RETAIL FOOD GROUP

RFG

1H18 RESULTS PRESENTATION
&
BUSINESS-WIDE REVIEW UPDATE

RETAILFOODGROUP RFG

(ASX:RFG)

RFG is a global food and beverage company headquartered in Queensland. It is Australia's largest multi-brand retail food franchise owner, a roaster and supplier of high quality coffee products and an emerging leader in the foodservice, dairy processing and wholesale bakery sectors.

BOARD		EXECUTIVE	
Colin Archer	Independent Non-executive Chairman	André Nell	Managing Director
André Nell	Managing Director	Peter McGettigan	Chief Financial Officer
Stephen Lonie	Independent Non-executive Director	Richard Hinson	Chief Executive – Australia
Kerry Ryan	Independent Non-executive Director	Mike Gilbert	Chief Executive – International
Russell Shields	Independent Non-executive Director	Darren Dench	Global Head of Coffee
Jessica Buchanan	Independent Non-executive Director	Mark Connors	Director Corporate Services/Company Secretary

STRATEGIC GROWTH DRIVERS

FRANCHISE

A diverse portfolio of market leading brands across bakery, café, retail coffee and QSR

INTERNATIONAL

Expanding global footprint provides a sustainable long term growth platform

COFFEE & ALLIED BEVERAGE

Growing global demand underpins significant growth opportunity

COMMERCIAL

Supports diversification and vertical integration whilst offering access to strong new business opportunities

1H18: SNAPSHOT

> **Disappointing 1H18 performance**

- Underlying NPAT of $24.7m, down 31.8% on PCP
- Impacted by persistent challenging trading conditions and internal challenges

> **Business-wide review fast-tracked but ongoing**

- Significant aspects of review complete, key recommendations being implemented
  - Strategic reset to focus on quality of domestic franchise business
    - c.160-200 domestic outlets to be closed by end of FY19
  - c.$10.0m annualised operational savings targeted
    - c.$4.8m realised to date (full impact FY19)
    - Further efficiencies to be delivered in 2H18
    - c.$1.5m investment to bolster capability in enhanced Field Service support model

> **Significant items recognised 1H18:**

- Non-cash impairments, write-downs and provisioning totalling $138.0m pre-tax included in 1H18 result, comprising:
  - Brand System impairments of $84.0m
  - $35.7m arising from closure program
  - $18.3m for PP&E and inventory write-downs, loss on real property disposals and miscellaneous matters
- Contributed to 1H18 statutory net loss after tax of $87.8m

> **Senior debt/capital management**

- Net debt as at 31 December 2017 - $259.7m
- Compliance with all covenants as at 31 December 2017
- Senior debt covenant reset agreed (including leverage ratio [debt/EBITDA] increase to 3.0x)
- Dividends suspended, supporting balance sheet

RETAIL FOOD GROUP RFG

1H18 PERFORMANCE REVIEW

1H18 UNDERLYING GROUP PERFORMANCE[(1)]

1H18 UNDERLYING GROUP PERFORMANCE[(1)]	1H17	1H18	% Change
Revenue	$161.9m	**$195.5m**	20.8%
EBITDA	$60.5m	**$45.7m**	(24.5%)
NPAT	$36.2m	**$24.7m**	(31.8%)
EPS	21.2cps	**13.8cps**	(34.9%)
Dividend	14.75cps	-	
Dividend Payout Ratio	69.5%	-	
Net Operating Cash Flow [(2)(3)]	$31.4m	**$3.4m**	
Net Debt	$227.4m	**$259.7m**	

[(1)] Underlying results – refer following slide for reconciliation to statutory results

[(2)] Statutory

[(3)] 1H17 restated: as further detailed in the notes to 1H18 Financial Statements

1H18 PERFORMANCE SUMMARY[(1)]

- Revenue increase (+20.8%) reflects full period contribution of FY17 acquired assets (HPC/AFS)
- 1H18 EBITDA/NPAT performance influenced by:
  - Persistent challenging retail trading conditions
  - Compounded by ineffective tactical initiatives and disappointing execution across certain business units
  - Cumulative impact of 2H17/1H18 domestic outlet closures (impacting Domestic Franchise performance)
  - Sharp decline in domestic new / resale / renewal activity, impacted by negative sentiment
  - Timing delay -> early 2H18 recognition of significant new international licence fee revenues
- Dividend payments suspended
  - Supports balance sheet following strategic reset
  - Dividend policy to be reassessed at appropriate time

RECONCILIATION OF UNDERLYING TO STATUTORY RESULTS

> Recent operating performance, re-assessment of near term prospects, and decision to implement initial recommendations from business-wide review led to significant items being accounted for in 1H18 result

- Non-cash impairments, write-downs, and provisioning, totalling $138.0m, accounted for, comprising:
  - Brand System impairments ($84.0m):
    - Michel's Patisserie ($45.0m)
    - Pizza Capers ($4.5m)
    - Coffee Retail Division CGU ($34.5m)
  - Non-cash write-downs, and provisioning, totalling $35.7m, arising from domestic outlet network analysis and resulting actions;
  - Non-cash write-down, and provisioning, of $18.3m for PP&E and inventory write-downs, loss on real property disposals and miscellaneous matters

> Adjustments to statutory performance also reflects non-core expenditure, including investment to date in business-wide review

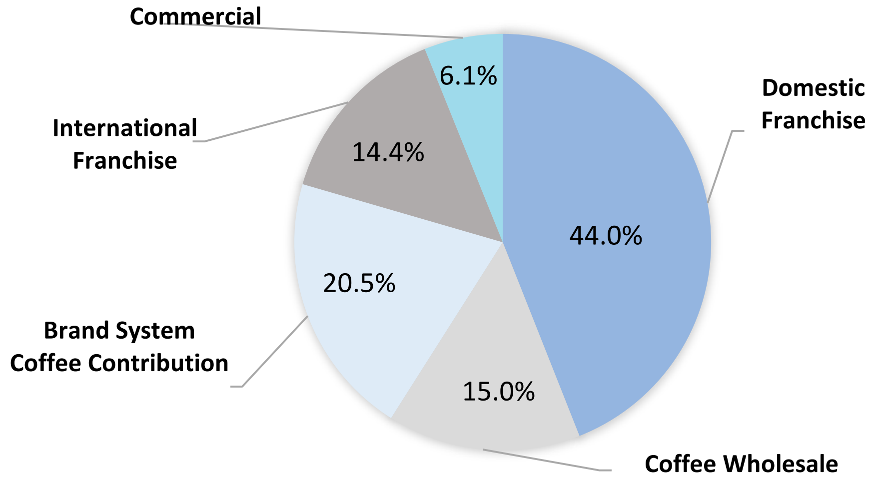
1H18	Underlying	Statutory
EBITDA $m	45.7	(100.8)
NPAT $m	24.7	(87.8)
EPS cps	13.8	(49.0)

Underlying Adjustments [1]	$m
Statutory EBITDA	(100.8)
Acquisition, Integration & Restructuring	6.8
Property Disposal & Lease Exit	1.4
Provisioning & Impairment of Assets (non-cash) • Provisioning: $33.4m • Impairment of assets (non-cash): $104.6m	138.0
Contingent Consideration Expensed	0.3
Underlying EBITDA	45.7

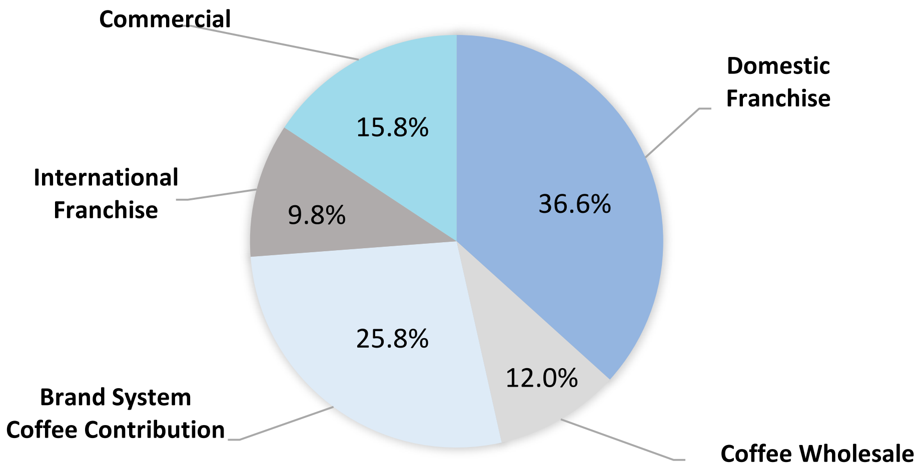
[1] Underlying adjustments refer 1H18 financial statements for further details

EBITDA BY DIVISION[1]

1H17 EBITDA $60.5m



1H18 EBITDA $45.7m



Divisional EBITDA Contribution[1]	1H17	1H18	% Change
Brand Systems (Domestic)	$37.6m	$26.7m	(29.0%)
Brand Systems (International)	$10.1m	$6.3m	(37.6%)
TOTAL BRAND SYSTEM EBITDA	$47.7m	$33.0m	(30.8%)
Coffee Wholesale[3]	$9.1m	$5.5m	(39.6%)
Commercial Division	$3.7m	$7.2m	94.6%
TOTAL GROUP EBITDA	$60.5m	$45.7m	(24.5%)

Divisional EBITDA Breakdown[1]	1H17	1H18	% Change
Domestic Franchise Operations	$26.6m	$16.7m	(37.2%)
Domestic Coffee Contribution[2]	$11.0m	$10.0m	(9.1%)
International Franchise Operations	$8.7m	$4.5m	(48.3%)
International Coffee Contribution[2]	$1.4m	$1.8m	28.6%
TOTAL BRAND SYSTEM EBITDA	$47.7m	$33.0m	(30.8%)
Domestic Coffee Wholesale	$9.0m	$5.5m	(38.9%)
International Coffee Wholesale	$0.1m	$0.0m	(100.0%)
Commercial Division	$3.7m	$7.2m	94.6%
TOTAL GROUP EBITDA	$60.5m	$45.7m	(24.5%)

(1) Underlying results – refer preceding slide for reconciliation to statutory results
(2) EBITDA Contribution from Coffee & Allied Beverage sales to Brand System franchise partners
(3) Excludes EBITDA contribution from Coffee & Allied Beverage to Brand System franchise partners

CASH FLOW STATEMENT

- Cash conversion ratio is below trend in the half due to inventory increases in commercial business units, and costs attributable to restructuring activities, including:
  - $6.1m timing increase in inventories and reduced payables in Coffee & Allied Beverage on PCP;
  - $8.5m increase in working capital, predominantly inventories in the Commercial division due to key customer volume growth;
  - $3.1m Domestic Franchise debtor increases;
  - Includes $6.8m costs attributable to business-wide review and restructuring activity
- Acquisition of business and intangibles includes $6.4m in earn out payments and $1.2m of payments with respect to prior year acquisitions

	1H17[(1)] ($m)	1H18 ($m)
Receipts from Customers	212.3	260.7
Payments to Suppliers & Employees	(163.1)	(242.5)
Gross Operating Cash Flows	**49.2**	**18.2**
STATUTORY EBITDA	55.4	(100.8)
Ratio of Gross Operating Cash Flows to EBITDA (underlying)	81.5%	39.9%
Interest & Other Costs of Finance Paid	(4.6)	(5.0)
Income Taxes Paid	(13.2)	(9.8)
Net Operating Cash Inflows	**31.4**	**3.4**
Dividends Paid	(20.5)	(22.0)
Net Debt Increase	32.3	12.5
Acquisition of Business & Intangibles	(62.4)	(7.9)
Payments for Property, Plant & Equipment	(17.8)	(16.2)
Proceeds from sale of Property, Plant & Equipment	0.1	5.8
Net Capital Raising	35.1	21.5
Other Cash Activities	(0.3)	0.4
	(33.5)	(5.9)
Net (Decrease)/Increase in Cash Reserves	(2.1)	(2.5)
Cash Reserves at Period End[(2)]	**14.8**	**7.1**

(1) 1H17 restated: as further detailed in the notes to 1H18 Financial Statements
(2) Excluding restricted cash balances of $0.8m (1H17: $0.7m)

RFG Consolidated Group	FY17 ($m)	1H18 ($m)
Assets:		
Cash Reserves	10.3	7.9
Trade Receivables	85.8	75.9
Financial Assets	23.7	19.7
Inventories	28.5	32.7
Assets held for sale	-	2.1
Plant & Equipment	95.6	81.5
Intangibles	668.9	586.3
Current Tax Assets	-	6.4
Deferred Tax Assets	13.7	22.4
Other	3.2	3.3
	929.7	838.2
Liabilities:		
Trade Payables	69.8	62.0
Provisions	7.8	25.3
Current Tax Liability	2.5	-
Borrowings	250.0	261.8
Derivative Liability	1.8	1.6
Deferred Tax Liability	119.4	103.2
Contingent Consideration	7.0	0.3
Other	6.2	7.3
	464.5	461.5
Equity:		
Share Capital	402.5	428.6
Reserves	0.1	(0.2)
Retained Earnings	62.6	(51.7)
	465.2	376.7

BALANCE SHEET

> Decreases in receivables, PP&E, intangible assets, and tax balances, and increases in provisioning, primarily attributable to non-cash impairments and write-downs, and provisioning, totalling $138.0m;

> Other asset and liability movements include
- $4.3m increase in domestic franchise trade receivables
- $9.3m increase in inventories due to Commercial and Coffee & Allied Beverage divisions
- $1.3m decrease in PPE due to property disposals
- $7.8m decrease in trade payables, timing related
- $6.7m contingent consideration reduction due to $6.4m of earn-out payments for Hudson Pacific and Di Bella Coffee acquisitions

> Share capital increase of $26.1m reflects DRP & dividend shortfall placement

> Retained earnings decrease due to the $87.8m NPAT loss in 1H18 and $26.5m final FY17 dividend (paid October 2017)

> Dividends suspended to strengthen balance sheet

DEBT STRUCTURE

- Gross debt of $267.6m[2]
- Compliance with all lending covenants at 31 December 2017
- Three year debt facilities of $150m extended:
  - $100m extended to facilities maturing Jan 2020
  - $50m extended to facilities maturing Dec 2020
- Reduced excess available debt facilities by $25m
- Financial covenant reset agreed 2H18:
  - Resets covenants
    - Operating leverage ratio increased to 3.0x (from 2.5x) to 31 December 2018
    - Introduction of a financial covenant on actual performance to budget
    - Quarterly covenant compliance in operational reporting
  - Loan amortisation of $12.5m to occur by March 2019

SENIOR DEBT FACILITIES	FY17	1H18
Net debt[1]	$247.1m	**$259.7m**
Interest expense	$9.6m	**$10.0m**
Interest cover	13.2x	**10.9x**
Gearing ratio (net debt/net debt + equity)[1]	34.7%	**40.8%**
TOTAL FACILITIES	$344.0m	**$319.0m**

(1) Calculated in accordance with Senior Debt Facility Agreement
(2) Including ancillary facilities, as at 31 December 2017

1H18 DIVISIONAL PERFORMANCE

FRANCHISE | INTERNATIONAL | COFFEE & ALLIED BEVERAGE | COMMERCIAL

1H18 FRANCHISE SUMMARY

GLOBAL[1]

DIVISION	NEW OUTLET COMMISSIONINGS	TOTAL OUTLETS	EBITDA 1H18 ($m) [2]	PCP (%)	1H18 EBITDA CONT'N (%)	GROSS FRANCHISE REVENUE ($m)	PCP (%)
BCD	5	755	15.9	(27.2%)	34.6%	23.0	(19.3%)
CRD	35	1,404	11.1	(40.6%)	24.3%	20.5	(22.0%)
QSR	3	291	6.0	(15.8%)	13.3%	8.8	(17.6%)
GROUP TOTAL	**43**	**2,450**	**33.0**	**(30.8%)**	**72.2%**	**52.3**	**(20.1%)**

DOMESTIC

DIVISION	NEW OUTLETS	TOTAL OUTLETS	SSS	ATV	NETWORK SALES	PCP%	CPO[2] [3] ($'000) 1H18	PCP%	1H18 EBITDA CONT'N ($m)[2]	PCP (%)
BCD	2	724	0.6%	2.2%	198.3	(12.5%)	20.7	(19.5%)	15.7	(27.9%)
CRD	5	537	(2.1%)	1.0%	114.9	(5.1%)	13.5	(9.6%)	5.0	(43.0%)
QSR	1	284	2.4%	3.1%	91.1	(3.4%)	20.4	(8.9%)	6.0	(15.8%)
GROUP TOTAL	**8**	**1,545**	**0.3%**	**2.1%**	**404.3**	**(8.5%)**	**18.2**	**(15.5%)**	**26.7**	**(29.0%)**

(1) Global includes domestic and international
(2) Underlying
(3) CPO: EBITDA Contribution per Outlet

> 43 1H18 global new outlet commissionings

- Sharp decline in domestic new/resale/renewal activity, influenced by negative sentiment
- Net outlet decline of 66 outlets during 1H18

> Weighted SSS/ATV growth (+0.3%/+2.1%)

- Impacted by persistent challenging retail market, especially in shopping centres
- QSR stand-out performer (SSS +2.4%/ATV +3.1%), underpinned by product innovation and disciplined pricing

1H18 BAKERY CAFE DIVISION PERFORMANCE

> $5.9m Divisional EBITDA decrease, and CPO reductions, impacted by:
- Cumulative impact of 2H17/1H18 domestic outlet closures
- Sharp decline in domestic new and renewal activity, impacted by negative sentiment

> Most acute in Michel's Patisserie Brand System:
- Transition to in-store operating model continues to present challenges
- 2018 repositioning, including new menu items, to emphasise French café heritage and enhance consumer relevance

> Ongoing focus on new product innovation, digital initiatives and reinvigorated franchisee support structures to drive enhanced performance

	1H17	1H18	PCP
CONTRIBUTION TO GROUP EBITDA (1)			
BCD	36.0%	34.6%	
Donut King	13.7%	15.4%	
Brumby's	8.9%	9.0%	
Michel's Patisserie	13.5%	10.2%	
EBITDA(1)	($m)	($m)	
BCD	21.8	15.9	(27.2%)
Donut King	8.3	7.1	(14.9%)
Brumby's	5.4	4.1	(23.2%)
Michel's Patisserie	8.1	4.7	(42.4%)
EBITDA CPO(1) (2)	($'000)	($'000)	
BCD	25.7	20.7	(19.5%)
Donut King	25.2	22.5	(10.5%)
Brumby's	21.2	18.0	(15.3%)
Michel's Patisserie	30.7	20.9	(31.8%)
GROSS FRANCHISE REVENUE	($m)	($m)	
BCD	28.6	23.0	(19.3%)
Donut King	10.5	8.9	(14.9%)
Brumby's	7.5	6.4	(14.2%)
Michel's Patisserie	10.6	7.7	(27.4%)
NETWORK SALES	($m)	($m)	
BCD	226.6	198.3	(12.5%)
Donut King	83.1	81.3	(2.1%)
Brumby's	79.2	66.8	(15.7%)
Michel's Patisserie	64.3	50.1	(22.0%)

(1) Underlying
(2) Domestic only

1H18 COFFEE RETAIL DIVISION PERFORMANCE

CONTRIBUTION TO GROUP EBITDA [1]	1H17	1H18	PCP
Coffee Retail	30.9%	24.3%	
Gloria Jean’s	27.9%	21.6%	
Mobile	3.0%	2.7%	
EBITDA[1]	($m)	($m)	
Coffee Retail	18.7	11.1	(40.6%)
Gloria Jean’s	16.9	9.9	(41.4%)
Mobile	1.8	1.2	(32.5%)
EBITDA CPO[1]	($’000)	($’000)	
Non-mobile Domestic	18.9	18.1	(4.1%)
Non-mobile International	15.6	5.3	(65.9%)
Mobile Domestic	7.9	5.6	(28.3%)
Mobile International	1.3	0.6	(51.6%)
GROSS FRANCHISE REVENUE	($m)	($m)	
Coffee Retail	26.3	20.5	(22.0%)
Gloria Jean’s	23.7	18.3	(22.6%)
Mobile	2.6	2.2	(15.9%)
NETWORK SALES [2]	($m)	($m)	
Gloria Jean’s	121.1	114.9	(5.1%)

(1) Underlying
(2) Domestic only

- Divisional EBITDA has decreased by $7.6m impacted by:
  - Challenging retail conditions, especially in shopping centres
  - Delayed timing of significant international license fee revenue (recognised early 2H18)
  - Reduced domestic transactional revenues in 1H18
- GJ20:20 first pilot outlet launched February 2018
  - Significant brand evolution for Gloria Jean’s
  - Provides entry into fast casual dining (all day menu and new ‘hero’ products)
  - Underpinned by significant R&D and franchisee, consumer and landlord engagement
  - Staged network rollout (tailored to individual store circumstances)
  - Complemented by heightened focus on core coffee credentials

1H18 QSR DIVISION PERFORMANCE

> Divisional EBITDA has decreased by $1.2m impacted by challenged Pizza Capers Brand System:
- Geographic repositioning and rationalisation of corporate outlets led to network contraction
- Focus on operational excellence, menu innovation and new target customer segments to drive enhanced performance

> Credible SSS/ATV metrics (+2.4%/+3.1) within highly competitive market disrupted by online delivery service providers, driven by:
- Focus on operational excellence
- Menu innovation and LTOs
- Alignment with delivery aggregators
- Disciplined pricing policies

	1H17	1H18	% Change
Contribution to Group EBITDA[(1)]	11.9%	**13.3%**	
EBITDA[(1)]	$7.2m	**$6.0m**	(15.8%)
EBITDA CPO ($'000)[(1) (2)]	22.4	**20.4**	(8.9%)
Gross Franchise Revenue	$10.7m	**$8.8m**	(17.6%)
Network Sales	$94.3m	**$91.1m**	(3.4%)

(1) Underlying
(2) Domestic only

INTERNATIONAL HIGHLIGHTS

- International EBITDA has decreased by $3.8m impacted by:
  - Reduced margin reflecting investment in divisional capability and resourcing to service expanding network and realise growth opportunities
- Brief timing delay regarding conclusion of new international master license grants
- Entered into joint venture arrangements to accelerate Brand System expansion in the Gulf, and establish a world class coffee enterprise throughout the Middle East & North Africa (MENA) region
- Current global footprint: 84 territories across 12 Brand systems

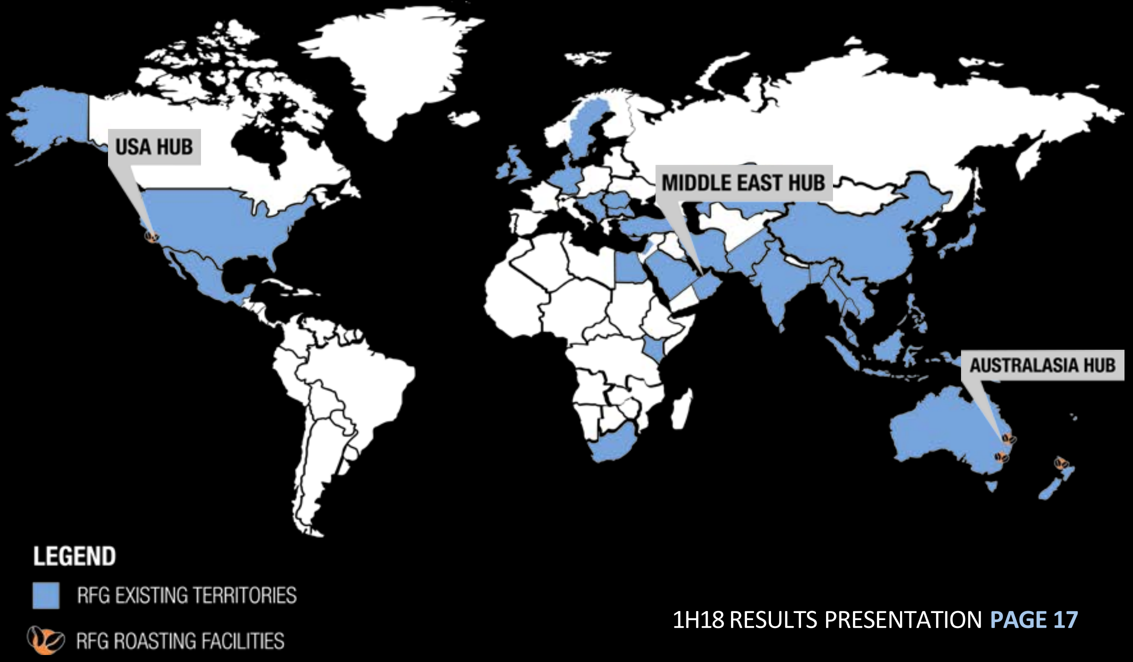
	1H17	1H18	% Change
Revenue	$12.3m	**$11.5m**	(6.5%)
EBITDA[1]	$10.1m	**$6.3m**	(37.6%)
EBITDA Margin	82.1%	**54.8%**	

(1) Underlying

Middle East JV and new licences granted across three brand systems

Gloria Jean's
MALDIVES
Secured 1H18

donut king
UNITED KINGDOM
crust Gourmet Pizza Bar
UNITED KINGDOM
Gloria Jean's
GERMANY
Secured 2H18



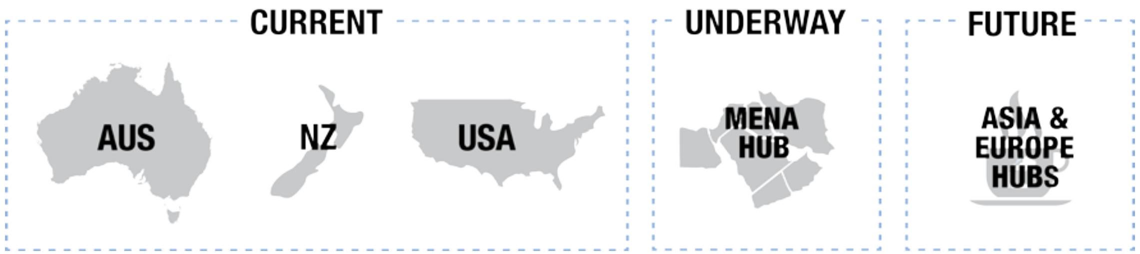
1H18 COFFEE & ALLIED BEVERAGE PERFORMANCE

- Divisional EBITDA decreased by $3.6m, influenced by:
  - Loss of margin in contract roasting sector on new customer acquisition
  - Lower volumes on existing customer base impacted by retail challenges
  - c.$2m non-recurring gains in 1H17 and losses on sale of assets in 1H18
  - Growth in lower margin grocery/retail sales
- Recent restructure to reinvigorate performance:
  - Global Head of Coffee appointed
  - Refocused sales strategy and capability alignment
- Existing capsule business to be wound down:
  - Domestic capsule supply agreement not renewed (phase-out period applies for existing customer commitments)
  - Professional machine program unsuccessful, significantly impacted by technical/manufacturer issues
  - Future capsule strategy under review

Wholesale Coffee

	1H17	1H18	% Change
Revenue	$31.6m	**$32.4m**	2.6%
EBITDA[1]	$9.1m	**$5.5m**	(39.6%)
EBITDA Margin	28.8%	**16.9%**	

(1) Underlying



COMMERCIAL DIVISION PERFORMANCE

	1H17[2]	1H18	% Change
Revenue			
Foodservice	$13.9m	**$42.2m**	204.2%
Dairy Country	$16.1m	**$30.4m**	88.3%
Bakery Fresh	$4.0m	**$8.1m**	101.8%
TOTAL	$34.0m	**$80.7m**	137.1%
Gross Margin %			
Foodservice	18.4%	**20.7%**	
Dairy Country	30.1%	**28.3%**	
Bakery Fresh	8.8%	**10.5%**	
TOTAL	22.8%	**22.6%**	
EBITDA[1]			
Foodservice	$0.2m	**$1.8m**	666.2%
Dairy Country	$3.3m	**$4.2m**	26.6%
Bakery Fresh	$0.2m	**$1.2m**	467.0%
TOTAL	$3.7m	**$7.2m**	94.6%
Throughput			
Dairy Country	7.4m kg	12.4m kg	67.6%
Bakery Fresh	c.1.1m kg	c.2.3m kg	109.1%

(1) Underlying
(2) Businesses acquired September 2016

- Divisional EBITDA performance reflects a full 6 months contribution from both the HPC and AFS acquisitions and is consistent with expectation
- Positive outcomes driven by investment in sales & management capability
  - +9.5% increase in foodservice customers since 30 June 2017
  - Dairy Country throughput bolstered by new business secured, largely commencing 2H18
  - New customer acquisition and product innovation driving Bakery Fresh throughput
- Procurement division resourcing and capability strengthened
  - Focused on delivering positive supply-chain outcomes for franchise network

STRATEGIC RESET

CHALLENGES RESULTED IN STRATEGIC REVIEW

Macro retail challenges

> Challenging retail conditions
  - Domestic retail expenditure flat – FMCG particularly hard hit
  - Inflationary cost pressures for small business rising:
    - Landlord rents
    - Labour costs
    - Electricity
  - Intense competition, particularly in shopping centres
  - Evolving consumer trends
  - Market disruptors (e.g. delivery aggregators)

Internal environment

> Rapid growth via acquisition led to:
  - Increased franchise network
  - New market segments
  - Distraction from underlying business operations
  - Increasingly complex business model

> Contributed to significant increase in head office and shared service resource, diminishing organisational effectiveness

RFG's three phase response: Assist, Integrate, Optimise

> Surveyed franchise network - consistent feedback on rising costs and support structures

> Commissioned business-wide review focused on:
  - Franchisee network sustainability and enhancement of franchise investment proposition
  - Internal capability and resource alignment
  - Simplification of operating model
  - Realising organic growth opportunities

> Implementation of recommendations underway

ASSIST

1 ASSIST: FRANCHISEE FOCUS

> Improving relationships and support for franchisees, while increasing revenues, reducing costs and driving regulatory compliance

- Underlying franchise model sound, albeit subject to challenges
- Delivering increased value to franchisees:
  - Targeted initiatives to improve franchisee sustainability
    - Driving revenue and reducing COGs
  - Enhanced Field Service support model
    - c.$1.5m investment to bolster capability
  - Using consumer insights and data to underpin marketing and innovation strategy
  - Improving renewal proposition

SUSTAINABILITY

- Revenue
- COGs
- Rent
- Labour
- Utilities
- Fees

SUPPORT

- In store support
- Quality service
- Training
- Procurement and supply chain

MARKETING

- Customer centricity
- Marketing effectiveness
- Product and pricing

RETAIL FOOD GROUP RFG

MAPPING NETWORK SUSTAINABILITY: APPROACH AND FINDINGS

Quantitative assessment of sustainability

> Revenue and Average Weekly Sales – to determine trends in sales and customer traffic

> COGs – to assess financial impact

> Rent – as a key financial indicator of site sustainability

> Labour expenditure

> Lease expiry dates

> Shopping centre performance – MAT, GLA and Foot Traffic

Qualitative assessment undertaken

> Operational performance and compliance

> Field service site assessments – customer service, store cleanliness and operational capability

> Overall site potential and location

Findings from network review

> Review determined c.160-200 domestic outlets unsustainable on long-term basis
- Majority impacted by landlord/site factors
- Approximately one-third represent corporate sites

> Subject to moderation of landlord rental requirements, by end FY19 identified outlets to close or lease renewal not sought
- RFG to work alongside stakeholders
- Franchisee first focus

> Support structure refocused on stronger resultant network population

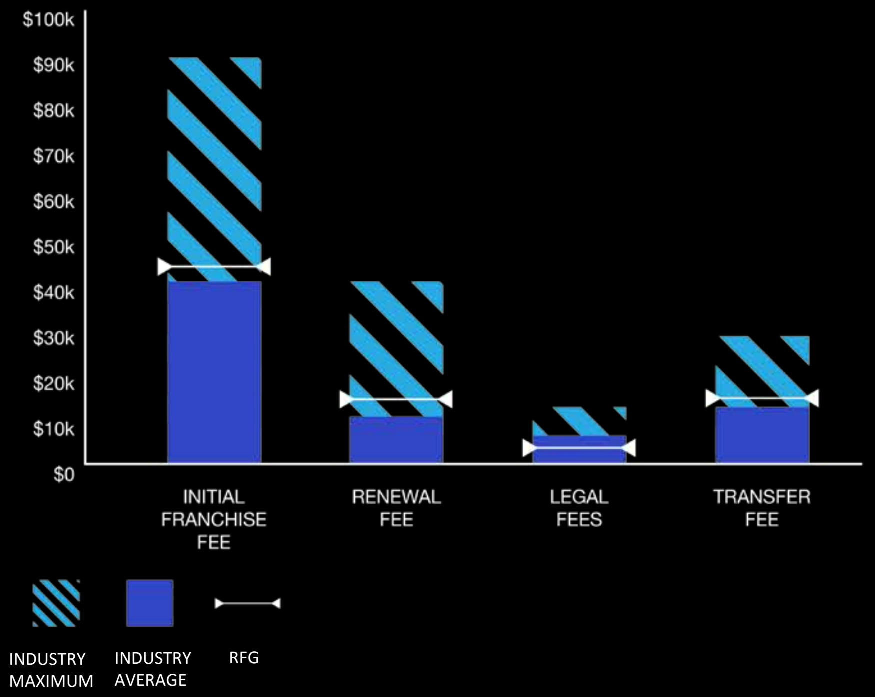
FRANCHISEE FEES & COSTS vs INDUSTRY

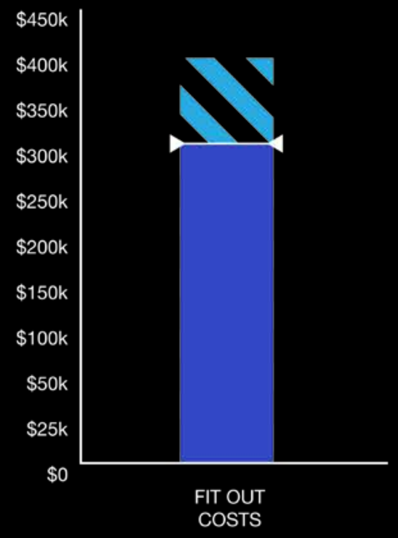
> Driving initiatives which lower store establishment, refurbishment and upgrade costs

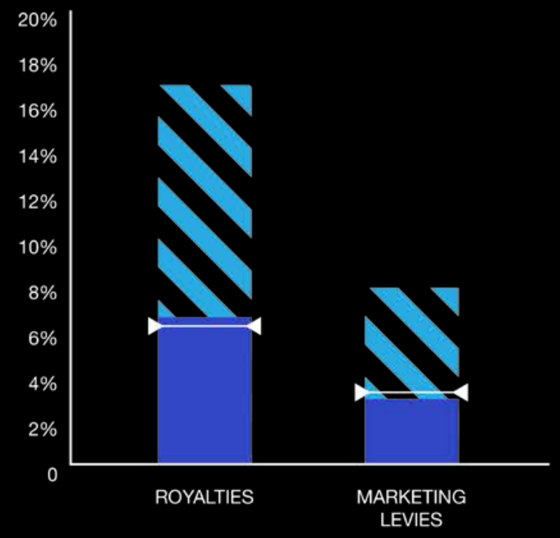
> Refurbishments subject to individual site circumstances

> Average FY17 refurbishment costs c.$69K(1)

RFG vs Industry*







(1) Average FY17 refurbishment costs across Michel's Donut King, Brumby's, Gloria Jeans

*Source: FRANdata 2018

INTEGRATE

2

ENHANCED STRUCTURE

> Enhancing organisational capability and better integrating head office and support infrastructure

> Enhancing integration of head office and support structures
- Improved alignment with core revenue drivers
- c.$10m annualised operational savings targeted
  - c.$4.8m realised to date (full impact FY19)
  - Further efficiencies programed 2H18

> Enhancing wage entitlement compliance framework
- Refining existing procedures and activities
- Bolstering resources

> Strengthening executive management complement
- Appointment of:
  - Chief Executive – Australia, Richard Hinson
  - Global Head of Coffee, Darren Dench

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OPTIMISE

3
SIMPLIFIED BUSINESS MODEL

> Focus on simplification of business model and driving optimisation of shareholder value from core pursuits

- > Reducing complexity within existing business model
  - Enhancing integration amongst key business drivers, including procurement and supply-chain
  - Extracting process and procedural efficiencies
  - Removing ineffective or non-core overheads and investment
  - Broader brand strategy and portfolio review
- > Better leveraging diversified growth platform
- > Focusing resources on key growth drivers
- > Domestic outlet network analysis complete

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WAGE COMPLIANCE AND MONITORING

HISTORICAL

> Strong advocates of training and educational support
- Partnership with National Retail Association (NRA)
  - Launched RFG/NRA Foundations program in 2016 to provide regular training sessions, webinars, online resource portal, workplace relations & legal advice, employment tools & national toll free workplace advice hotline

> Proactive and regular communications to franchise network regarding Fair Work obligations, available support & RFG initiated wage entitlement compliance activities

> Established and implemented Wage Entitlement Audit Framework

CURRENT & FUTURE STATE

> Further refinement and enhancement of wage entitlement compliance framework
- Bolstering wage compliance capabilities
  - Increasing internal wage compliance audit team
  - Embedding wage compliance monitoring and employee engagement process in new Field Service model
  - Refining audit initiation risk indicators
  - Enhancing franchisee employee engagement

> Ongoing engagement with NRA and Deloitte on compliance and regulation benchmarks

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Outlook

> RFG remains confident in the strength of its underlying business operations and ability to support brand systems and franchisees

> Expediting business-wide review and fast-tracking outcomes
  - Includes broader brand strategy and portfolio review
  - Ongoing structural improvements to enhance business model

> No full-year guidance provided

> The Company will keep the market informed on developments

APPENDICES

CAPITAL MANAGEMENT

	Shares	Price	Proceeds/Value ($m)
Shares on Issue 1 July 2017	176,736,066		
Dividend Reinvestment Plan	1,015,648	$4.47	$4.5m
Dividend Reinvestment Plan Shortfall Placement	4,993,796	$4.40	$22.0m
Shares on issue 31 December 2017	182,745,510		
Share value[(1)]			$26.5m

(1) Before share issue costs & associated expenses of $0.3m

DEFINITIONS

ATV	Average Transaction Value
BCD	**BAKERY/CAFÉ DIVISION:** Donut King, Michel’s Patisserie, Brumby’s Bakery
C&AB	**COFFEE & ALLIED BEVERAGE:** Franchise supply; specialty roasting; in-home/grocery; contract roasting
CRD	**COFFEE RETAIL DIVISION:** Gloria Jean’s, Café2U, The Coffee Guy, It’s A Grind, bb’s Café, Esquires Coffee
COGs	Cost of Goods Sold
COMMERCIAL	Hudson Pacific Foodservice, Associated Foodservice, Bakery Fresh, Dairy Country
CPO	Contribution Per Outlet (EBITDA)
GLA	Gross Lettable Area
GFR	Gross Franchise Revenue
JV	Joint Venture
MAT	Moving Annual Turnover
MOBILE	Café2U, The Coffee Guy
NWS	Network Sales
PCP	Previous Corresponding Period
QSR	**QSR DIVISION:** Crust Gourmet Pizza Bar, Pizza Capers
SSS	Same Store Sales

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