Research as a Service

Cooks Global Foods Ltd

Positional paper

Catching the 5th Wave

Cooks Global Foods (CGF.NZ) is a global integrated food and beverage retail and supply company headquartered in New Zealand. The company's core operation is Esquires Coffee, a global coffee franchise group with 98 stores in its network across 11 countries. Cooks also owns Scarborough Fair, a supplier of Organic and Fairtrade coffee, tea and hot chocolate, and has a JV company Crux Products Ltd to channel high quality products between New Zealand and China. The company is in the process of restructuring and recapitalising with the support of its three largest shareholders and is targeting to be cash-flow breakeven in its continuing business in FY18e.

Scope

This report has been commissioned by Cooks Global Foods Ltd to present investors with an explanation of the business model and to explore the value created from a range of possible outcomes.

Restructured and recapitalised

In March 2017, the company announced that it had secured NZ$10m in new capital from its major shareholders, YunNan Metropolitan Construction Investment Group (YMCI), Jiajiayue Holding Group (JJY) and Mr Keith Jackson, who is CGF's executive chairman. Of the new capital, NZ$3.5m would be applied to the capitalisation of existing loans from the major shareholders. The recapitalisation, which shareholders will be asked to approve at a general meeting on June 29, has been finalised in tandem with a restructure of group operations. This includes the creation of a new joint venture with Chinese partners to accelerate the rollout of Esquires in Greater China, and the sale of its primary produce subsidiary, Progressive Processors. The China JV is expected to save around NZ$4m in cash in the first year once it is finalised. In our view, the recapitalisation plan positions Cooks to take advantage of the 5th wave in coffee shop development, where demand for an artisan-style environment meets organic and fair-trade produce.

FY17 Operating Metrics and Outlook

Cooks Global Foods generated NZ$39.4m in network sales in the 12 months to March 31, an increase of 13.0% on the prior year. Like for like sales grew 0.6% to NZ$29.4m. Cooks Global Foods has reported a normalised net loss of NZ$3.5m for FY17 from its continuing operations, compared with a normalised net loss of NZ$4.5m in FY16. The company is targeting to be cash flow breakeven in its continuing businesses in FY18e. Our financial modelling establishes the company can achieve this aim while continuing its store rollout.

We are assuming the company ends FY21e with 650 stores in the network, delivering a DCF valuation of NZ$0.115/share, fully diluted for its proposed transactions and assuming a discount rate of 12.8% and no gearing. The DCF rises to NZ$0.162/share and NZ$0.196/share if we respectively incorporate gearing of 20% and 30%. Our modelling assumes that the company will utilise joint venture arrangements and special purpose vehicles to help fund its budgeted 650 stores by the end of FY21e.

Historical earnings and RaaS Advisory estimates

Year end	Revenue (NZ$m)	EBITDA* (NZ$m)	NPAT* (NZ$m)	EPS* (c)	P/E (x)
03/16	6.2	(3.9)	(4.5)	(1.17)	n/a
03/17	5.3	(2.8)	(3.5)	(0.86)	n/a
03/18e	15.1	(0.9)	(0.9)	(0.13)	n/a
03/19e	30.6	1.4	(0.1)	(0.03)	n/a

Source: CGF data, RaaS Advisory Estimates for FY18e and FY19e *Adj for discontinued businesses and significant items.

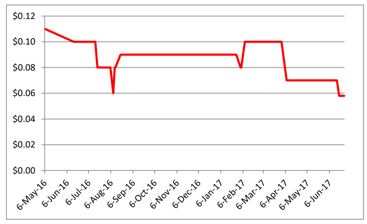
Food & Beverage Retail

27 June 2017

Share details

NZX Code	CGF
Share price at 26 June 2017	NZ$0.06
Market Capitalisation	NZ$32.7M
Shares on issue (post proposed transactions)	545.6M
Net debt at 31 Mar 2017	NZ$7.4m

Share performance (12 months)



Upside Case

- Supported by large shareholders with strong balance sheets
- Targeting to be cashflow positive in continuing businesses in FY18e
- Acquisition opportunities available in its strongest markets

Downside Case

- Small executive team stretched across the globe
- Market is dominated by global giants
- Limited opportunity to grow the brand in Australia/New Zealand

Board of Directors

Keith Jackson	Executive Chairman
Michael Hutcheson	Non-Executive Director
Andrew Kerslake	Non-Executive Director
Zhe Hui	Non-Executive Director
Peihuan Wang	Non-Executive Director

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Cooks Global Foods Ltd

Cooks Global Foods Ltd listed on the New Zealand Alternative Market (NZAX) in August 2008 with plans to grow a portfolio of food manufacturing companies. The global financial crisis thwarted these ambitions and the company emerged five years later with the global franchise rights to Esquires Coffee Houses which had established a footprint in Ireland, the United Kingdom, Canada, China and the Middle East. The company is now focussed on growing the Esquires Coffee network through its franchisees, company-owned stores, joint venture relationships and special purpose vehicles. Its proposed recapitalisation will deliver net cash of NZ$6.5m which we estimate is sufficient for the company to reach its budget target of 650 stores by the end of FY21e.

Investment case

In our view, CGF has the opportunity to achieve success for the following reasons:

- The company has the support of its largest shareholders, YunNan Metropolitan Construction Investment Company (YMCI), Jiajiayue Group (JJY) and executive chairman Keith Jackson who will collectively invest NZ$10m to recapitalise the group.
- The company is finalising the restructure of its China operations to be a joint venture, thereby delivering capex savings, reducing working capital demands on CGF, and positioning the China operations with strong, locally committed investors to drive growth in that region. It is estimated that this will result in savings of investment funds required for China of at least NZ$4m per annum once the restructure is complete.
- Its operations in Ireland and the United Kingdom have demonstrated the benefits of an ongoing refurbishment and rebranding program to deliver 29% year on year growth in network sales in Q4FY17. These stores, in particular, embody the 5th wave in coffee culture development with customers seeking organic, fair trade produce together with an artisan experience.
- Cooks Global Foods is targeting 140 stores by the end of FY18e which in our view is achievable with its current cash position.
- The company is targeting cash-flow breakeven for its continuing business in the FY18e financial year. We estimate CGF can achieve this at 120 stores. Our forecast for an EBITDA loss of NZ$0.9m in FY18e includes the 6-month delay in finalising the China JV.
- Our estimates assume that the store rollout beyond FY18e is funded through the creation of special purpose vehicles or joint venture arrangements, thereby minimizing demands on Cooks Global Foods' balance sheet.
- The company has the opportunity to participate in potential acquisitions in existing markets which we believe could enhance significant value for shareholders.

Indicative valuation

Cooks Global Foods has ambitions to grow a substantial coffee house network and, in the near-term, is forecasting it will expand from 98 stores at the end of FY17 to 140 stores at the end of FY18e. We estimate that the company can achieve this near-term aim without requiring additional capital raisings. Longer term, the company intends to achieve self-funding by establishing joint venture arrangements whereby the JVs capital requirements would be off balance sheet, or through Special Purpose Vehicles which are likely to be controlled by CGF and therefore consolidated. There may also be opportunities to acquire coffee franchise groups in markets where the company is performing well, such as Ireland and the United Kingdom. Our financial model assumes that by FY21e, Cook Global Foods could achieve an organic rollout of 650 stores, with 30% of those in the China JV. This delivers us a DCF valuation of NZ$0.115/share fully diluted for the proposed recapitalisation and based on a 12.8% discount rate and no gearing.

History

Cooks Global Foods listed on the New Zealand Alternative Market in October 2008 as Cooks Food Group with a market capitalisation of just under NZ$10m and a plan to acquire food manufacturers to add to the two small manufacturers it owned. At the time of listing, the company did not raise capital but it quickly found two significant NZ brands, DYC Vinegar and Diamond Pasta, which it acquired from Goodman Fielder. It sought to raise capital to acquire these brands, but with its plans defeated by the global financial crisis, Cooks on-sold the brands to Wilson Foods at a small profit.

In August 2013, Cooks announced it was acquiring the global franchise rights, excluding Australia, New Zealand and at that time Canada, of the Esquires Coffee House franchise together with the master franchises in Ireland and the United Kingdom and operations in the Middle East and China. It also acquired a coffee and tea trader Scarborough Fair and a kiwi fruit processor Progressive Processors. The company completed the series of acquisitions valued at NZ$2.6m, after raising NZ$3.1m in cash and issuing an additional 221.3m shares.

In April 2014, the company acquired the rights to the Esquires intellectual property in Canada from the founder of the group and later that year added to its master franchise licences with the acquisition of Beijing Esquires Management Co Ltd. CGF also formed a JV with Shenzhen-listed retail and property company BuBuGao Group to develop Esquire Coffee houses in the Hunan Province, having already previously signed a JV in the Shandong province with JiaJiayue Group (JJY), a major listed supermarket chain.

In early 2016, CGF underwent a significant restructure with the buyout of shareholder LSD Management Ltd, which had originally vended the Middle East and China master franchise rights into the company. JJY and YMCI both backed this restructure, with JJY taking a 25% stake and YMCI increasing its stake to 18.8%. CGF also formed a JV, Crux Products, to export New Zealand agricultural and other products to China.

2017 Restructure

This calendar year to date, CGF has announced three significant transactions which should underpin the company's future outlook:

- The company is in advanced negotiations to sell its Chinese business into a new joint venture company which will take over the acceleration of the development of the group's branded coffee network in the Greater China region;
- CGF sold its primary produce operation, Progressive Processors, to management in a management buyout that resulted in CGF having the 250,000 shares it paid for the business in 2014 returned;
- CGF's three largest shareholders have agreed to a NZ$10m recapitalisation plan which shareholders will be asked to approve at a general meeting on June 29.

CGF also plans to undertake a share buyback for up to 20m shares, representing 4.19% of the shares on issue, post these transactions for shares held by non-associated shareholders. This is also subject to shareholder approval.

China JV

In April 2017, CGF announced it was in advanced discussions with a third party in China to create a joint venture company to accelerate the growth of Esquires Coffee in Greater China, including Taiwan, Hong Kong and Macau. Final details of this JV are yet to emerge but the term sheet anticipates that the JV will own the master franchise for Esquires in Greater China and take over the assets of Cook's subsidiary, Beijing Esquires Management Ltd, the sole franchisee for mainland China and fund and drive development of branded coffee houses in the region. CGF is expected to hold a 30% stake in the new business while the new JV partner would contribute funding to drive the venture's branded coffee network.

The deal will significantly reduce CGF's capital requirements for China and is expected to save the company NZ$4m in capital requirements in the first year of operation. The plan closely follows a model that global fast food franchisors McDonald's and KFC have adopted for their Chinese operations. In both cases, McDonald's and KFC have sold their majority stakes in China to a local joint venture partner without forfeiting the growth strategy for store rollout in the region. In McDonald's case, its 80% sell-down to China's CITIC and the Carlyle Group, was designed to leverage CITIC's knowledge of operating in China and the Carlyle Group's asset management skills to deliver growth in the region that McDonald's may not have achieved on its own.

CGF's management is taking a similar view, stating in their press release at the time of the announcement that it recognises "that the strategy of having a smaller share of a bigger pie will add value for all shareholders". The transaction has resulted in a one off, fair value, non-cash write down to CGF's Chinese operations of NZ$4m. The write down was applied to the FY17e financial year.

Recapitalisation

In March, the company announced it had secured NZ$10m in new capital from three of its largest shareholders with JJY contributing NZ$3.5m in new capital by subscribing for 44.9m shares at NZ$0.0775/share and YMCI contributing NZ$1.8m by subscribing for 23.1m shares at NZ$0.0775/share. Another NZ$4.7m will be underwritten by the executive chairman Keith Jackson and issued under a share purchase plan (SPP) for existing shareholders at NZ$0.0775/share. Shareholders will vote on the recapitalisation and new joint venture at a general meeting on 29th June 2017.

Exhibit 1 below sets out the recapitalisation and restructuring proposals and the percentage shares that will be held post transactions.

Exhibit 1: Proposed transactions

Chinese JV	**Contribution**	**JV share**
Guangzhou Juncheng Equity Investment Partnership (JCIP)	RMB46.67m (NZ$9.75m)	70%
Cooks Global Foods	Beijing Esquires Management Ltd (BEML)	30%
	Franchise rights to Greater China	
		% hldg post
Recapitalisation	**Subscribing for**	**transactions**
Jiajiayue (JJY)	44.875m shares @ NZ$0.0775 = NZ$3.478m	27.2%
YunNan Metropolitan Construction Investment (YMCI)	23.142m shares @ NZ$0.0775 = NZ$1.794m	18.5%
Cooks Investment Holdings Ltd (& interests assoc. with Keith Jackson)	Underwriting up to NZ$4.73m in shareholder subscription plan (SSP)	28.3%
Shares held by non-associated shareholders post transaction		26.1%

Source: Company Data

Progressive Processors

The company also announced in April 2017 that it had sold Progressive Processors to management in exchange for the redemption of the 2.5m shares it issued to acquire the business in 2014. We believe there was little synergy in CGF owning Progressive which predominantly processes kiwi fruit into pulp and grows and sells asparagus. The company has taken a non-cash write-down of NZ$0.5m on this investment in the FY17e year.

Other strategic transactions

CGF has indicated it is also exploring other potential transactions with strategic partners to refine its operating structure in other international markets and has flagged that if these discussions are successful, they are likely to utilise the residual NZ$1.7m underwriting obligation of Mr Jackson's Cooks Investment Holdings Limited. We see merit in CGF considering additional joint ventures in territories such as SE Asia and the Middle East, where a local controlling joint venture partner could potentially deliver greater value and increased capital investment than CGF might realise on its own.

Valuation: Sensitive to store build

Our DCF valuation of NZ$0.115/share, or NZ$62.6m, is predicated on CGF organically rolling out 650 stores by FY21e. We do not incorporate gearing in our valuation. If we were to include gearing of 20% or 30%, the DCF valuation would rise to NZ$0.162/share or NZ$0.196/share respectively. We note that our expectations for the store rollout are in line with the 650 stores the company has budgeted but below the 800 stores targeted by management. We have modelled CGF on the basis that it can achieve this rollout without recourse to equity capital raisings. Instead we have assumed capex beyond FY18e be funded from debt and free cashflow and a mixture of joint venture arrangements and self-funding special purpose vehicles. As Exhibit 2 below demonstrates, our forecasts anticipate that net debt will peak at NZ$7.4m in FY17 as the company focuses on different ownership structures to roll out the Esquires Coffee franchise. The exhibit also highlights that we are forecasting the company to post a small loss in FY18e due to the delays in the China JV. The underlying business is expected to be cash-flow breakeven in FY18e.

Exhibit 2: Earnings projections

NZ$m	FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e
Year-end store numbers	71	86	98	140	216	339	650
Revenue	8.9	6.2	5.3	15.1	30.6	69.5	130.1
EBITDA	(3.3)	(3.9)	(2.8)	(0.9)	1.4	7.6	17.7
EBIT	(3.8)	(4.1)	(3.0)	(0.9)	1.2	7.2	17.1
PBT	(4.0)	(4.5)	(3.5)	(1.0)	1.3	7.3	17.3
NPAT (norm)	(4.0)	(4.5)	(3.5)	(0.9)	(0.1)	2.4	6.2
EPS (norm)	(1.4)	(1.2)	(0.9)	(0.1)	(0.0)	0.4	1.1
Net debt/(cash)	2.5	3.7	7.4	3.1	2.0	(1.4)	(12.6)

Source: RaaS Advisory Note: *PBT, NPAT and EPS all exclude exceptional items

FY17 network performance and financial results

CGF announced in late April that the Esquires Coffee network had increased sales by more than 13% in the 12 months to March 31, 2017, to NZ$39.4m. The company ended the year with 98 stores in its network, up from 86 at the end of FY16 and just two stores short of its 100 store target, largely due to the timing of openings. As Exhibit 2 demonstrates, average transactions increased 11%, underpinning the growth in sales. On a same store basis, sales were relatively flat, with average transaction value offsetting a decline in transactions on a same store basis.

Exhibit 3: FY17 trading performance vs FY16

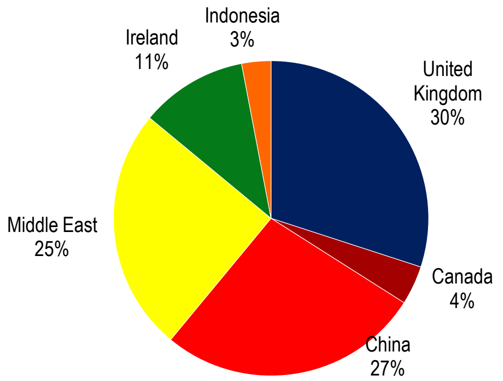
Year ended Mar 31	2016	2017	% change
Store Numbers	86	98	14%
Esquire Coffee Network Sales (NZ$m)	34.9	39.4	13%
Transactions (m)	4.0	4.4	11%
Average Transaction Value (NZ$)	8.76	8.92	2%
Same store sales (NZ$m)	29.2	29.4	1%
Transactions (m)	3.4	3.3	-2%
Average Transaction Value (NZ$)	8.59	8.83	3%

Source: Company data

Anecdotally, the FY17 result was driven by strong growth in the network's UK and Irish operations which combined generated 64% of network sales, with total network sales growth of 29%, delivered by a 26% jump in transactions and 3% lift in transaction values.

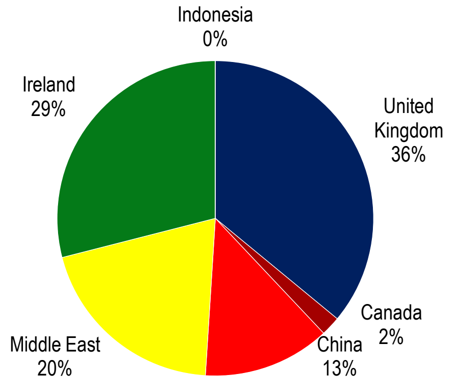
The performance of the UK and Irish operations underscores the importance of CGF's decision to JV its Chinese operations. We would expect to see other parts of the network, potentially stores in the Middle East, also moved into a joint venture structure, to allow management to focus on these higher growth markets. As Exhibit 4 below highlights, the UK and Ireland now account for 42% of stores in CGF's Esquires network. However as Exhibit 5 demonstrates, the UK and Ireland account for more than 65% of sales across the network while China, the Middle East, Canada and Indonesia are all delivering below their power ratio, partly reflective of their relative immaturity. Given the percentage of group sales from the UK and Ireland substantially outflanks their share of store numbers, we believe these markets warrant greater focus.

Exhibit 4: Stores by location at the end of FY17



Source: Company data

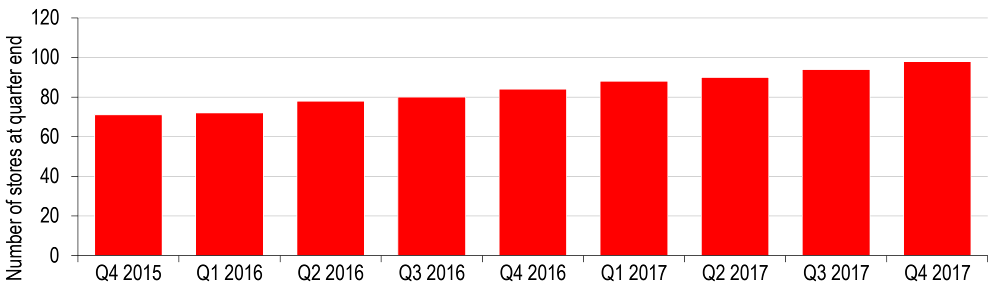
Exhibit 5: Stores by percentage network sales in FY17



Source: Company data

Since 2015, the company has consistently grown its network, as demonstrated in Exhibit 6 and has announced it expects to end FY18e with 140 stores.

Exhibit 6: Store rollout by quarter



Source: Company data

CGF now controls 98 of the 129 Esquires stores around the world with the remainder controlled by Café Coffee and Bakery Systems Ltd in New Zealand and Australia-listed Retail Food Group. RFG, which acquired the Australian and New Zealand rights from the Deeks Brothers in 2013, has previously announced it would be rebadging the stores, and took a write-down on the investment in its June 2015 accounts. It has appointed the NZ master franchise rights to a new company, Café Coffee and Bakery Systems, which is owned by RFG's former NZ manager. Café Coffee and Bakery Systems has invested in refurbishment of several stores and opened additional stores to take its footprint in NZ to 27. We do not see any scope for CGF to acquire the Australian or New Zealand rights to the Esquires brand.

Exhibit 7: Ownership of the Esquires Coffee Branded store network

Location	Number of stores	Master franchise controlled by
UK	29	Cooks Global Foods
Ireland	11	Cooks Global Foods
Middle East	25	Cooks Global Foods
China*	26	Cooks Global Foods
Canada	4	Cooks Global Foods
Indonesia	2	Cooks Global Foods
Subtotal – CGF	**98**	
NZ	27	Café Coffee and Bakery Systems
Australia	4	Retail Food Group
Subtotal - others	31	
Total	**129**	

Source: Company data, company websites *CGF is proposing to sell its China master franchise into a JV

Cooks Global Foods reported its results for the year ending March 31, 2017 on June 14. The company announced that its discontinuing businesses, namely China which is being restructured into a JV, and

Progressive Processors, which the company has sold to management, suffered a net loss after tax of NZ$8.66m. The continuing businesses reported a net loss after tax of NZ$3.549m, an improvement on the previous financial year. Exhibit 8 sets out the FY17 Profit and Loss result versus the FY16 result, restated for the discontinuing operations.

Exhibit 8: FY17 P&L versus FY16

In NZ$m	FY17	FY16	% chg
Revenue	5.340	6.152	-13%
Gross Profit	4.090	4.786	-15%
EBITDA	(2.754)	(3.923)	-30%
Operating loss before tax and interest	(2.970)	(4.135)	-28%
Net loss before tax	(3.533)	(4.481)	-21%
Net loss from continuing operations	(3.549)	(4.481)	-21%
Net loss from discontinued operations	(8.660)	(3.461)	150%
Net loss reported	(12.209)	(7.942)	54%

Source: Company data

Operationally, Cooks Global Foods experienced currency headwinds in its continuing businesses with the stronger New Zealand dollar impacting the translation of both the UK and Irish performance into NZ$.

In local currency terms, UK revenues increased 22% but declined 7.5% when translated into NZ$ due to the sharp decline in the GBP following the Brexit vote. Operating losses from the UK however declined to NZ$0.731m as the business opened 4 new stores across the year, spreading the cost base. In Ireland, in local currency terms, network sales increased 38% but net sales growth in NZ$ grew 12% due to the stronger NZ dollar, as Exhibit 9 sets out.

Exhibit 9: Continuing business performance by division (in NZ$m)

FY17	Global Franchising and design	UK	Ireland	Supply	Corporate	TOTAL
Revenue	2.489	1.543	0.668	0.640	0.000	5.340
Operating loss before tax and interest	0.295	(0.731)	(0.036)	(0.241)	(2.257)	(2.970)
FY16	**Global Franchising and design**	**UK**	**Ireland**	**Supply**	**Corporate**	**TOTAL**
Revenue	3.150	1.773	0.594	0.635	0.000	6.152
Operating loss before tax and interest	(0.090)	(1.216)	(0.572)	0.012	(2.269)	(4.135)

Source: Company data

Global Coffee House Market

The branded coffee house market has been one of the highest growth retail sectors over the past decade. The pace of growth, in most countries, is faster than broader retail spending and restaurant spending as a whole. Statista estimates that the top 10 branded coffee networks generate US$27.5bn in revenue as the following table sets out.

Exhibit 10: Top 10 Branded Coffee Networks globally by stores and revenues in 2016

Brand	Owner	Number of Stores	Revenue (US$b)
Starbucks	Starbucks Corporation	22,557	21.1
Costa Coffee	Whitbread Plc	3,031	1.81
McCafe	McDonalds	5,044	1.46
Doutor	Doutor Coffee Co	1,108	0.72
Coffee Bean & Tea Leaf	International Coffee & Tea	925	0.52
Caffe Nero	Caffe Nero Ltd	683	0.44
Tully's	Global Barrista	605	0.44
Ediya Expresso	Ediya Expresso	1,240	0.36
Caribou	JAB Holding Co	522	0.31
Gloria Jeans	Retail Food Group	666	0.30

Source: Statista

We note that Dunkin' Donuts has not been included in Statista's branded coffee networks' list. Dunkin' Donuts has more than 11,300 stores world-wide, however it is more food rather than branded coffee focused. It also should be noted that Retail Food Group and JAB Holding Co both own several other branded coffee networks with Gloria Jeans and Caribou respectively their largest.

International data house Euromonitor estimates that in 2016, specialist coffee shops were the fastest growing major restaurant category in terms of global sales, increasing 9.1% from 2014-2015, compared with 5.7% growth from the international restaurant industry and 5.8% growth in global fast food. Starbucks continues to dominate this segment in terms of number of stores and revenue generated as Exhibit 10 demonstrates. The sector is fast changing, however, with several of the names in the top 10 in 2016 not present three years' before.

Perhaps even more notable is the fact that this growth was consistent across all world regions, according to Euromonitor, including those that are considered emerging market regions as well as those that are highly mature. Western Europe for example, despite seeing just 1.5% sales growth in the industry as a whole, and negative growth in some similar categories like traditional cafés, recorded 10.8% in specialist coffee shops driven by growing interest in chained café concepts and increasing acceptance of modern, international coffee-drinking culture as a whole.

Worldwide coffee sector specialist, Allegra, has defined this as the 5th wave in the business of branded coffee. The 5th Wave encompasses a compelling combination of all four previous waves – Tradition, Chains, Artisan, and Science – where high quality boutique chains become a major feature of the future market. CGF has embraced this concept, branding and adopting practices to be artisan, organic and Fair-trade across its network. This is particularly evident in the UK.

UK Market

Research house Allegra forecasts that the total UK coffee shop market will outstrip pubs by 2020. Allegra estimates that the branded coffee shop segment generated £3.7bn in 2016, an increase of 11.2%. There are 6,940 branded coffee outlets in the UK today with Costa, Starbucks and Caffé Nero accounting for just over half of the total. Their combined share of the branded coffee-focussed segment is 76%, as Exhibit 11 below sets out. Allegra is forecasting the total branded coffee market (which includes coffee-focussed and food-focussed outlets) to grow revenues to £6.3bn by 2021, a compound rate of 11% and for the number of outlets to grow at a CAGR of 6% to 9,400 outlets in the same period.

Exhibit 11: UK Branded Coffee-Focussed Chains by store numbers and turnover

Operator	Store Numbers	Market shares by stores 2016	Market shares by turnover 2016
Costa Coffee	2121	44.1%	39.2%
Starbucks	898	18.7%	24.4%
Caffe Nero	650	13.5%	11.7%
Cafe2U	80	1.7%	0.3%
Coffee#1	72	1.5%	1.3%
Muffin Break	62	1.3%	1.1%
Puccino's	40	0.8%	0.3%
Harris + Hoole	36	0.7%	0.5%
Soho Coffee Company	36	0.7%	1.5%
Ritazza	36	0.7%	0.3%
AMT Coffee	32	0.7%	0.6%
Coffee Republic	32	0.7%	0.4%
Love Coffee	29	0.6%	0.4%
Esquires	**28**	**0.6%**	**0.6%**
Café Thorntons	23	0.5%	0.3%
Joe & The Juice	20	0.4%	0.4%
Boston Tea Party	19	0.4%	0.6%
Ground Espresso Bars	18	0.4%	0.1%
Boswells	16	0.3%	0.3%
Others	562		
Total	**4810**		

Source: Allegra World Coffee Portal

Exhibit 11 demonstrates the concentration of the market with the top three brands accounting for 76% of the total branded coffee-focused market. There is a long tail after these top three. In terms of store numbers, Allegra ranks Esquires at 14th with 28 stores (although Esquires now has 29 outlets in the UK). Interestingly, as Exhibit 11 shows, Esquires ranks 14th by number of stores but in terms of market turnover, Esquires ranks 7th in the branded coffee-focused chains market. This is due to the high proportion of food that Esquires sells in its UK operations. Exhibit 11 also highlights the high level of fragmentation in the UK branded coffee-focused market. We see opportunities for CGF to become a meaningful operator in this market through acquiring some of its peers.

Irish market

CGF's Irish stores are its best performing in the network with approximately 60% of sales coming from food. Allegra estimates that there were 582 branded coffee shops in the Republic of Ireland in 2016 with the largest network operated by Insomnia, which has 120 stores. Costa, the UK-domiciled group owned by Whitbread Plc is the second largest player in Ireland. The market there grew faster than the UK with 11.3% growth in revenue in 2016. Ireland is the fourth fastest growing market in Europe, according to Allegra behind Romania with 139 stores, Poland with 708 stores and Greece with 923 stores, and the 10th largest market in the region. We see Cooks' development of this market as a central plank to its business plan.

RaaS Advisory Forecasts

We have incorporated the company's guidance for 140 stores by FY18e. We estimate that CGF will generate NZ$15.1m revenue from its network and normalised net loss after tax of NZ$0.9m. We expect the company to utilise the cash from its recapitalisation to achieve its year end store target. Longer term, we are forecasting that the company grows the network organically to 650 stores by FY21e, through a mix of franchise, joint venture and Special Purpose Vehicle arrangements. We believe the company can achieve this aim without recourse to the equity capital markets for additional raisings.

Exhibit 12: Earnings forecasts

Year ended March 31 (in NZ$m)	FY17e	FY18e	FY19e	FY20e	FY21e
Number of stores at year end	98	140	216	339	650
Network sales	39.4	45.9	69.5	110.6	160.0
Revenue	5.3	15.1	30.6	69.5	130.1
EBITDA normalised	-2.8	-0.9	1.4	7.6	17.7
NPAT normalised	-3.5	-0.9	-0.1	2.4	6.2
EPS normalised	-0.86	-0.13	-0.03	0.44	1.13
DCF/share					$0.115

Source: RaaS Advisory

SWOT analysis

We set out the strengths, weaknesses, opportunities and threats that we see for CGF in the following table. We believe the strengths and opportunities in CGF's business model outweigh the weaknesses and threats although we caution that most of the opportunities are likely to generate additional capital requirements.

Exhibit 13: Strengths, weaknesses, opportunities, threats

Strengths	Opportunities
Strongly committed major shareholders	Fragmented industry with several chains available for acquisition
Retail connections in China through major shareholders	Opportunity to reduce costs by investing in own coffee roaster
Fairtrade/clean NZ focus is desirable with consumers	Many territories yet untapped
Ethical businesses are well perceived by millennials	Opportunities to grow in existing footprint
Well performing franchises in Ireland and UK	
Pathway to breakeven is clearer	
Weaknesses	**Threats**
Very small player trying to play on a global scale	Global players are aggressively chasing market share
Esquires brand is owned by others in NZ and Australia	Potentially could need further capital injections
Key Man Risk	Currency translation – GBP and Euro
Stock Liquidity, free float is very small	
Business partner risk in JVs	

Source: RaaS Advisory

Sensitivities

In our view the key sensitivities relating to the CGF business model are:

- **Competition** – the branded coffee house segment is highly competitive with several branded coffee houses such as Starbucks, Costa Coffee, McCafe and Gloria Jeans establishing dominant positions in both their own and offshore markets. Many of these brands are already well established in CGF's existing and planned markets, making it more challenging for smaller players to secure brand acceptance and consumer attention. Esquires Coffee seeks to overcome this by promoting its New Zealand 'clean and green' heritage and fairtrade offerings.
- **Business plan execution:** the increasingly international reach of CGF's business presents a challenge for management from both a brand development and operational perspective. CGF will also need to ensure it has the right executive mix to manage the different legal and operational environments across its group.
- **Currency risk**: CGF is exposed to almost a dozen different currencies from both a revenue and cost perspective, with the conversion of reported revenue back into New Zealand dollars. The weakening of the NZ dollar against currencies such as sterling and the US dollar, underscores the need for CGF to develop treasury and currency management skills to manage its exchange rate exposures.
- **Stock liquidity**: Following the recapitalisation plan the company's free float will be 26.1% with Keith Jackson, Jiajiayue Group Co, YunNan Metropolitan Investment Company, and non-executive director Andrew Kerslake controlling more than 73% of the company. Exhibit 14 on page 12 sets out the shareholding structure.
- **Key-man risk –** executive chairman Keith Jackson has been the driving force behind the company's ambitions to grow a global branded coffee business.

Board and management

Directors

Executive Chairman – Graeme Keith Jackson founded CGF in 2008 and has been the driving force in its transformation into a global coffee franchise. Mr Jackson was formally CEO of Tegel Foods, a New Zealand-based chicken manufacturer and an investor in several other food businesses, especially in the dairy sector.

Non-executive Director – Andrew Kerslake is an investor and entrepreneur with a background in logistics and shipping.

Independent Non-executive Director – Mike Hutcheson has a background in advertising, publishing and media. He previously served as managing director of advertising agency Saatchi and Saatchi, New Zealand.

Non-executive Director – Peihuan Wang is the Chairman and general manager of Shandong Jiajiayue Investment Holdings and Vice President of the China Chain Store and Franchise Association.

Non-executive Director – Hui Zhe is the general manager of YMCI Beijing Hotel and is in charge of hotel development and operational businesses for YMCI and its subsidiaries.

Management

The senior management team includes the following members:

Chief Financial Officer – Craig Brown is a Chartered Accountant and has worked as an Audit Manager at PwC. He previously served as the CFO of CBRE Ltd.

Managing Director Great Britain – Doug Williamson co-founded the Esquires Coffee Brand in Vancouver in 1993. After a 20 year absence, he rejoined the brand when CGF bought the global intellectual property rights. He is driving the redevelopment of the brand in the UK.

Managing Director Ireland – Tony McVerry formerly owned the master franchise for Ireland which he sold to CGF in 2013. His previous career was in banking.

General Manager Markets and Channels – Shane Moates has more than 20 years' experience in the retail and hospitality industries including a stint as head of partnerships and business development at the Caffe Nero chain in the UK.

General Manager China – Ellen Zhang has been both a franchise owner of Esquires Coffee and an executive with one of the company's major shareholders, YMCI. She has been instrumental in expanding Esquires' presence in China and brings to the company awareness of the Chinese hospitality industry and its culture.

General Manager Canada – Michelle Brick is the current owner of 4 Esquires Coffee Store franchises in Canada, which Cooks acquired the Master Franchse rights to in early 2016. Prior to this she had a career in business development in the oil and gas services industry.

Design and Brand Manager – John Macdonald founded Cooks Global Foods subsidiary Design Environments in 1990 and has expertise in diverse retail and graphic design environments. John has been the principal designer for the Esquires Coffee brand since 2008.

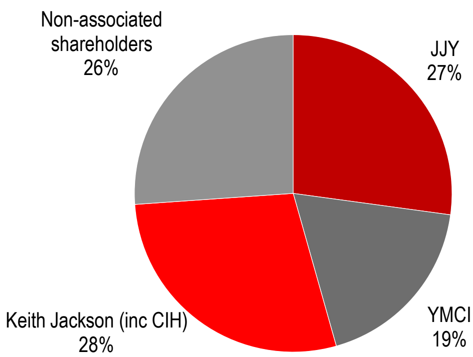
GM Supply Chain – Nic McLean brings 30 years' coffee experience to Cooks as GM Supply Chain. His broad background in senior sales and marketing roles also includes managing a franchised coffee shop network in New Zealand, running a coffee equipment and service business unit, coffee trainers and a national sales team. He has been marketing manager of a large Australian coffee company as well as a board member of a global vending alliance. Amongst his achievements was the founding of the New Zealand Barista competition which he ran for 7 years.

Digital and Communications Manager - Haiping Niu has seven years' experience in cross-cultural multi-layer communication, market analysis, digital strategy and strategic development. She has worked in different industries including music, contemporary art, community education and business consultancy in the UK, China and New Zealand.

Capital structure

Following the recapitalisation plan, CGF is estimated to have 545.6m shares on issue with 73% of these held by the largest shareholders. Exhibit 14 sets out the shareholding structure by percentage terms following the recapitalisation plan. If the company undertakes its share buyback of 20m shares, there could be a further concentration of shareholding structure.

Exhibit 14: Shareholding structure post recapitalisation plan



Source: Company data, RaaS Advisory

Return on Invested Capital

The expected CAGR in EBITDA from 2019 to 2021 is 260% with a six-fold increase in the number of stores from the end of FY17 to FY21. As Exhibit 15 sets out, our current forecast is for incremental EBIT of NZ$2.0m in FY18e (being the improvement from an operational loss of NZ$3.0m in FY17 to a forecasted operational loss of NZ$0.9m in FY18e) and an additional NZ$18.1m over the following three years. The incremental ROIC from the forecasted store rollout is 4801% in FY19e, 249% in FY20e and 452% in FY21e. It should be noted that some of this improved EBIT is due to the maturation profile of new stores of previous years. However, that said, the incremental ROIC is well above the cost of capital and thus underscores the value creation within this business model.

Exhibit 15: Incremental ROIC from forecasted store rollout

EV	FY15A	FY16A	FY17F	FY18F	FY19F	FY20F	FY21F
Net Debt	2.5	3.7	7.4	3.1	2.0	-1.4	-12.6
Equity	23.7	28.9	29.2	38.2	38.2	38.2	38.2
EV	26.1	32.6	36.6	41.3	40.2	36.8	25.6
Incremental returns on capital				FY18F	FY19F	FY20F	FY21F
Incremental equity				6.0	1.2	5.8	13.4
Incremental debt				-4.3	-1.1	-3.4	-11.2
Incremental EV				1.8	0.0	2.4	2.2
Incremental EBIT				2.0	2.2	6.0	9.9
Incremental ROIC					4801%	249%	452%

Source: RaaS Advisory

DCF valuation

We use the discounted cashflow methodology to value CGF as we believe this more accurately reflects its growth stage in its lifecycle. We have used a beta of 1.5, terminal growth rate of 2.0% and a WACC of 12.8%. This delivers a DCF/share of NZ$0.115 as Exhibit 16 sets out on the following page.

Exhibit 16: DCF Valuation

Parameters	
Discount Rate / WACC	12.8%
Beta	1.5
Terminal growth rate assumption	2.0%
In NZ$m	
Present value of cashflows	27.3
Present value of terminal value	42.7
PV of enterprise	70.0
Less debt	7.4
Net value	62.6
Net value per share (based on 545.6m shares post transactions)	$ 0.115

Source: RaaS Advisory

We are of the view that our WACC is appropriate given the higher risk, and therefore expected rate of return, that Cooks Global Foods presents. However we acknowledge that investors may have different risk tolerances and have therefore looked at the impact on our valuation at different terminal growth rates and different beta. We set out the sensitivity in Exhibit 17 below.

Exhibit 17: Impact on valuation of beta and terminal growth rate (in NZ cents per share)

Beta (below)/Terminal Growth (right)	1.0%	1.5%	2.0%	2.5%	3.0%
1.0	17.7	18.7	19.8	21.2	22.7
1.1	15.8	16.7	17.6	18.7	19.9
1.3	12.8	13.4	14.1	14.8	15.6
1.5	10.6	11.0	**11.5**	12.0	12.5
1.7	8.8	9.1	9.5	9.8	10.2
2.0	6.8	7.0	7.2	7.5	7.7

Source: RaaS Advisory

A market beta of 1.0 and a 2% terminal growth rate (which is the long term GDP growth rate adjusted for CPI) delivers a DCF valuation of 19.8c/share. However a higher beta of 2.0 at the same terminal growth rate delivers a DCF valuation of 7.2c/share.

Similarly, our valuation does not incorporate any debt expectations as Exhibit 18 below shows. If we were to incorporate a target gearing level of 20%, our WACC or discount rate would drop to 10.6% and the DCF valuation would increase to 16.2c/share from our current valuation of 11.5c/share.

Exhibit 18: Impact of target gearing on discount rate and valuation

Target Gearing	0.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Discount rate	12.8%	11.7%	11.2%	10.6%	10.1%	9.6%
DCF (cents)	11.5	13.5	14.8	16.2	17.8	19.6

Source: RaaS Advisory

Comparable listed peers

CGF is comparable to several Australian and New Zealand companies in the fast food and branded coffee house space, including Retail Food Group which owns branded coffee house Gloria Jeans. The peer group is trading on a media EV/Revenue of 3.3x, EV/EBITDA of 12.4x and FY16 PER of 15.7x. However, it should be noted that this group is relatively mature compared to CGF and the values generated by their metrics are very broad.

Exhibit 19: Australian and New Zealand Comparable companies

Company	Country	Share price	Market cap ($m)	EV ($m)	EV/Rev (x) (FY16)	EV/ EBITDA(x) (FY16)	EPS (c) (FY16a)	EPS (c) (FY17e)	PER (x) (FY16a)	PER (x) (FY17e)
Burger Fuel Worldwide	NZ	1.64	98	91	4.4	-114.3	-1.3	n.a.	-126.2	n.a.
Collins Foods International	AU	5.09	488	612	1.1	12.0	32.4	35.9	15.7	14.2
Dominos	AU	53.49	4751	5058	5.4	42.4	94.6	137.1	56.5	39.0
Retail Food Group	AU	4.94	870	1081	3.5	12.4	40.7	46.1	12.1	10.7
Restaurant Brands*	NZ	5.99	736	712	1.8	18.6	26.3	34.3	22.8	17.5
Median				**712**	**3.5**	**12.4**			**15.7**	**15.8**

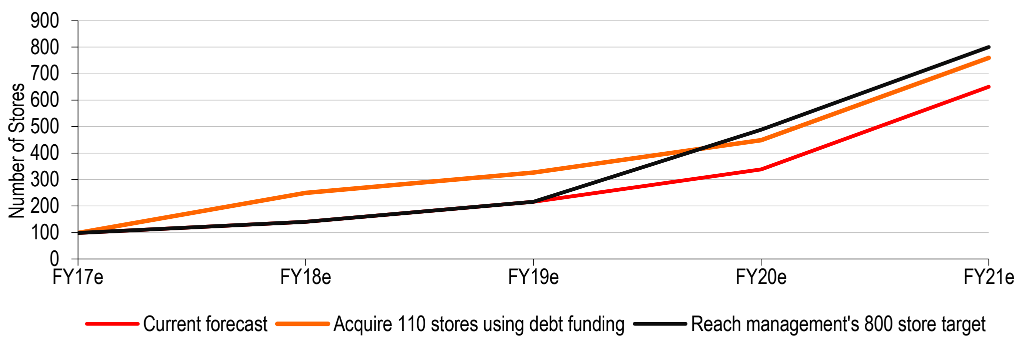
Source: Thomson Reuters (Share prices at 14 June 2017) *FY17a used

Scenario analysis

The charts below illustrate the impact of a range of possible increases in store numbers. In this analysis we have used the following assumptions:

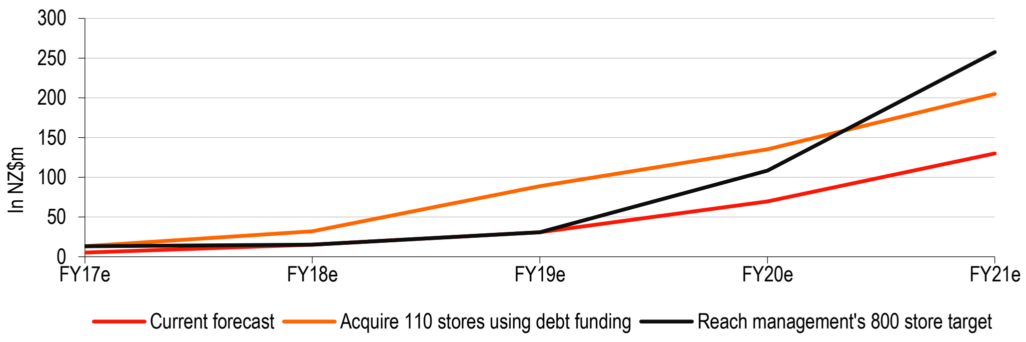
- Our base case is 140 stores in FY18e rising to 650 stores in FY21e
- We have assumed acquisitions are debt funded
- We have assumed that the company hits its management target of 800 stores by FY21e by rolling out additional special purpose vehicles/joint ventures.

Exhibit 20: Sensitivity impact on base case store assumptions (if acquire 110 stores/build to 800 stores)



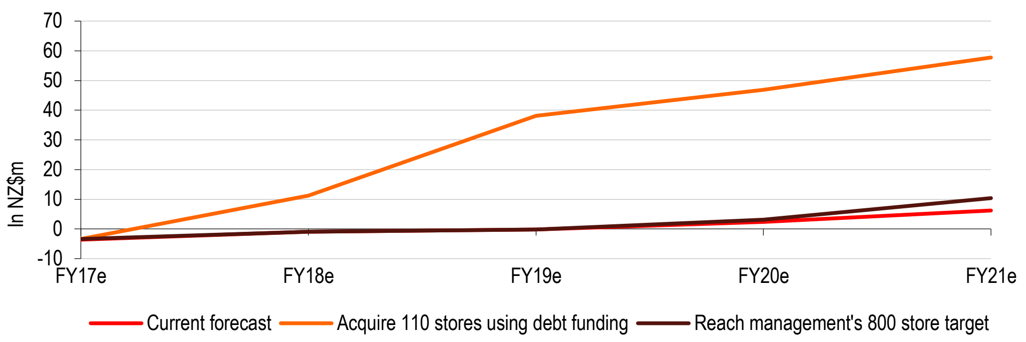
Source: RaaS Advisory

Exhibit 21: Sensitivity impact on base case revenue forecast (if acquire 110 stores/build to 800 stores)



Source: RaaS Advisory

Exhibit 22: Sensitivity analysis impact on base case NPAT forecast (if acquire 110stores/build to 800 stores)



Source: RaaS Advisory

Exhibit 23: Financial Summary

COOKS GLOBAL FOODS (CGF.NZX)					
Profit and Loss (NZ$m)					
Y/E 31 March	**FY15A**	**FY16A**	**FY17A**	**FY18F**	**FY19F**
NO OF STORES		**86**	**98**	**140**	**216**
TOTAL REVENUE			**31.6**	**45.9**	**69.5**
Revenue	8.9	6.2	5.3	15.1	30.6
EBITDA	(3.3)	(3.9)	(2.8)	(0.9)	1.4
Depn	(0.4)	(0.2)	(0.2)	(0.1)	(0.2)
Amort	0.0	0.0	0.0	0.0	0.0
EBIT	(3.8)	(4.1)	(3.0)	(0.9)	1.2
Interest	(0.2)	(0.3)	(0.6)	(0.0)	0.1
Tax	0.0	0.0	(0.0)	0.2	(0.5)
Minorities	0.0	0.0	0.0	(0.3)	(1.3)
Equity accounted assoc	0.0	0.0	0.0	0.1	0.4
NPAT pre significant items	(4.0)	(4.5)	(3.5)	(0.9)	(0.1)
Significant items	(0.4)	(3.5)	(8.7)	0.0	0.0
NPAT (reported)	**(4.4)**	**(7.9)**	**(12.2)**	**(0.9)**	**(0.1)**
Cash flow (NZ$m)					
Y/E 31 March	**FY15A**	**FY16A**	**FY17A**	**FY18F**	**FY19F**
EBITDA	(3.3)	(3.9)	(2.8)	(0.9)	1.4
Interest	(0.2)	(0.2)	(0.6)	(0.0)	0.1
Tax	0.0	0.0	(0.0)	(0.4)	(0.5)
Working capital changes	1.5	(2.0)	(2.3)	(0.4)	1.2
Operating cash flow	(2.0)	(6.1)	(5.7)	(1.7)	2.2
Mtce capex	(0.3)	(0.3)	0.2	(0.1)	(0.2)
Free cash flow	(2.3)	(6.4)	(5.4)	(1.7)	2.0
Growth capex	0.0	(0.6)	(0.1)	(0.6)	(0.9)
Acquisitions/Disposals	(2.2)	(0.3)	(0.1)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	(6.7)	(13.7)	(11.0)	(4.1)	3.2
Equity	8.0	3.5	0.0	6.6	0.0
Debt	0.0	(3.9)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	1.2	(14.2)	(11.0)	2.5	3.2
Balance sheet (NZ$m)					
Y/E 31 March	**FY15A**	**FY16A**	**FY17A**	**FY18F**	**FY19F**
Cash	4.7	1.0	0.2	2.6	3.8
Accounts receivable	1.3	4.6	3.3	4.2	3.4
Inventory	1.0	0.8	0.5	0.7	0.8
Other current assets	2.2	3.3	5.2	5.2	5.2
Total current assets	*9.2*	*9.8*	*9.1*	*12.6*	*13.1*
PPE	1.1	1.5	0.3	0.9	1.8
Goodwill	10.3	9.6	3.0	3.0	3.0
Other intangibles	0.0	0.0	0.0	0.0	0.0
Deferred tax asset	0.0	(0.0)	0.0	0.6	0.6
Other	0.0	0.1	0.0	0.1	0.5
Total non current assets	*11.4*	*11.2*	*3.3*	*4.6*	*5.9*
Total Assets	20.6	21.0	12.4	17.2	19.0
Accounts payable	3.0	6.0	4.7	5.4	5.9
Short term debt	7.2	4.7	7.6	2.6	2.6
Tax payable	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1.2	0.5	0.0	0.0	0.0
Total current liabilities	*11.4*	*11.3*	*12.3*	*8.0*	*8.5*
Long term debt	0.0	0.0	0.0	0.0	0.0
Other non current liabs	0.8	1.3	0.0	0.0	0.0
Total long term liabilities	*0.8*	*1.3*	*0.0*	*0.0*	*0.0*
Total Liabilities	12.2	12.6	12.3	8.0	8.5
Net Assets	**8.4**	**8.4**	**0.1**	**9.3**	**10.5**
Share capital	27.5	36.4	37.9	47.7	47.7
Accumulated profits/losses	(19.2)	(27.0)	(38.9)	(39.8)	(39.9)
Reserves	0.0	(0.0)	1.1	1.1	1.1
Minorities	0.0	0.3	0.0	0.3	1.6
Total Shareholder funds	**8.4**	**9.6**	**0.1**	**9.3**	**10.5**

Share price (26tth June 2017)					NZ$	0.06
Interim (NZ$m)	**H116A**	**H216A**	**H117A**	**H217A**	**H118F**	**H218F**
Revenue	4.5	1.9	5.5	- 0.0	8.3	6.8
EBITDA	- 1.1	- 2.8	- 3.1	0.4	1.4	- 2.3
EBIT	- 1.4	- 2.7	- 3.6	0.6	1.4	- 2.3
NPAT (normalised)	- 1.5	- 2.9	- 3.8	0.2	1.0	- 1.6
Minorities	-	-	0.2	- 0.2	- 0.1	- 0.2
NPAT (reported)	- 1.5	- 6.4	- 3.6	- 8.6	0.9	- 1.7
EPS (normalised)	- 0.44	- 1.55	- 0.88	- 2.06	0.16	- 0.32
EPS (reported)	- 0.45	- 0.71	- 0.88	0.02	0.19	- 0.32
Dividend (cps)	-	-	-	-	-	-
Imputation	28.0	28.0	28.0	28.0	28.0	28.0
Operating cash flow	- 1.4	- 4.8	- 2.6	- 3.0	1.1	- 2.8
Free Cash flow	- 1.4	- 3.9	- 2.6	- 3.2	1.5	- 2.4
Divisions	**H116A**	**H216A**	**H117A**	**H217A**	**H118F**	**H218F**
Rev - Franchises One-off			0.7	0.1	0.6	0.6
Rev - Franchises			0.4	0.2	7.1	5.4
Rev - Supply			0.4	0.5	0.5	0.6
Rev - Crux			-	0.0	0.1	0.1
Rev - Acquisitions			-	-	-	-
EBITDA - Franchises One-off			- 0.5	0.1	0.6	0.6
EBITDA - Franchises			- 0.0	0.2	4.6	1.6
EBITDA - Supply			- 0.4	0.1	0.4	0.4
EBITDA -Crux			-	0.0	0.1	0.1
EBITDA - Overheads			- 1.0	- 1.0	- 4.2	- 5.0
EBITDA - acquisitons			-	-	-	-
Margins, Leverage, Returns		**FY15A**	**FY16A**	**FY17A**	**FY18F**	**FY19F**
EBITDA		-37.5%	-63.8%	-51.6%	-5.7%	4.5%
EBIT		-42.2%	-67.2%	-55.6%	-6.2%	4.0%
NPAT pre significant items		-44.7%	-72.8%	-66.5%	-5.8%	-0.5%
Net (Debt)Cash		- 2.5	- 3.7	- 7.4	0.0	1.2
Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	0.835
ND/ND+Equity (%)	(%)	22.6%	27.7%	98.3%	-0.2%	-12.4%
EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	- 0.1
ROA		-18%	-19.9%	-17.8%	-6.3%	6.7%
ROE		-53%	-88%	-250%	-18%	-1%
ROIC		-35%	-49%	204%	-11%	13%
NTA (per share)		n/a	0.00	n/a	0.01	0.01
Working capital		- 0.7	- 0.6	- 0.9	- 0.5	- 1.7
WC/Sales (%)		**-8%**	**-9%**	**-18%**	**-4%**	**-6%**
Revenue growth			-31%	-13%	183%	103%
EBIT growth pa			n/a	n/a	n/a	-232%
Pricing		**FY15A**	**FY16A**	**FY17A**	**FY18F**	**FY19F**
No of shares (y/e)	(m)	338	413	417	546	546
Weighted Av Dil Shares	(m)	295	353	413	449	546
EPS Reported	cps	- 0.00	- 1.99	- 2.94	- 0.16	- 0.03
EPS Normalised/Diluted	cps	- 0.00	- 1.17	- 0.86	- 0.13	- 0.03
EPS growth (norm/dil)			n/a	n/a	n/a	n/a
DPS	cps	-	-	-	-	-
DPS Growth			n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		28	28	28	28	28
PE (x)		-	-	-	-	-
PE market					18.9	18.9
Premium/(discount)					-100%	-100.0%
EV/EBITDA		- 6.8	- 7.3	- 11.8	- 37.7	22.7
FCF/Share	cps	-0.6	-1.6	-1.4	-0.4	0.2
Price/FCF share		- 10	- 4	- 4	- 14	25
Free Cash flow Yield		-9.8%	-27.1%	-22.9%	-7.0%	4.0%

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 11th May 2017

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Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice.

We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities by firstly sending you the offer document and then assisting you fill out the application from if needed.

How are we paid?

RaaS earns a fee from companies for providing a research report and/or a financial model on the company, for dealing in its securities or for assisting in raising capital. You don't pay anything.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should

- contact your Adviser and tell them about your complaint, the adviser will follow our internal dispute resolution policy, including sending you a copy of the policy if required

- BR is a member of the Financial Ombudsman Service, our external dispute resolution provider.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08 Email: nfo@fos.org.au

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.