

20 February 2024

RFG GAINS MOMENTUM WITH NET OUTLET GROWTH IN FIRST SIX MONTHS OF FY24 AND UNDERLYING EBITDA OF \$15.4M (+4.0%) ON PCP

- **1H24 domestic Network Sales growth of 4.7% above 2H23 alongside Same Stores Sales ('SSS') growth of +1.8% on PCP**
- **Increase in Average Transaction Value ('ATV') of 4.7% on PCP as price management actions in prior year more than offset inflationary impacts**
- **RFG has transitioned out of turnaround into growth with net trading outlet growth of +44**
- **Our Café, Coffee, Bakery ('CCB') segment performed well in tougher economic conditions whilst Quick Service Restaurants ('QSR') were challenged by heavy competitor discounting**
- **Board capability expanded with appointment of Jacinta Caithness adding extensive franchise strategy experience**
- **FY24 Underlying EBITDA Guidance range of \$28m - \$32m, up 11% - 26% on PCP**

Retail Food Group Limited (ASX: RFG) is pleased to release today its 1H24 interim financial report, with its Appendix 4D, and ASX Presentation.

Commenting on these results, RFG CEO, Matt Marshall said,

"The first half results demonstrate a momentum shift towards growth for RFG as we continue to invest in the quality of our retail systems that underpin our franchise operation. Our CCB segment has performed strongly, with an ongoing focus on execution standards that enhance the customer experience. We understand the challenges in our QSR segment and have actions in place to drive frequency and attract new customers through product innovation, investment in technology and value. Driven by our franchisee first mantra, we remain intently focussed on unlocking profitable growth opportunities".

Highlights for the 6 months ended 29 December 2023 include:

Domestic Network Performance:

- 70 new outlets opened in 1H24, up from 29 in 1H23 with domestic net outlet growth for the first time in recent years. Net outlet growth in all core brands except Brumby's. Newly open outlets performed 22% better (Average Weekly Sales) than outlets closed
- Network sales declined immaterially (\$4.5m) on PCP as we cycled tougher comparatives due to FY23 outlet closures and price competition in the QSR segment
- CCB contributes approximately 70% of Group Network Sales. Despite macro challenges, segment 1H24 Network Sales were immaterially down 0.1% on 1H23 and up 7.4% on 2H23. As we cycle tougher 1H comparatives, the impact of newer, higher quality outlets opened in 2Q24 will be more apparent in 2H24. Overall, network quality is demonstrably improving with Average Weekly Sales up 10.8% on PCP
- QSR contributes approximately 30% of Group Network Sales. Competitors continued to use heavy discounting in their price war to chase volume and Crust has lost customer count by not matching discounts. QSR is focused on protecting franchisee profitability through growth in Rack'em Bones BBQ Ribs and expansion of product range (burnt ends & cheesy crust)
- Our virtual brand, Rack 'em Bones BBQ Ribs was launched in FY23 to leverage our physical QSR store network into a new category for delivery only. Rack 'em Bones grew rapidly in 1H24 and

was live in 90 QSR outlets (up from 42 outlets at 30 June), generating an annualised network sales run rate of \$9.1m in December 2023 (up 141% on 30 June run rate). The next phase of growth will come from the release of a direct to customer eComm site in 2H24, expanding the product beyond UberEats

- The acquisition of Beefy's Pies was completed on 11 December 2023. Beefy's contributed EBITDA of \$0.1m in 19 days through its 9 retail stores and vertically integrated manufacturing facility. Early synergies and growth opportunities have begun to crystallise including the launch of a new outlet in Ballina in 2H24 and the transition of coffee supply to our in-house roastery
- Our company store portfolio grew quickly in 1H24 from 31 outlets at 30 June 2023 to 56 outlets at 29 December. New outlets included our first multi-brand sites including Gloria Jeans, Crust and Rack 'em Bones BBQ Ribs. The pace of openings, which were weighted to Q2, created short term profitability challenges with a YTD four wall EBITDA loss of \$0.2m for 1H24

Revenue, EBITDA & NPAT

- 1H24 Underlying Revenue increased 2.2% on 1H23 and 7.8% on 2H23 with a larger corporate store portfolio and offset lower franchisee fees
- Stable underlying Gross Profit margins of 71.9% (1H23: 72.5%; 2H23 69.2%) were achieved, despite a greater mix of corporate stores
- Total overhead expenses were in line with PCP at \$23.0m (1H23: \$23.0m; 2H23: \$23.7m)
- Corporate payroll costs increased \$1.2m on 2H23 due to wage inflation and the implementation of a variable short & long term remuneration plan necessary to motivate, retain and attract high performers
- Significant progress made in re-opening, exit, surrender and negotiations with landlords on legacy lease liability resulting in reduction in onerous lease provisions of \$5.8m (1H23: \$4.0m)
- Underlying EBITDA of \$15.4m was up 3.5% on 1H23 and up 45.7% on 2H23. EBITDA margins of 28.8% in 1H24 was up from 21.2% in 2H23
- FY24 Underlying EBITDA guidance range provided of \$28m - \$32m which is 11% - 26% up on the prior year (FY23: \$25.3m).
- 1H24 generated a statutory NPAT of \$5.1m up from a \$1.1m loss in 1H23 and a \$8.9m loss in FY23

Balance Sheet & Cashflow

- During 1H24, and as previously announced, RFG agreed an increase in our total senior secured debt facility by a further \$20 million, and drew down \$5.0m to fund the acquisition of Beefy's Pies. We have \$15m of our facility remaining undrawn with a secured tenor to April 2026
- At 29 December 2023, the Group had unrestricted cash on hand of \$18.0m (30 June 2023: \$17.9m), resulting in net debt of \$6.3m.
- Improvement in key ratio of underlying operating cash conversion to 79% in 1H24, up from 52% in 1H23

Outlook

- 2H24 has continued trends from the first half with core CCB brands in growth and offsetting declines in legacy brands and QSR.
- We have commenced a non-core brand consolidation project, initially focussed on the conversion of mobile brands to Gloria Jean's branding

- In 2H24 we are launching a new incentive plan to unlock joint business plans that incentivises our best franchise partner operators to grow their outlet portfolio with RFG
- We have provided a FY24 guidance range of:
 - Underlying Revenue \$110m - \$118m representing an increase of 8% to 16% above FY23
 - Underlying EBITDA \$28m - \$32m representing an increase of 11% to 26% above FY23

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 AEDT on Tuesday 20 February 2024.

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

<https://s1.c-conf.com/diamondpass/10037003-8shh3d.html>

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-ir-2024/>

This announcement has been authorised by the Board of Directors.

Investor Enquiries:

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- (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 FY24 Interim 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) Network sales is based on unaudited reported sales across all domestic network outlets.
- (4) Unless otherwise specified, trading outlets includes domestic active physical stores, mobile and virtual outlets as at the end of the financial period, excluding non-trading locations.
- (5) Underlying Revenue is a non-IFRS measure not subject to audit. Underlying Revenue excludes restricted domestic marketing fund revenues and USA operations
- (6) Underlying EBITDA is a non-IFRS measure not subject to audit. Underlying EBITDA excludes non-recurring, non-core costs of legacy legal matters, restructuring and non-cash impairments and is inclusive of AASB15 and AASB16.
- (7) Net debt calculated as external borrowings less unrestricted cash on hand.

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, Crust Gourmet Pizza and Beefy's Pies. 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