COLLINS FOODS LIMITED

FY18 FULL YEAR RESULTS

26 June 2018

COLLINS FOODS LIMITED

ACN 151 420 781

Group's results reflect expansion through acquisitions

$m	FY17 Underlying [1]	FY18 Statutory	FY18 Significant items [2]	FY18 Underlying	Change
Revenue	633.6	770.9		770.9	21.7% ↑
EBITDA	81.3	89.6	4.9	94.5	16.4% ↑
EBIT	57.2	58.7	5.1	63.8	11.6% ↑
NPAT	34.3	32.5	6.4	38.9	13.3% ↑
Net Debt [3]	133.1	227.2		227.2	$94.1m ↑
Net Leverage Ratio [3]	1.59	2.14		2.14	
Net Operating Cash Flow	60.6	74.5		74.5	$14.0m ↑
EPS Basic [4] (cents)	35.7 [5]	28.3		33.8	5.2% ↓
DPS (cents)	17.0	17.0		17.0	0%

(1) Refer to Appendix
(2) Refer to comments on page 2
(3) FY17 underlying net debt and underlying net leverage ratio have been adjusted to exclude the net proceeds from the equity raise to partially fund the acquisition of KFC restaurants in the Netherlands of $53.9m
(4) EPS basic adjusted for NPAT impact of significant items
(5) The underlying EPS in FY17 has not been restated for the bonus element of the 1:11 entitlement offer undertaken in July 2017

- Revenue up 21.7% to $770.9m
- Underlying EBITDA up 16.4% to $94.5m
- Underlying NPAT up 13.3% to $38.9m
- Net debt up to $227.2m and net leverage ratio up from 1.59 to 2.14 due to completion of acquisitions in Netherlands and Australia
- Net operating cash flow up 23.1% to $74.5m
- Underlying EPS down 1.9 cps to 33.8 cps due to greater shares on issue and acquisitions not yet being fully reflected in earnings
- Fully franked final dividend of 9.0 cents per ordinary share declared (FY17: 9.0 cps). Total FY18 fully franked dividend of 17.0 cps (FY17: 17.0 cps)
- Dividend held at prior year as full year of acquisition earnings yet to flow through to results

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Significant items summary

($m)	EBITDA	EBIT	NPAT
Acquisition costs:			
Due diligence and legal advice	0.7	0.7	0.7
Structuring and tax advice for acquisitions	0.5	0.5	0.5
Stamp duty on XYZ acquired stores	2.1	2.1	2.1
European set-up and integration costs	0.6	0.6	0.5
Total acquisition costs	**3.9**	**3.9**	**3.7**
Restructuring costs	1.0	1.0	0.7
Refinancing costs	-	-	0.7
DTA derecognition	-	-	1.1
Impairment write-offs	-	0.2	0.1
Total significant items	**4.9**	**5.1**	**6.4**

Acquisition costs

- Aggregated costs for the following acquisitions:
  - the acquisition of Yum! restaurants in Australia
  - the acquisition of Yum! restaurants in the Netherlands

Other significant items

- Restructuring costs: Snag Stand closure costs
- Refinancing costs: extinguishment of unamortised costs from previous refinancing
- DTA derecognition: Snag Stand deferred tax asset written-off

Operational overview

Australia

- Top line revenue growth of 13.6%
- Same Store Sales (SSS) growth of 1.0% with WA turning positive in Q4
- EBITDA margin 15.9%
- Acquisition of 25 stores complete during FY18, with 2 stores completed post year end and 1 store yet to complete
- 5 new restaurants built and opened

Europe

- Germany transformation plan progressing well with SSS growth of 1.7%
- Netherlands performing to expectations, proforma SSS growth of 1.2%
- 4 new restaurants built and opened

Taco Bell

- First restaurant in Annerley, Brisbane continues to trade well ahead of expectations
- Very positive customer engagement with the brand
- Further restaurants to follow during FY19

Sizzler

- Sizzler Australia SSS growth of (0.5%)
- Further Sizzler restaurant closed post year end, bringing current store count to 13
- Sizzler Asia growing sales and earnings, with net 5 restaurant openings during the year

Expansion of KFC footprint

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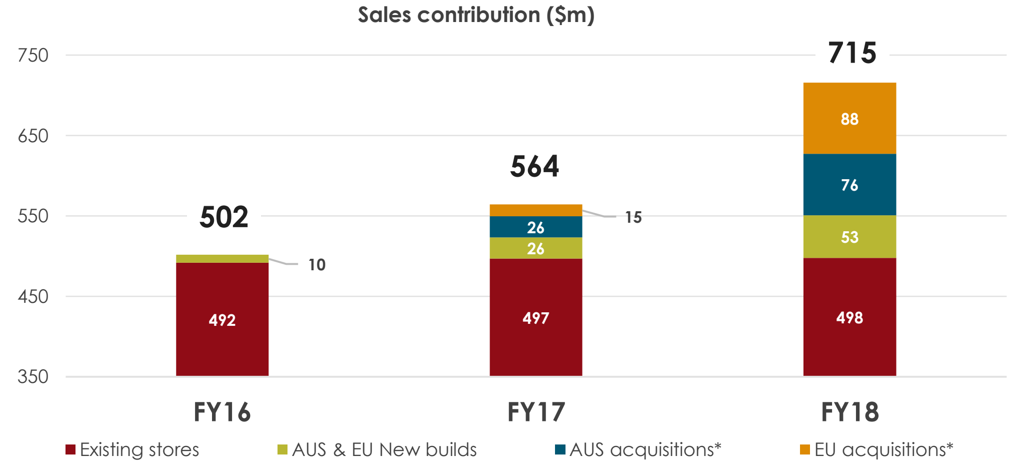
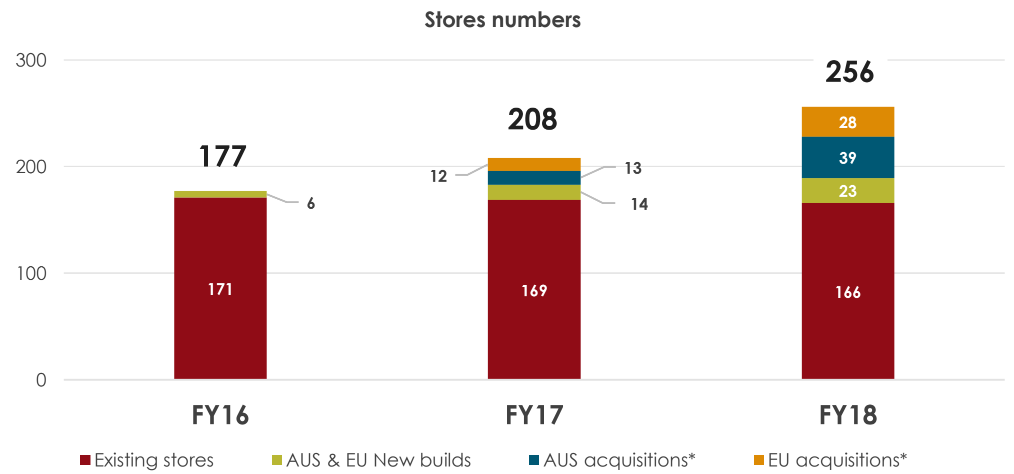
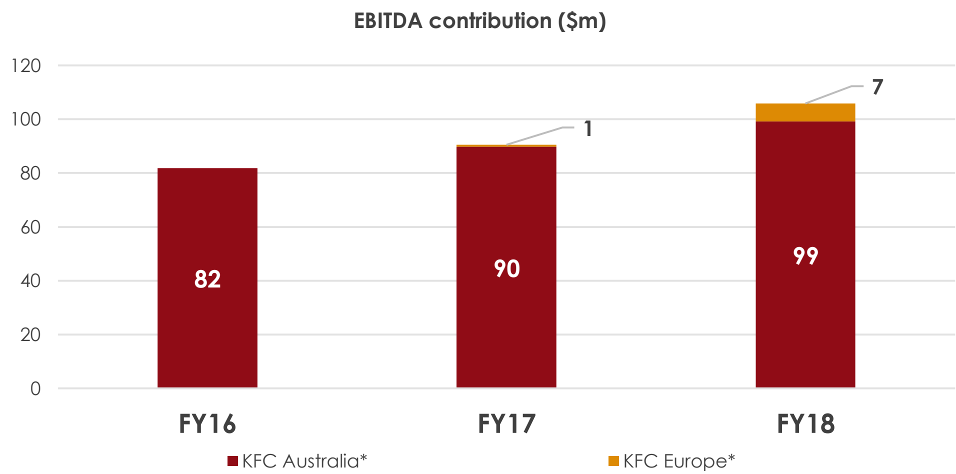
Strategic acquisitions significantly expand our overall KFC footprint



- Our growth platform has broadened and strengthened through the completion of 3 acquisitions over the past 18 months, in Australia, Germany and the Netherlands
- Balance sheet remains healthy with net leverage ratio of 2.1. This is expected to reduce during FY19
- Business is now more geographically diverse
- Total new builds expected to be between 14 and 16 over the next year





* Full year impact still to be realised in FY19

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KFC Australia

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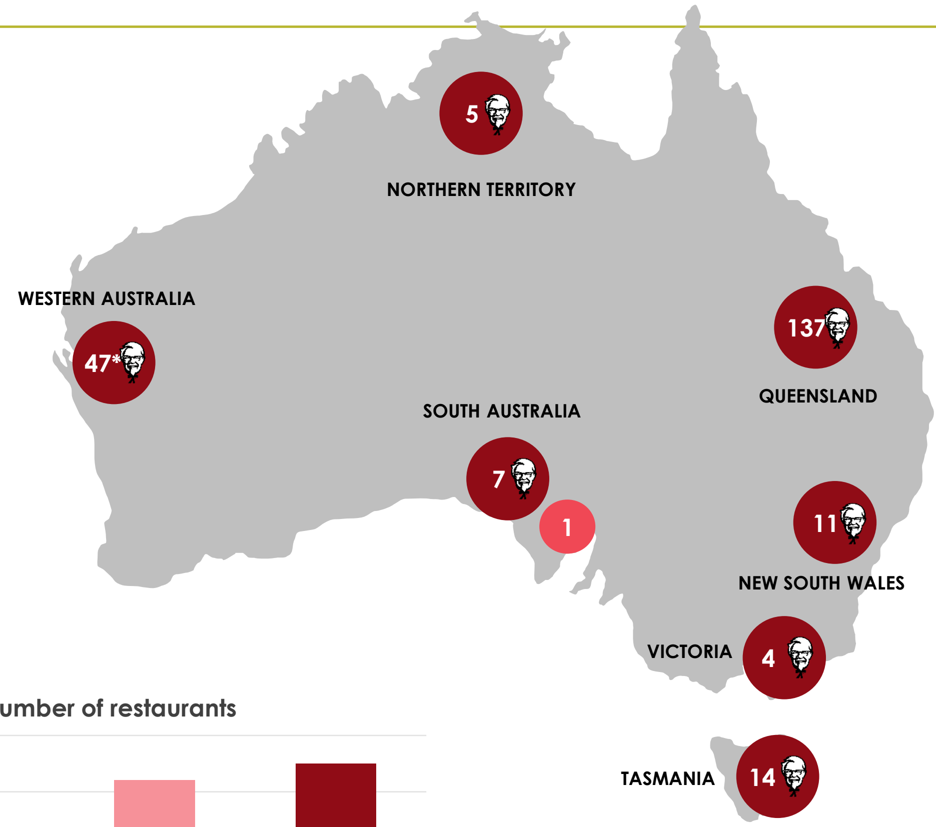
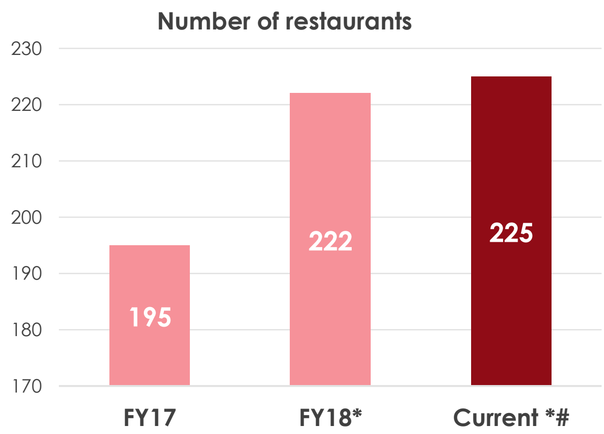
Expanded footprint accounts for over 35% of Yum! KFC national presence

- Acquisition of 28* restaurants from Yum! now complete apart from 1 restaurant in SA
- Completion has occurred as follows:
  - WA (4* restaurants) on 9 October 2017
  - SA (5 restaurants) on 23 October 2017
  - WA (2 restaurant builds) on 15 November 2017 and 11 December 2017 respectively
  - TAS (14 restaurants) on 4 December 2017
  - SA (2 restaurants) on 7 May 2018
- Final restaurant in SA is expected to complete during the next two months
- Integration of restaurants is progressing well
- Built 5 new restaurants and closed 3 during FY18
- Additional restaurant opened in QLD since year end





As at today's date
* Excludes 1 store - closure expected to occur
1 store remaining to be acquired from Yum!

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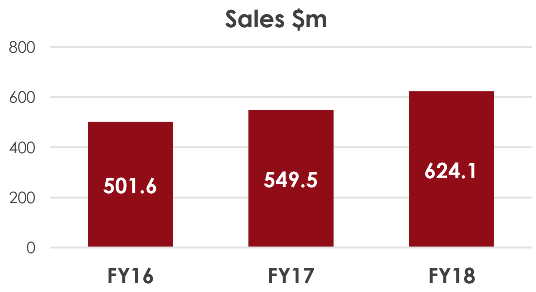
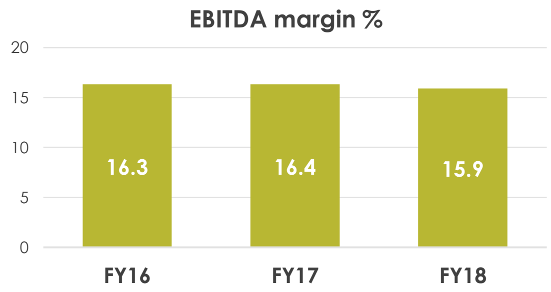
KFC Australia approaches $100m of EBITDA

	FY17 Underlying [(1)]	FY18 Statutory	Change
Restaurants			
year end (no.)	195	223	28 ↑
Revenue ($m)	549.5	624.1	13.6% ↑
% SSS	0.7%	1.0%	
EBITDA ($m)	89.8	99.3	10.5% ↑
% margin	16.4%	15.9%	50 bps ↓
EBIT ($m)	69.5	76.2	9.8% ↑
% margin	12.6%	12.2%	42 bps ↓

(1) FY17 Underlying EBITDA adjusted to exclude gain on disposal of property, plant and equipment relating to insurance recovery $0.6m and acquisitions costs of $0.1m

- Revenue up 13.6% to $624.1m (of which $50.3m or 9.2% contributed by acquisition)
- Overall SSS growth of 1.0% using Collins Foods methodology (1.4% using Yum! methodology) impacted somewhat by softer comps in WA:
  - WA sales comps turned positive in Q4
- EBITDA up 10.5% to $99.3m, EBITDA margin of 15.9% influenced mainly by:
  - small shift in product mix (promotion driven)
  - some sales deleverage effect, principally in WA
- 5 new restaurants opened, with 3 restaurant closures





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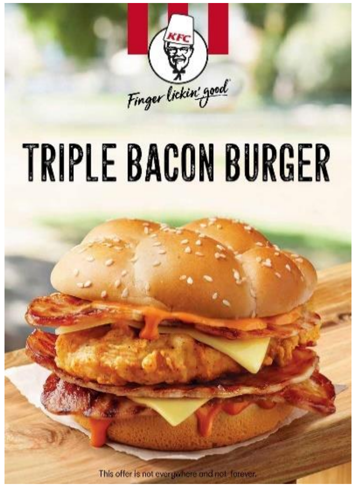
KFC Australia continues to innovate and provide great value

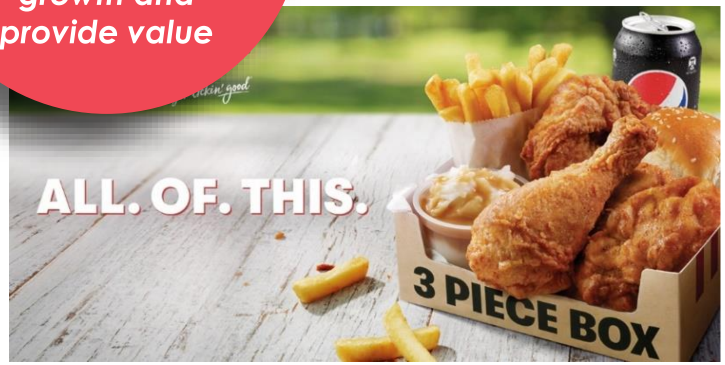
CORE PRODUCT INNOVATION

Providing the brand with a new variation on existing products



GREAT VALUE

Value offers continue to drive transaction growth and provide value



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KFC Australia operations, digital and delivery

OPERATIONS

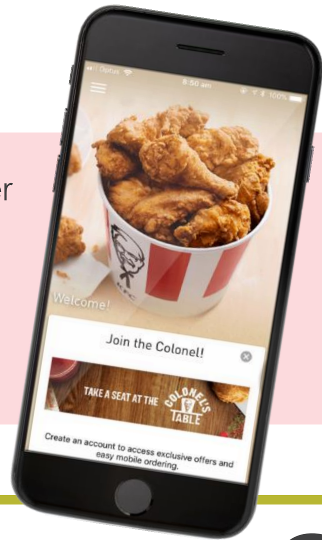
- Integration of acquired restaurants largely completed with 1 expected to come across within a couple of months
- Focus is now on increased systematisation to ensure high quality consistent customer experiences across all Collins Foods KFC restaurants
- Specific areas of emphasis are on labour rostering and speed of service

DELIVERY

- Own delivery launched in KFC Indooroopilly in April – additional stores under consideration
- Foodora test continues with five stores – positive sales and profitability impact
- Expansion into Perth with Deliveroo in 9 restaurants launched in June

APP

- Steady growth in App orders, now over 20,000 orders/week
- >20% higher average ticket than non-app orders
- Positive feedback from customers



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KFC Australia restaurant build update

- FY18 capex of circa $22m for KFC Australia network development:
  - 2 new restaurant openings in WA, 1 in NT and a further 2 in QLD
  - 12 major remodels
  - 17 minor remodels
- FY18 maintenance and other capital (i.e. digital menu boards) circa $7m

KFC Europe

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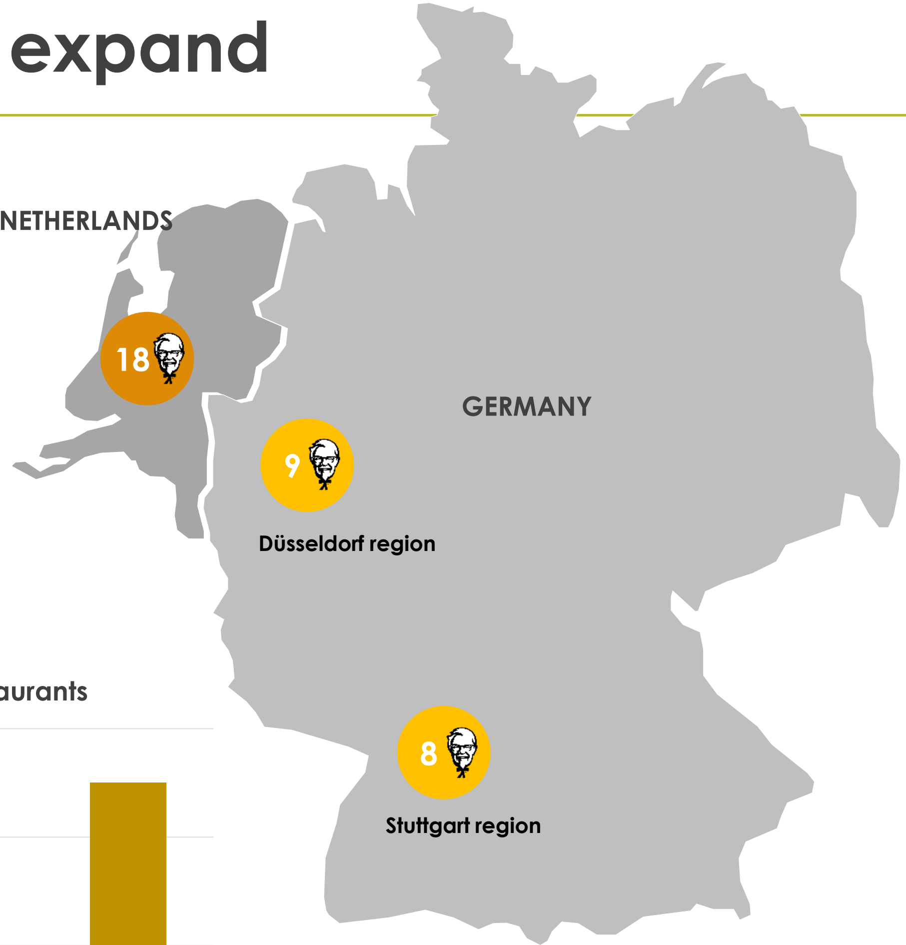
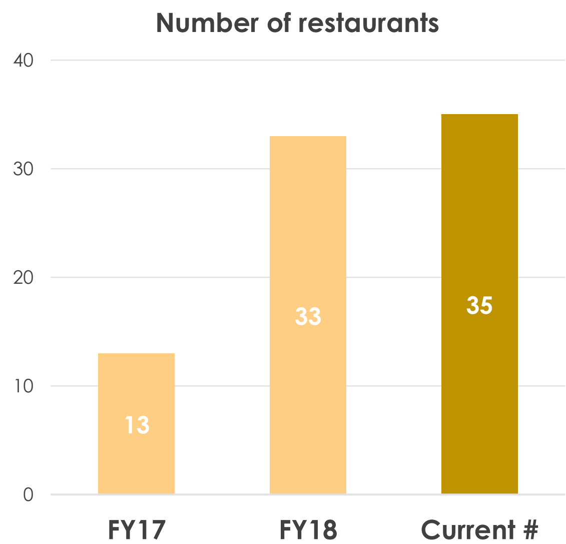
KFC Europe footprint continuing to expand

- Total of 33 KFC restaurants at year end:
  - 15 KFC restaurants in Germany
  - 18 KFC restaurants in Netherlands
- Netherlands transaction completed on 31 August 2017
- Built and opened 2 restaurants in the Netherlands *(Utrecht Haarrijn* and *Rijswijk id Bogaard)*
- Built and opened 2 restaurants in Germany during the first half year *(Kirchheim-Teck and Munster)*
- Additional 2 restaurants in Germany opened post year end *(Moers* and *Duisburg)*
- A total of 7 opened restaurants opened since acquisition
- On target to open 6 to 8 new restaurants across Germany and the Netherlands in FY19





As at today's date

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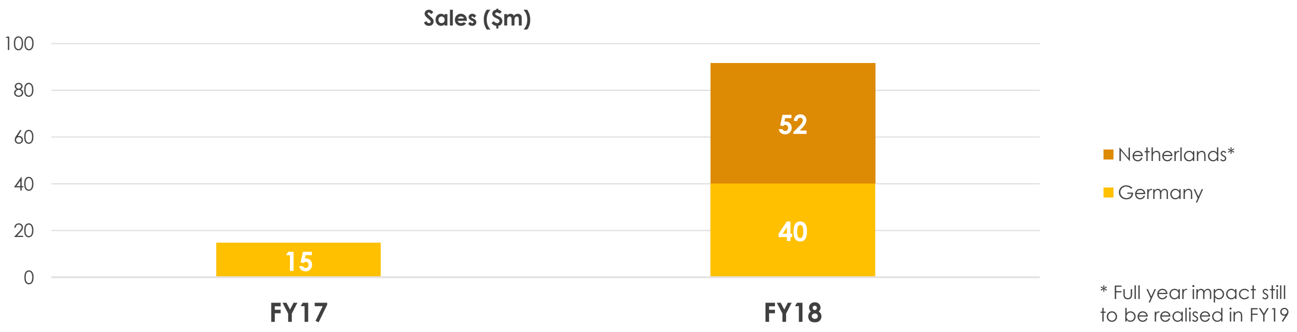
Netherlands in line with expectations while Germany has seen improvements

	FY17 Underlying (1)	FY18 Statutory	FY18 Significant items (2)	FY18 Underlying	Change
Restaurants					
year end (no.)	13	33		33	20 ↑
Revenue ($m)	14.8	91.6		91.6	518.4% ↑
% SSS	(3.2%)	0.8%		0.8%	
EBITDA ($m)	0.6	6.0	0.6	6.6	947.4% ↑
% margin	4.3%	6.5%		7.2%	290 bps ↑
EBIT ($m)	0.0	1.3	0.6	2.0	1,1161.6%
% margin	0.1%	1.5%		2.2%	210 bps ↑

(1) FY17 Underlying excludes integration costs of $0.2m
(2) FY18 Underlying excludes integration costs of $0.6m



* Full year impact still to be realised in FY19

- Europe SSS growth of 0.8% after adjusting for cannibalisation impact on 2 restaurants
- Proforma SSS of 1.4% (factoring in full year for the Netherlands)
- Restaurant level EBITDA for acquired restaurants in both countries in line with expectations
- Overall EBITDA impacted by:
  - cost of new restaurant openings
  - overheads investment ahead of acquisition
  - higher than planned statutory/ administrative requirements
- Built 4 new restaurants in the financial year
- Integration going well and on track
- Transformation plan in Germany will continue through FY19, bolstered by recent appointment of Head of Operations – KFC Europe

KFC Europe development summary and roadmap

FY18

- Development during FY18:
  - 2 restaurants built in Germany *(Kirchheim-Teck and Munster)*
  - 2 major remodels in Germany
  - 2 restaurants built in Netherlands *(Utrecht Haarrijn* and *Rijswijk id Bogaard)*
  - 1 major remodel in Netherlands
- FY18 capex of circa $12m

FY19

- FY19 development expectations are:
  - 6 to 8 additional restaurants to be built in Europe, 2 of which have already opened in Germany:
    - 1 opened on 30 April 2018 *(Moers)*
    - 1 opened in 11 May 2018 *(Duisburg)*
  - 3 major remodels in Germany
  - 4 major remodels in Netherlands

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Taco Bell

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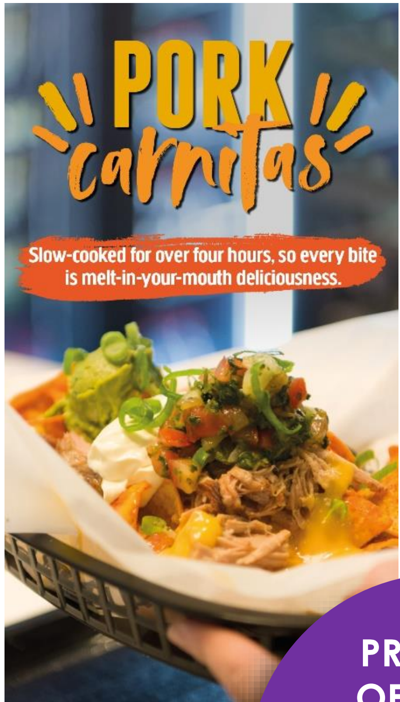
Taco Bell has been embraced by Australian consumers

- Annerley restaurant in Brisbane continues to trade strongly
- Very positive customer engagement with the brand
- Economic model delivering to expectations
- Further restaurants to be opened prior to end of calendar year

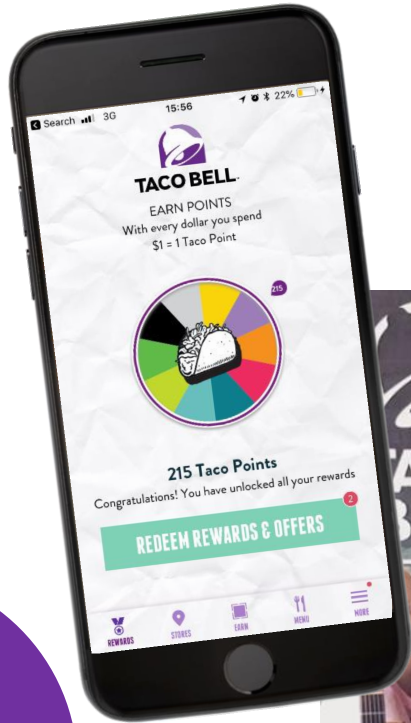
Annerley, QLD

Taco Bell fresh and engaging



PRODUCT OFFERING

Prepared fresh daily and uniquely Taco Bell



ENGAGEMENT

Building strong customer following through 'Sunday sessions' of local live music

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Sizzler

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Sizzler Australia and Asia delivers stable EBITDA

	FY17 Underlying [1]	FY18 Statutory	Change
Restaurants			
year end (no.) [2]	16	14	2 ↓
Revenue ($m)	65.0	50.8	22.0% ↓
% SSS [2]	0.4%	(0.5%)	
EBITDA ($m)	4.6	4.6	0.0%
% margin	7.0%	9.0%	200 bps ↑
EBIT ($m)	3.2	3.2	0.0%
% margin	5.0%	6.4%	140 bps ↑

(1) FY17 EBIT adjusted to exclude: impairment of Sizzler restaurant property, plant and equipment for $0.2m and gain on sale of land for $0.5m

(2) Sizzler Australia only (excludes Sizzler Asia)

- Overall revenue down 22% driven by 2 fewer restaurants compared to prior year
- Same store sales growth in Australia of (0.5%)
- 1 further restaurant has closed since year end, bringing store count to 13 as of today's date
- EBITDA of $4.6m for the year at margin of 9%, up 200 bps on prior year
- Continued focus on value proposition to drive transactions
- Earnings in Sizzler Asia offsetting decline in Sizzler Australia

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Continued growth in Sizzler Asia

- Sizzler Asia continues to expand its footprint
- During FY18 Thailand opened 5 new restaurants and China opened 1 with a closure of 1 restaurant
- Royalty revenue up 9.7% vs last year due to new restaurants openings and strong value offering
- Total of 73 restaurants in Asia at year end

Thailand

Japan

China

Financial overview

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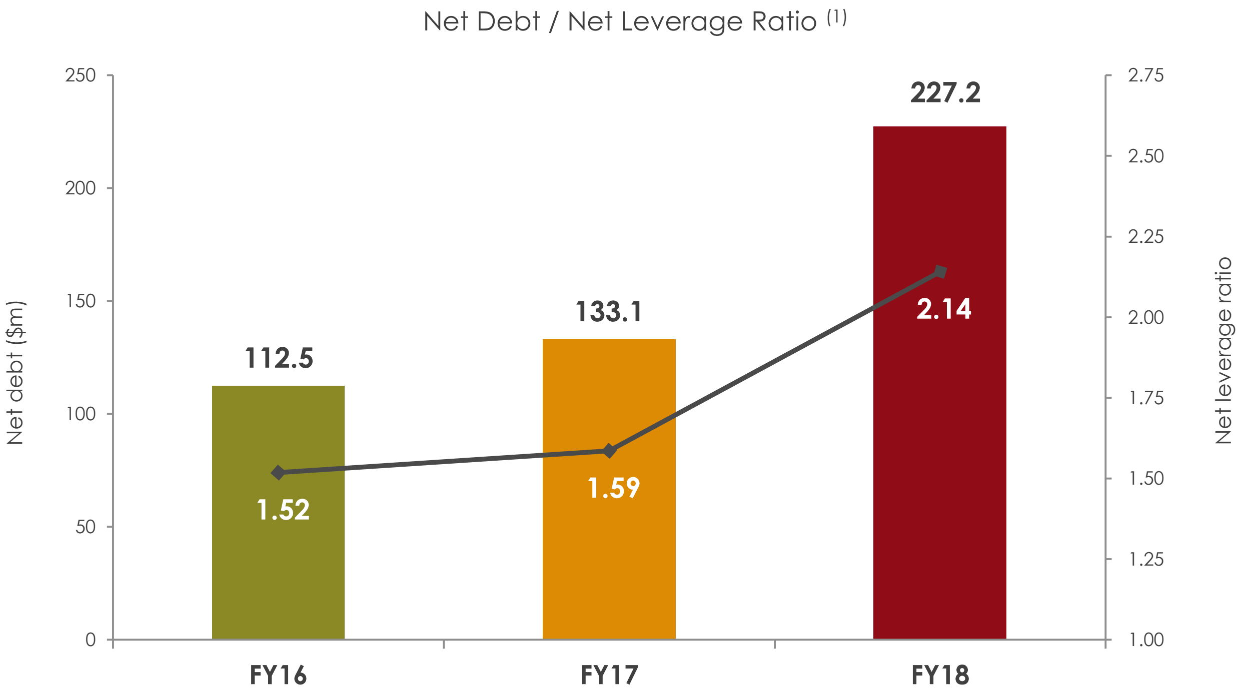
Strong growth in operating cash flow

$m	FY17	FY18
Net operating cash flows before interest and tax	83.8	101.4
Net interest paid	(7.7)	(8.2)
Income tax paid	(15.6)	(18.7)
Net operating cash flows	**60.6**	**74.5**
Payment for acquisition of subsidiary, net of cash acquired	(34.3)	(198.0)
Payments for franchise rights	(0.7)	(1.5)
Payments for plant and equipment [1]	(30.6)	(43.8)
Proceeds from sale of property, plant and equipment	0.6	0.1
Net cash flow from investing	**(64.9)**	**(243.3)**
Net cash flow from financing	**55.2**	**121.0**
NET CASH FLOW	**50.8**	**(47.8)**

(1) Payments reflects actual capital cash spend

- Net operating cash flow of $74.5m up $14.0m on prior year
- Excluding the investment and financing activities associated with the Netherlands and Australian acquisitions, the underlying cash flow for FY18 is $11.8m
- Capex cash spend of $43.8m:
  - new store and remodels circa $35m
  - maintenance and other capital circa $8m
- Payment (cash element) for acquisition of subsidiaries includes:
  - KFC restaurants acquired in Australia for $103.9m
  - KFC restaurants acquired in the Netherlands for $94.1m
- Net cash flow from financing of $121.0m includes the following:
  - $44.2m relating to the capital raising proceeds to partially fund the acquisitions (net of costs)
  - $18.9m of dividends paid
  - $95.7m relating to net facilities drawn
- Strong cash flows enabling a total FY18 fully franked dividend of 17.0 cps

Comfortable net leverage ratio of 2.1 after Netherlands and Australian acquisitions



- Net leverage ratio at 2.14
- Net leverage ratio covenant maximum of 2.75
- Net debt up $94.1m to $227.2m, driven by acquisition of 16 KFC Netherlands restaurants and 28 KFC restaurants in Australia
- Current facility circa $366m [2]

(1) At FY17 the net proceeds of $53m raised from the share placement to partially fund the acquisition of KFC restaurants in the Netherlands was excluded from net debt and net leverage ratio.
(2) Exchange rate of AUD $1 : EURO €0.6246 as at 29 April 2018.

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Strong balance sheet

$m	30-Apr-17 [2]	29-Apr-18
Cash and equivalents	104.8	60.5
Total current assets	114.1	72.9
Property, plant and equipment	103.4	165.3
Total non-current assets	416.0	638.0
Total assets	**530.1**	**710.9**
Total current liabilities	73.6	85.5
Debt [1]	183.0	286.3
Total non-current liabilities	189.7	292.4
Total liabilities	**263.3**	**377.9**
NET ASSETS	**266.8**	**333.0**

(1) Net of capitalised costs $1.4m (FY17: $1.0m)
(2) Prior year total non-current assets and total non-current liabilities have been restated by $1.9m in respect of deferred tax

- Cash balance down $44.3m to $60.5m following completion of Netherlands and Australian acquisition
- Property, plant and equipment up $61.9m mainly due to:
  - $45.9m restaurant acquisitions
  - $43.2m new restaurant builds, remodels and other capital
  - partially offset by depreciation of $28.3m
- Increase in other non-current assets largely due to an increase in goodwill of $146.7m resulting from the acquisition of new restaurants
- Increase in debt of $103.3m due to funding of acquisitions

Priorities for FY19

- Growing the core KFC Australian business through:
  - transaction led same store sales growth, maintaining focus on WA
  - continue to roll out delivery to more stores – through aggregator and own channel
  - building a further 8 restaurants
  - disciplined focus on operational improvement and margins
  - fully integrating the new acquired restaurants in WA, SA and Tasmania
- Growing the KFC European business through:
  - continued execution of the transformation plan in Germany with a focus on increasing the value proposition to drive sales
  - building a further 6 to 8 restaurants
  - integrating the Netherlands business and building a strong and efficient back office to support the European business
- Continue to test the viability of Taco Bell:
  - build further restaurants
  - launch new products
  - build social engagement

Appendix

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FY17: significant items summary

$m	EBITDA	EBIT	NPAT
Acquisition costs			
Legal due diligence	0.8	0.8	0.8
Legal advice	1.2	1.2	1.2
Financial and tax due diligence	0.6	0.6	0.6
Structuring and tax advice	0.6	0.6	0.6
Stamp duty	0.9	0.9	0.9
European set-up and other related costs	0.9	0.9	0.9
Total acquisition costs	5.0	5.0	5.0
Cash accounting adjustments			
Gain on sale of land	(0.5)	(0.5)	(0.5)
Non-cash accounting adjustments			
Realised FX gain	(0.7)	(0.7)	(0.5)
Gain on disposal	(0.6)	(0.6)	(0.4)
Impairment		1.2	0.9
Goodwill		0.9	0.9
DTA write-off			0.9
Total non-cash accounting adjustments	(1.3)	0.8	1.8
Total significant items	**3.2**	**5.3**	**6.3**

Acquisition costs

- **Aggregated costs for the following acquisitions:**
  - 13 restaurants in NSW/VIC (including stamp duty)
  - 12 restaurants in Germany
  - 16 restaurants in Netherlands
  - establishing European company structure and setting up office and legal entities in London
  - 28 restaurants in Australia

Accounting adjustments

- **Gain on sale of land:** gain on sale of property rights at Sizzler premises
- **Realised FX gain:** proceeds from realised foreign exchange gain on translation of A$ cash proceeds from equity raise to Euros
- **Gain on disposal:** gain on disposal of property, plant and equipment
- **Impairment:** impairment of restaurant property, plant and equipment on 5 Snag Stands and 1 Sizzler Australia restaurant
- **Goodwill:** Snag Stand goodwill impairment
- **DTA write-off:** Sizzler Australia deferred tax assets written off at time of restaurant closure

Questions

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