

ASX RELEASE

COLLINS FOODS DELIVERS A STRONG OPERATING AND FINANCIAL RESULT

Tuesday, 28 June 2016: Collins Foods Limited (ASX: CKF) today announced its results for the full financial year ended 1 May 2016 (FY16), which reflects strong underlying earnings growth.

Commenting on the FY16 result, Collins Foods' Chief Executive Officer, Mr Graham Maxwell said:

"Over the past 12 months we have seen a strong performance across our core KFC business. The performance of the KFC restaurants in Western Australia and Northern Territory which we acquired in 2014 has continued to improve and the recent transaction to acquire 13 KFC restaurants in the New South Wales/Victoria border area provides further opportunities for growth across Australia."

Overview of FY16 results

- Revenue up 0.5% to \$574.3m (FY15: \$571.6m). Excluding the additional trading week in FY15, revenue up 2.4%:
 - KFC SSS (same store sales) up 3.1% (FY15: 4.8%)
 - 6 new KFC restaurants built
 - 20 KFC major remodels (10 in QLD and 10 in WA)
- Statutory result returned to strong profit with NPAT up to \$29.1m (FY15: Statutory NPAT loss \$10.4m)
- Underlying NPAT up 22.3% to \$30.1m (FY15: \$24.6m)
- Underlying EBITDA up 10.7% to \$74.6m (FY15: \$67.4m)
- Net operating cash flow up 1.1% to \$49.7m (FY15: \$49.1m)
- Strong balance sheet with net debt down \$10.3m to \$112.5m (FY15: \$122.8m):
 - Net leverage ratio reduced to 1.52 (FY15: 1.83)
- Fully franked final dividend of 8.0 cents per ordinary share declared, up 23.1% (FY15: 6.5 cps). Total FY16 fully franked dividend up 21.7% to 14.0 cps (FY15: 11.5 cps)

Strong performance across KFC business

Commenting on the performance of Collins Foods' KFC business, Mr Maxwell said:

"Strong sales across our KFC restaurants were driven by excellent core product offerings combined with new product innovations and good value offers that kept customers coming back. We continue to take a disciplined approach to controlling costs and improving efficiency and have achieved further margin improvements across all restaurants.

We continue with our strategy of expanding our KFC network in regions with low market penetration whilst ensuring that we maintain the appropriate level of investment in our existing portfolio to keep these restaurants contemporary and provide our customers with a positive experience. The investment in the KFC network continued with a further 6 new builds (3 in South East Queensland and 3 in Perth) and a further 20 major remodels across Queensland and Western Australia."

Strong Balance Sheet

The Company's balance sheet has further strengthened since the acquisition of the KFC Western Australia and Northern Territory restaurants. Net debt continued to decline, down \$10.3m to \$112.5m and a net leverage ratio of 1.52.

"Growing our business whilst maintaining prudent debt levels remains a high priority. We've demonstrated during the year that growth from our complementary acquisition of KFC Western Australia and Northern Territory has added synergies to the business and driven further cost efficiencies," Mr Maxwell said.

Sizzler Australia remains EBITDA positive

As previously reported, Sizzler Australia is managed as a non-core business and has not been allocated any growth capital during the year. "Despite the decline in sales, our ongoing focus on cost management enabled margins to be held, which in turn led to a positive EBITDA contribution for the period," Mr Maxwell said.

Sizzler's revenue declined through FY16, falling 17.9% to \$72.6m in part due to the closure of 4 restaurants.

There were non-cash, pre-tax charges of \$1.3m for impairment of restaurant property, plant and equipment and \$0.7m for impairment of smallwares. In addition a provision of \$1.3m for an onerous lease was booked. A cash gain on the sale of a Sizzler restaurant land and building of \$1.7m was also achieved. However this property was owned by a Collins Foods' subsidiary and therefore does not appear in the Sizzler business unit results. Further, the charges do not have any impact on the Sizzler Asian business, which continues to contribute steady earnings and some development opportunities.

During FY17 we will continue to monitor our remaining restaurants closely and take appropriate action where necessary.

Snag Stand model continues to evolve

The latest Stand that opened in November at Pacific Fair on the Gold Coast incorporating various new brand design elements, continues to perform to expectations. The total number of Snag Stands is 6, with 5 company owned Stands and 1 franchised.

"We are focused on refining the brand and economic model for Snag Stand in order to position it for further growth in the future. We have taken the decision to buy the remaining 50% of Snag Stand for a nominal sum and bring it entirely under the guidance of Collins Foods' management," said Mr Maxwell.

Continued growth in dividend

The Board has declared a final FY16 fully franked dividend of 8.0 cps, up 23.1% on the prior corresponding period (FY15 final dividend: 6.5 cps). This dividend will have a record date of 6 July 2016 and payment date of 13 July 2016. The total dividend for FY16 is up 21.7% to 14.0 cps fully franked (FY15: 11.5 cps).

The Board notes that future dividend payments will include NPAT from its Western Australia and Northern Territory restaurants.

Outlook – continued growth in FY17

Commenting on Collins Foods' priorities for FY17, Mr Maxwell said:

"Our priorities for KFC are to focus on top line growth, continue the disciplined approach to operational management to maintain margins in Queensland and to unlock further margin opportunities in Western Australia and Northern Territory.

We will maintain our investment in the KFC business with plans for up to 8 new restaurant builds in addition to 14 major remodels.

Upon completion, we will consolidate the 13 KFC restaurants into the Collins Foods' network and continue to evaluate further acquisition opportunities.

We will also embed control of Snag Stand and continue to refine its brand positioning and economic model.

Sizzler Asia will continue to grow with plans for several new restaurant openings across Thailand and China in FY17.



With further growth anticipated in the 2017 financial year, we expect continued increased shareholder returns as we deliver on our growth plans."

- ENDS -

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) operates 178 KFC restaurants and 21 Sizzler company owned restaurants throughout Queensland, New South Wales, Western Australia and Northern Territory. In addition, the Company has 65 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 works 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