

## ASX RELEASE

### COLLINS FOODS LIMITED REPORTS STRONG HALF YEAR PROFIT GROWTH

**Wednesday, 30 November 2016:** Collins Foods Limited (ASX: CKF) is pleased to announce its financial results for the half year ended 16 October 2016 (HY17), which showed continued strong underlying profit growth.

Commenting on the result, Collins Foods' CEO Graham Maxwell said:

"we are very pleased with the overall performance of the Collins Foods business, particularly the ongoing strength of our KFC businesses. Given our focus on operational performance, the KFC businesses have achieved similar margins to prior year even though same store sales growth was marginally down on the prior year.

"In addition to the organic growth in earnings that we have been delivering, we have also grown our KFC businesses through strategic, value accretive acquisitions. During the half we completed the purchase of 13 KFC restaurants around the NSW/Victoria border. These restaurants are performing well and we see further opportunities for growth in Australia. We also recently announced the acquisition of 11 KFC restaurants in Germany, providing Collins Foods with international growth opportunities in an attractive under-penetrated market, and expect to complete this acquisition in early December."

#### HY17 results highlights

- Revenue up 4.7% to \$282.5 million (HY16: \$269.7 million)
  - KFC SSS (Same Store Sales) down 0.6% (HY16: up 5.2%)
  - Sizzler Australia SSS down 0.6% (HY16: down 12.0%)
  - One new KFC restaurant opened
  - Completed acquisition of 13 KFC restaurants in NSW/Victoria border area
- Underlying EBITDA up 9.4% to \$38.6 million (HY16: \$35.3 million)
- Underlying Net Profit After Tax (NPAT) up 17.2% to \$16.8 million (HY16: \$14.3 million)
- Net operating cash flow up 10.5% to \$26.3 million (HY16: \$23.8 million) due to the growth in sales and margin in the KFC business
- Net debt of \$124.6 million with the net leverage ratio (net debt to EBITDA) improving to 1.54 (HY16: 1.62)
- Fully franked interim dividend of 8 cents per ordinary share declared, up 33.3% (FY16: 6.0 cps)

## **KFC's organic growth runway**

One new KFC restaurant, located in Queensland, opened during HY17, with a further five to six new restaurants expected to open before the end of FY17. In addition, 13 major remodels were completed during HY17, with a further 7 planned for the remainder of FY17.

"We are continuing to develop our network of KFC restaurants whilst investing in our existing restaurants to keep the portfolio fresh and inviting for our customers,," Mr Maxwell said.

## **Growing KFC through acquisition – in Australia and now Germany**

On 19 May 2016, Collins Foods announced the acquisition of 13 KFC restaurants located around the NSW and Victorian border. This acquisition expanded the Company's Australian footprint into these States and strengthened its position as the largest KFC franchisee in Australia. These restaurants have been integrated into the business and are performing in line with expectations.

On 31 October Collins Foods announced the acquisition of 11 KFC restaurants located in Germany. These restaurants were purchased directly from KFC. This acquisition provides an attractive new market entry opportunity for Collins Foods in a business the Company knows well.

Commenting on the acquisitions, Mr Maxwell said: "our acquisitions in Australia and Germany provide us with attractive growth opportunities. Importantly, both are earnings accretive pre-synergies and a strong strategic fit for our business."

## **Sizzler delivered improved EBITDA**

The Sizzler business delivered EBITDA of \$2.7 million during the first half. This was an increase of 27.3% on HY16. This performance was driven by an improvement in Sizzler Australia same store sales growth to (0.6)% from (12.0)% in the prior half year, combined with good operational controls delivering an enhanced EBITDA margin. One Sizzler Australia store closed during the half and the store count at the half year end stood at 21.

Sizzler Asia has opened 4 new restaurants so far this financial year and also delivered higher EBITDA than prior half year.

## **Comfortable gearing**

Net debt increased to \$124.6 million from \$112.5 million at 1 May 2016. This increase was driven by the payment of \$15.3m to purchase the 13 KFC restaurants around the NSW/Victoria border. Excluding this payment, the net cashflow was positive at \$3.0m as a result of strong operating cash flows of \$26.3 million, up \$2.5 million on the prior half year. The net leverage ratio of debt to EBITDA was 1.54 at the half year, compared to 1.52 at the end of FY16. Post half year, the German acquisition will be debt funded.

"Having a comfortable debt position and headroom, puts us in a strong position to continue to grow the Collins Foods business both organically in terms of new restaurants and remodels, and via acquisitions," Mr Maxwell said.

## Increased dividend

Reflecting the Company's strong balance sheet, growing operating cashflows and attractive growth opportunities, the Board has declared an interim FY17 fully franked dividend of 8 cents per share, up 33.3% (HY16: 6.0 cps fully franked). This interim dividend will have a record date of 8 December 2016 and payment date of 15 December 2016.

The dividend payment is in line with the Board's target to pay approximately 50% of Group NPAT.

## Key priorities for the remainder of FY17

Commenting on Collins Foods' priorities for the remainder of the FY17 financial year, Mr Maxwell said:

"Our priorities for the remainder of FY17 remain the same – top line growth, optimising operational performance, and building further strength and resilience within the business.

"We have successfully integrated the 13 KFC restaurants in NSW and Victoria, and will consolidate the 11 KFC Germany restaurants into the Collins Foods' network. With a strong balance sheet and proven capabilities running KFC restaurants, we will continue to pursue further acquisition opportunities as they arise, while also continuing to grow and refurbish our existing portfolio of restaurants."

- ENDS –

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## About us

Collins Foods Limited (ASX: CKF) operates 191 KFC and 20 Sizzler company owned restaurants in Australia. In addition, the Company has 69 franchised Sizzler restaurants around Asia. The Company also owns Snag Stand which has 5 company owned outlets and 1 franchised 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](http://www.collinsfg.com.au).