Retail Food Group Limited

General Meeting – 19 November 2019

Chairman's Address

On the 15th of October 2019 Retail Food Group announced that, subject to shareholder approval, it had successfully undertaken a placement of 1,700 million shares at $0.10 per share to institutional and sophisticated investors to raise gross proceeds of approximately $170 million (Placement) as part of a recapitalisation plan.

At the same time, the Company also announced it would offer shareholders on the Record Date the opportunity to participate in RFG's recapitalisation plan via a Share Purchase Plan (SPP) expected to raise gross proceeds of up to an additional $20 million. A small 'top up' placement to RFG's principal shareholder, Invesco, was also agreed to maintain its post Placement holding at 19.9% of the Company.

Today's meeting has been convened in order for shareholders to consider, and if thought appropriate, approve, the first element of the capital raising just mentioned, that is, the Placement.

I would like to take this opportunity to talk a little more about the importance of the Placement to Retail Food Group, and by extension, to shareholders.

As I am sure you are aware, the last few years have been challenging for RFG.

The 2019 financial year saw major restructuring and refocussing of the Company which necessitated renewed focus on RFG's core competencies of retail food franchising and coffee operations. Further restructuring and cost reduction initiatives will continue to be implemented throughout the current financial year, and additional efficiencies are considered achievable in FY21.

Crucial to the Company's turnaround plan has however been the progression of debt reduction strategies to repair the Company's balance sheet and position it for future growth.

Throughout FY19, RFG and its advisers actively explored a range of debt reduction options, including equity and other debt funding proposals, as well as asset sales.

It was important that each of these options be considered through multiple lenses. This included consideration of the benefits such options would bring to the Company and its shareholders. It was also important that any options were respectful and considerate of our franchise partners and the dedication they have shown to their own small businesses.

The Company considers the recapitalisation plan I mentioned at the outset to be the best outcome available to RFG and shareholders.

A fundamental element of that plan is the proposed debt restructure which is aligned with it.

Net proceeds raised from the Placement will primarily be applied to repay debt, strengthen the Company's balance sheet and provide sufficient working capital to stabilise the Company.

To facilitate the Placement and SPP, RFG's Senior Lenders have agreed to extend the maturity of the Company's current debt facilities to 28 February 2020.

Subject to certain conditions including completion of the Placement, which will see a minimum $118.5 million applied to pay down debt, RFG's Senior Lenders have also agreed to the extinguishment of $71.8 million of RFG's existing debt. This represents a discount of 27 cents in the dollar which I am sure as a shareholder you will agree is a very favourable outcome.

Additionally, the Company's Lenders have agreed to provide a new $75.5 million debt facility, maturing in November 2022 and on terms acceptable to the Company, to refinance the balance of the debt remaining. This facility will be further reduced by net proceeds of the SPP and 'top up' placement to Invesco that I mentioned earlier.

Further details pertaining to the Debt Restructure have been detailed in the Notice of General Meeting, which I trust you are now fully appraised of.

Shareholders should note that, if the Placement is approved by shareholders, RFG is still required to satisfy certain underwriting conditions, which includes signing the new debt facility documentation, before the shares are issued and the Placement proceeds received on 26 November 2019.

Where shareholders approve the resolution to be put to today's meeting, and the Placement and Debt Restructure are completed, your Directors consider that the Company will be afforded a stable and sustainable go forward capital structure and net debt position that will provide RFG with a material liquidity buffer whilst management continues to implement various cost reduction and performance improvement initiatives.

Driving franchise business performance through strategic initiatives is a key element of this. RFG is targeting an additional $30 million gross margin generation at the franchisee level from current initiatives, which contemplates savings derived from rent renegotiation and cost of goods reductions, operational improvements and improved foot traffic and sales derived from product category extensions and marketing programmes.

My vision for the Company is that RFG becomes a respected leader in both the domestic and international retail food and coffee arenas.

I believe that with the right support, the right team, culture, and strategy – this can be achieved.

As your Chairman, I understand that the Placement will result in significant dilution to current shareholders' ownership of the Company.

The Share Purchase Plan has been provided in order that shareholders on the Record Date have an opportunity to participate in the capital raising, at the same price applicable to the Placement.

The alternatives to the Placement must however be borne in mind.

Your Directors are not aware of any preferable alternatives available, which would in the circumstances, allow RFG to reduce its current debt obligations. Consequently, and notwithstanding the dilutionary impact I've mentioned, the Directors consider that it is in the best interests of the Company and its shareholders to proceed with the capital raising and debt restructure.

If shareholders do not approve the Placement, RFG will need to approach its Lenders to determine whether any other solution is available to refinance or extend the Company's current debt facilities.

There is no guarantee that any new proposal could be agreed, or that if agreed, such a proposal would be on more favourable terms than those presented to you today. Quite simply, the failure of the Company to refinance or extend its current debt could result in RFG's Lenders appointing receivers or selling the debt to a third party, who may impose more onerous debt terms on the Company.

Alternatively, the Directors may resolve to appoint administrators to the Company should they form the view that the Company is no longer able to pay its debts as and when they fall due.

It is therefore the unanimous recommendation of your Board that shareholders vote in favour of the Placement and approve the motion that will shortly be put to the meeting.

Before concluding, on behalf of the Board I would like to extend sincere thanks to each of the Company's Lenders, NAB and Westpac, for their ongoing support and patience, and ultimately, for providing RFG a fresh opportunity to establish a new platform for stabilisation and business improvement.

I would also like to reiterate the support received for the Placement, noting that should it be approved by shareholders, RFG will welcome a number of highly credentialed and supportive institutional investors to the register. The Board extends thanks and appreciation to those new and existing shareholders who have supported the Company and its turnaround plan by participating in the Placement.

Lastly, I would like to take this opportunity to once again thank each of you, our existing shareholders, for your ongoing support of the Company throughout the recapitalisation and restructuring process, and the challenging times which RFG has dealt with.

The recapitalisation is transformational for the RFG business and should enable the Company to continue to harness the underlying value of the Company's franchise network and enhance franchisee profitability. I look forward to continuing the creation of a brighter future for RFG, and embarking on this next chapter in the Company's journey with you.

Thank you.