

Beefy's Pies to be acquired by Retail Food Group for consideration of AUD 10m

30 Nov 2023 | 08:48 AWST

Retail Food Group Ltd [ASX: RFG] has signed an agreement to purchase the trade and assets of Australia-based pie maker **Beefy's Pies** for total consideration of AUD 10m (USD 6.6m), Retail Food Group said in a statement filed with the Australian Securities Exchange on 30 November.

Stock Exchange Announcement:

- Beefy's Pies ('Beefy's') was established in 1997 and is a leading manufacturer and retailer of pies and bakery goods on the Sunshine Coast with a well-established brand
- Total consideration includes an upfront cash payment of AUD 5.5m and AUD 2.0m in RFG equity alongside deferred cash payments of AUD 2.5m over the 12 months post completion
- Beefy's is forecast to generate Revenue of approximately AUD 18m and EBITDA of AUD 2.5m in FY24 on a pro forma basis. RFG expects to consolidate Beefy's for approximately 6 months in FY24
- Beefy's has grown sales by approximately 12% in Q1 FY24 over the PCP through 9 high performing outlets. RFG expects to grow the number of Beefy's outlets in the short term to meet strong consumer demand
- RFG has agreed a Facility B extension of AUD 20m to increase our senior secured debt facility, with AUD 5m to be drawn for the acquisition and the remainder available for future growth opportunities

Retail Food Group Limited (ASX: RFG) is pleased to announce the acquisition of Beefy's Pies:

- RFG has signed an agreement to purchase the trade & assets of Beefy's Pies ('Beefy's') including the share capital of Beefy's Pty Ltd which owns the Intellectual Property for total consideration of AUD 10m ('Acquisition').
- Established in 1997, Beefy's is a family-owned business committed to making great quality products.
- Key products are manufactured in-house at Beefy's factory on the Sunshine Coast. Vertical integration of manufacturing ensures the brand delivers on its vision of 'Bigger, Better, Beefier Meat Pies – Guaranteed'.
- Implied Acquisition forward multiple of approximately 4.0x Enterprise Value / FY24 forecast pro forma EBITDA for the 12 months ending 30 June 2024.
- The transaction rationale includes:
 - o **Reliable earnings profile** with Beefy's forecast to generate Revenue of approximately AUD 18m and EBITDA of AUD 2.5m in FY24 on a pro forma basis. Beefy's has grown sales by approximately 12% in Q1 FY24 over the PCP. RFG expects to consolidate Beefy's for approximately 6 months in FY24.
 - o **Expands RFG Company Stores** with corporately owned and high performing Beefy's outlets with established teams in place. RFG currently operates 41 company outlets across our Donut King, Gloria Jeans and Brumby's brands with Crust and Rack 'em Bones outlets to open in Q2.
 - o **New Outlet Expansion** opportunity with a strong brand, regular and consistent customer feedback requesting more outlets, and minimal complexity in food retail requirements meaning many locations are potentially suitable.
 - o **Economies of Scale** through our existing systems, e.g. in leasing, marketing, procurement and technology.

o **Opportunity to Franchise** the brand in the future.

• Total consideration of AUD 10m includes:

o Upfront cash payment of AUD 5.5m ;

o 33,333,333 RFG shares (AUD 2.0m) to be issued to the vendors at 6.0c / share (calculated at a 10 day VWAP to 28 November) following the completion of conditions subsequent including retail lease assignments and subject to the RFG Board's discretion to pay in cash. RFG shares issued will be subject to a 12-month trading lock; and

o Deferred cash payments of AUD 2.5m over the 12 months post completion.

• The Acquisition is expected to deliver 0.2c EPSA2 accretion in FY25 pre synergies and before transaction costs.

• Pro forma FY24 earnings are forecasted at revenue of approximately AUD 18m and EBITDA of AUD 2.5m with Beefy's expected to be consolidated into FY24 results from mid December 2023 with a FY24 benefit to the Group of AUD 8 - AUD 11m revenue and AUD 1.0 - AUD 1.5m EBITDA.

• Transaction costs of approximately AUD 0.5 - AUD 1.0m incurred in connection with the acquisition.

Retail Food Group CEO Matt Marshall said:

"RFG is pleased to be in a position where it can look for inorganic growth opportunities. The acquisition of Beefy's is significant not only because it is a great business that is complementary to our existing brand portfolio but because it marks the beginning of RFG's next phase of growth. We look forward to working with the Hobbs family and all Beefy's employees to ensure their pies can be enjoyed by more and more Australians."

Beefy's CEO Mark Hobbs said:

"We're proud of what we have achieved as a family-owned business since opening our first store in 1997. Beefy's is now a much-loved Australian brand, has nine strongly performing stores and a manufacturing facility on the Sunshine Coast, and employs 200 people. Joining the RFG network will help Beefy's take the next step in its growth journey as we will become part of a team with many decades of retail experience, as well as benefit from being in a group with a larger balance sheet and access to support functions."

RFG also announced today an extension of its existing senior debt arrangements:

• RFG has agreed to increase our available funding by a further AUD 20m Facility B extension to our existing agreement with Washington H. Soul Pattinson and Company Limited (ASX: SOL) ('WHSP').

• The new facility will initially be partially drawn by AUD 5m , with the remainder available for future growth opportunities and working capital. The drawn facility will incur interest at the same margin as the existing Facility A.

• Subject to standard conditions precedent, the undrawn debt facility is committed and will incur typical fees including a commitment fee.

• We will remain compliant with our existing covenants of a net leverage ratio and interest cover ratio.

Notes:

1 Source: Stellar Research, n=317 Panel conducted in Brisbane, Sunshine Coast, Sommerset and Moreton Bay Local Government Authorities (LGA).

2 EPSA – Earnings Per Share before Amortisation, based on forward estimates and calculated assuming the acquisition is completed and consolidated by 31 December 2023

Link to [statement](#)