



COLLINS FOODS LIMITED

ACN 151 420 781 | ABN 13 151 420 781

PO Box 286 Lutwyche QLD 4030
Level 3, KSD1, 485 Kingsford Smith Drive
Hamilton QLD 4007 Australia
T +61 7 3352 0800 | F +61 7 3352 0894

ASX RELEASE

Strong same store sales and successful acquisitions underpin continued growth over HY19

Wednesday, 28 November 2018: Collins Foods Limited (ASX: CKF) is pleased to announce its results for the half-year ended 14 October 2018 (HY19).

Commenting on the HY19 result, Collins Foods' Managing Director & CEO Graham Maxwell said:

"Our KFC Australia business has continued to deliver strong results. Same store sales growth improved across all States, particularly in Western Australia, and we completed the acquisition of the last 3 remaining stores from Yum! solidifying Collins Foods' position as the largest KFC franchisee in Australia with 228 stores. We also entered into a Development Agreement to build 50 Taco Bell restaurants over the next 3 calendar years. While KFC Europe, comprising our stores in Germany and the Netherlands, was impacted by unusually hot weather from June to August, we are still on target for growth and expansion in these markets."

Key HY19 highlights

- Revenue up 27.6% to \$411.0 million (HY18: \$322.1 million)
 - KFC Australia same store sales growth of 3.1% (HY18: 1.2%)
 - 2 new restaurants opened in Australia
 - completed acquisition of final 3 restaurants in Australia from Yum!
- Statutory EBITDA up 42.9% to \$53.6 million (HY18: \$37.5 million); and underlying EBITDA up 31.7% to \$53.7 million (HY18: \$40.8 million)
- Statutory NPAT up 69.3% to \$21.5 million (HY18: \$12.7 million); and underlying NPAT up 25.9% to \$21.9 million (HY18: \$17.4 million)
- Operating cash flow up 31.6% to \$35.8 million (HY18: \$27.2 million)
- Net debt down slightly to \$226.2 million (29 April 2018: \$227.2 million) and net leverage ratio down to 2.08 (29 April 2018: 2.14)
- Fully franked interim dividend up 12.5% to 9.0 cents per ordinary share (HY18: 8.0 cps fully franked)

KFC Australia delivering strong results

Collins Foods' national footprint of 228 KFC restaurants delivered strong results during HY19, with EBITDA up 23.5% to \$56.1 million (HY18: \$45.5 million). EBITDA margins increased to 17.0% (HY18: 16.8%), underpinned by the Company's ongoing focus on operational efficiencies and margin management across the network. Same store sales growth for the stores in Western Australia is now firmly in positive territory, further supporting the improved margin.

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Commenting on the performance of Collins Foods' KFC Australia network, Mr Maxwell said: "Our ongoing focus on maintaining earnings margin while driving incremental sales through operational improvements, digital and delivery initiatives, and consistency of customer experience, underpinned another strong result for our KFC Australia operations. Having completed the final 3 restaurant acquisitions from Yum! earlier in the half-year, we are targeting to build another 40 to 45 new KFC restaurants in Australia over the next 5 years."

KFC Europe provides an attractive long term growth pathway

While still in its infancy, Collins Foods' KFC Europe operation, covering 17 restaurants in Germany and 18 in the Netherlands, grew revenue by 121.5% to \$56.9 million (HY18: \$25.7 million) reflecting full half-year earnings from the Netherlands.

KFC is underpenetrated in Germany and the Netherlands, and this provides an opportunity to drive long term growth for Collins Foods' KFC Europe business. During HY19 the company built and opened 2 restaurants in Germany. A further 4 restaurants are expected to open across Germany and the Netherlands in the second half of FY19.

Commenting on Collins Foods' KFC Europe network, Mr Maxwell said: "During HY19 our focus has been on increasing our market presence and brand awareness as well as driving transaction growth through value promotions. Sales were softer than expected during June to August due to the unusually hot weather which significantly reduced customer traffic during this time."

Gearing reduces following acquisitions undertaken over the past 12 months

Over HY19, net debt decreased slightly to \$226.2 million (29 April 2018: \$227.2 million) following a period of increased gearing to support the acquisitions undertaken. The Company's net leverage ratio decreased to 2.08 (29 April 2018: 2.14).

"Collins Foods' strong operating cash flow is expected to contribute to a reduction in the Company's gearing level over time," Mr Maxwell said.

Sizzler continues to generate earnings

Reflecting its decreasing number of restaurants – down 2 to 12 in HY19 – Sizzler revenue was down 7.6% to \$22.2 million (HY18: \$24.0 million). Lower revenues from Australia were offset by growing Sizzler Asia royalty revenue that was up 19.0% due to additional restaurant openings as well as growth in same store sales. There were 73 Sizzler Asia restaurants operating at the end of HY19.

Taco Bell preparing for significant expansion

Collins Foods successfully opened its second Taco Bell restaurant in Robina (Queensland) on 3 November 2018 and is expected to open a further 2 restaurants prior to the end of this calendar year. The Taco Bell restaurants continue to attract a strong customer following and deliver above expectations.

During HY19 Collins Foods entered into a Development Agreement with Taco Bell (a subsidiary of Yum! Brands Inc.) to build 50 restaurants over the next 3 calendar years.

"We are extremely excited about the growth and development opportunity for Taco Bell over the next 3 years. Customers continue to embrace the Taco Bell brand and are loving our great tasting products," Mr Maxwell said.

Dividend per share

The Board has declared a fully franked interim dividend of 9.0 cps. This dividend will have a record date of 7 December 2018 and payment date of 21 December 2018.

Positive growth outlook for FY19 supported by key second half priorities

Commenting on Collins Foods' key priorities for the remainder of FY19 that will support the Company's continued growth in earnings, Mr Maxwell said:

"We are focused on the growth strategy of our KFC Australia business driving sales by improvement in speed of service and delivering a consistent customer experience. We are expecting to build and open a total of 8 KFC restaurants in Australia by the end of the financial year. In addition, we are looking to significantly expand the size of our home delivery footprint in the next 6 months using multiple aggregators.

"In Europe, we are planning to open 2 new restaurants in the Netherlands before the end of the calendar year. The focus will be on improving margins and optimising the back office support centre to deliver cost synergies and efficiencies.

"Our rollout of new Taco Bell restaurants will gather pace, with a further 2 restaurants planned to open prior to the end of the calendar year.

"We are buoyed by the strong operational results being achieved in our KFC Australia operations, the opportunities we see for KFC Europe, and the new growth pillar that Taco Bell represents. With a strong balance sheet and increasing operating cashflows we are well positioned to deliver on the growth opportunities we see for Collins Foods."

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For further information, please contact:

Graham Maxwell
Managing Director & CEO
P: +61-7 3352 0800

Ronn Bechler
Investor Relations - Market Eye
P: +61-400 009 774

Lee McLean
Media - PPR
P: +61-7 3309 4721

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