

15 December 2020

ACCC Commences Federal Court Proceedings

Retail Food Group Limited (**RFG** or the **Company**) advises that the ACCC has today commenced proceedings against the Company and certain of its related entities in the Federal Court of Australia. The relevant entities are those which operate the Gloria Jean's Coffee, Michel's Patisserie, Brumby's Bakery and Donut King brand systems. The ACCC has made no allegations in the proceeding in respect of the other brand systems operated by RFG — including Crust Pizza, Pizza Capers and The Coffee Guy.

The proceedings concern allegations that are historical and which occurred under various senior executives who are no longer with the Company.

In particular, the proceeding concerns the period from 2015 to 2019 and alleges contraventions of the *Australian Consumer Law* and the *Franchising Code of Conduct* in relation to the sale or licence of 42 corporate-owned stores as well as the management of marketing funds.

RFG considers the issues the subject of the proceedings are relatively narrow in scope and focus. The ACCC has not pursued several of the broad and serious allegations that were raised during the course of its extensive investigation of the Company over almost three years — including in relation to implementation of the Michel's Patisserie "Fresh to Frozen" model, the level of training and support provided to franchisees and the competitiveness of the price of goods sourced on behalf of franchisees.

Under the leadership of Peter George, RFG has taken a forward looking approach to improve and enhance its franchise systems for the benefit of its franchisee partners. The recent performance results during the turbulence of the COVID-19 impacted trading period is testament to the value of RFG's financial and management support to its franchisees.

"RFG will maintain its focus on improving franchisees' current turnover. It is operational improvements that provide franchisees with a platform to successfully operate their business" he said.

"I firmly believe the initiatives outlined below and implemented by the new management of RFG have already proven successful and have benefited our franchisees."

The initiatives taken by new management over the last two years include:

- 1 the adoption of a new strategic roadmap — which involved refocusing core operations to retail food and coffee as well as divesting non-core underperforming business units;
- 2 substantial improvements to marketing — which have driven increased demand and sales;
- 3 investments in and redesign of RFG's field service model — which involved the redirection of substantial head office costs to field service support;
- 4 improved recruitment processes — which incorporate direct executive involvement in new franchisee selection and approval;
- 5 enhanced monitoring of franchise performance — which involves enhancing RFG's customer relationship management tool; and
- 6 ongoing focus on delivering tangible cost-of-goods-sold (COGS) improvements — including significant reductions in wholesale coffee pricing, annualised flour range savings for Brumby's franchisees, and cost reductions across the QSR Division's core ingredient range.

The ACCC is seeking declarations, injunctions, pecuniary penalties, disclosure and adverse publicity orders, a compliance program order, non-party redress orders and costs. It is not currently possible for RFG to quantify the financial implications of the outcomes being sought by the ACCC.

RFG will closely review the allegations made in the proceedings and will engage further with the ACCC as is necessary.

This announcement has been authorised by the Chairman of the Board.

ENDS

For further information, interviews or images, please contact:

Vessa Playfair, Wilkinson Butler, 0477 738 439 or vessa@wilkinsonbutler.com

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 owner and a roaster and supplier of high-quality coffee products. For more information about RFG visit: www.rfg.com.au

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