



19 December 2017

TRADING UPDATE

Retail Food Group (RFG) today provided an update on the expected impact of persistent challenging domestic retail conditions and other factors on its 1H18 statutory business performance.

Domestic franchise performance

Consistent with recent trading updates of other retailers, particularly those retailers with shopping centre exposures, RFG's domestic franchise revenues continue to track lower than expected.

Of the major Brand Systems, Crust and Donut King have continued to perform to expectation, whereas Michel's Patisserie, Brumby's and Gloria Jean's are trading below expectations.

Recent negative media coverage about franchising, retail and RFG in particular has also contributed to a noticeable decline in momentum in new and renewing franchise sales. Associated revenues are now forecast to be below prior expectations and future franchise trading revenues are also likely to be impacted.

Commercial, International Franchise and C&AB performance

The Commercial Division, including food processing and distribution operations, is performing in line with expectation, and has secured new customer contracts largely commencing in 2H18.

International operations are performing to expectations, with negotiations ongoing in respect of new International Master Licence sales of circa \$5.0m in aggregate (pre-tax), which are expected to complete by 31 December 2017.

Recent Coffee & Allied Beverage Division sales and volumes to café and retail market segments are tracking below expectations, again reflecting broader retail sector market conditions.

Business-wide review

Managing Director, Andre Nell said, given the challenging market, RFG will look to accelerate any cost-saving initiatives arising from the business-wide review being supported by Deloitte.

"The retail market is expected to remain challenging for the near future and we remain focused on responding to this challenge through delivering franchisee support initiatives and reducing corporate costs", he said.

Senior Debt Facility

RFG is also continuing negotiations with its lenders to rollover its three year loan facilities of \$150 million, maturing in December 2018, into longer dated maturities and will advise the market when this process is finalised.

Statutory NPAT guidance

1H18 statutory results will include one-off costs of c.\$7.0m post tax, including costs associated with the business-wide review commenced June 2017 and losses on disposal of corporate properties recognized in the period.

1H18 Statutory NPAT is currently expected to be c.\$22.0m, compared to 1H17 NPAT of \$33.5m. This result is dependent on the timing of finalisation of new International Master Licence sales and subject to heightened risk to franchise earnings, given the current adverse publicity.

Noting the foregoing, it is difficult to predict full year outcomes for the Franchise segment under current circumstances. RFG continues to monitor trading results carefully and will update the market regarding revised full year guidance as appropriate.

ENDS

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About Retail Food Group Limited:

RFG is a global food and beverage company headquartered in Australia. The Company is owner of the Donut King, Brumby's Bakery, Michel's Patisserie, bb's Café, Esquires, Gloria Jean's Coffees, It's A Grind, The Coffee Guy, Café2U, Pizza Capers and Crust Gourmet Pizza Bar Brand Systems, and is a significant wholesale coffee roaster supplying existing Brand Systems and third party accounts under the Di Bella Coffee Co. As well, RFG is an emerging leader in foodservice, dairy processing and wholesale bakery pursuits, operating the Hudson Pacific Foodservice, Associated Foodservice, Dairy Country and Bakery Fresh businesses. For more information about RFG visit: www.rfg.com.au