

23 August 2023

RFG ANNOUNCES FY23 UNDERLYING REVENUE OF \$98.0M (+8.0%) AND UNDERLYING EBITDA OF \$26.0M (+21.0%)^(1,2)

- **FY23 domestic Same Stores Sales ('SSS')⁽²⁾ growth of +12.1% on PCP & Total Network Sales of \$502m (+7.2%)**
- **Increase in Average Transaction Value ('ATV') of 1.5% on a SSS basis⁽²⁾ due to careful & proactive price management more than offsetting inflationary impacts**
- **RFG has transitioned out of turnaround into growth under a new management team with appointment of a new CEO & CFO**
- **Board capability expanded with appointment of Mick Bulley adding extensive retail and Franchise Partner experience**
- **Domestic SSS growth of 2.4% in the first seven weeks of FY24⁽⁴⁾**

Retail Food Group Limited (ASX: RFG) is pleased to release today its 2023 annual financial report, with its Appendix 4E, and ASX Presentation.

Commenting on these results, RFG Executive Chairman, Peter George said,

"Having successfully navigated RFG's turnaround journey and rebuilt the retail systems that underpin our franchise operations, we are now focused on growth. Driven by our franchisee first mantra and supported by a new and experienced management team, we are poised to unlock the potential of our growth ambitions for FY24 and beyond".

Highlights for the 12 months ended 30 June 2023 include:

Domestic Network Performance:

- SSS growth of 12.1% on Prior Comparative Period ('PCP') to \$449m (FY22: \$401m), with growth in all brands.
- Donut King SSS +27% underpinned Café Bakery SSS segment growth to +17.6%, aided by +6.0% SSS in Brumby's, which has enjoyed multiple years of SSS growth.
- The QSR Division saw SSS growth of 0.7% vs PCP, despite cycling high prior year comparatives influenced by consumer preferences for takeaway and delivery during the COVID-19 pandemic.
- During FY23, we introduced a virtual brand, Rack 'em Bones BBQ Ribs, to leverage our physical store network for delivery only. Rack 'em Bones grew rapidly in Q4 FY2023 and has now been adopted by approximately 1/3rd of the QSR network, contributing to annualised network sales of \$4.0m in July 2023. Further roll out of the concept will assist in supporting Franchise Partner growth in FY24.
- Network sales grew 7.2%⁽³⁾ to \$502 million (FY22: \$469m), despite the net closure of 17 trading outlets (inclusive of mobile and virtual).
- Average sales per outlet improved due to stronger trading conditions post Covid, the closure of underperforming sites and careful price management initiatives. Customer Count ('CC') increased +10.5%⁽³⁾, driven by double digit growth in Donut King and Gloria Jeans, and a 2.4% increase in Average Transaction Value ('ATV')⁽³⁾ through price management to offset inflationary pressures.

Revenue, EBITDA & NPAT

- FY23 underlying Revenue of \$98.0m, up 8.0% on PCP (FY22: \$90.8m), and in-line with the increase in network sales noted above. Total FY23 revenues from continuing operations were \$120.8m, also up 8.0% on FY22.
- Stable underlying Gross Profit margins of 70.5% (FY22: 69.7%) were achieved, despite a greater mix of corporate stores and improved coffee sales during FY23.
- FY23 underlying EBITDA of \$26.0m was within the guidance range provided in November 2022⁽⁷⁾ and up 21.0% on the prior year (FY22: \$21.5m).
- FY23 underlying NPAT of \$22.6m was up 22.4% on PCP. Statutory NPAT included non-core costs as detailed below, resulting in a loss of \$8.9m (FY22: \$5.3m profit).
- In connection with the completion of the turnaround, during the year the company incurred non-core expenditure in relation to (i) the legacy ACCC proceedings (FY23: \$9.5m)⁽⁶⁾, (ii) business restructuring, including redundancies and the committed closure of our third party Dubai roastery and warehouse in order to on-shore production to Di Bella Coffee's Sydney facility (FY23: \$16.6m), and (iii) the non-cash impairment of the Café2U intangible assets (FY23: \$7.3m).

Balance Sheet refinancing

- During FY23, and as previously announced, RFG recapitalised its balance sheet, refinancing and reducing its senior secured debt facility into a three-year, non-amortising facility of \$20 million (FY22: \$37.3m), and raising gross funds of \$25.3m via a share placement and share purchase plan which raised a combined \$25.3m.
- At 30 June 2023, the Group had unrestricted cash on hand of \$17.9m, resulting in net debt⁽⁸⁾ of \$2.1m, down 83.2% on FY22 of \$14.9m.

Outlook

- Domestically, RFG operates 10 brands with more than 40 million customer transactions each year across our nearly 700 outlets serviced by our Franchise Partner and company employees of approximately 6,800.
- Whilst our business has scale in Australia, the company's global network footprint spans approximately 1,300 trading outlets⁽⁵⁾.
- Effective 1 July 2023, Matthew Marshall commenced as Chief Executive Officer, leading an experienced management team focussed on retail execution aligned with RFG's 'Franchisee First' philosophy.
- Our scale of more than \$500 million in domestic network sales enables us to leverage the scale inherent in our network to turn good ideas into commercial realities, evidenced by the successful FY23 launch of RFG's first wholly virtual brand, Rack 'em Bones BBQ Ribs. Leveraging the QSR Division's physical store network to service a virtual offering, Rack 'em Bones has grown network sales fourfold between April 2023 to July 2023, enabling our pizza brands to offset challenging retail conditions.
- In FY24, we will continue to scale Rack 'em Bones and aim to deliver a second virtual brand expansion to leverage omni-channel retail opportunities that benefit Franchise Partners.

RFG CEO, Matthew Marshall, said,

"We understand the retail dynamics of our brands and are focussed on providing Franchise Partners a clear picture of success supported by the systems, processes and tools necessary to maximise their businesses. We are excited to now focus on unlocking growth opportunities."

Investor Briefing

RFG's Chief Executive Officer, Matt Marshall, and Chief Financial Officer, Rob Shore, will provide a briefing for analysts and investors at 10:00am AEST on Wednesday, 23 August 2023.

Participants can register for the conference call using the link below:

<https://registrations.events/direct/OCP61299>

Registered participants will receive their dial in number on registration, a calendar invitation and a unique PIN to access the conference call.

The webinar will be available live, and can be accessed through this link:

<https://webcast.openbriefing.com/rfg-fyr-2023/>

This announcement has been authorised by the Board of Directors.

- (1) This Announcement should be read in conjunction with RFG's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), available at www.asx.com.au. This Announcement contains certain non-IFRS financial measures, including underlying EBITDA and Revenue. Non-IFRS financial measures have not been subject to audit or review. A reconciliation and description of the items that contribute to the difference between RFG's underlying and statutory results is provided in the Company's FY23 Results Presentation lodged with the ASX.
- (2) Unless otherwise specified, operational metrics (SSS, CC, ATV) provided in this Announcement are based on unaudited reported sales by Franchise Partners and corporate stores amongst stores trading, in the case of a half year, a minimum 23 of 26 weeks, and in the case of a full year, a minimum 46 of 52 weeks, versus unaudited reported sales by Franchise Partners and corporate stores against same stores trading a similar number of weeks during the comparable preceding period (as the case may be).
- (3) Based on FY23 unaudited reported sales across all domestic network stores versus FY22 unaudited reported sales across all domestic network stores.
- (4) Based on unaudited reported sales by Franchise Partners and corporate stores in respect of Weeks 1 to 7 FY24YTD vs unaudited reported sales by Franchise Partners and corporate stores against same stores for the corresponding period in FY23.
- (5) Includes domestic trading outlets and international trading outlets reported by Master Franchise Partners.
- (6) Refer RFG's announcement to the ASX of 23 December 2022.
- (7) FY23 guidance range provided at 30 November 2022 Annual General Meeting.
- (8) Net debt calculated as total external borrowings less unrestricted cash on hand.

Investor Enquiries:

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About Retail Food Group Limited:

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