

## Retail Food Group Limited (RFG)

Consumer Discretionary

HOLD

RFG A\$0.042

TARGET PRICE A\$0.045

Retail Food Group Limited (RFG) is a global food and beverage company headquartered in Queensland, Australia. The Group is structured across 5 operating segments, being Bakery/Cafe Division, QSR Division, Coffee Retail Division, Di Bella Coffee and Manufacturing and Distribution.

### Company Data

Number of shares	2,124.1M
Market Capitalisation (\$m)	89.2
Free float (%)	76.4
12-month high/low	\$0.093/\$0.041
Average Daily Turnover (\$m)	0.02
% S&P/ASX200	0.005%
DDM Ranking	336
% All Ordinaries	0.004%
GICS Industry Group	Consumer Services

Source: FactSet, BPC

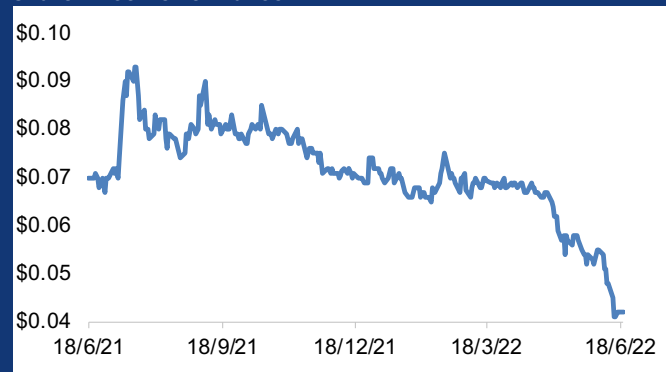
### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	142.3	58.9	93.9	104.0
EBITDA (\$M)	26.9	21.5	34.0	35.5
Reported NPAT (\$M)	1.5	10.3	17.4	18.1
Adjusted NPAT (\$M)	23.2	11.2	17.9	19.1
Reported EPS (c)	0.1	0.4	0.8	0.9
Adjusted EPS (c - FD)	1.1	0.5	0.9	0.9
Adjusted EPS growth (%)	0.0	-22.2	14.8	5.0
Adjusted P/E (x)	3.8	4.0	4.8	4.6
Dividend (c/sh)	0.0	0.0	0.2	0.2
Gross yield (%)	0.0	0.0	7.2	8.0
Net yield (%)	0.0	0.0	5.1	5.6
ROIC (%)	12.0	5.5	8.6	9.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

### Share Price Performance



Source: FactSet, Barclay Pearce Capital

### Disclaimer

## FY22 Market Guidance

On 20<sup>th</sup> of June 2022, Retail Food Group Limited (RFG) announced A Market Update & FY22 Guidance:

### Highlights:

- Customer count improving amongst domestic network, albeit remains below pre-COVID levels;
- FY22YTD SSS growth (+2.2%) and ATV growth (+7.8%) vs PCP:
  - Reflects solid improvement vs 1H22 performance (-2.5% SSS & +7.4% ATV).
- 37 new 2H22 outlets driving international network momentum;
- Strong value proposition & low ATV provides flexibility to better compete & manage retail prices;
- No significant developments concerning material litigious matters.

### Outlook:

- The Company has continued to observe gradual improvement in network performance during the 2H22, as Covid restrictions have eased and the impact of the Omicron strain had diminished.

### CEO comments:

RFG Executive Chairman, Peter George, commented: "A positive growth trend has emerged throughout the 2H22 as customers have returned. Network sales over the past 2 weeks have reflected the highest weekly sales across FY22YTD on a SSS basis. The last week's network sales are the highest achieved on a SSS basis in the past 24 months."

### Guidance:

- FY22 underlying EBITDA guidance of c.\$21.4m;
  - Significantly influenced by unavoidable COVID impact, particularly in 1H22;
  - No JobKeeper in FY22 vs \$3.7m received in FY21.
- Anticipated Net Debt at 30<sup>th</sup> June 2022 of c.\$22.5m.

## Earnings changes

RFG has updated its FY22 guidance for its underlying EBITDA to be \$21.4 million. This compares to market expectations of \$29.8 million. Hence, we expect negative earnings revisions of 28% for FY22 and no significant earnings revisions for future periods.

## Valuation

We are updating our price target from \$0.056 to \$0.045 and updating our recommendation from UNDERPERFORM to HOLD. The price target is underpinned by our valuation.

**Russell Wright**

17 June 2022

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This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as an Authorised Representative (AR: 422117) and is issued by Barclay Pearce Capital Management Pty Ltd (BPCM) AFSL 503261.

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

## Valuation Methodology

**Russell Wright**

17 June 2022

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Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)