

Company Profile

Ord Minnett Research

15 June 2021

Retail Food Group Limited (RFG.AX)

No Recommendation

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.

Bakery/Cafe Division: The products offered include donuts, hot dogs, cold drinks, coffee variants, freshly baked bread and bakery goods including, Artisan Loaves, Sweet Cakes, Tarts and Slices, Savouries, Pastries, Gourmet Pies and Sandwiches.

QSR Division: RFG's Quick Service Restaurant Division, Crust Gourmet Pizza and Pizza Capers Gourmet Kitchen, continue to work closely with franchisees to develop new restaurant inspired menus for customers.

Coffee Retail Division: Coffee & Allied Beverage operations are underpinned by modern roasting facilities, which roast millions of kilograms of coffee each year.

Di Bella Coffee: This brand is a consolidation of four coffee operations, purchases more than 3,600+ tonnes of coffee annually and supplies more than 3,000 cafes, restaurants and customers within 37 countries.

Snapshot

Last Price	\$0.073
Market Cap.	\$155 million
52 Week High/Low	\$0.10 - \$0.06
Shares on issue	2,120 million
GICS Industry	Hotels, Restaurants & Leisure

Key Dates

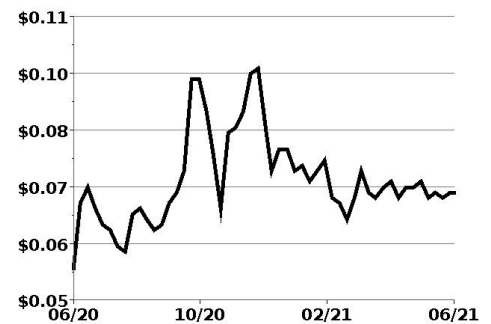
Accounts Close	30 June
AGM	27 Nov 2020
Listing Date	22 Jun 2006

Investment Fundamentals

		2017a	2018a	2019a	2020a
Sales Rev.	\$m	348	373	168	225
Rep Profit	\$m	61.9	-306.7	-149.3	-4.0
Norm Profit	\$m	74.2	72.0	15.4	0.6
Rep EPS	¢	35.7	-169.5	-81.7	-0.3
Norm EPS	¢	42.8	39.8	8.4	0.1
Rep PE	x	0.2	--	--	--
Norm PE	x	0.2	0.2	0.9	146.0
DPS	¢	29.8	--	--	--
Yield	%	4.9	--	--	--
Franking	%	100	--	--	--
ROE	%	15.9	45.6	--	0.3

Source: Morningstar historical financials

Share Price Chart



Total Return on \$10,000 Investment



Company Profile

Ratios and Substantial Shareholders						
		2016A	2017A	2018A	2019A	2020A
Profitability Ratios						
EBITDA Margin	%	35.60	33.95	6.31	15.58	14.43
EBIT Margin	%	33.47	31.26	2.80	10.20	5.00
Net Profit Margin	%	22.04	21.35	19.36	9.17	0.28
Return on Equity	%	15.70	15.95	45.59	-98.40	0.35
Return on Assets	%	10.67	8.70	13.50	6.42	2.13
Debt/Safety Ratios						
Net Debt/Equity	%	43.61	51.53	156.77	-1,607	78.04
Interest Cover	x	11.39	12.40	0.88	0.91	1.22
Top 5 Substantial Shareholders						
Regal Funds Management Pty Ltd						14.6%
Castle Point Funds Management						7.8%
Washington H. Soul Pattinson and Company Limited						6.5%
Thorney Opportunities Ltd						6.0%
TIGA Trading Pty Ltd						6.0%

Source: Morningstar

Principals & Directors	
Principals	
Company Secretary	Mr Anthony Mark Connors
Directors	
Mr Peter George (Executive Chairman, Executive Director)	
Mr David Campbell Grant (Non-Executive Director)	
Ms Kerry Ann Ryan (Non-Executive Director)	

Source: Morningstar

Recent Operational History

08 April 2021 - Retail Food Group reported NPAT down 72.96% to \$3.86m for the half-year ended 31 December 2020. Revenue from ordinary activities were \$85.12m, down by 52.4%. Basic and Diluted EPS were 0.18 cents compared to 2.6 cents last year. Net operating cash flow was \$8.99m compared to an outflow of \$2.559m in the pc. No dividend was declared.

24 February 2021 - Retail Food Group reported 1H21 underlying Net Profit After Tax (NPAT) of \$12.0m, representing a 60.0% increase on the prior corresponding period (PCP). This result was underpinned by 1H21 underlying EBITDA of \$14.4m. Statutory EBITDA of \$12.2m recognised restructuring costs, non-cash lease impairments and a loss on disposal of the non-core Dairy Country business. Statutory NPAT for the period was \$3.9m (1H20: \$13.9m), increasing to \$8.6m when discontinued operations are excluded. The Company noted that while challenging COVID-19 influenced trading conditions had persisted for most of 1H21, these had produced mixed results across the Group's operations. RFG's licensed international network was impacted by COVID-19 throughout 1H21.

24 February 2021 - Retail Food Group released 1H21 results presentation reporting revenue of \$85.1m and NPAT (statutory) of \$3.9m. The impact of COVID-19 on operations includes Domestic & international store closures, Government trading & movement restrictions, contributing to reduced customer footfalls across Brand Systems most exposed to shopping centre environments, particularly in VIC/NSW metro areas and reduced demand for Di Bella Coffee products amongst independent cafe/contract roasting sector, particularly in CBD precincts. COVID-19 influenced reduction in independent cafe/contract demand for DBC products, particularly amongst CBD precincts, offset by reduced overhead costs from restructuring activities.

Peer Analysis			Market Cap	Price	PE (x)		EPS Growth		Dividend Yield		Franking	
Company Name	Code	Recommendation	(\$m)	(\$)	2019	2020	2019	2020	2019	2020	2019	2020
Think Childcare	TNK	--	188	3.05	87.9	26.0	20.7	64.9	4.6	11.7	100	100
8VI Holdings	8VI	--	188	4.45	--	147.8	-551.9	-144.7	--	--	--	--
Shine Justice	SHJ	--	165	0.95	12.1	7.9	-2.5	12.7	4.9	5.2	--	--
Retail Food Group	RFG	--	155	0.07	--	--	-78.8	-99.4	--	--	--	--
Evolve Education Group	EVO	--	132	0.83	--	16.3	-78.0	90.7	--	--	--	--
Reef Casino Trust	RCT	--	115	2.35	17.6	--	-34.0	-91.9	5.1	4.7	100	100
Slater & Gordon	SGH	--	97	0.70	1.9	--	-158.1	-103.3	--	--	--	--
iSelect	ISU	--	85	0.39	--	--	-25.1	387.6	--	--	--	--
iCollege	ICT	--	67	0.12	--	--	-50.0	-27.5	--	--	--	--
Retech Technology., Co	RTE	--	65	0.28	5.9	6.2	10.8	3.8	1.2	--	--	--
Kip McGrath	KME	--	65	1.25	22.5	38.0	30.7	-40.8	5.0	1.9	100	100
Donaco International	DNA	--	61	0.05	--	--	-119.2	131.1	--	--	--	--
Eumundi Group	EBG	--	42	1.00	19.4	--	-51.4	-148.6	6.0	2.5	100	50

Company Profile

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Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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