

FY22 Results Show Record Trifecta

Rare Foods Australia's (RFA) FY22 results showcased record volumes of harvest (81.7 tonnes) and processing (94.0 tonnes) and record sales revenue (\$3.9m) over the past year. While the biomass volume declined from 210.4 tonnes in FY21 to 203.4 tonnes as at 30 June 2022 (-3%) on the back of harvest volumes increasing, the biomass value increased from \$6.3m in FY21 to \$7.5m in FY22 (+19%) driven by RFA's premiumisation strategy and demand returning to push the average price/kg up 19% on the prior year. The performance reflects the optimisation strategy for the core business having a significant positive impact on results, following several new initiatives instigated under new management, with particular focus on R&D to improve biomass yields and the premiumisation strategy to lift sales and margins.

MSC Accreditation puts RFA in league of its own

The MSC (blue fish tick) standard is globally the most recognised standard for sustainability in the seafood industry and is the preferred accreditation scheme for the Western Australia regulatory authority (under the Department of Primary Industries and Regional Development). RFA is now the only wild enhanced fishery globally that is using sustainable practices to commercially produce wild greenlip abalone. Achieving this milestone reflects the best-in-class standards maintained by RFA as a sustainable wild fishery and will continue to position the company well in attracting the attention of major international seafood buyers.

Buying time on Esperance

A significant part of RFA's long term growth strategy has involved a greenfield development project in Esperance, Western Australia, to develop a land-based abalone farm, as part of a joint venture with Yambah Aquaculture. The decision to delay the Esperance project allows RFA time for capacity constraints in WA to ease further post pandemic while enabling the company to further build key stakeholder relationships to gain the support necessary to ensure the project is a major success especially for local industry. The project remains a significant part of RFA's future growth strategy with the potential to add 600T of total abalone supply, 50% of which would be shared by RFA. Our forecast for 140T of harvested abalone production from current production assets by FY25, up from the current annualised production of 80-90T, remains unchanged, given the group's primary focus on the optimisation of the core business.

Valuation

Our base-case 12-month forward DCF valuation remains at \$0.33, implying significant upside from the current price. A conservative cross-check, taking out the Esperance growth project still implies a valuation of \$0.13 per share. Key risks to our valuation include further changes to the Esperance project and a deterioration of market conditions.

RARE FOODS AUSTRALIA

Rare Foods Australia (RFA) grows wild greenlip abalone through an aquaculture technique known as 'sea ranching'. With this method, hatchery-bred juvenile abalone are placed in the ocean onto RFA-designed artificial reefs ('abitats') and left to nature to grow for 2-3 years until they reach a marketable size. The company has the competitive advantages of providing year-round supply to meet market demand and a method that offers proven sustainability. RFA is the largest sea-based producer of greenlip abalone in Australia.

Stock	RFA.ASX
Price	A\$0.06
Market cap	A\$12m
Valuation (per share)	A\$0.33 (unchanged)

MST Access Live

[Video Link – webcast with Executive Management](#) (2 August 2022)

Catalysts

1QFY23	Quarterly results update
1QFY23	'The Ocean Pantry' & ecommerce platform to go live

RFA share price (A\$)



Source: FactSet.

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Exhibit 1 – Rare Foods Australia company summary (year-end 30 June)

MARKET DATA						12 month relative performance versus S&P/ASX 200							
Price	\$				0.060								
DCF Valuation - 12 month	\$				0.33								
Total return - 12 month	%				456%								
52 week high / low	\$				0.07-0.10								
Market capitalisation	\$m				12.0								
Shares on issue (ordinary)	m				200.7								
Options / rights	m				8.6								
Shares on issue (diluted)	m				209.3								
INVESTMENT FUNDAMENTALS						PROFIT AND LOSS							
Reported NPAT	\$m	-1.7	-0.9	-0.2	1.4	-0.2	Abalone Revenue	\$m	3.2	3.9	4.7	6.3	8.0
Underlying NPAT	\$m	-1.7	-0.9	-0.2	1.4	-0.2	Total Revenue	\$m	5.1	6.0	6.7	8.3	10.1
Reported EPS (diluted)	¢	-0.8	-0.4	-0.1	0.7	-0.1	Operating Expenses	\$m	-6.9	-7.3	-8.0	-9.3	-11.0
Underlying EPS (diluted)	¢	-0.8	-0.4	-0.1	0.7	-0.1	EBITDA	\$m	-1.8	-1.3	-1.2	-1.0	-0.9
....Growth	%	nm	nm	nm	nm	nm	Depreciation & amortisation	\$m	-0.7	-0.6	-0.6	-0.4	-2.0
Underlying PER	x	nm	nm	nm	nm	8.7	EBIT	\$m	-2.5	-2.0	-1.8	-1.4	-2.8
Operating cash flow per share	¢	0.1	-0.9	0.4	0.5	0.7	Net interest	\$m	0.0	0.0	0.0	0.0	-0.4
Free cash flow per share	¢	0.0	-1.2	0.3	-9.1	-4.9	Fair value adjustment on biomass	\$m	0.7	2.0	1.6	2.8	3.0
Price to free cash flow per share	x	570.5	nm	18.5	nm	nm	Other non operating income	\$m	0.0	0.0	0.0	0.0	0.0
FCF yield	%	0.2%	-20.4%	5.4%	-151%	-80.8%	PBT	\$m	-1.8	0.0	-0.2	1.4	-0.2
Dividend	¢	0.0	0.0	0.0	0.0	0.0	Tax expense	\$m	0.1	-0.9	0.0	0.0	0.0
Payout	%	0%	0%	0%	0%	0%	Reported NPAT	\$m	-1.7	-0.9	-0.2	1.4	-0.2
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	Adjustments to underlying	\$m	0.0	0.0	0.0	0.0	0.0
Franking	%	0%	0%	0%	0%	0%	Underlying NPAT	\$m	-1.7	-0.9	-0.2	1.4	-0.2
Enterprise value	\$m	13.4	12.0	11.3	20.0	30.6	Weighted average shares	m	200.7	200.7	200.7	202.2	203.7
EV/Sales	x	2.6	2.0	1.7	2.4	3.0	Weighted average diluted shares	m	200.7	200.7	209.3	209.3	209.3
EV/EBITDA	x	nm	nm	nm	nm	nm	GROWTH PROFILE						
EV/EBIT	x	nm	nm	nm	nm	nm	Total Revenue	%	1.8	18.2	12.8	23.6	20.9
Price to book (NAV)	x	1.0	0.7	0.8	0.3	0.2	EBITDA	%	nm	nm	nm	nm	nm
Price to NTA	x	1.0	0.7	0.8	0.3	0.2	EBIT	%	nm	nm	nm	nm	nm
							Underlying NPAT	%	nm	nm	nm	nm	nm
							Underlying EPS	%	nm	nm	nm	nm	nm
							DPS	%	n/a	n/a	n/a	n/a	n/a
KEY RATIOS incl FV adjustment						BALANCE SHEET							
Gross margin	%	18.6	37.4	37.4	38.0	38.0	Cash	\$m	2.7	0.8	1.5	4.9	6.4
NPAT margin	%	nm	nm	nm	17.3	nm	Receivables	\$m	1.3	2.1	1.8	2.2	2.6
ROE	%	nm	nm	nm	5.9	nm	Inventory	\$m	0.4	0.8	0.5	0.7	0.9
ROA	%	nm	nm	nm	3.6	nm	Biological assets	\$m	6.3	7.6	7.5	7.9	7.8
Net tangible assets per share	¢	6.8	6.4	6.0	12.0	11.8	Property, plant & equip, ROUA	\$m	4.6	4.6	4.1	23.9	34.0
Book value per share	¢	7.8	8.2	7.9	19.8	25.7	Goodwill and intangibles	\$m	0.1	0.1	0.1	0.1	0.1
Net debt /(cash)	\$m	-2.7	-0.1	-0.8	7.8	18.3	Other	\$m	0.3	0.5	0.4	0.4	0.4
Gearing (net debt / EBITDA)	x	1.5	0.1	0.6	nm	nm	Total assets	\$m	15.7	16.5	15.9	40.1	52.3
Leverage (net debt / (net debt + equity))	x	-0.2	0.0	-0.1	0.2	0.4	Payables	\$m	0.8	0.8	1.0	1.3	1.5
							Borrowings	\$m	0.0	0.7	0.7	12.7	24.7
							Other	\$m	1.1	2.0	2.0	1.9	1.8
DUPONT ANALYSIS						Total liabilities							
Net Profit Margin	%	nm	nm	nm	17.3	nm	Net assets	\$m	13.7	13.0	12.2	24.3	24.2
Asset Turnover	x	0.3	0.4	0.4	0.2	0.2	Equity	\$m	27.0	27.0	27.0	37.4	37.4
Return on Assets	%	nm	nm	nm	3.6	nm	Retained earnings	\$m	-13.3	-14.0	-14.8	-13.2	-13.2
Financial Leverage	x	1.1	1.3	1.3	1.7	2.2	Minorities	\$m	0.0	0.0	0.0	0.0	0.0
Return on Equity	%	nm	nm	nm	5.9	nm	Shareholders' equity	\$m	13.7	13.0	12.2	24.3	24.2
KEY PERFORMANCE INDICATORS						CASH FLOW							
Biological asset base	T	210.4	203.4	195.6	192.6	175.2	Net Income (Cashflow)	\$m	-2.5	-1.9	-1.7	-1.3	-2.8
Biological asset base	\$m	6.3	7.6	7.5	7.9	7.8	Depreciation & Amortization	\$m	0.7	0.6	0.6	0.4	2.0
Growth	%	-37%	21%	-1%	6%	-1%	Change in Net Operating Assets	\$m	1.9	0.2	1.9	2.0	2.7
Harvest	T	75.9	81.7	90.0	115.0	140.0	Other Non-Cash Items, Total	\$m	0.0	-0.7	0.0	0.0	-0.4
Sales	T	72.0	74.4	85.5	109.3	133.0	Operating cash flow	\$m	0.2	-1.8	0.8	1.1	1.5
Sales Price, per KG	\$	44.2	51.9	54.5	57.3	60.1	Capital expenditure	\$m	0.0	-0.7	-0.1	-20.0	-12.0
Growth	%	-16%	18%	5%	5%	5%	Acquisitions/divestment/other	\$m	-0.1	0.0	0.0	0.0	0.0
Abalone revenue	\$m	3.2	3.9	4.7	6.3	8.0	Investing cash flow	\$m	-0.1	-0.7	-0.1	-20.0	-12.0
Growth	%	72%	21%	21%	34%	28%	Equity	\$m	0.0	0.0	0.0	10.4	0.0
							Increase / (decrease) in borrowings	\$m	0.0	0.7	0.0	12.0	12.0
							Dividend/other	\$m	-0.1	-0.1	-0.1	-0.1	-0.1
							Financing cash flow	\$m	-0.1	0.6	-0.1	22.4	11.9
							Opening cash	\$m	2.6	2.7	0.8	1.5	4.9
							Net cash flow	\$m	-0.1	-1.9	0.7	3.4	1.5
							Closing cash	\$m	2.7	0.8	1.5	4.9	6.4
							Free cash flow	\$m	0.1	-2.5	0.8	-18.9	-10.5

Source: RFA reports, MST Access estimates

FY22 Recap – Asset Optimisation Drives Record Harvest & Sales

FY22 was a significant year for RFA given its record levels of harvest, sales and revenue. This was despite the challenging environment posed by Covid-19, which contributed to significant logistical and human resource constraints.

From a supply chain perspective, the impact on distribution was significant with shipments and freight to major markets including the US and China severely hampered. Deliveries that usually take 1-2 months to the US, took more than four months. For Chinese orders, bulk orders for Chinese New Year festivities missed their expected delivery time needed for celebrations, which subsequently impacted the delivery of future bulk orders for approximately 10 tonnes.

On the human resourcing side, the first five months of 2022 saw up to a third of the RFA team away either due to Covid-19 illness or restrictions.

Diver training innovation

To aid with the development and retention of skilled divers to support RFA's operations, the company has established its own training school. The training programs are accredited and meet national commercial diving competency standards. Over the past 16 months, RFA has conducted two diver intern training courses and one commercial diving supervisor course.

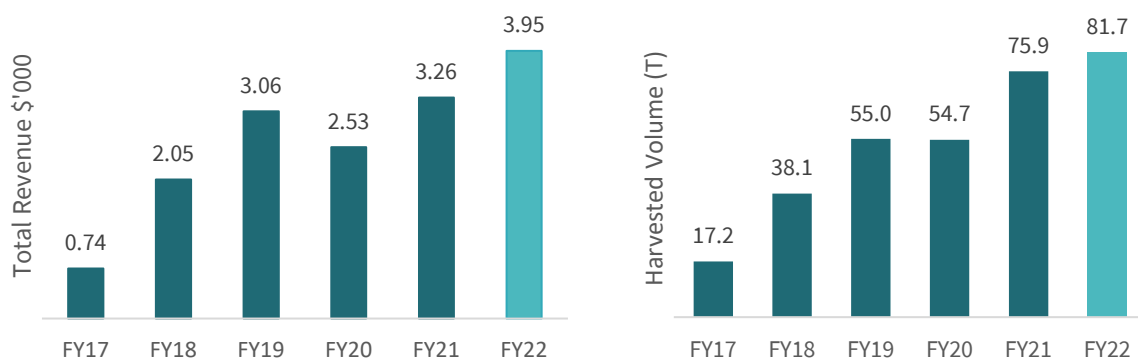
RFA is continuing to develop its own diving courses to not only provide accredited divers for its own needs, but to also support the broader WA scientific diver and seafood industry. External participation further helps subsidise RFA's own training costs. At the same time, the tailored programs suited to the seafood industry are expected to help reduce the risk of diver turnover for the company.

Operational highlights

Despite these challenges, notable production highlights for the business during the year included:

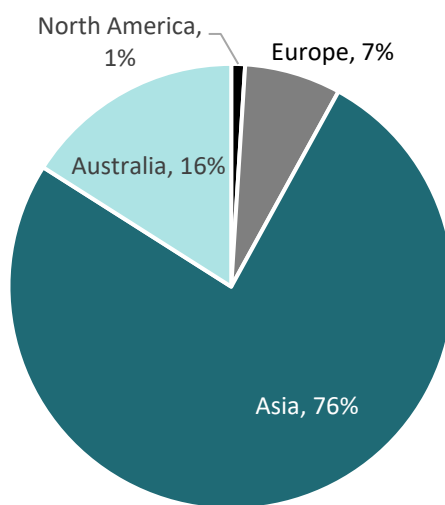
- Record harvest of 81.7 tonnes (+7 YoY) of wild greenlip abalone, which contributed to sales of 75.0 tonnes (+5% YoY). Management expects to harvest 90 tonnes this year, an optimal amount to maximise production. This accounts for the appropriate deployment and biomass growth rates, to sustain longer term harvest production.
- Record tonnes processed of 94 tonnes (+12% YoY). This amount, which is higher than the harvested volume, reflects the company's goal of continuing to utilise its asset base to support the processing and distribution of third-party produced product, while adding to revenue growth. There remains significant scope to increase processing output for both organic volume growth and third-party product.
- Record total sales revenue of \$3.9m (+21% YoY) across Asia, North America and Europe.
- Increased the biomass value from \$6.3m in FY21 to \$7.5m in FY22 (+19%), while also increasing harvest volumes. This was driven by RFA's premiumisation strategy and demand returning to push the average price/kg up 19% on the prior year.

Exhibit 1 – RFA Sales Revenue Trend Profile and Harvest Volume (tonnes) shows yearly growth every year except for FY20 during the onset of Covid-19



Source: RFA

Exhibit 2 – Primary Geographic End Markets



Source: RFA

Strategy Builds on Core Business; New Esperance Timeline

Evidence based approach to improving biomass and yields through R&D

The results of the company's R&D efforts and scientific approach are beginning to pay dividends. The FY22 harvest demonstrated the maturity of the reef with the average size of the abalone harvested moving upward from 188g to 215g per animal. At deployment, average sizes start at 150g, growing to 220g by harvest stage following approximately three years of growth. The increase in average size is significant for RFA given the lower number of animals needing to be harvested for greater harvest volumes by tonnage. This increases operational efficiency and contributes further to the sustainability of the biomass.

Further analysis is continually being undertaken to determine the best ranch management routines to maximise survival and growth as well as how to keep blocks lifted on the seabed. The continual R&D efforts (alongside the Department of Primary Industries and Regional Development – Western Australia) should continue to strengthen its unique position as a wild abalone producer, increasing the company's moat and standing amongst leading global aquaculture producers. Barriers to entry remain high with RFA holding the only two leases in WA, which allow the placement of abaitats and cultivation of abalone on the ocean floor.

Juvenile deployment rates

Abalone deployment rates have now returned to pre-covid-19 levels, with the annual total number of juveniles restocked on the reefs equalling 1,268,460 (vs 662,820 in 2021). Deployment of juveniles was deferred in FY21 to allow for anticipated growth in the biomass, pending improved market conditions.

Managing the rates of deployment is important to prevent reef overpopulation. Further research is being undertaken around the ideal rate of deployment and target density of abaitats and the impact both of these variables have on survival rates. Improving mortality rates continues to be a key focus for RFA in analysing the entire life cycle of abalone, from ranching to processing systems, all to maximise biomass growth and output.

Relocating underperforming abaitats

Following data analysis to identify underperforming abaitats and develop consistency in approach, RFA has begun the process of moving 2k underperforming abaitats (20% of total abaitats). RFA has found new sites identified as being on firmer areas of the ocean floor with improved natural food supply. Importantly, this process and the costs involved are claimable as R&D expenditure. This will aid biomass growth and continued harvest growth.

MSC Accreditation reinforces premiumisation strategy

Following the receipt of Marine Stewardship Council (MSC) accreditation, RFA is now the only producer recognised globally for using sustainable practices to commercially produce "wild" greenlip Abalone. Excluding RFA's output, the annual quota for wild greenlip abalone for the coming year is ~319 tonnes, which is down ~7% on the previous year and continues the recent declining trend for global quotas. Wild abalone production now only makes up less than 1% of total supply globally.

While RFA is not included in this global quota because of its unique and sustainable ocean ranch technique, the end-product is effectively categorised as wild abalone following the MSC accreditation. By including RFA's FY23 expected harvest of 80-90 tonnes to the global quota, total volume to be fished this year is expected to be 400-410 tonnes. This implies that RFA holds between 20-25% market share of expected global wild greenlip abalone production for FY23. RFA's market share and pricing power is expected to grow as the company continues to grow harvest volumes, while global quotas for wild abalone are likely to continue to decline.

MSC certification will also add to RFA's high end premium product branding, allowing the company to continue promoting its product to a global customer base that increasingly values sustainability and marine ecosystem health, which fits well with the company's premiumisation strategy.

Sales and marketing appointment

To capitalise on RFA's new market position following the MSC accreditation, new General Manager for Sales and Marketing, Alex Wilson, will focus on developing a group of global master distributors, who order an annual supply of tonnage and on sell through distributors and wholesalers in their respective regions. Alex has significant experience in selling rare products in bulk from the southwest region in WA. RFA currently has master distributors in place in Australia (agreement with South West Fine Foods), Hong Kong and the USA, with late stage negotiations continuing with distributors in UK/Europe as well as Singapore.

Hybrid retail focus

RFA is due to launch its "Ocean Pantry" retail and tourism offering in the coming months in a new showroom based at the Augusta Boat Harbour facility. RFA is also aiming to replicate the retail offering in Fremantle early next year. The new physical premises should coincide well with the return of more domestic and international tourism in the coming year. Further opportunities are being explored for the premium retail offering, including high end retail collaborations and food educational experiences for both domestic and international visitors. All of this complements the broader marketing strategy to strengthen the brand's association with sustainable, luxury and high-end rare foods (a primary driver for the rebranding to Rare Foods Australia).

As part of RFA's hybrid sales model, the company launched its new media website in December last year with work continuing on further developing the ecommerce platform for both domestic and international consumers, following its initial launch last quarter. These new developments and achievements should support more sales at retail pricing for RFA's abalone, at approximately twice the bulk rate for abalone (more than \$100/kg).

Sustainable organic growth

Since the introduction of new management, RFA has developed a disciplined framework to assess other value accretive opportunities to continuously strengthen the core businesses.

During the year, RFA completed trials of ocean cellared wine product and have inventory which will be sold through Ocean Pantry. Further evaluation of options for the product are currently taking place to develop a scalable business plan going forward.

As part of the company's sustainability ethos, RFA created new innovative revenue streams from the bi product associated with abalone. These include:

- Selling of some 20 tonnes of "B" grade shells, which are sold to overseas buyers who recycle the waste material for other use.
- Polishing and selling of 11,000 "A" grade shells, which are primarily distributed through the retail channel.
- Exploring options around the use of abalone gut for fertiliser, food and pet products.

RFA is further seeking to maximise the potential of its world class processing facility, by improving utilisation. Additional revenue is already being generated through the provision of third-party processing and sales and marketing services, particularly for the sale of wild roe and wild quota greenlip abalone. RFA estimates there is up to 90 tonnes of this product available annually in WA. The company is well positioned to use its processing and marketing capabilities to support and partner with third parties as they look to establish their

own long-term customers. RFA is also open to selective acquisitive opportunities which may provide key capabilities and/or diversify the company's portfolio of products as a rare food producer.

Esperance timeline takes stock of broader macro environment in FY22/23

As previously highlighted in our earlier update, we believe the decision taken by management to continue project development at a later date is a prudent one. This allows the company to continue focusing on developing its core strategy associated with premium rare foods including abalone, while also exploring both organic and inorganic growth opportunities that are smaller in scale and fit well with its premium brand offering of high-end ocean and land foods. The decision also makes sense considering the broader macro environment in WA, where compacity is constrained and costs associated with labour, inputs and materials to support greenfield developments are exorbitant.

The new timeline and variation of the Heads of Agreement with joint venture partner Yumbah is supported by a \$60k budget, which will support further activities to not only secure land options but also engage with key stakeholders including the WA state government, local council, and community groups including Traditional Owner groups.

The Esperance projects remains a unique opportunity for RFA. With the right support and business conditions, RFA and Yumbah believe the Esperance opportunity can be a leading Aquaculture project that diversifies the Western Australian economy and enhances regional employment opportunities.

Financials & Valuation: Base-Case DCF Value \$0.33 per share

Core business is profitable and fully funded

RFA achieved an operating profit before tax of \$35.0k, which compares to a loss of -\$1.8m in FY21. After accounting for the increase in the fair value of the biomass which increased the company's deferred tax liability, net loss for the group in FY22 was \$855.0k, compared to a loss of \$1.7m in FY21.

As for cashflow, FY22 saw net operating cashflow of -1.8m (including \$364k which was invested in the feasibility study for the Esperance abalone farm and hatchery). Most costs were invested in staff and R&D initiatives, which were predominantly focused on improving the productive capacity of the ranch and core business. The majority of this investment subsequently attracts a 43.5% tax incentive credit which will be reimbursed (~\$1.8m) later this calendar year.

Outlook

As at end July 2022, RFA has secured sales for wild caught greenlip over the next 12 months equating to 73% of FY22 sales. As the mix of sales improves to a more premium level customer, aided by the new MSC Accreditation and premiumisation strategy, pricing should continue to improve from average levels of \$52/kg (FY21 pricing was \$43/kg). RFA expects to increase its harvest volumes forecast in FY23 (up from 81.7 tonnes in FY22) to support the demand.

Importantly, the supply of 1.2m farmed juveniles per annum is locked in for the next two years with fixed pricing. With this, RFA stands to benefit from greater operating leverage as they continue to increase the survival rates and growth.

Funding

Current cash balance is \$800k. We expect this to increase significantly following the payment of the R&D credit. NAB's debt facility also provides the company flexibility with an additional \$1m of support to draw on to manage working capital when necessary.

Valuation - Our Base Case DCF

As per our previous update, following the new timeline for the potential Esperance project, our base case DCF valuation is \$0.33 which remains unchanged, implying significant upside from the current share price. For the core business alone ex Esperance, our valuation is \$0.13 which presents 1.16x upside.

Key assumptions of our DCF

- We assume that **prices** (and, in turn, **COGS**):
 - After rebounding strongly by 19% post Covid in FY22 to ~\$52/kg, increase 5% pa over FY23-FY25 as RFA benefits from its premiumisation strategy
 - continue to grow 3% pa long term.
- We assume that harvested **volumes**:
 - increase to hit the company's target of 140T pa by FY25
 - increase beyond this with Esperance to 440T pa by FY29 (previously FY28).
- We assume that the business benefits from **leverage at most cost lines** (excluding employee costs rising between 3-10% pa and corporate costs rising 2% pa). RFA has locked in juvenile supply agreements for the following two years at fixed prices, allowing the company to benefit from better pricing.

- **Tax losses** of \$15.2m imply that RFA will not be paying tax until FY30 on our estimates. These tax losses include the non-cash item of fair value adjustment on the biological assets, which has accumulated +\$9.7m in FY15–FY22. Therefore, this tax loss underestimates the true cash loss.

Further Potential Valuation Upside

We see further upside potential to our valuation. Factors that could potentially further lift our valuation include:

- **Increased yield:** Achievable through lower mortality and higher productive growth rates for the biomass
- **Higher Pricing:** Our forecast of 5% p.a. price growth may be conservative given current bulk pricing as well as RFA's strategic move towards higher levels of retail sales
- **Higher sales volumes:** from a broader range of product and offerings
- **Increased utilisation and increased revenue from in house processing plant:** not only for in house sourced aquaculture but also for externally sourced product from third parties
- **Potential acquisitions / diversification / JV agreements**

Risks to Valuation

- **Aquaculture-related operational risks:** these include the risks associated with safety of abalone diving, disease, theft, environmental changes, predation and severe weather events.
- **Incorrect biomass assessment:** given the assessment of biomass is carried out every 6 months using a sample, there is a risk the asset base is over or understated.
- **Greenlip abalone prices and industry supply/demand dynamics:** this can include additional unexpected supply domestically or offshore, through potential advanced technologies. It can include depressed demand from economic volatility or through government intervention with additional tariffs applied to the sector.
- **Further changes to the Esperance Project:** the Esperance project makes up \$A0.13 of our A\$0.33 valuation. Further delays due to extended labour shortages and other capex price increases may impact project expectations in the future.
- **Tariffs:** an increase in the Chinese trade tariff on abalone would lead to weaker sales and prices, as occurred with lobsters.
- **Forex risk:** with export abalone sold in US dollars.
- **Current concentration risk** on both the supplier and vendor side, and associated risk of dependency.
- **Government relationships** through lease and licence approvals.
- **Partner relationships** relating to various partnerships including Ocean King Fishing and Yumbah Aquaculture. Expansion plans depend on an effective relationship.
- **Key management risk:** key management could be a risk if they departed the business and took with them their business relationships that may impact RFA.
- **Funding:** in order to successfully execute their growth plans, RFA will require external funding. The equity markets may be closed to RFA for a variety of reasons, in which case it may have to seek alternative options.

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