



COLLINS FOODS LIMITED

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ASX RELEASE

COLLINS FOODS LIMITED 2022 AGM CHAIRMAN'S MESSAGE

Friday, 2 September 2022: FY22 was another successful year for Collins Foods, with the delivery of double-digit earnings growth, underpinned by a significant recovery in Europe.

KFC Europe the standout performer

Growth was achieved in all segments during the year, with KFC Australia delivering 1.4% same store sales growth while cycling extraordinary same store sales comparatives in the prior year. Taco Bell returned positive same store sales in Q4 FY22. Both of these businesses also saw continued store rollout ahead of Development Agreement pace, and four new Taco Bell restaurants opening despite COVID-19-related building delays in Melbourne.

KFC Europe was nonetheless the standout performer, both in terms of FY22 results and execution against strategic objectives. Europe saw a significant recovery with both same store sales and EBITDA margins recovering to above pre-pandemic levels. While the business was a natural beneficiary of the post-COVID-19 reopening in the region, pleasingly sales remained strong across both drive-thru and digital channels with the return of dine in. We also saw the early benefits of changes Collins Foods has put in place under the Corporate Franchise Agreement (CFA).

Through the CFA, Collins Foods has effective control over the Netherlands market. Marketing is a key area through which we have seen immediate effect in driving a renewed focus on core and a shift from 'disruptive value' to 'everyday value'. We have also made good progress on building a pipeline for future store developments as we work towards our target of up to 130 net new restaurants in the Netherlands market over the next 10 years. Collins Foods also increased its share of the Netherlands market share to 55% of stores through the acquisition of 15 restaurants.

Collins Foods' focus on convenience and innovation across the group was best captured in continued growth in ecommerce sales, which represented 16.9% of sales in H2 FY22, with click and collect ordering showing particularly strong growth of nearly 60%. Collins Foods also drove Australia's first KFC drone delivery pilot in partnership with Wing and Yum! Brands.

Cash generation underpins dividend growth

Another record result was achieved for FY22, with revenue increasing 11.1% to \$1,184.5 million, reflecting both same store sales and new restaurant openings.

Continued pursuit of operational excellence and a strong margin recovery in Europe saw underlying EBITDA (continuing operations) grow 12.6% to \$209.2 million and underlying NPAT (continuing operations) increase 25.0% to \$59.7 million.

The company remained highly cash generative with \$156.3 million in cash flow from operating activities, which saw a reduction in net debt to \$174.9 million, notwithstanding reinvestment in growth opportunities enabling an increase in the final dividend.

The Board was pleased to declare a final FY22 fully franked dividend of 15 cents per ordinary share, taking the total dividend for FY22 to 27 cents per share fully franked, up from 23.0 cents per share in FY21.

Positive Impact strategy

Now in its second year, Collins Foods' separately published Sustainability Report demonstrates our ongoing commitment to environmental, social and governance (ESG) and sustainability practices within Australia. During FY22, Collins Foods focused on reviewing the flow of data to improve awareness, educate employees, and empower reporting on all aspects concerning environmental results, energy usage, social progress, and governance updates and for the first time, sought independent assurance over reporting criteria for greenhouse gas emissions, waste diversion and participation rates in the Collins Foods Giving program.

Inflation on the horizon for FY23

Australia and indeed the world faces unprecedented inflationary pressure in FY23. With strong brand health and a menu pricing advantage against QSR peers Collins Foods is well positioned to manage inflation in the year ahead. In KFC Europe, margin headwinds are expected to peak in the first half of FY23, albeit some uncertainty remains over the medium term due to the war in Ukraine.

Collins Foods continues to plan for long-term sustainable growth, which will be supported by new restaurant developments in FY23, with 17 to 24 new restaurant openings planned across the group.

Board changes

On behalf of the Board, I would like to take the opportunity to thank Bronwyn Morris AM for her significant contribution to the Board over the past 11 years. Bronwyn is retiring from the Board as part of our succession plan. Her strong financial, commercial and governance experience through her professional services background has been invaluable, particularly in her role as Audit and Risk Committee Chair. We wish her all the best for her future endeavours. As announced earlier in July, and to support an orderly transition, we welcome Christine Holman to the role of Chair of the Audit and Risk Committee prior to Bronwyn's retirement.

During the year, we also welcomed Mark Hawthorne as an independent Non-executive Director to the Board. Mark will stand for election at today's meeting.

Thank you

The Board would like to acknowledge the considerable output of our employees during the year. FY22 was not without its challenges as we navigated lockdowns in Europe and the Omicron wave in Australia, and our staff once again rose to the occasion and delivered operational excellence. I would also like to extend my gratitude to my fellow Directors for their guidance and counsel over the course of the year.

Lastly, I would like to thank you, our shareholders, for your support. Your company is well positioned to deliver attractive returns going forward with the engine room in KFC Australia supported by KFC Europe entering its next phase of maturity and Taco Bell Australia showing positive momentum.

ENDS

Authorised for release by the Board

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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, and the franchisor for Sizzler in Asia. The Company seeks continuous improvement in all areas of its operations and work towards the following mission: "Restaurants Done Better." For further information please visit www.collinsfoods.com