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# COLLINS FOODS LIMITED

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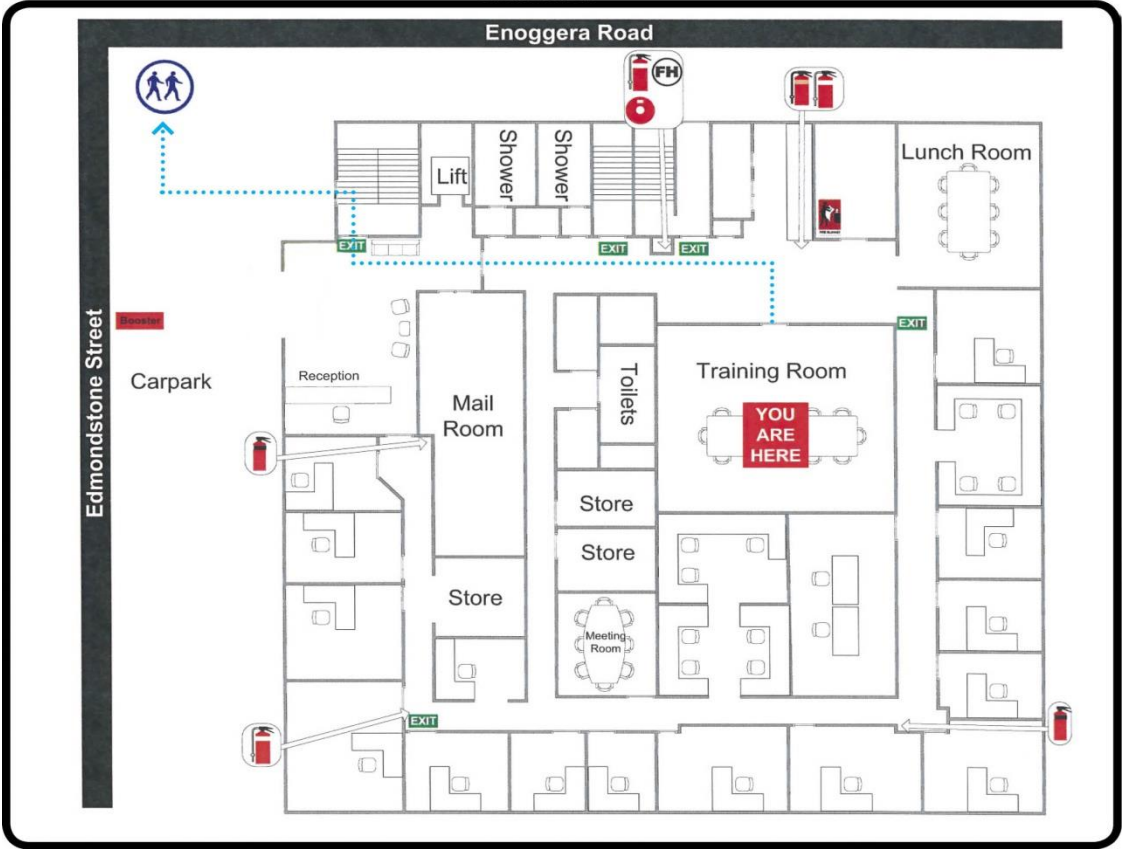
2014 ANNUAL GENERAL MEETING

3 SEPTEMBER 2014



# Evacuation diagram

16 - 20 Edmondstone Street, Newmarket  
Ground Floor





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## Chairman's address

Russell Tate

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**Managing Director  
& CEO's address**  
Kevin Perkins

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# Today's Agenda

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- **SECTION 1:** Financial overview
- **SECTION 2:** KFC improves margin and consolidates the WA/NT acquisition
- **SECTION 3:** Sizzler remains in transition
- **SECTION 4:** Snag Stand concept evolving
- **SECTION 5:** Positive FY15 outlook
- **SECTION 6:** AGM business



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## Financial overview

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# FY14 financial overview

\$m	FY13	FY14	WA impact <sup>(1)</sup>	Significant items <sup>(2)</sup>	FY14 Underlying	Change versus FY13 Underlying
<b>Revenue</b>	423.9	440.6	15.4	-	425.1	0.3% ↑
<b>EBITDA</b>	47.2	50.5	1.5		49.0	3.8% ↑
<b>EBIT</b>	29.8	26.9	(1.5)	(2.4)	30.8	3.5% ↑
<b>NPAT</b>	16.4	14.0	(2.1)	(1.8)	17.9	9.3% ↑
<b>Net cash flow</b>	4.3	13.3				
<b>EPS basic</b> (cents)	17.6	15.1			19.2	9.3% ↑
<b>DPS final</b> (cents)	5.5	6.0				9.1% ↑
<b>DPS full year</b> (cents)	9.5	10.5				10.5% ↑

- Underlying NPAT up 9.3% to \$17.9m
- Final dividend 6 cps (fully franked) bringing the full year dividend to 10.5 cps – an increase of 10.5%
- Net cash flow of \$13.3m
- Underlying EBITDA up 3.8% to \$49.0m
- Underlying EBIT up 3.5% to \$30.8m
- Underlying EPS up 9.3% to 19.2 cps
- Impairment charge of \$2.1m – Sizzler Mackay \$1.9m and KFC Valley Metro \$0.2m

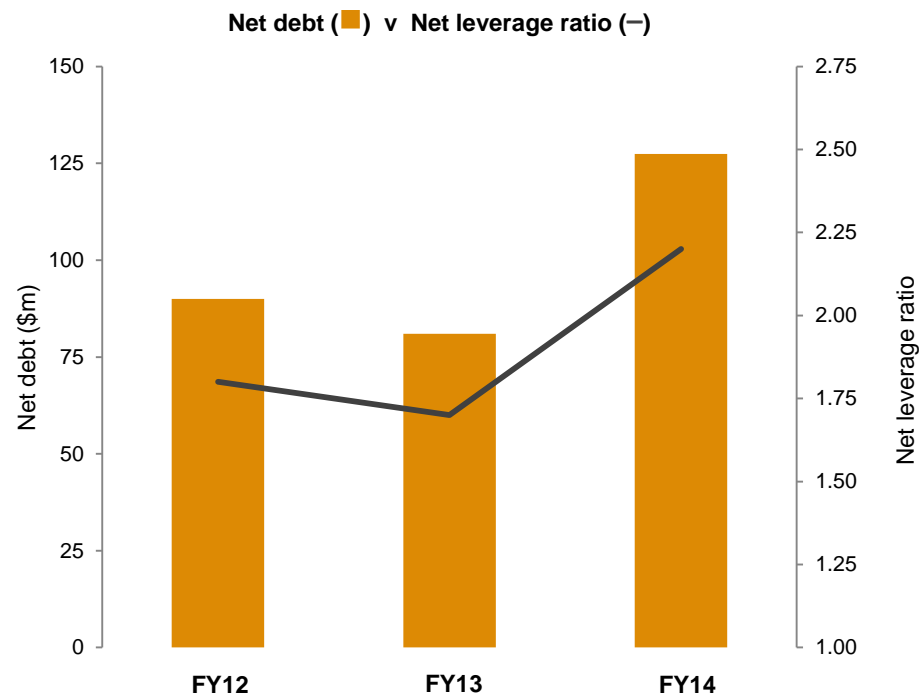
(1) WA EBIT impact includes acquisition related costs of \$2.1m: depreciation and amortisation of \$0.5m and LTI costs of \$0.5m; WA NPAT impact also includes allocated interest of \$0.5m and tax expense from non-deductible acquisition costs \$0.6m

(2) Significant items included in EBIT: Sizzler Mackay impairment \$1.9m; KFC Valley Metro impairment \$0.2m; Performance rights \$0.1m and Stand Stand investment acquisition costs \$0.2m



# Comfortable debt profile

- Increased overall debt facilities to \$175m up from \$145m to support KFC WA/NT acquisition
- Net debt up \$46.4m to \$127.4m (FY13: \$81m)
- Strong net operating cash flow generation in the business during FY14 of \$44.9m has positively impacted net debt
- Adequate covenant headroom
- Undrawn debt facility ~ \$10m
- Refinancing of debt in July 2013 was on improved terms from previous funding





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# FY14 operational highlights

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- Acquired and successfully integrated 42 restaurants
- Continued Top-line growth - revenue growth of 3.5% and SSS up 0.8%
- Built 4 new restaurants, closed 1 and undertook 12 major remodels and 5 minor remodels
- EBITDA margin up 120 bps as a result of labour efficiency and productivity initiatives



- Launched **Get Refreshed** – a company wide initiative repositioning Sizzler catering to the modern family
- Remodel of Cleveland – opened 2 June – incorporating a significant number of **Get Refreshed** elements
- Sizzler Asia – opened 4 new stores in China and Thailand



- Tightened the Snag Stand concept
- Opened the 6th store in Macquarie Centre, Sydney on 10 June



**ultimate**<sup>®</sup>  
burger meal

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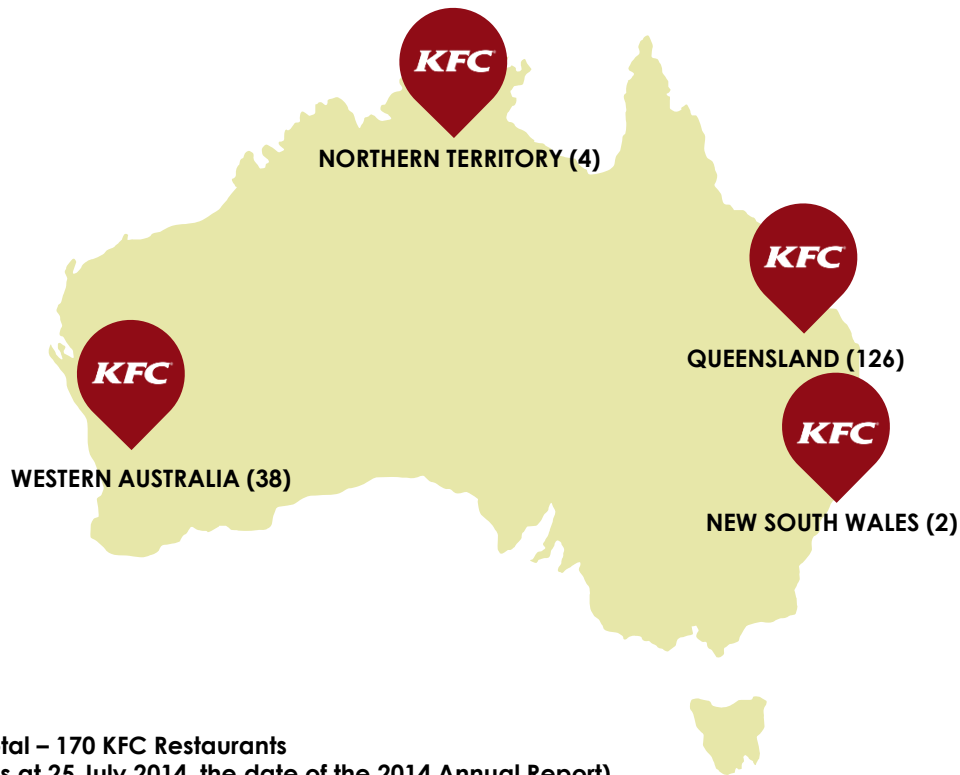
**KFC improves margin &  
consolidates the WA/NT  
acquisition**

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**CFL**  
COLLINS FOODS LIMITED

# KFC WA/NT – building a national footprint



- Transaction completed on 7 March 2014
- Integration of acquisition complete
- New store – Rockingham – under construction with a further 2-3 stores to be built in calendar year 16
- 5 Major remodels to be completed this calendar year
- To date key focus has been on product quality and labour/COS efficiencies/productivity improvements
- FY15 capex budget of ~ \$4.7m for 7 remodels, ~ \$4.4m for 2 new stores and ~ \$1.3m for maintenance/systems

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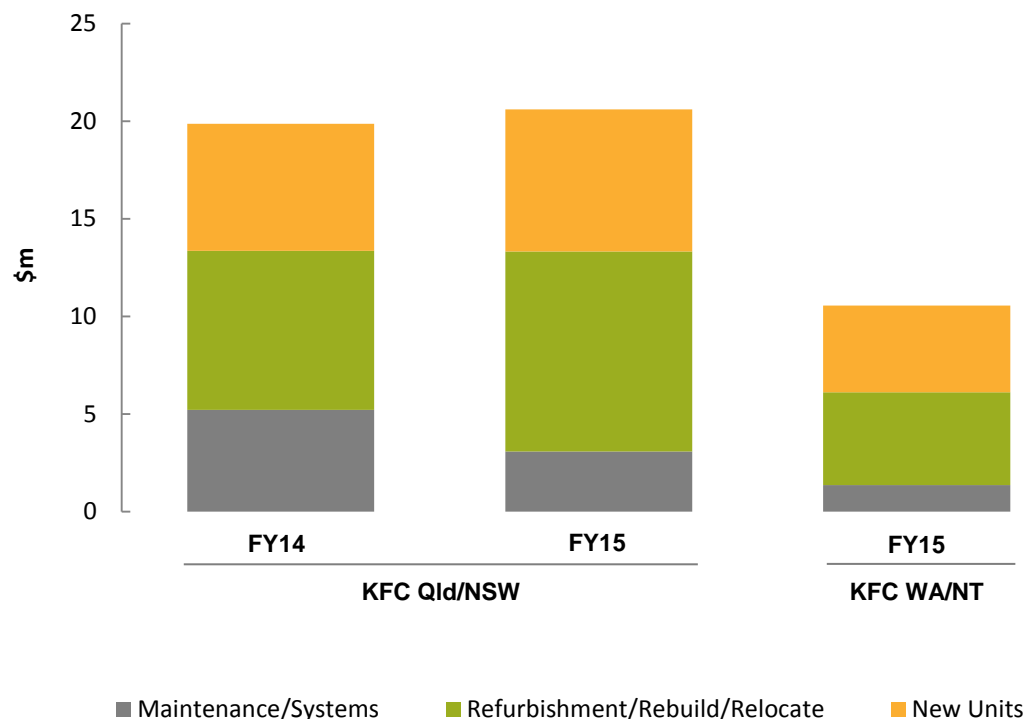
# Operational efficiencies driving margin improvements

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- In-store labour – direct and indirect – efficiencies and productivity gains have been key to margin improvements
- Service flow format and associated benefits have been rolled out across all non food court stores with positive results for both the consumer and KFC
- New maintenance system enabling more efficient and effective maintenance management leading to lower costs and improved equipment reliability
- Focused efforts in the food courts are having a positive impact
- Innovation continuing to shape the future:
  - dual and tandem drive-thrus
  - digital menu boards
  - on-line ordering



# KFC capex focused on growth



Total KFC capex of ~ \$31m for FY15:

- ~ **\$20.6m for Queensland:**
  - 5 new builds
  - 11 major remodels
  - 5 minor remodels
- ~ **\$10.4m for WA/NT:**
  - 2 new builds
  - 5 major remodels
  - 2 minor remodels



# KFC growth layers in test

- Breakfast
- Beverages
- Mobile ordering
- Digital menu boards



# New builds and remodels

## 4 new builds

North Lakes



## 12 major remodels

Gympie



## 5 minor remodels

Kallangur







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## Sizzler remains in transition

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## Sizzler performance reflects ongoing transition

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- Overall revenue down 9.3% to \$95.8m with Sizzler Australia SSS down 9.3%
- Closed Sizzler Cairns in February 2014 on expiry of lease – location was no longer suitable
- Revenue decline has put pressure on margins with 150 bps decline in EBITDA margin to 8.1%
- No menu price increases implemented in FY14
- Labour productivity and efficiency improvements have slowed margin decline
- EBITDA declined to \$7.8m
- EBIT impacted by \$1.9m non-cash impairment for Sizzler Mackay

# A fresh new look and feel for Sizzler



- **Get Refreshed** is a Brand wide initiative designed to contemporise Sizzler and re-engage with our guests
- Key elements of **Get Refreshed** include:
  - creating a fresh/contemporary look and feel in the restaurants
  - elevating both the food and presentation of food on the Salad Bar creating a fresher, more appealing experience
  - elevating service and hospitality delivering a warm, engaging, fun and relaxed experience
  - creating a modern and integrated dining environment within the restaurant
  - new Brand communication to reflect its repositioning



**GET REFRESHED**

# Get Refreshed being roll-out

- Sizzler Cleveland opened 2 June with the key **Get Refreshed** elements included an overall front of house remodel
- Sales in Cleveland have been positive and over target
- Over the next 6 to 8 months **Get Refreshed** aspects to be rolled out across a number of restaurants

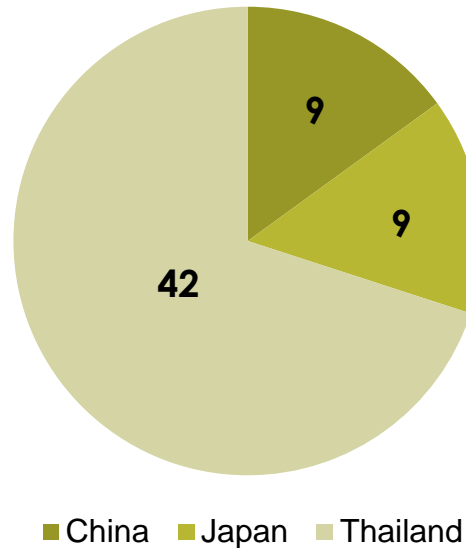




# Sizzler Asia continues to grow

- Royalty revenue over the year up 9.9%
- Opened 4 new restaurants in China and Thailand during FY14
- New restaurants in China have performed well on opening

Sizzler Restaurants in Asia





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## Snag Stand concept evolving

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**SNAG + STAND**  
GOURMET SAUSAGE GRILL

**CFL**  
COLLINS FOODS LIMITED

# Snag Stand concept evolving

- Competes in the fast growing “Fast Casual” segment that overlaps and competes with QSR and Casual Dining
  - emerging Brands include Grill’d Burgers, Guzman Y Gomez and Mad Mex
- An opportunity to be part of the fastest growing segment in the industry
- Snag Stand offers a great opportunity to participate in that growth
- The concept is still in its infancy and needs to be evolved. That process is being implemented
- A couple of the original Stands locations were not ideal and will need to be relocated as the brand positioning and execution is evolved
- Macquarie Centre is the first Stand to incorporate internal seating and provide a more complete brand experience. Revised menu and beverages strengthen the consumer offer
- Average weekly sales for Macquarie Centre are above hurdle rates







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**Positive FY15 outlook**

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# Priorities, outlook and results to date for FY15

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- Build 7 KFC restaurants – 5 in Qld and 2 in WA
- 11 Major KFC remodels in Qld and 5 in WA
- Return Sizzler Australia to positive growth through the roll out of **Get Refreshed**
- Firming up on Snag Stand concept and ongoing investment in the brand
- Summary unaudited financial results include:
  - revenue of \$124.3 million, up 28% on prior corresponding period (pcp) <sup>[1]</sup>
  - EBITDA of \$13.3 million, up 24% on pcp
  - EBIT of \$8.5 million, up 28% on pcp
  - NPAT of \$4.5 million, up 21% on pcp
- KFC sales performance across all KFC restaurants at the end of Q1, FY15 tracking at 3.0% SSSG
- Focused on improving KFC WA/NT operational performance driving top line growth and margin improvement
- Group capital investment in FY15 in the region of \$33m

[1] The prior corresponding period excludes the results of Collins Restaurants West Pty Ltd which was acquired on 7 March 2014



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## Questions

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**AGM business**

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## Item 1. Financial and other reports

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To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report of the Company and its controlled entities for the financial period ended 27 April 2014

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## Item 2. Re-election of Director – Russell Tate

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### To consider and, if thought fit, to pass the following resolution as an ordinary resolution

- “To re-elect as a Director of the Company, Russell Tate who, being a Director of the Company, retires and, being eligible, offers himself for re-election.”

### PROXIES

In respect of this item of business, the following proxies have been received:

	Number	Percentage %
For	44,367,726	69.05%
Open	451,384	0.71%
Against	19,424,318	30.24%
Total available	64,243,428	100%
Abstain	432,189	

*The Chairman (being Bronwyn Morris for the duration of Item 2 being considered), intends to vote all available proxies in favour of this resolution.*

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## Item 3. Adoption of Remuneration Report

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### To consider and, if thought fit, to pass the following as an ordinary resolution

- “That the Remuneration Report (which forms part of the Directors’ Report) in respect of the period ended 27 April 2014 be adopted.”
- Note: This resolution is advisory only and does not bind the Directors or the Company.

### PROXIES

In respect of this item of business, the following proxies have been received:

	Number	Percentage %
For	33,437,966	82.56%
Open	456,384	1.14%
Against	6,602,363	16.30%
Total available	40,496,713	100%
Abstain	148,400	

*The Chairman intends to vote all available proxies in favour of the adoption of the Remuneration Report.*



# Disclaimer

*This presentation contains forward looking statements which may be subject to significant uncertainties beyond CKF's control.*

*No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.*

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*Any discrepancies between totals, sums of components and differences in tables and percentage variances calculated contained in this presentation are due to rounding.*