



**RETAILFOODGROUP**  
STRENGTH IN BRANDS

## 1H15 RESULTS PRESENTATION



# Retail Food Group Limited (ASX:RFG)

RFG is Australia's largest owner, developer and manager of retail food franchise systems, with a network of c.2450 outlets spanning 46 global territories across 11 Brand Systems. RFG is also a roaster and supplier of high quality coffee and affiliated products, operating five coffee roasting facilities across Australia, New Zealand and the USA, supplying the Company's existing Brand Systems and third party accounts via Evolution Coffee Roasters, Caffe Coffee, Roasting Australia, Maranatha LLC and Di Bella Coffee.

## Corporate

ASX Code	RFG
Index	ASX200
Share price <sup>(1)</sup>	\$6.60
Shares on issue <sup>(1)</sup>	159,833,303
Market cap <sup>(1)</sup>	\$1.055bn
Net debt <sup>(1)</sup>	\$206.2m
Enterprise value	\$1.26bn
Interim dividend (1H15)	11.5 cps

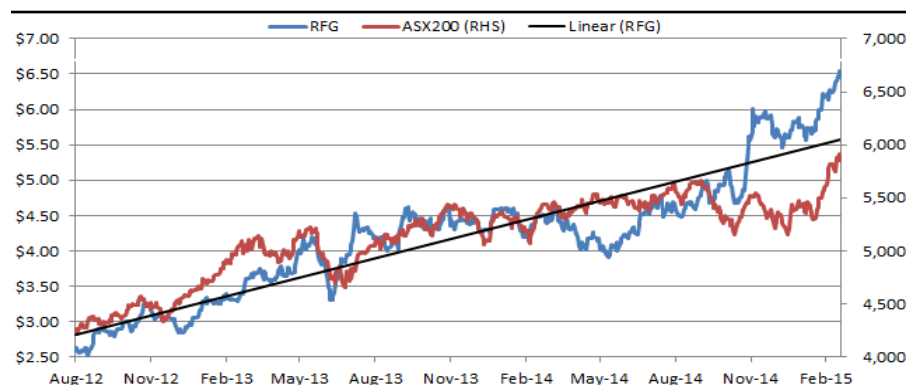
## Board of Directors

Colin Archer	Independent Non-executive Chairman
Anthony (Tony) Alford	CEO & Managing Director
Jessica Buchanan	Independent Non-executive Director
Stephen Lonie	Independent Non-executive Director

Share Register	Holding	%
Anthony (Tony) Alford	20,909,380	13.1%
Mawer Investment Mgt	17,189,386	10.8%
Thorney Holdings Pty Ltd	9,000,000	5.6%

(1) As at 20 February 2015

## Share Price Chart



## Brand System

## Type

Crust Gourmet Pizza Bar	QSR
Pizza Capers	QSR
Donut King (DK)	Traditional
Michel's Patisserie (MP)	Traditional
Brumby's Bakery/Brumby's GO! (BBH)	Traditional
Gloria Jean's Coffees (GJC)	Coffee Retail
It's A Grind (IAG)	Coffee Retail
bb's Café/Esquires Coffee	Coffee Retail
The Coffee Guy (TCG)	Mobile Coffee
Café2U	Mobile Coffee





# Group Achievements

## Global Transformation

- RFG transformed into global franchisor and coffee wholesaler
- Surpassed \$1bn Enterprise Value
- Record 1H15 outcomes<sup>(1)</sup>:
  - EBITDA of \$39.3m (39.7% increase on PCP)
  - NPAT of \$25.3m (46.4% increase on PCP)
  - EPS of 17.0cps (31.8% increase on PCP)

## Group Highlights

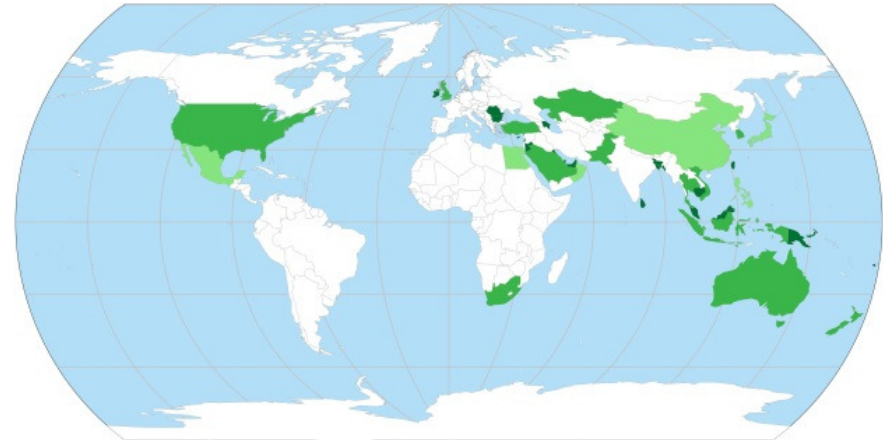
- Café2U (September 2014) and Gloria Jean's Coffees Group (December 2014) acquired
- Di Bella Coffee Group SPA executed (settled 18 February 2015)
- Acquisition and organic outlet commissionings: +1,091
- 1H15 closing outlet population: 2,476
- Brand System EBITDA: c.20% increase on PCP
- Annualised coffee throughput increased threefold to 4.5m kg<sup>(2)</sup>
- Interim dividend increased 7.0% to 11.5cps
- 1H15 Total Shareholder Return 30.5%<sup>(3)</sup>
- Refreshed and extended debt facilities
- Introduced formal asset rental program to franchisee community

(1) Underlying results, refer Appendix 1 and 2 for reported results and reconciliation to underlying performance

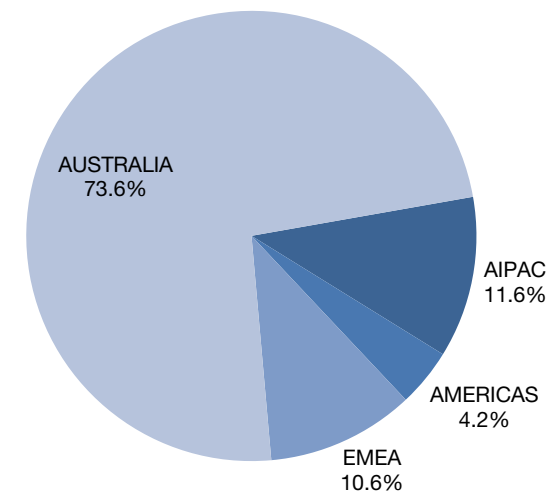
(2) Pre Di Bella Coffee acquisition

(3) Includes grossed up 1H15 interim dividend of 11.5cps

## RFG International Footprint



## International Outlets by Region



# 1H15 Results Summary

	Underlying Results <sup>(1)</sup>					
	1H11	1H12	1H13	1H14	1H15	PCP%
Revenue <sup>(2)</sup>	\$60.3m	\$49.5m	\$60.0m	\$64.6m	\$78.0m	20.7%
EBITDA <sup>(1)</sup>	\$23.3m	\$25.1m	\$28.4m	\$28.1m	\$39.3m	39.7%
NPAT <sup>(1)</sup>	\$14.1m	\$15.0m	\$16.5m	\$17.3m	\$25.3m	46.4%
Basic EPS <sup>(1)</sup>	13.2 cps	13.8 cps	14.2 cps	12.9 cps	17.0 cps	31.8%
Interim Dividend	7.0 cps	8.5 cps	9.5 cps	10.75 cps	11.5 cps	7.0%
Dividend Payout Ratio <sup>(1)</sup>	52.9%	61.6%	66.9%	83.3%	67.6%	
Net Debt	\$67.7m	\$69.2m	\$86.7m	\$49.5m	\$178.2m	
Gearing Ratio	31.1%	29.5%	27.4%	14.1%	31.6%	
Interest Cover	7.0x	7.0x	6.7x	10.3x	12.8x	
Franchised Outlets	1,095	1,126	1,391	1,401	2,476	+1,075

(1) Refer Appendix 1 and 2 for reported results and reconciliation to underlying performance

(2) Reported revenue less revenue associated with marketing pursuits



# Results Highlights

## EBITDA & NPAT

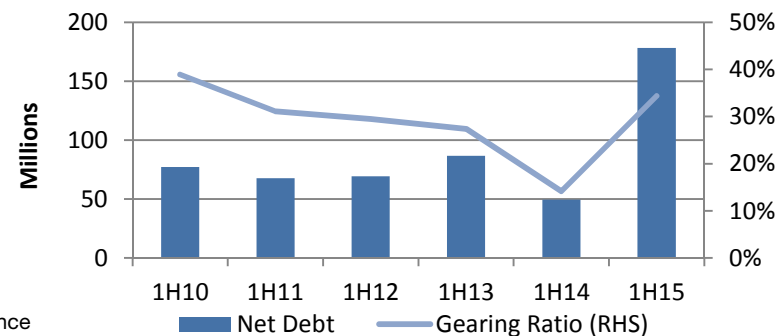
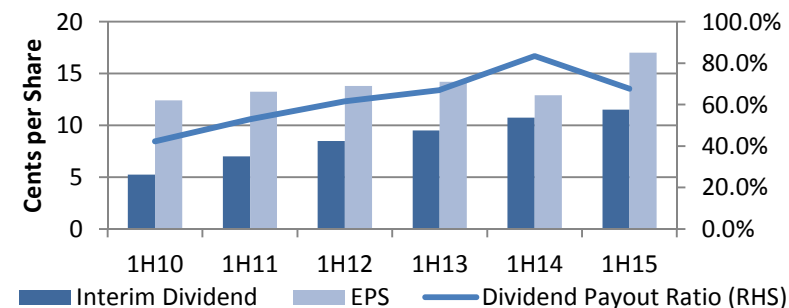
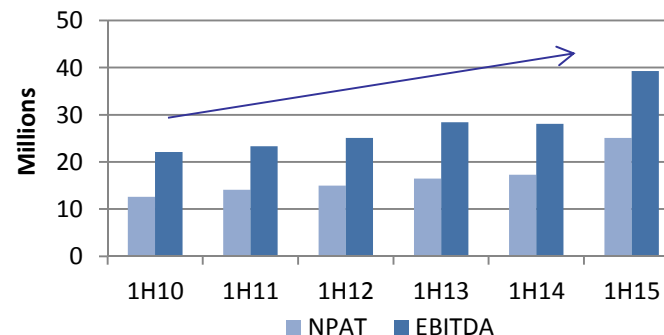
- EBITDA up 39.7% on PCP to \$39.3m<sup>(1)</sup>
- NPAT up 46.4% on PCP to \$25.3m<sup>(1)</sup>
- NPAT CAGR 13.8% (1H13 – 1H15)
- c.20% EBITDA from international operations
- 84% EBITDA contribution from Brand Systems
- Coffee & Allied Beverage EBITDA contribution: 21.4%<sup>(2)</sup>

## Dividends & EPS

- EPS up 31.8% on PCP to 17.0cps<sup>(1)</sup>
- Increased dividend to 11.5cps up 7.0% on PCP
- 17<sup>th</sup> consecutive bi-annual dividend increase
- Moderated dividend payout ratio (67.6%):
  - rewards shareholders
  - supports acquisitive and organic growth initiatives

## Net Debt & Gearing

- Debt facility increased \$118m to \$253m to support acquisitions and growth
- c.90% of facilities with maturity date of September 2017
- Headroom of \$74.8m<sup>(3)</sup>
- Weighted average interest rate c.4.14%
- Interest cover increased c.25% to 12.8x<sup>(3)</sup>



(1) Underlying results, refer Appendix 1 and 2 for reported results and reconciliation to underlying performance

(2) Includes third party supply and Coffee & Allied Beverage EBITDA referable to Brand Systems



















(3) As at 31 December 2014



# RFG Global Brand Portfolio

## Increased Portfolio

- Delivers multiple channels of revenue and earnings
- Penetrates retail and wholesale market segments and day parts

	Franchise Brand Systems			Commercial & Wholesale	
	QSR	Retail	Mobile	Specialty Beverage	Manufacturing
Existing (FY14)	 	   		  	 
Acquired (1H15)		 			 Maranatha LLC USA
Acquired (2H15)					



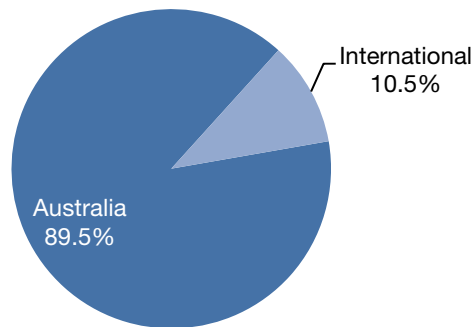
# Global Summary

## Rapid International Growth

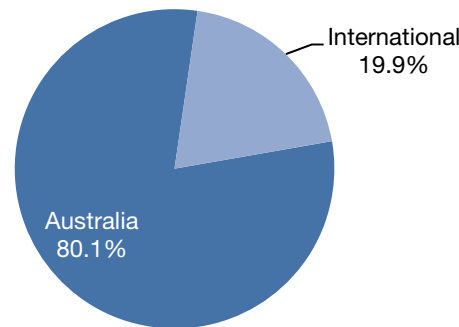
- 1H15 acquisitions deliver international platform and long term sustainable growth path
- Enhanced portfolio positions RFG as a leading multi-brand coffee & food franchising group
- Gloria Jean's Coffees and Café2U contribute +500 international outlets
- Acquisitions deliver reduced reliance on Australian sourced revenue and EBITDA
- Franchise and Licensing operations now extend to 46 territories
- Globalisation of business significantly extends growth platforms
- All international territories conducted under Master Licence regime<sup>(1)</sup>

Global Position	Aus	Intl	Total
<b>Outlet Population</b>	1,823	653	2,476
Net growth 1H15	524	518	1,042
Change (%)	40%	384%	73%
<b>Global Revenue (AUD)</b>			
GFR (\$m)	48.6	9.5	58.1
Including:			
FSF (\$m)	23.1	1.7	24.8
Net coffee contribution (\$m)	9.1	1.3	10.4
Global EBITDA (\$m)	31.5	7.8	39.3

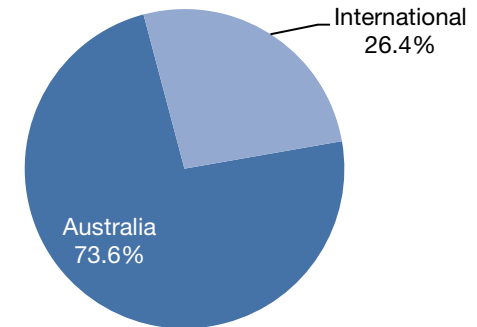
Revenue by Region



EBITDA by Region



Outlets by Region



(1) Excluding USA (Gloria Jean's Coffees and It's A Grind) and New Zealand (excluding Gloria Jean's Coffees and Donut King)





# Brand System & Divisional Results Summary

## Solid Results

- Brand System EBITDA c.20% growth to \$33.1m (PCP: \$27.6m)
- Exceptional EBITDA growth in Donut King (23.3%) and Michel's Patisserie (15.1%) principally driven by increased EBITDA CPO<sup>(1)</sup> (21.2% and 14.6% respectively)
- Increased CPO to EBITDA in all non-QSR Brand Systems
- Strong EBITDA growth in QSR (7.1%) tempered by lower EBITDA CPO compared to PCP (-1.7%):
  - QSR400 ramp up costs
  - >50% of outlets in new outlet ramp up phase
- Coffee Retail EBITDA includes Gloria Jean's Coffees Group contribution for approximately 4 weeks
- Mobile EBITDA includes 3.5 months' contribution of Café2U
- 1.7% decline in Brumby's Bakery EBITDA contribution attributable to timing disconnect between outlet closures and Project EVO commissioning ramp up

	EBITDA		EBITDA CPO <sup>(1)</sup>	
	\$m	PCP	\$k	PCP
Donut King	7.4	23.3%	21.3	21.2%
Michel's Patisserie	8.4	15.1%	26.6	14.6%
Brumby's Bakery	5.7	(1.7%)	20.6	1.3%
QSR <sup>(2)</sup>	7.5	7.1%	22.1	(1.7%)
Coffee Retail <sup>(3)</sup>	3.1	233.3%	14.9	5.7%
Mobile	1.0	158.3%	5.1	4.4%
<b>Brand System EBITDA</b>	<b>33.1</b>	<b>19.9%</b>		
Other <sup>(4)</sup>	6.2	1140.0%		
<b>Group EBITDA</b>	<b>39.3</b>	<b>39.9%</b>		



- (1) Contribution per outlet  
 (2) Pre-QSR400 ramp up expenses \$0.7m (PCP \$nil)  
 (3) Coffee Retail includes Gloria Jean's Coffees, Esquires, bb's Café and It's A Grind  
 (4) Other includes net coffee EBITDA contribution excluding Brand Systems, international licence fees and sundry



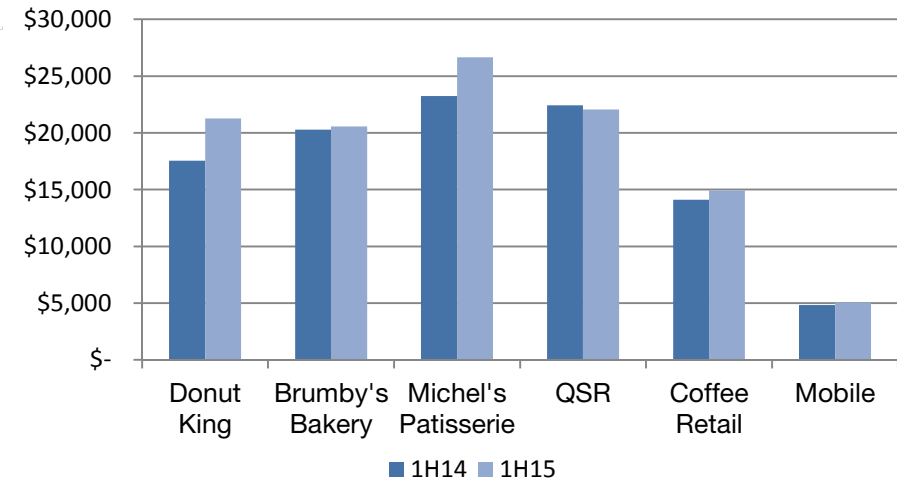


# Brand System Performance

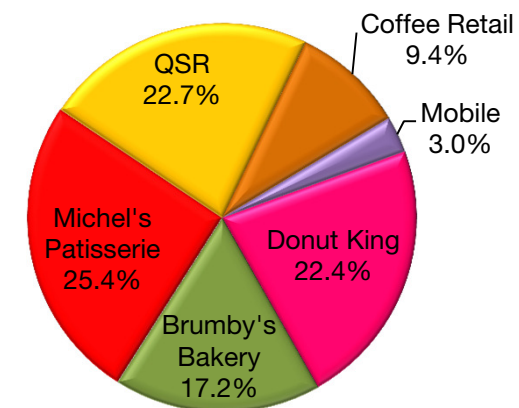
## Strong Contributions Across Group

- Brand System EBITDA (\$33.1m) represents 84% of Group EBITDA
- Longest Brand System under RFG stewardship (Donut King) delivers highest increase in EBITDA of 23.3%
- 15.1% increase in Michel's Patisserie EBITDA validates National Bakery Solution commitment
- Traditional Brand Systems enjoyed:
  - Positive SSS growth across all Brand Systems stimulated by increase in ATV, strong promotional activity, continued EVO rollout and performance driven operational outcomes
  - Improved EBITDA contribution by Brand System and Outlet driven by:
    - Project Evolution advancement:
      - 194 stores now attended
    - Stronger product innovation pipeline
    - Accelerated new store openings / across multiple formats
    - Diversification of revenue streams
- QSR EBITDA contribution increase of 7.1% achieved through:
  - QSR400 rollout
  - Digital platform enhancement
- Mobile Division performance bolstered by acquisition of Café2U
- After five years, Project Evolution initiative nearing design maturity:
  - Validity of program evidenced by increasing number of retail food systems adopting 'EVO' pilots

EBITDA per outlet



% EBITDA Contribution by Brand System<sup>(1)</sup>



(1) Excludes EBITDA contribution from non-Brand Systems of \$6.2m



# QSR: Crust Gourmet Pizza Bar & Pizza Capers

## Significant Growth Driver

- QSR EBITDA contribution (\$7.5m) up 7.1% on PCP and reduces acquisition EV/EBITDA multiple from 7x to sub 5x
- Gourmet premium positioning resilient to pizza and industry “price discounting wars”
- QSR400:
  - 144 new outlets commissioned since program inception
  - Scheduled for completion by 1H16
  - Opportunity significantly upscaled by new international opportunities consequential to 1H15 acquisitions

## Crust 1H15 Highlights & 2H15 Initiatives

- Promotion of on-trend new products delivered 6% ATV increase
- Digital campaign focused on display and search engine advertising, delivering additional Network Sales
- Online sales increased to 33.3% (PCP 30%)
- Continued focus on digital acceleration and further penetration of gourmet/premium offers

## Pizza Capers 1H15 Highlights & 2H15 Initiatives

- ‘Generosity’ promotional platform delivered 3.6% ATV growth
- Digital strategy delivering significant traction:
  - Online orders up 46.3% on PCP to 26.9%
  - Delivery sales up 18.1% on PCP to 33.4%
- 2H15:
  - Digital growth enhancement
  - Product innovation focused on ‘LTO’ initiatives

QSR	1H15	1H14	PCP
<b>Outlet Population</b>			
Australia	344	304	13.2%
Other	10	8	25.0%
Total	354	312	
New commissionings (1H)	22	49	
<b>Outlet Sales</b>			
NWS – Australia (\$m)	112.7	101.2	11.4%
SSS Growth (% increase on PCP)	1.2%	0.3%	
<b>QSR Revenue</b>			
GFR (\$m)	10.6	10.0	6.0%
Including:			
FSF (\$m)	6.4	6.4	-
QSR EBITDA (\$m)	7.5 <sup>(1)</sup>	7.0	7.1%
<b>Analysis</b>			
GFR/NWS	9.4%	9.9%	
EBITDA/NWS	6.6%	6.9%	
QSR/Group EBITDA	17.3%	24.9%	

(1) Pre-QSR400 ramp up expenses \$0.7m (PCP \$nil)

February 2015



# Donut King

## Consistent Performer

- Exemplary EBITDA growth (\$7.4m) up 23.3% on PCP
- Consistent SSS and net outlet population growth
- Robust new franchisee enquiry due to moderate entry cost model coupled with relative ease of operation

## Brand System 1H15 Highlights

- 100 EVO outlets throughout network
  - New outlets performing at 6.7% above Comparable Store Set (CSS) AWS
  - Refurbishments 4.5% above CSS AWS
- Coffee throughput increased 5.7% on PCP driven by in-store coffee excellence platform and operational initiatives
- Targeted marketing campaigns driving customer incidence rates
- Focus on core menu product innovation:
  - Donut range targeted at special occasions to maximise seasonal opportunities
  - Christmas Donut promotion delivered 5.6% AWS growth for December
- Innovative bundle deals and day-part offers drove 5.6% ATV growth

## 2H15 Initiatives

- Capitalise on strong AWS growth initiatives
- National launch of three tiered pricing strategy
- Continued focus on product innovation and enhanced social engagement
- Targeting new outlet format opportunities to drive outlet growth

Donut King	1H15	1H14	PCP
<b>Outlet Population</b>			
Australia	339	332	2.1%
Other	11	10	10.0%
Total	350	342	
New commissionings (1H)	11	10	
<b>Outlet Sales</b>			
NWS – Australia (\$m)	87.9	83.2	5.6%
SSS Growth (% increase on PCP)	3.3%	2.0%	
<b>DK Revenue</b>			
GFR (\$m)	10.3	9.3	10.8%
Including:			
FSF (\$m)	5.6	5.4	3.7%
Net coffee contribution (\$m)	1.8	1.5	20.0%
DK Brand EBITDA (\$m)	7.4	6.0	23.3%
<b>Analysis</b>			
GFR/NWS	11.7%	11.2%	
EBITDA/NWS	8.4%	7.2%	
DK/Group EBITDA	18.8%	21.3%	



# Michel's Patisserie

## National Bakery Solution (NBS) Delivering Benefits

- Michel's Patisserie remains key profit generator:
  - EBITDA contribution (\$8.4m) up 15.1% on PCP
  - Largest single Brand System contributor to Group EBITDA (21.4%)
- Completion of NBS (1H16) facilitates earnings upside
- NBS gaining traction:
  - Stabilising Brand System and underpinning growth
  - Positive SSS growth for 1<sup>st</sup> time in 18 months

## 1H15 Highlights

- 76 EVO outlets across the network experienced superior AWS growth notwithstanding NBS being largely incomplete in NSW and VIC:
  - New outlets trading at 10.8% above CSS AWS
  - Refurbished outlets trading at 7.41% above CSS AWS
- Enhanced new outlet performance amongst four pilot Michel's Patisserie & Café stores featuring plated breakfast and lunch offer
- QLD NBS rollout 90% complete:
  - Achieved 4.6% AWS growth for 1H15 (highest performing State)
- Coffee Excellence - Awarded Roy Morgan 'Coffee Shop of the Year' (CY14) for fourth successive year
- Continued back-fill of Project Evolution concepts into existing network

## 2H15 Initiatives

- Completion of NSW/VIC NBS rollout
- Evolution of whole cake category driving product innovation
- Enhanced e-commerce platform

Michel's Patisserie	1H15	1H14	PCP
<b>Outlet Population</b>			
Australia	313	311	0.6%
Other	4	3	33.3%
Total	317	314	
New commissionings (1H)	12	8	
<b>Outlet Sales</b>			
NWS – Australia (\$m)	86.3	83.6	3.2%
SSS Growth (% increase on PCP)	0.8%	(0.8)%	
<b>MP Revenue</b>			
GFR (\$m)	13.3	13.1	1.5%
Including:			
FSF (\$m)	4.7	5.1	(7.8%)
Net coffee contribution (\$m)	3.7	3.4	8.8%
MP Brand EBITDA (\$m)	8.4	7.3	15.1%
<b>Analysis</b>			
GFR/NWS	15.4%	15.7%	
EBITDA/NWS	9.7%	8.8%	
MP/Group EBITDA	21.4%	26.1%	





# Brumby's Bakery

## Trusted Specialty Bakery

- EBITDA contribution of \$5.7m represents 17.2% of Brand System EBITDA and 14.5% of Group EBITDA
- New outlet commissioning and backfill delayed due to continued Project EVO refinements

## Brand System 1H15 Highlights

- 18 EVO outlets now launched:
  - New outlets trading at 9.3% above CSS AWS
  - EVO concept refinement continues
- Project Evolution represents:
  - Significant coffee opportunity:
    - Coffee pod delivery concept – proven
    - National rollout commencing 2H15
  - Increased new store growth:
    - 8 new stores (surpassing forecast) following doubling in franchisee enquiry since new concept launch
  - Continued focus on increasing AWS:
    - Positioning Brumby's as a market leader in wholesome, healthy, premium bakery offering with:
      - New modern store livery
      - Enhanced premium product range
      - Customer centric engagement

## 2H15 Initiatives

- Continued Project Evolution refinement and backfill
- “Healthy Kids” Association alliance driving increased revenue via school canteen supply
- Relaunch of savoury category with premium offering

Brumby's Bakery	1H15	1H14	PCP
<b>Outlet Population</b>			
Australia	268	275	(2.5%)
Other	9	11	(18.2%)
Total	277	286	
New commissionings (1H)	8	4	
<b>Outlet Sales</b>			
NWS – Australia (\$m)	93.7	96.5	(2.9%)
SSS Growth (% increase on PCP)	2.0%	1.6%	
<b>Brumby's Revenue</b>			
GFR (\$m)	7.9	8.8	(10.2%)
Including:			
FSF (\$m)	4.9	5.4	(9.3%)
Net coffee contribution (\$m)	0.1	0.1	-
Brumby's Brand EBITDA (\$m)	5.7	5.8	(1.7%)
<b>Analysis</b>			
GFR/NWS	8.4%	9.2%	
EBITDA/NWS	6.1%	6.1%	
Brumby's/Group EBITDA	14.5%	20.6%	



# Coffee Retail

## Consolidated Profit Centre

- Coffee Retail comprises Gloria Jean's Coffees (GJC), It's A Grind (IAG), Esquires and bb's Café
- 1H15 EBITDA contribution \$3.1m, anticipated to grow significantly following full 2H15 contributions from GJC and IAG

## Gloria Jean's Coffees 1H15 Highlights<sup>(1)</sup>

- SSS growth of 5.7%
  - Strong Christmas trade period
  - Product focused promotional campaigns
  - On-trend beverage innovations
- Brand System representation in 40+ international territories
- Seamless integration into RFG's stable ahead of program

## 2H15 Initiatives

- GJC Project Evolution in pilot stage
- Exploit existing foothold in fast growing 'in home' capsule market
- GJC Global Master Franchise Partner Conference in 3Q15 to drive:
  - Enhanced marketing, operations and supply chain solutions
  - Acceleration of global Brand System penetration
  - Opportunities for exploitation of RFG's other Brand Systems
- Expansion of international supply chain to better service relevant territories to underpin further growth
- Alignment of bb's Café, Esquires, Gloria Jean's Coffees and It's A Grind

Outlet Population	Aus	Intl	Total
Gloria Jean's Coffees	354	406	760
It's A Grind	-	26	26
Esquires/bb's Café	26	45	71
<b>Total</b>	<b>380</b>	<b>477</b>	<b>857</b>
New outlets 1H15	354	432	786



(1) Settlement effected 3 December 2014

# Mobile

## Acquisitive Growth

- Acquisition of Café2U positions RFG as clear market leader within global mobile coffee market:
  - Addition of 236 mobile vans to network
  - Access to international markets in Great Britain, USA and South Africa

## 1H15 Highlights

- Increased coffee throughput via acquisition of Café2U
- Enhanced vertical integration performance
- Diversified stable of brands using mobile van format, including The Coffee Guy, Café2U and Gloria Jean's Coffees
- Supply side synergies driven by increased scale
- Integration of Café2U complete
- Penetration of The Coffee Guy into territories outside of NZ and QLD
- Continued rollout of Crust Mobile Pizza Bar container model

## 2H15 Initiatives

- Significant growth opportunities leveraging existing international presence
- Drive rollout of alternative formats
- Dedicated Mobile Division to facilitate growth, outlet proliferation and manage Brand System co-existence

Mobile <sup>(1)</sup>	1H15
<b>Outlet Population</b>	
Australia	179
International	142
Total	321
<b>New Outlet Summary</b>	
Australia	162
International	90
Total	252
<b>Mobile Revenue</b>	
GFR (\$m)	1.8
Including:	
FSF (\$m)	0.6
Net coffee contribution (\$m)	0.6
Mobile Brand EBITDA (\$m)	1.0
<b>Analysis</b>	
Mobile/Group EBITDA	2.5%

(1) Includes Café2U contribution from settlement (11 September 2014 – 31 December 2014)



# International

## Platform for Global Expansion

- International footprint enhanced by acquisitions:
  - Café2U (11 September 2014)
  - Gloria Jean's Coffees (3 December 2014)
  - It's A Grind (3 December 2014)
  - Maranatha LLC (3 December 2014)
  - Di Bella Coffee (settled 18 February 2015)
- Joint Venture for Gloria Jean's Coffees and It's A Grind entered into for China

## 2H15 Initiatives

- Enhanced RFG International Division to accelerate global outlet proliferation
- Facilitates opportunity for Joint Ventures and Master Franchise Agreements in new international markets, setting the platform for further international market exploitation
- Opportunity for existing international Master Franchise Partners to acquire master rights for other RFG Brand Systems
- Inaugural Gloria Jean's Coffees 'Global Master Franchise Conference' scheduled for 3Q15
- Engagement with licensees for new territories to be accelerated

International	1H15	1H14	PCP
<b>Outlet Population</b>			
Outlets 1 July	135	147	
Net additions	518	(9)	
Total 31 December	653	138	373%
<b>International Revenue (AUD)</b>			
GFR (\$m)	9.5	2.5	280%
Including:			
FSF (\$m)	1.7	1.0	70.0%
Net coffee contribution (\$m)	1.3	0.9	44.4%
International EBITDA (\$m) <sup>(1)</sup>	7.8	1.5	420%

(1) Included in all Brand System EBITDA results





# Coffee & Allied Beverage

## Diversifying Coffee Revenues

- Coffee EBITDA (\$8.4m) represents c.21%<sup>(1)</sup> of Group EBITDA
- 1H15 entry into burgeoning 'in-home' and commercial capsule market via alignment with patented Caffitaly System
- Targeting international contract roasting opportunities
- Di Bella Coffee delivers tangible penetration in commercial channel

## Allied Beverage Opportunities

- Further vertical and wholesale beverage opportunities across:
  - Powders (including chocolate)
  - Syrups
  - Capsules

Coffee & Allied Beverage (\$m)	1H15	1H14	PCP
<b>Coffee Revenue</b>			
Total	18.2	11.2	62.5%
Australia	14.2	8.1	75.3%
International	4.0	3.1	29.0%
Coffee EBITDA	8.4	6.6	27.3%
Coffee/Group EBITDA	21.4%	23.5%	

Coffee Business Snapshot					
Coffee Volumes (Tonnes)	Franchise Networks	Contract Roasting	Commercial	In-home	Total
RFG Existing (Pre GJC)	1,300 40%	200 28%	100 9%	-	1,600 27%
Gloria Jean's Coffees	1,850 56%	250 35%	50 4%	750 100%	2,900 49%
Di Bella Coffee	140 4%	270 37%	990 87%	-	1,400 24%
Total	3,290	720	1,140	750	5,900
% of Total Throughput	56%	12%	19%	13%	100%

(1) Includes coffee and allied product sales to Brand Systems and third parties



# Coffee & Allied Beverage

## Key Group Business Driver

- Increased delivery into Brand Systems, Contract Roasting, Commercial and In-home Global Market
- Plethora of coffee roasting acquisition opportunities identified
- Significant leverage and scale via increased roasting throughput
- P&E rental programs
- Significant opportunity to bundle other products through 3<sup>rd</sup> party coffee supply channel



## Significant Growth Potential

- Positions RFG to capitalise on the growth phenomenon in Australia and internationally
- Further earnings available via 'in-house' Sales and Service Division
- Strong vertical integration opportunities
- Two surplus roasters to be utilised internationally
- Significant increase in depth of expertise
- Broadened customer base for allied products
- Opportunity for new product streams
- Mutual disaster recovery platforms insulates coffee operations



# Acquisitive Activity

## Café2U (completed September 2014)

- 236 outlets in five markets
- Positions RFG as clear market leader within global mobile coffee market
- Provides immediate domestic scale and access to new markets in Great Britain, USA and South Africa
- Bolsters RFG's roasting throughput and provides enhanced vertical integration opportunities

## Gloria Jean's Coffees Group (completed December 2014)

- 780 outlets:
  - 354 Australia
  - 426 international
- Transaction incorporates:
  - Global Gloria Jean's Coffees Brand System and intellectual property
  - Global It's A Grind Brand System and intellectual property
  - 40+ licensed international territories
  - Two state-of-the-art coffee roasting facilities (Sydney and Los Angeles)
  - Established roasting, warehousing, distribution and logistics platforms in Australia and internationally
- Gloria Jean's Coffees Group activities closely mirror and complement those of RFG, providing extensive synergistic opportunities and growth drivers for FY15 and beyond
- Nabi Saleh committed to RFG for indefinite term

## Di Bella Coffee (completed February 2015)

- 800+ premium contract and wholesale customers
- Reputable market leading brand within independent specialty wholesale channel
- Diverse customer base represented in all Australian states
- Long term commitment of founder ensures seamless integration and enhanced RFG coffee expertise
- Synergistic opportunity across all RFG coffee assets
- Anticipated to increase annualised RFG coffee throughput by 1.4m kg (or c.30%) to 5.9m kg
- Provides opportunities for international commercial wholesale coffee growth within licensed and independent café markets

## Central Platform for Growth

- Notwithstanding year to date acquisitions, RFG retains motivation to pursue businesses which:
  - Are Earnings per Share (EPS) accretive
  - Are able to generate increased supply side scale, vertical integration and wider wholesale opportunity
  - Enhance the number of Brand Systems and outlets under RFG stewardship



# Initiatives & Outlook

## Enhancement of Business Operations

- Recent acquisitions provide impetus for realignment of existing RFG Brand Systems and other beneficial operational pursuits:
  - one-off investment cost of c.\$13m to be incurred by end of FY17:
    - Anticipated investment of c.\$4.5m in FY15
- Activities commissioned designed to deliver operational efficiencies, provide enhanced platform for growth, and deliver flexible redundancy options
- On track to deliver synergy, integration and restructuring benefits equating to a further maintainable EBIT accretion of c.\$13m by end of FY17
- Major initiatives include consolidation of:
  - Outlets
  - Offices
  - Warehouses
  - Coffee roasting facilities
- Well advanced in commissioning increased resource platforms:
  - Support organic and acquisitive growth
  - Capitalise on leverage and synergies
  - Prioritise abundant growth initiatives presently available

## Other Initiatives

- Further Divisional segmentation:
  - International
  - Coffee & Allied Beverage
  - Mobile
- International exploitation

## Asset Rental Program

- Significant opportunity identified to leverage existing Brand Systems via Group finance and equipment leasing programs
- In excess of \$40m financial services opportunity identified
- Program commenced in 1H15 with 100+ contracts:
  - Michel's Patisserie freezers
  - Ovens, till systems, coffee machines etc.
- Initiative will accelerate over 2H15 and 1H16 including enlarged range of small P&E options

## Coffee

- Expansion of e-commerce route to market
- Retail merchandise and equipment
- Global coffee trade opportunity
- Global scale coffee business
- Fortified access to quality green beans
- Enhance strength in green bean price negotiation

## Outlook

- FY15 underlying NPAT guidance increased to \$55m (from \$50m) representing c.50% increase on PCP
- EPS growth of c.35% to 36cps<sup>(1)</sup>

(1) Including notional dilution from April 2015 DRP but excluding any other capital management strategies employed prior to 30 June 2015





# Appendices



# Appendix 1: 1H15 Reported Results Summary

	Reported Results					
	1H11	1H12	1H13	1H14	1H15	PCP%
Reported Revenue	\$67.4m	\$56.3m	\$70.8m	\$78.1m	\$97.4m	24.7%
Underlying Revenue <sup>(1)</sup>	\$60.3m	\$49.5m	\$60.0m	\$64.6m	\$78.0m	20.7%
EBITDA	\$22.6m	\$24.4m	\$25.6m	\$28.1m	\$34.5m	22.5%
NPAT	\$13.6m	\$14.5m	\$14.6m	\$17.3m	\$21.5m	24.4%
Basic EPS	12.8 cps	13.4 cps	12.5 cps	12.9 cps	14.5 cps	12.4%
Interim Dividend	7.0 cps	8.5 cps	9.5 cps	10.75 cps	11.5cps	7.0%
Net Debt	\$67.7m	\$69.2m	\$86.7m	\$49.5m	\$178.2m	
Gearing Ratio	31.1%	29.5%	27.4%	14.1%	31.6%	
Interest Cover	7.0x	7.0x	6.7x	10.3x	12.8x	
Franchised Outlets	1,095	1,126	1,391	1,401	2,476	+1,075

(1) Reported revenue less revenue associated with marketing pursuits



# Appendix 2: Earnings and Performance Reconciliation

	1H14	1H15		
	Reported (\$m)	Underlying (\$m)	LFL (\$m)	Reported (\$m)
EBITDA	28.1	39.3	36.4	34.5
PCP%		39.7%	29.5%	22.5%
NPAT	17.3	25.3	23.3	21.5
PCP%		46.4%	34.7%	24.4%
EPS	12.9	17.0	15.7	14.5
PCP%		31.8%	21.7%	12.4%

## EBITDA Adjustments

Reported EBITDA		\$34.5m
Acquisition Costs <sup>(1)</sup>		\$4.8m
Underlying EBITDA		\$39.3m
China JV Licence Fee <sup>(2)</sup>	(\$5.7m)	
Accounting Policy Adoption <sup>(3)</sup>	\$2.8m	(\$2.9m)
Like for Like (LFL) EBITDA		\$36.4m

(1) Acquisition costs incurred and expensed as at 31/12/14 in respect of Café2U, Gloria Jean's Coffees, Maranatha, La Porchetta and Di Bella Coffee transactions

(2) China JV Licence Fee net EBITDA contribution of the fee received in respect of GJC International Licence granted per Market Announcement of 21/01/15

(3) Accounting Policy Adoption in recognition of the increasing contribution to EBITDA of initial fees received for brand system access, RFG has resolved to recognise same over the respective agreement term as opposed to the financial year of agreement



# Appendix 3: Definitions

Acronym	Description
GFR	Franchise Revenue (inc. FSF) + net coffee contribution
FSF	Franchise Service Fee
NWS	Brand System Network Sales (Australia & NZ only)
SSS	Same Store Sales
ATV	Average Transaction Value
QSR	Pizza Capers and Crust Gourmet Pizza
Coffee Retail	Gloria Jean's Coffees, It's A Grind, Esquires, bb's Café
Mobile	The Coffee Guy and Café2U
Other	Evolution Coffee, Maranatha USA and sundry
EMEA	Europe, Middle East and Africa
AIPAC	Asia, India and Pacific
Americas	North and South America





# Appendix 4 – Cash Flow Performance

	1H15 \$'m	1H14 \$'m
Receipts from customers	92.4	82.9
Payments to suppliers and employees	(66.4)	(58.0)
Gross operating cash flows	26.0	24.9
EBITDA	34.5	28.1
Ratio of gross operating cash flows to EBITDA	75.6%	88.5%
Interest and other costs of finance paid	(2.6)	(3.3)
Income tax paid	(8.0)	(8.1)
Net operating cash inflows	15.4	13.5
Dividends paid	(10.9)	(13.4)
Net Debt increase / (reduction)	140.0	(46.0)
Acquisitions of business and intangibles	(168.4)	(2.0)
Acquisition of property, plant & equipment	(6.4)	(7.5)
Net capital raising	53.6	56.7
Funding Marketing Fund R&D initiatives	(3.8)	(5.3)
Other cash activities	(0.3)	0.6
Net (decrease) / increase in cash reserves	3.8	(16.9)
Cash reserves at year end	19.2	(3.5)
	30.8	13.4

- Continuing strong cash flows – a feature of RFG's business model – supported by balanced investment and financing activities
- Decreased conversion to EBITDA margin on a PCP basis is primarily attributable to acquisitions and integration related costs, and timing of licence and supply side revenues being received subsequent to period end
- Excess free cash derived from operations, capital and debt raising used to fund:
  - Acquisition of businesses – Café2U and Gloria Jean's Coffees Group
  - Increased FY14 final dividend to 11.25 cps
  - Investment in property, plant & equipment to fund QSR400 store growth
  - Investment in freezers in Michel's Patisserie stores across Australia
  - Long-term funding of Marketing R&D initiatives, including EVO concepts



# Appendix 5 – Financial Position

	1H15 \$'m	FY14 \$'m
<b>Assets:</b>		
Cash reserves	30.8	11.6
Trade receivables	48.1	23.7
Financial assets	29.4	23.9
Inventories	26.9	10.1
Plant & equipment	36.9	27.7
Intangibles	473.0	299.1
Other	6.4	2.0
	651.5	398.1
<b>Liabilities:</b>		
Trade payables	23.0	8.3
Provisions	5.0	2.0
Tax payable	6.3	5.0
Borrowings	209.0	68.9
Other (including contingent earn out consideration)	23.0	3.9
	266.3	88.1
<b>Equity:</b>		
Share capital	291.2	221.7
Reserves	0.9	0.3
Retained earnings	93.1	88.0
	385.2	310.0

- Working capital increases attributable to seasonal increases in revenues and consolidation of newly acquired businesses including:
  - c.\$11m in Trade Receivables
  - c.\$12.3m in Inventories
- Acquisition of Café2U and Gloria Jeans Coffees Group intellectual property
- Total gross debt increased to \$209 million, primarily attributable to acquisitions:
  - \$28 million is classified as current borrowings reflecting April 2015 maturity
  - \$181 million as non-current borrowings reflecting September 2017 maturity
- Share capital increase of \$69.5m reflecting:
  - \$40m capital raising
  - \$15m SPP
  - \$5.4m DRP
  - \$10m shares issued on GJC acquisition



# Appendix 6 – Debt Structure

Senior Debt Facility	1H15
Net debt	\$178.2m
Interest expense	\$2.5m
Interest cover (times)	12.8x
Gearing ratio (net debt / (net debt + equity))	31.6%
Total Facility	\$253.0m

- Senior debt facility increased to \$253 million
- \$28 million current borrowings reflecting April 2015 maturity
- \$225 million non-current borrowings reflecting September 2017 maturity
- Weighted average interest rate as at 20th February 2015 is 4.14%
- Separate to the \$253 million formal facility, RFG has an additional \$50 million facility available for draw down to fund acquisition and growth initiatives



# Appendix 7 – Capital Management

	Shares	Price (\$)	Proceeds/Value (\$m)
Shares on issue 1 July 2014	144,868,508		
Dividend Reinvestment Plan	1,168,051	4.66	5.44
Institutional/Sophisticated Investor Placement	8,333,334	4.80	40.00
Gloria Jean's Coffees Acquisition	1,882,814	5.31	10.00
SPP	3,124,021	4.80	15.00
ESOP – exercise of options	10,000	1.32	0.01
Shares 31 December 2014	159,386,728		
Share Value <sup>(1)</sup>			\$70.44m

- Institutional placement and SPP considerably over subscribed
- Proceeds utilised to:
  - Assist in funding acquisition activity
  - Investment in QSR400 roll out
  - Provide asset funding/financing capabilities

(1) Before share issue costs and associated expenses of \$1.0m



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