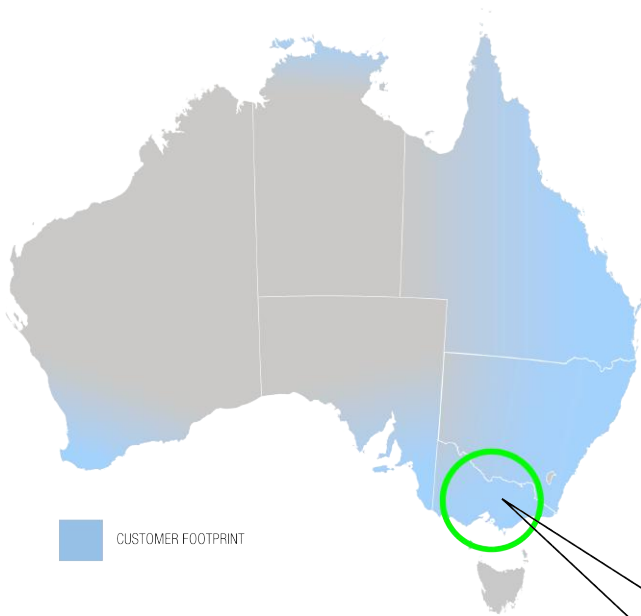
## ENHANCED THROUGHPUT UNDER RFG STEWARDSHIP



## ALIGNMENT OF GROWTH PLATFORM

### **COMMERCIAL DIVISION STRATEGY** *UNDERPINNED BY COMPLEMENTARY GROWTH OPPORTUNITIES*

-  **REALISATION OF SCALE BENEFITS** {  
– OPERATIONAL GROWTH ALIGNED WITH FRANCHISEE/CUSTOMER POPULATION  
– FAST TRACKS DELIVERY OF VERTICAL INTEGRATION/SYNERGISTIC BENEFITS



*MEDIUM TERM*  
M&A PROGRAM ALIGNED WITH  
**EASTERN SEABOARD  
GROWTH STRATEGY**

**FY17 AQUISITIONS**  
  


<sup>(1)</sup> HPC acquired 22 September 2016

OUTLOOK



# OUTLOOK & GUIDANCE

## RFG GLOBAL 2020 STRATEGY

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- Leveraging diversified platform to drive long-term sustainability
  - Global platform extension leveraging Hub strategy
    - Creating new markets & tapping greenfield opportunity
    - Building medium & long-term growth drivers
  - Customer engagement & stakeholder profitability
    - Winning in the market
    - Building stronger operational platforms
    - Leveraging procurement/foodservice capability
    - Enhancing franchise investment proposition
  - Commissioned transformational development of internal capability to support growth strategy
    - Whole of business initiative
    - Incorporates assessment of operating model & resource alignment

## OUTLOOK & GUIDANCE

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- RFG optimistic regarding future performance
  - Organic growth across all Divisions
  - Principally driven by International, Commercial & Coffee & Allied Beverage
- M&A focus on Eastern Seaboard Commercial Division extension
- Guidance: FY18 underlying NPAT growth of c.6%<sup>(1)</sup>

<sup>(1)</sup> Excluding acquisition, integration & restructuring costs



# APPENDICES

1. RESTATEMENT OF PRIOR YEARS' ACCOUNTS
2. TRADING SUMMARY
3. DEBT STRUCTURE
4. CAPITAL MANAGEMENT
5. BRAND SYSTEM SUMMARY
6. DEFINITIONS
7. DISCLAIMER



# APPENDIX 1 – RESTATEMENT OF PRIOR YEARS' ACCOUNTS

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## **Review of accounting treatment of certain items & restatement of financial information for FY15 & FY16**

The Group conducted a detailed review of its accounting policies, & having regard to new guidance being released during the year on application of certain accounting standards.

Accounting policies reviewed were with respect to intangible assets, contingent consideration payments for acquisitions & accounting for Brand System marketing funds, and as a consequence, the Group's accounts for the financial years ended prior to and including 30 June 2015 (FY15) and the financial year 30 June 2016 (FY16) will be restated.

This review of the accounting treatment in those prior years has had no impact on the underlying performance of RFG for the financial year ended 30 June 2017 (FY17).

### **Accounting policy considerations, adjustments & corrections for FY15 & FY16**

- Following an agenda decision of the IFRS Interpretation Committee (IFRIC) made in November 2016 with respect to accounting for Intangible Assets, the Group has reviewed the tax effect accounting for its Brand System intangible assets (being indefinite life intangible assets). This has resulted in the recognition of deferred tax liabilities with respect to these intangibles, with the resultant uplift in goodwill recorded in the Group's statement of financial position as at 30 June 2015.
- The review conducted of the Group's accounting policies for intangible assets with the aforementioned IFRIC decision determined the Group's Brand Systems represent an individual CGU (cash generating unit) for the purposes of impairment testing. Impairment testing has been conducted on a retrospective basis. As a result, it has been determined that certain individual Brand Systems were impaired in the financial years prior to & ended 30 June 2015.
- Certain contingent consideration payments for the Gloria Jean's Coffee acquisition that imply a service obligation by the vendor should have been recognised in the Group's profit or loss in FY15 & FY16 rather than recorded as goodwill.
- Following the write-down of advances to marketing funds announced on 21 June 2017, the Group conducted a further detailed review of its accounting policies with respect to franchise system marketing expenditure & accounting for internally generated intangible assets, including research & development expenditure. As a result of this review, the Group has determined that the accounting for Brand System marketing expenditure will be incurred & recovered on an annual basis, with the revenue & expenditure associated with Brand System marketing activities presented net within the Group consolidated statement of profit or loss & other comprehensive income.
- The write-down of advances to marketing funds not recovered prior to & including FY15 & FY16 have been recognised in FY15 & FY16 respectively. The FY16 consolidated statement of profit or loss & other comprehensive income has been restated to present the revenue & expenditure associated with Brand System marketing activities on a net basis & the write-downs attributable to the FY16 year.

It is important to note that the technical accounting changes for intangible assets do not impact on the cash flows of the business, or the manner in which the Group defines & operates its Brand Systems at the CGU & segment level. Indeed, the valuation of the Group's intangible assets, when viewed at the segment & Group level, comfortably exceeds the carrying value of those assets.

### **Restatement of financial information for FY15 & FY16**

The following tables summarise the financial effect of these changes on the Group's accounts for FY15 & FY16.

# APPENDIX 1 – RESTATEMENT OF PRIOR YEARS' ACCOUNTS

| Consolidated Statement of Financial Position | 30-Jun-15 Reported | Deferred tax adjustment | Intangible asset impairment testing adjustment | Contingent consideration adjustment | De-recognition of Marketing Fund receivables | Total 2015 year adjustments | 30-Jun-15 Restated |
|--|--------------------|-------------------------|--|-------------------------------------|--|-----------------------------|--------------------|
|  | \$'000             | \$'000                  | \$'000   | \$'000                              | \$'000                                       | \$'000                      | \$'000             |
| Inventories                                  | 20,901             | -                       | -  | -                                   | (448)  | (448)                       | 20,453             |
| Other financial assets                       | 29,586             | -                       | -  | -                                   | (22,734)                                     | (22,734)                    | 6,852              |
| Current tax assets                           | 1,595              | -                       | -  | -                                   | 6,955  | 6,955                       | 8,550              |
| Deferred tax assets                          | 8,664              | -                       | (885)  | -                                   | -  | (885)                       | 7,779              |
| Intangible assets                            | 512,979            | 130,576                 | (46,489)                                       | (2,965)                             | -  | 81,122                      | 594,101            |
| <b>Total assets</b>                          | <b>680,048</b>     | <b>130,576</b>          | <b>(47,374)</b>                                | <b>(2,965)</b>                      | <b>(16,227)</b>                              | <b>64,010</b>               | <b>744,058</b>     |
| Deferred tax liabilities                     | -                  | 130,576                 | (14,668)                                       | -                                   | -  | 115,908                     | 115,908            |
| Other  | 34,024             | -                       | -  | (2,115)                             | -  | (2,115)                     | 31,909             |
| <b>Total liabilities</b>                     | <b>276,266</b>     | <b>130,576</b>          | <b>(14,668)</b>                                | <b>(2,115)</b>                      | <b>-</b>                                     | <b>113,793</b>              | <b>390,059</b>     |
| <b>Net assets</b>                            | <b>403,782</b>     | <b>-</b>                | <b>(32,706)</b>                                | <b>(850)</b>                        | <b>(16,227)</b>                              | <b>(49,783)</b>             | <b>353,999</b>     |
| Foreign currency translation reserve         | 1,276              | -                       | (1,210)  | -                                   | -  | (1,210)                     | 66                 |
| Retained earnings                            | 87,455             | -                       | (31,496)                                       | (850)                               | (16,227)                                     | (48,573)                    | 38,882             |
| <b>Total equity</b>                          | <b>403,782</b>     | <b>-</b>                | <b>(32,706)</b>                                | <b>(850)</b>                        | <b>(16,227)</b>                              | <b>(49,783)</b>             | <b>353,999</b>     |

| Consolidated Statement of Financial Position | 30-Jun-16 Reported | Intangible asset impairment testing adjustment | Contingent consideration adjustment | Trade receivables reclassification | De-recognition of Marketing Fund receivables | Total 2015 year adjustments carried forward | 30-Jun-16 Restated |
|--|--------------------|--|-------------------------------------|------------------------------------|--|---|--------------------|
|  | \$'000             | \$'000   | \$'000                              | \$'000                             | \$'000                                       | \$'000                                      | \$'000             |
| Trade and other receivables                  | 48,574             | -  | -                                   | (4,133)                            | -  | -   | 44,441             |
| Inventories                                  | 16,103             | -  | -                                   | -                                  | -  | (448)                                       | 15,655             |
| Other financial assets                       | 42,251             | -  | -                                   | 4,133                              | (8,436)                                      | (22,734)                                    | 15,214             |
| Current tax assets                           | -                  | -  | -                                   | -                                  | (2,500)                                      | 6,955                                       | 4,455              |
| Deferred tax assets                          | 8,279              | -  | -                                   | -                                  | -  | (885)                                       | 7,394              |
| Property, plant and equipment                | 51,561             | -  | -                                   | -                                  | (455)  | -   | 51,106             |
| Intangible assets                            | 514,402            | -  | -                                   | -                                  | -  | 81,122                                      | 595,524            |
| <b>Total assets</b>                          | <b>700,786</b>     | <b>-</b>                                       | <b>-</b>                            | <b>-</b>                           | <b>(11,391)</b>                              | <b>64,010</b>                               | <b>753,405</b>     |
| Trade and other payables                     | 21,758             | -  | 615                                 | -                                  | -  | -   | 22,373             |
| Current tax liabilities                      | 5,167              | -  | -                                   | -                                  | (5,167)                                      | -   | -                  |
| Deferred tax liabilities                     | -                  | -  | -                                   | -                                  | -  | 115,908                                     | 115,908            |
| Other  | 29,892             | -  | 1,500                               | -                                  | -  | (2,115)                                     | 29,277             |
| <b>Total liabilities</b>                     | <b>266,542</b>     | <b>-</b>                                       | <b>2,115</b>                        | <b>-</b>                           | <b>(5,167)</b>                               | <b>113,793</b>                              | <b>377,283</b>     |
| <b>Net assets</b>                            | <b>434,244</b>     | <b>-</b>                                       | <b>(2,115)</b>                      | <b>-</b>                           | <b>(6,224)</b>                               | <b>(49,783)</b>                             | <b>376,122</b>     |
| Foreign currency translation reserve         | 1,925              | 780  | -                                   | -                                  | -  | (1,210)                                     | 1,495              |
| Retained earnings                            | 108,247            | (780)  | (2,115)                             | -                                  | (6,224)                                      | (48,573)                                    | 50,555             |
| <b>Total equity</b>                          | <b>434,244</b>     | <b>-</b>                                       | <b>(2,115)</b>                      | <b>-</b>                           | <b>(6,224)</b>                               | <b>(49,783)</b>                             | <b>376,122</b>     |



# APPENDIX 1 – RESTATEMENT OF PRIOR YEARS' ACCOUNTS

| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 30-Jun-16 Reported                | Intangible asset impairment | Contingent consideration adjustment | De-recognition of Marketing Fund receivables | Marketing expenditure reclassification | 30-Jun-16 Restated |
|---|-----------------------------------|-----------------------------|-------------------------------------|--|--|--------------------|
|   | \$'000                            | \$'000                      | \$'000                              | \$'000                                       | \$'000                                 | \$'000             |
| <b>Continuing operations</b>  |                                   |                             |                                     |  |  |                    |
| Revenue from sale of goods  | 169,269                           | -                           | -                                   | -  | (4,429)                                | 164,840            |
| Cost of sales   | (106,280)                         | -                           | -                                   | -  | 8,605                                  | (97,675)           |
| Other revenue   | 141,202                           | -                           | -                                   | -  | (30,945)                               | 110,257            |
| Other gains and losses  | 640                               | -                           | (1,500)                             | -  | 835                                    | (25)               |
| Marketing expenses  | (28,224)                          | -                           | -                                   | -  | 24,469                                 | (3,755)            |
| Occupancy expenses  | (8,265)                           | -                           | -                                   | -  | 670                                    | (7,595)            |
| Administration expenses   | (20,992)                          | -                           | -                                   | -  | 795                                    | (20,197)           |
| Other expenses  | (7,799)                           | -                           | (615)                               | (8,891)                                      | -                                      | (17,305)           |
| <b>Profit before tax</b>  | 87,589                            | -                           | (2,115)                             | (8,891)                                      | -                                      | 76,583             |
| Income tax expense  | (26,287)                          | -                           | -                                   | 2,667  | -                                      | (23,620)           |
| <b>Profit for the period</b>  | 61,302                            | -                           | (2,115)                             | (6,224)                                      | -                                      | 52,963             |
| Exchange differences on translation foreign operations                  | 649                               | 780                         | -                                   | -  | -                                      | 1,429              |
| <b>Other Comprehensive Income</b>                                       | 649                               | 780                         | -                                   | -  | -                                      | 1,429              |
| <b>Total comprehensive income</b>                                       | 61,951                            | 780                         | (2,115)                             | (6,224)                                      | -                                      | 54,392             |
| <b>Earnings per share</b>   |                                   |                             |                                     |  |  |                    |
| From continuing operations:   |                                   |                             |                                     |  |  |                    |
| Basic (cents per share)   | 37.4                              | -                           | (1.3)                               | (3.8)  | -                                      | 32.3               |
| Diluted (cents per share)   | 37.4                              | -                           | (1.3)                               | (3.8)  | -                                      | 32.3               |
| <b>Consolidated Statement of Changes in Equity</b>                      | <b>Fully Paid Ordinary Shares</b> | <b>Other Reserves</b>       | <b>Retained Earnings</b>            | <b>Total</b>                                 |  |                    |
|   | \$'000                            | \$'000                      | \$'000                              | \$'000                                       |  |                    |
| Balance as at 30 June 2015 (Reported)                                   | 315,051                           | 1,276                       | 87,455                              | 403,782                                      |  |                    |
| Total 2015 year adjustments   | -                                 | (1,210)                     | (48,573)                            | (49,783)                                     |  |                    |
| <b>Balance as at 30 June 2015 (Restated)</b>                            | <b>315,051</b>                    | <b>66</b>                   | <b>38,882</b>                       | <b>353,999</b>                               |  |                    |
| Profit for the year ended 30 June 2016 (Reported)                       | -                                 | -                           | 61,302                              | 61,302                                       |  |                    |
| De-recognition of Marketing Fund receivables                            | -                                 | -                           | (6,224)                             | (6,224)                                      |  |                    |
| Contingent consideration adjustment                                     | -                                 | -                           | (2,115)                             | (2,115)                                      |  |                    |
| <b>Profit for the year ended 30 June 2016 (Restated)</b>                | <b>-</b>                          | <b>-</b>                    | <b>52,963</b>                       | <b>52,963</b>                                |  |                    |
| Net income recognised directly in equity                                | -                                 | 1,429                       | -                                   | 1,429  |  |                    |
| Intangible asset impairment adjustment                                  | -                                 | -                           | (780)                               | (780)  |  |                    |
| Issue of ordinary shares net of costs                                   | 9,021                             | -                           | -                                   | 9,021  |  |                    |
| Payment/Provision of dividends  | -                                 | -                           | (40,510)                            | (40,510)                                     |  |                    |
| <b>Balance as at 30 June 2016 (Restated)</b>                            | <b>324,072</b>                    | <b>1,495</b>                | <b>50,555</b>                       | <b>376,122</b>                               |  |                    |

# APPENDIX 2 – TRADING SUMMARY

**FY17**

|                   | <b>UNDERLYING</b> | <b>REPORTED</b> |
|-------------------|-------------------|-----------------|
| <b>EBITDA \$m</b> | 123.5             | 106.5           |
| <b>NPAT \$m</b>   | 75.7              | 61.9            |
| <b>EPS cps</b>    | 43.7              | 35.7            |

## EBITDA ADJUSTMENTS

|                          |            |
|--------------------------|------------|
|                          | <b>\$m</b> |
| <b>REPORTED EBITDA</b>   | 106.5      |
| <b>M&amp;A COSTS:</b>    |            |
| • <b>ACQUISITION</b>     | 3.3        |
| • <b>INTEGRATION</b>     | 6.5        |
| • <b>RESTRUCTURING</b>   | 2.0        |
| <b>ASSET IMPAIRMENT</b>  | 5.2        |
| <b>UNDERLYING EBITDA</b> | 123.5      |

# APPENDIX 3 – DEBT STRUCTURE

| SENIOR DEBT FACILITY   | FY16     | FY17     |
|--|----------|----------|
| Net Debt <sup>(1)</sup>  | \$191.8m | \$247.1  |
| Interest expense <sup>(1)</sup>                                  | \$9.6m   | \$9.6m   |
| Interest cover (times) <sup>(1)</sup>                            | 11.5x    | 13.2x    |
| Gearing ratio (net debt / (net debt + equity)) <sup>(1)(4)</sup> | 34.2%    | 34.7%    |
| Total Facility   | \$304.0m | \$344.0m |

- Facility headroom (including cash) at 30 June 2017 of \$96.9m
- Weighted Average Interest Rate at 30 June 2017 of 3.73%
- Gross debt of \$257.3m<sup>(2)</sup> at 30 June 2017
- Total debt subject to fixed interest rates now \$150m or c.61% of gross debt
- Comfortable compliance with all lending covenants as at 30 June 2017
- Deed of variation<sup>(3)</sup> executed between RFG & its lenders on 27 June 2017 which verified covenants under existing facilities will not be impacted by changes to accounting standards

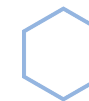
<sup>(1)</sup> Calculated in accordance with Senior Debt Facility Agreement

<sup>(2)</sup> Including ancillary facilities

<sup>(3)</sup> With reference to the Senior Debt Facility Agreement

<sup>(4)</sup> FY16 restated: as further detailed in the notes to the FY17 Financial Statements

# APPENDIX 4 – CAPITAL MANAGEMENT



|   | SHARES      | PRICE (\$) | PROCEEDS/VALUE (\$m) |
|---|-------------|------------|----------------------|
| Shares on issue 1 July 2017   | 164,968,083 |            |                      |
| Dividend Reinvestment Plan (Final FY16 Dividend)                                    | 509,210     | 6.71       | 3.4                  |
| Dividend Reinvestment Plan Shortfall Placement (inc. oversubscriptions)             | 5,197,044   | 6.85       | 35.6                 |
| Issue of ordinary shares – Acquisition of Hudson Pacific Corporation <sup>(2)</sup> | 5,379,747   | 6.72       | 36.2                 |
| Dividend Reinvestment Plan (Interim Dividend)                                       | 681,982     | 5.28       | 3.6                  |
| Shares 30 June 2016   | 176,736,066 |            |                      |
| Share Value <sup>(1)</sup>  |             |            | 78.8                 |








<sup>(1)</sup> Before share issue costs & associated expenses of \$0.4m

<sup>(2)</sup> Represents fair value of shares issued at acquisition date



# APPENDIX 5 – BRAND SYSTEM SUMMARY

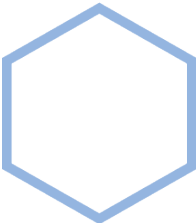


| GLOBAL  |                           |               |   | DOMESTIC |      |                     |         |
|---|---------------------------|---------------|---|----------|------|---------------------|---------|
| DIVISION  | NEW OUTLET COMMISSIONINGS | TOTAL OUTLETS | CONTRIBUTION TO GROUP EBITDA % <sup>(1)</sup> | SSS      | ATV  | NETWORK SALES (\$m) | PCP (%) |
|        | 19                        | 333           | 14.1%   | 4.7%     | 2.7% | 160.4               | (1.4%)  |
|        | 20                        | 246           | 8.6%  | 1.3%     | 1.6% | 153.3               | (4.7%)  |
|        | 2                         | 240           | 12.7%   | (2.0%)   | 0.6% | 120.2               | (15.7%) |
| BAKERY/CAFE   | 41                        | 819           | 35.4%   | 1.7%     | 1.7% | 433.9               | (6.9%)  |
| CRD   | 159                       | 1,386         | 33.0%   | 0.6%     | 1.6% | 239.1               | (2.9%)  |
| QSR  | 10                        | 311           | 10.5%   | (0.6%)   | 2.1% | 182.9               | (9.4%)  |
| GROUP TOTAL   | 210                       | 2,516         | 78.9%   | 0.9%     | 1.8% | 855.9               | (6.4%)  |

<sup>(1)</sup> Underlying

# APPENDIX 6 – DEFINITIONS

|                                 |   |
|---------------------------------|---|
| NWS                             | Network Sales   |
| GFR                             | Gross Franchise Revenue   |
| SSS                             | Same Store Sales  |
| ATV                             | Average Transaction Value   |
| PCP                             | Previous Corresponding Period   |
| CPO                             | Contribution Per Outlet (EBITDA)  |
| QSR                             | Pizza Capers & Crust Gourmet Pizza  |
| MENA                            | Middle East North Africa  |
| COFFEE RETAIL DIVISION (CRD)    | Gloria Jean’s Coffees, Café2U, The Coffee Guy, It’s A Grind, bb’s Café, Esquires Coffee |
| MOBILE                          | Café2U, The Coffee Guy  |
| COFFEE & ALLIED BEVERAGE (C&AB) | Franchise supply; specialty roasting; in-home/grocery; contract roasting                |
| COMMERCIAL                      | Hudson Pacific Foodservice, Associated Foodservice, Bakery Fresh, Dairy Country         |
| BAKERY/CAFÉ (BCD)               | Donut King, Michel’s Patisserie & Brumby’s Bakery                                       |
| JV                              | Joint Venture   |
| M+A                             | Mergers & Acquisitions  |



# APPENDIX 7 – DISCLAIMER



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