

ASX RELEASE

COLLINS FOODS CONTINUES GROWTH TRAJECTORY, SUCCESSFULLY INTEGRATING ACQUISITIONS

Tuesday, 26 June 2018: Collins Foods Limited (ASX: CKF) today announced its results for the financial year ended 29 April 2018 (FY18).

Introducing the FY18 results, Collins Foods' Managing Director & CEO, Mr Graham Maxwell said:

“Over the past financial year, we have continued to grow our KFC Australia business through organic underlying growth, and acquisitions which have expanded our Australian footprint and consolidated our position as the largest KFC operator in Australia. At the same time, we established a European footprint providing attractive long-term growth opportunities for increased KFC penetration in the Netherlands and Germany. In addition, we have entered an exciting new phase with the successful launch of our first Taco Bell restaurant, with further restaurants to follow over the next 12 months.”

Overview of FY18 results

- Revenue up 21.7% to \$770.9 million (FY17: \$633.6 million)
 - KFC Australia SSS (same store sales) of 1.0% (FY17: 0.7%)
 - Acquisition of 25 KFC Australia restaurants successfully completed and integrated (two completed post year end, one restaurant yet to complete)
 - 33 KFC restaurants operating in Europe at year end: comprising 15 restaurants in Germany and 18 restaurants in the Netherlands
- Statutory EBITDA up 14.7% to \$89.6 million (FY17: \$78.1 million); and underlying EBITDA up 16.4% to \$94.5 million (FY17: \$81.3 million)
- Statutory NPAT up 16.1% to \$32.5 million (FY17: \$28.0 million); and underlying NPAT up 13.3% to \$38.9 million (FY17: \$34.3 million)
- Operating cash flow up 23.1% (or \$14.0 million) to \$74.5 million (FY17: \$60.6 million)
- Net debt of \$227.2 million (FY17: \$133.1 million) and Net leverage ratio of 2.14 (FY17: 1.59) due to funding of acquisitions in the Netherlands and Australia
- Fully franked final dividend of 9.0 cents per ordinary share declared (FY17: 9.0 cps); and total FY18 fully franked dividend of 17.0 cps (FY17: 17.0 cps)

Top line growth across KFC Australia network

Commenting on the Collins Foods KFC Australia network, Mr Maxwell said: “We successfully completed the acquisition of 25 restaurants during the financial year while continuing to drive same-store sales growth across the network. Our integrations are progressing well, and our new restaurants have given the Group greater geographic diversity and scale advantages to continue driving earnings growth.”

The core domestic business continues to grow, with EBITDA from the KFC Australia network up 10.5% to \$99.3 million. EBITDA margins have contracted slightly to 15.9% (FY17: 16.4%) due to promotional activity that generated a small shift in product mix and the impact of some sales deleverage, principally in WA. However, WA SSS did turn positive in Q4 FY18.

Of the 28 restaurants acquired from Yum! 27 transfers are now complete, with the final restaurant to complete during the next two months. The acquired restaurants are performing to expectations.

Growing European footprint driving scale

Commenting on Collins Foods' KFC Europe network, Mr Maxwell said: "During FY18 we have integrated our acquired European business and seen improvements in results in Germany due to the transformation plan. The Netherlands is performing to expectations, however, there is some overall softening of margins due to the cost of new openings."

At year end, Collins Foods had a total of 33 KFC restaurants in Europe, comprising 15 restaurants in Germany and 18 restaurants in the Netherlands. The Company has built and opened two new restaurants in the Netherlands and two new restaurants in Germany. Two additional restaurants were opened post year end in Germany. The Company is on target to open six to eight restaurants across Germany and the Netherlands in FY19.

Comfortable debt position given funding of acquisitions

Following the purchase of 28 KFC Australia restaurants and 16 KFC Netherlands restaurants, net debt increased \$94.1 million to \$227.2 million. The Company's net leverage ratio has increased to 2.14 (FY17: 1.59). As Collins Foods continues to generate cash from operations, the Company's level of debt will decrease.

"Collins Foods continues to generate strong operating cash flows. Restaurants acquired over the past 12 months are already contributing positively to the Company's earnings, and we expect to see gearing reduce as it did with previous acquisitions," Mr Maxwell said.

Sizzler continues its transition and delivered positive earnings

Collins Foods continues to successfully transition the Sizzler business while maintaining EBITDA. Sizzler revenue was down 22% to \$50.8 million, with two fewer restaurants compared to FY17, while EBITDA was flat at \$4.6 million. A further Sizzler restaurant closed post year end, leaving 13 restaurants open in Australia.

Sizzler Asia royalty revenue was up 9.7% due to new restaurant openings and a focus on our value proposition which has driven transactions. There were 73 Sizzler Asia restaurants operating at the year end.

Taco Bell continues to trade well

Collins Foods opened its first Taco Bell restaurant during FY18 at Annerley in Brisbane. The restaurant has performed strongly and has achieved positive customer engagement. Further restaurants are to be opened prior to the end of this calendar year.

"We are pleased with the acceptance of the Taco Bell brand by Australian consumers. Our Annerley restaurant continues to trade well, with Australians embracing the brand," Mr Maxwell said.

Dividend per share maintained

The Board has declared a final FY18 fully franked dividend of 9.0 cps (FY17 final dividend: 9.0 cps). This dividend will have a record date of 11 July 2018 and payment date of 26 July 2018.

The dividend per share has been held at the prior year level, as a full year of acquisition earnings is yet to flow through to results. This has been achieved notwithstanding the significant increase to issued capital.

The total dividend for FY18 is 17.0 cps fully franked (FY17: 17.0 cps).

Growth priorities for FY19

Commenting on Collins Foods' growth priorities for FY19, Mr Maxwell said:

"We are focused on continuing to grow our KFC Australia business through transaction led same store sales growth and further improving the performance of our WA business building on the positive Q4 results it achieved.

"During FY19, in Australia we plan to drive transaction led sales growth, build eight further KFC restaurants, and maintain a focus on operational improvements and margins. Simultaneously, we will look to roll out home delivery from more KFC restaurants through both aggregators and our own channel.

"In Europe, we are already seeing positive results from our transformation plan in Germany. The integration of our KFC Netherlands restaurant network is progressing well, and we continue to realise operational efficiencies across the network as we develop our back office support functions. Over the course of FY19, we are planning to open a further six to eight KFC restaurants across Europe.

"We will build further Taco Bell restaurants over the next year.

"We are committed to continuing our track record of successfully integrating acquired restaurants, rolling out new units and successfully increasing returns from remodelled restaurants. With a full year of earnings from recently acquired restaurants and our ongoing focus on driving organic growth across our network, we look forward to delivering strong growth in FY19."

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About us

Collins Foods Limited (ASX: CKF) is a KFC and Taco Bell franchisee in Australia and KFC franchisee in the Netherlands and Germany, the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in Asia. The Company seeks continuous improvement in all areas of its operations and work towards the following mission: "Establish Collins Foods as a leading restaurant holding company, which operates premier brands where people love to eat and are proud to work." For further information please visit www.collinsfoods.com