

ASX RELEASE

COLLINS FOODS LIMITED REPORTS STRONG HALF YEAR OPERATING PROFIT GROWTH

Wednesday, 26 November 2014: Collins Foods Limited (ASX: CKF) today reported its financial results for the half financial year ended 12 October 2014 (HY15). The Company recorded a 37% lift in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and a 43% lift in Underlying Profit After Tax (NPAT).

The Company also announced a pre-tax, non-cash impairment charge of \$36.5 million of which \$35.9 million related to the Sizzler Australia business and \$0.6 million related to KFC Queensland.

Directors have also declared an interim dividend of 5.0 cents per ordinary share, fully franked, up 11% (HY14: 4.5 cps fully franked).

HY15 Results Overview

- Revenue up 29.6% to \$256.7 million (HY14: \$198.0 million)
 - KFC Queensland SSS (same store sales) up 3% (HY14: up 1.3%)
 - KFC Western Australia/Northern Territory SSS up 4.3%¹
 - Sizzler SSS down 8.4% (HY14: down 9.4%)
 - Three new KFC restaurants opened (in Queensland)
 - Thirteen KFC restaurants remodelled (nine in Queensland and four in Western Australia/Northern Territory)
- EBITDA up 37.6% to \$29.4 million (HY14: \$21.4 million)
- Underlying EBIT up 49% to \$19.5 million (HY14: \$13.1 million)
- Underlying Net Profit After Tax (excluding the impact of impairment) up 43% to \$10.7 million (HY: \$7.5 million)
- Pre-tax, non-cash impairment charge of \$36.5 million primarily relating to the Sizzler Australia business (after tax impact of \$33.6 million)
- Statutory net loss of \$22.9 million (HY14: net profit of \$6.2m)
- Net operating cash flow of \$16.6 million (HY14: \$19.0 million) due to the timing of tax payments made in the previous half year
- Strong balance sheet; net debt of \$131.7 million at 12 October 2014, and comfortable net leverage ratio improving to 2.14

¹ KFC Western Australia / Northern Territory was acquired on 7 March 2014. The sales increase quoted is based upon sales reported in the prior period by the previous owners.

Top Line Growth Combined with Continued Margin Improvement

Commenting on the HY15 results, Collins Foods' Chief Executive Officer, Mr Graham Maxwell said: "We are particularly pleased with the performance of our KFC businesses in both Queensland and Western Australia / Northern Territory. They have achieved sustained same store sales growth at the same time as continuing to deliver improved margins off the back of a range of labour efficiencies and productivity initiatives introduced last year."

"The first half of the 2015 financial year marked the first full period contribution of KFC Western Australia / Northern Territory following the acquisition of Competitive Foods Pty Ltd in the second half of FY2014. In this HY15 the business has generated revenue growth of 3.7% over the prior corresponding period¹.

"At the same time the business has improved margins by rolling out the same efficiency and productivity initiatives introduced in our Queensland store network," added Mr Maxwell.

Sizzler "Get Refreshed" Showing Encouraging Signs

"The Sizzler business, while still subdued shows encouraging signs of recovery. We completed the roll-out of the "Get Refreshed" initiative across the system this month, and have also remodelled the front of house of three Sizzler restaurants during HY15 at Cleveland, Caboolture, and very recently Mermaid Beach. While it is still early days, the results thus far are encouraging with evidence of a solid lift in sales at Cleveland and Caboolture.

"The Summer campaign for Sizzler including a revised menu and new advertising campaign will run through from December to February. We intend to finalise our strategic review of the business post the completion of the campaign and after determining how the front of house remodels and "Get Refreshed" have performed. An update will be provided to the market on the outcome of the review in the fourth quarter of FY15," said Mr Maxwell.

Sizzler Australia Impairment

While the second quarter performance for Sizzler has shown relative improvement in the top line sales trend as a result of the various "Get Refreshed" initiatives implemented to-date, overall revenue for the first half of the year for Sizzler Australia was below expectations. As a consequence the Board has revised down the forecast for this business, and this in turn has resulted in a pre-tax non-cash impairment charge of \$35.9 million being booked at the half year. This impairment does not have any impact on the Sizzler Asia business nor does it impact on Collins Foods' funding covenants or payment of dividends.

Notwithstanding the pre-tax non-cash impairment charge, the Sizzler Australia business remains cash flow positive and is expected to generate a positive contribution to the Group at an EBITDA level for the current financial year.

Snag Stand

During FY14 Collins Foods acquired a 50% equity interest in Snag Stand. Over the past half year, Collins Foods together with the other equity partners continued to work on fine-tuning the concept. A new Snag Stand at Maroochydore on the Sunshine Coast is currently under construction within the Sunshine Plaza shopping centre. This Snag Stand is scheduled to open in mid-December, and will take Snag Stand's store footprint to six company owned stores, and one franchised store.

Growing Dividend

Reflecting the Group's trading performance, strong balance sheet and growth outlook, the Board has declared an interim 2015 fully franked dividend of 5.0 cents per share, up 11% on the prior corresponding period (HY14: 4.5 cps fully franked). This interim dividend will have a record date of 8 December 2014 and payment date of 22 December 2014.

Profits from KFC Western Australia / Northern Territory continue to be re-invested into that business as previously outlined when the acquisition was made.

Priorities for the Remainder of FY15

Commenting on Collins Foods' priorities for the remainder of the 2015 financial year, Mr Maxwell said:

"In KFC our focus remains on improving the performance of our Western Australia / Northern Territory restaurant portfolio via the continued rollout of operational and labour efficiency measures. We will continue to grow our KFC footprint along with the remodelling of selected locations.

"With regard to Sizzler Australia, as can be seen from the operational results, both the "Get Refreshed" initiative and front of house remodelling are having positive impacts on performance. We need now to see how the brand trades through the summer period to get a better understanding of the sustainability of these initiatives. Sizzler Asia continues to perform well.

"Both management and the board are fully committed to finding the best outcome for Sizzler and as previously stated post the summer season a comprehensive strategic review will be finalised and advised to the market."

Mr Maxwell said he was confident that Collins Foods will continue to deliver strong growth in operating earnings (pre-impairments).

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About us

Collins Foods Limited (ASX: CKF) operates 171 KFC restaurants and 26 Sizzler company owned restaurants throughout Queensland, New South Wales, Western Australia and Northern Territory. In addition, the Company has 61 franchised Sizzler restaurants around 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.collinsfg.com.au