

ASX RELEASE

COLLINS FOODS LIMITED ANNOUNCES THE ACQUISITION OF KFC RESTAURANTS IN THE NETHERLANDS

Thursday, 23 March 2017: Collins Foods Limited (ASX: CKF) is pleased to announce:

- Its wholly owned subsidiary, CFE Investments Ltd, has entered into a binding agreement to acquire 16 KFC restaurants located in the Netherlands from subsidiaries of Yum! Brands Inc ("Yum!") for cash consideration of €62.3 million (the "Netherlands Acquisition");
- In conjunction with this, a Development Agreement has been entered into with a subsidiary of Yum! which will govern the roll-out of more than 20 new KFC restaurants by Collins Foods in the Netherlands by 31 December 2021, including six by 31 December 2018 ("Development Agreement");
- The acquisition and associated equity raising costs will be funded via a fully underwritten A\$54.5 million placement (the "Placement") and the extension of its existing lending facilities;
- Mark van 't Loo has been appointed as CEO Europe. Mark, who has 17 years' of experience with KFC in Europe, will be responsible for Collins Foods' Netherlands and German operations and joins the newly established Board of Collins Foods Europe Ltd which will also include Graham Maxwell, Nigel Williams and Nigel Clark, an independent, UK based Director; and,
- For the 20 weeks to 5 March 2017, a trading update with the unaudited results showing continued underlying EBITDA growth. Revenue was up 12.3% to A\$247.2 million for the period with underlying EBITDA up 5.4% to A\$30.7 million.

Acquisition overview

Collins Foods will pay cash consideration of €62.3 million to acquire 16 KFC restaurants located in Amsterdam, the Hague, Almere and a number of cities in the South of the Netherlands.

Collins Foods has also entered into a Development Agreement with a subsidiary of Yum! in relation to the roll-out of more than 20 new KFC restaurants in the Netherlands by 31 December 2021, more than doubling the number of Collins Foods owned KFC restaurants in this market. The Development Agreement specifies an annual new build restaurant number, including six by 31 December 2018. The Development Agreement also provides Collins Foods with first right of refusal in relation to the establishment of new KFC restaurants in a number of areas across the Netherlands.

Collins Foods Managing Director and CEO Graham Maxwell said: "The Netherlands is a highly attractive market which is under-penetrated for KFC restaurants and the acquisition portfolio is a high quality business which is growing and generates strong margins. This transaction immediately increases our footprint in Europe to 28 KFC restaurants, providing increased economies of scale. In addition, the Development Agreement lays a clear path to future growth in this market through to December 2021. The acquisition is expected to be mid single digit EPS accretive for Collins Foods shareholders in the first full financial year of ownership (i.e. FY2019), inclusive of expected new restaurant builds over this period."

"Equally as important, the transaction reinforces the strong confidence that Yum! has in Collins Foods as a strong operator of KFC restaurants both in Australia and in Europe".

Collins Foods' KFC European business will operate independently from its KFC Australian business. A European head office, including European CEO and head of finance, will lead the Netherlands and German operations and be supported by local support centres.

Completion is expected to be achieved in July 2017 and is subject to a number of conditions precedent regarding the entry into applicable franchise agreements, leases or subleases, service and supply agreements, employee retention arrangements, integration arrangements, the receipt of an unqualified FY2015 audit for the selling entities, obtaining applicable operational permits, successful completion of the equity raising and other customary conditions.

Strategic rationale

The acquisition is underpinned by a compelling strategic rationale:

- Leverages the core strength of Collins Foods in operating and growing KFC restaurants;
- Accelerates Collins Foods' European expansion, adding critical scale to the recently acquired operations in the adjacent market of Germany;
- The Netherlands is an attractive, underpenetrated market for KFC with low country risk;
- The acquired restaurants together present a high quality, growing, and strong margin business;
- The acquisition secures a pipeline of future KFC restaurant openings that will assist to continue to drive earnings growth; and
- The acquisition is expected to be mid single digit EPS accretive for Collins Foods shareholders in the first full financial year of ownership (i.e. FY2019), inclusive of expected new restaurant builds over this period.

Financial impact of the acquisition

For the period ending 30 September 2016, the Netherlands Acquisition generated revenue of €46.6 million and EBITDA of €7.3 million on a pro forma basis.¹ This pro forma EBITDA has been adjusted to reflect the material investment which Collins Foods expects to make post transaction in a European management team, head office, and corporate overheads to support the future growth of the business.

Collins Foods will fund the Netherlands Acquisition and associated equity raising costs via:

- A fully underwritten institutional placement to raise A\$54.5 million; and
- An extension of Collins Foods' existing debt facilities.

In addition, eligible existing Collins Foods shareholders will be given the opportunity to acquire additional shares up to a maximum of A\$15,000 per shareholder via a Share Purchase Plan ("SPP"), subject to an overall cap of A\$10.0 million.

Implementation of a strengthened management and Board for Collins Foods in Europe

Collins Foods is also pleased to announce a new management and Board structure for its European operations inclusive of the Netherlands Acquisition and its previously acquired German operations.

¹ Adjusted to include a full 12 months trading for all restaurants (i.e. no closures for remodels) and changes to cost structure in line with that which will be in place post transaction including royalties, rent and other costs

Mark van 't Loo has joined Collins Foods in the newly created position of CEO, Europe. A Dutch citizen, Mark has over 24 years' experience in the fast food industry including 17 years with KFC in various roles, including in the Netherlands and German markets. Mark was most recently the General Manager for the KFC Northern Europe Business Management Unit where he was responsible for 65 KFC restaurants across six countries (including the Netherlands) representing US\$150 million of revenue.

Mark will take responsibility and oversight of the expanded European operations of Collins Foods and joins the newly established Boards of Collins Foods Europe Ltd and its subsidiaries. Graham Maxwell, Nigel Williams and Nigel Clark, an independent, UK based Director, will also sit on the Board of Directors for these entities.

Trading update

Collins Foods is pleased to provide the unaudited results for the 20 weeks to 5 March 2017, which reflect continued underlying EBITDA growth.

(A\$m)	20 weeks to 4 March 2016	20 weeks to 5 March 2017	Change
Revenue	220.1	247.2	12.3%
Underlying EBITDA ¹	29.1	30.7	5.4%
Underlying EBITDA margin	13.2%	12.4%	(0.8%)
Statutory EBITDA	30.7	29.0	(5.5%)

1. Adjusted to exclude A\$1.7 million profit from sale of land and A\$0.1 million of performance rights for 20 weeks to 4 March 2016, A\$1.5 million transaction costs primarily associated with the German acquisition and A\$0.1 million of performance rights for 20 weeks to 5 March 2017

Revenue growth of 12.3% on pcp was driven by:

- KFC Australia revenue growth of 11.2%, reflecting SSS growth of 1.6% which was impacted by continued weak trading in Western Australia ("WA"), two net new KFC Australia restaurant openings and completion of the New South Wales/Victoria ("NSW"/"VIC") acquisition;
- Completion of the German acquisition in December 2016; and
- Consolidation of Snag Stand revenues from July 2016.

Underlying EBITDA growth of 5.4% on pcp, with a decline in underlying EBITDA margins from 13.2% to 12.4%, was driven by:

- KFC Australia underlying EBITDA growth of 8.9%, with a slight softening of underlying EBITDA margins from 16.0% to 15.7%, impacted by the soft trading in WA, increased cost of sales due to change in product mix and the timing of some costs (principally to do with a business interruption insurance claim in 2016);
- Inclusion of lower margin German and Snag Stand earnings; and
- Additional investment in corporate costs to support the growing business.

The NSW/VIC acquisition has been integrated and is performing in-line with expectations.

The German acquisition was completed in December 2016 and the integration is progressing well. The new restaurant pipeline is also progressing positively. Since completing the acquisition of 11 stores in December, one new restaurant has been opened (was under construction at the time of completion), with two new restaurants to open by July 2017. A strong new restaurant pipeline exists for the remainder of FY2018 and FY2019.

Outlook for the remainder of the financial year ending 30 April 2017:

- Expect Group underlying EBITDA growth on pcp for the last 8 weeks of FY2017 to remain broadly in line with that observed over the 20 weeks ending 5 March 2017;

- Expect to report additional one-off costs, including transaction costs in relation to the Netherlands Acquisition and other ongoing M&A and establishment costs in relation to Germany, of up to A\$2.0 million;
- As part of its year end processes, Collins Foods intends to undertake a review of the carrying value of a number of assets (including associated deferred tax assets and goodwill) which may result in the recognition of non-cash impairment charges and/or onerous lease provisions and/or lease exit costs. The assets subject to review include:
 - Snag Stand (current carrying value, including goodwill, of A\$3.0 million);
 - Sizzler (current carrying value of A\$2.0 million, associated deferred tax assets of A\$4.2 million); and,
 - any underperforming KFC restaurants in the portfolio.
- Collins Foods continues to evaluate a range of M&A opportunities, both in Australia and in Europe.

Institutional Placement

Collins Foods has launched a fully underwritten placement to eligible institutional investors, of approximately 10.4 million shares (the “Placement Shares”) to raise approximately A\$54.5 million to partially fund the Netherlands Acquisition.

The Placement Shares have been underwritten by UBS AG, Australia Branch and Wilsons Corporate Finance Limited at A\$5.25 per share (“Placement Price”), which represents a 10.7% discount to the last closing share price on Wednesday, 22 March 2017.

The Placement Shares will represent approximately 9.8% of Collins Foods' issued share capital after the Placement has been completed (excluding any shares issued under the Share Purchase Plan). New shares issued under the Placement will rank equally with existing shares of Collins Foods.

The Placement is expected to settle on Tuesday, 28 March 2017 and the Placement Shares will be allotted on the following business day, Wednesday, 29 March 2017. No shareholder approval is required for the Placement, as Collins Foods will utilise its placement capacity under Listing Rule 7.1.

Collins Foods shares will remain in a trading halt today while the Placement is conducted. Trading in Collins Foods shares is expected to recommence normal trading tomorrow or such other time as the completion of the Placement is announced to the market.

Share Purchase Plan (SPP)

A SPP will accompany the Placement. Under the SPP, eligible Collins Foods shareholders with registered addresses in Australia or New Zealand will be invited to invest up to a maximum of A\$15,000 per shareholder. The SPP will be capped at A\$10.0 million (“Cap”), which means eligible applicants may be subject to scale back.

Participation in the SPP is optional and will be open to shareholders who are registered holders of Collins Foods shares at 7:00pm (Sydney time) on the record date of Wednesday, 22 March 2017, and whose registered address is in Australia or New Zealand.

The shares issued under the SPP will rank equally with existing shares of Collins Foods. The issue price under the SPP will be at the Placement Price. No brokerage or transaction costs will be payable by subscribing shareholders. Further details on the SPP will be released on the ASX and distributed to eligible Collins Foods shareholders shortly.

For further information, please contact:

Graham Maxwell
CEO
P: +617 3352 0800

About us

Collins Foods Limited (ASX: CKF) is a KFC franchisee in Australia and Germany, and is the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in Asia. The Company also owns Snag Stand which has company owned outlets and a franchise outlet. 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.collinsfg.com.au

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Important Notices

This announcement is for information purposes only and is not a financial product or investment advice or a recommendation to acquire Collins Foods shares (nor does it or will it form any part of any contract to acquire Collins Foods shares). The information in this announcement is in summary form and does not contain all the information necessary to fully evaluate the transaction or investment. It should be read in conjunction with the other materials lodged with ASX in relation to the Netherlands Acquisition and the Placement (including the investor presentation and the key risks set out therein), and Collins Foods' other periodic and continuous disclosure announcements lodged with ASX. This announcement has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives and financial situation and seek legal and taxation advice.

This **announcement** contains certain forward-looking statements about future events. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “guidance”, “will”, “predict” and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: the timetable and outcome of the Netherlands Acquisition and the Placement, the use of the proceeds thereof and business strategic initiatives. Indications of, and guidance or outlook on, future earnings or distributions and financial position and performance are also forward-looking statements. Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

Such **forward-looking** statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Collins Foods, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and Collins Foods assumes no obligation to update such information.

Non-IFRS information

This announcement may include certain financial measures that may be considered “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, and are not recognized under Australian Accounting Standards (“AAS”) or International Financial Reporting Standards (“IFRS”). These measures include underlying EBITDA and EBITDA. Such non-GAAP and non-IFRS financial measures do not have a standardized meaning prescribed by AAS or IFRS and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Collins Foods uses these measures to assess the performance of the business and believes that information is useful to investors. Recipients are cautioned not to place undue reliance on any non-GAAP and non-IFRS financial measures included in this presentation.

About the Netherlands Acquisition and the Placement

Further information in relation to the specific details of the Netherlands Acquisition and the Placement described in this announcement including important notices and key risks in relation to certain forward looking information is set out in an investor presentation released on Thursday, 23 March 2017 by Collins Foods. The information in the “Important Notice and Disclaimer” and “Key Risk” sections of the investor presentation applies to this announcement as if set out in full in this announcement.

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