

## ASX RELEASE

### COLLINS FOODS CONTINUES TO DELIVER STRONG RESULTS

**Monday, 26 June 2017:** Collins Foods Limited (ASX: CKF) today announced its results for the financial year ended 30 April 2017 (FY17).

Commenting on the FY17 results, Collins Foods' Chief Executive Officer, Mr Graham Maxwell said:

"We continued to deliver strong growth across key financial metrics during FY17. In Australia, positive same store sales across our KFC network, consistent margins, and the successful integration of 13 KFC restaurants in New South Wales and Victoria acquired in 2016, have all underpinned the company's growth over the past 12 months.

"The purchase of 12 KFC restaurants in Germany during the year also provided Collins Foods with an attractive growth path in Europe. The integration of these stores is progressing well, and we are excited by the offshore growth opportunity available to us."

#### Overview of FY17 results

- Revenue up 10.3% to \$633.6 million (FY16: \$574.3 million)
  - KFC Australia same store sales up 0.7% (FY16: 3.1%)
  - 7 new restaurants opened in Australia, 1 opened in Germany
  - 13 restaurants acquired in Australia, 12 acquired in Germany
- Statutory EBITDA up 5.0% to \$78.1 million; and underlying EBITDA up 8.9% to \$81.3 million (FY16: \$74.6 million)
- Statutory NPAT down 3.9% to \$28.0 million; and underlying NPAT up 14.1% to \$34.3 million (FY16: \$30.1 million)
- Net operating cash flows up \$10.9 million to \$60.6 million (FY16: \$49.7 million)
- Net debt of \$133.1 million following acquisitions (FY16: \$112.5 million)
- Net leverage ratio of 1.59 (FY16: 1.52)
- Fully franked final dividend of 9.0 cents per ordinary share declared, up 12.5% (FY16: 8.0 cps); and total FY17 fully franked dividend up 21.4% to 17.0 cps (FY16: 14.0 cps)

#### Growth and strong performance across KFC business

Commenting on the performance of Collins Foods' KFC business, Mr Maxwell said: "Though our commitment and focus on maximising operational performance, controlling costs and improving efficiency and margin, our KFC Australia restaurants delivered strong operating and financial results. Core product offerings, good value offers and product innovation continue to drive strong sales growth across our KFC Australia network."

Over FY17, the Company continued to invest in its KFC Australia network, undertaking 7 new builds and 19 major remodels.

On 26 July 2016, Collins Foods announced the completion of its acquisition of 13 KFC restaurants located around the NSW/Victoria 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 successfully integrated and are performing to expectations.

On 1 December 2016, Collins Foods completed the acquisition of 11 KFC restaurants in Germany, purchasing a further store on 19 December 2016, and opened its first new store in Germany on 25 April 2017. The Germany integration is on track, with the initial focus on ensuring back office systems were set up quickly to support the restaurant network in Germany. The focus has now shifted to sales growth and operational improvement.

On 23 March 2017, Collins Foods announced the acquisition of 16 KFC restaurants in the Netherlands. These restaurants are to be purchased directly from KFC. This strategic acquisition is consistent with Collins Foods' long term strategic growth plans and provides another growth runway in Europe. Completion is expected to occur in the first half of FY18 due to the process for gaining local municipality permits taking slightly longer than expected.

### **Comfortable gearing**

Net debt (excluding the \$53.9 million cash raised from the share placement to part purchase the 16 KFC Netherlands stores) increased \$20.6 million to \$133.1 million, with a net leverage ratio of 1.59 (FY16: 1.52). This increase was driven by the acquisition of 13 KFC restaurants in New South Wales/Victoria and 12 KFC restaurants in Germany, offset by the cash flows delivered by these businesses since acquisition. To accommodate these acquisitions during FY17, Collins Foods entered into a new Syndicated Facility Agreement of \$270 million and Euro €60 million. This is subject to customary conditions precedent, the usual terms and conditions, and to a successful capital raise (noting that the Offer is fully underwritten). The new term of the facility is a blend of maturities with \$175 million expiring on 31 October 2020 and the remaining \$95 million together with the Euro €60 million expiring on 31 October 2022.

"We are very pleased that we have generated such healthy net operating cash flows during the year to enable us to continue building and investing in our restaurants, purchasing more restaurants, while maintaining gearing at comfortable levels," Mr Maxwell said.

### **Sizzler**

Sizzler revenues declined 10.5% to \$65.0 million (FY16: \$72.6 million) reflecting the closure of 6 restaurants in Australia. However, Sizzler Australia delivered same store sales growth of 0.4%, contributing to the EBITDA positive results for FY17.

"We are pleased with the performance of Sizzler Australia during the year, despite the decline in revenue as a result of 6 restaurant closures. We will continue to closely monitor our remaining restaurants," Mr Maxwell said.

Sizzler Asia continued to grow, with royalty revenue up 4%, despite sales in Thailand being impacted by the passing of the King and the subsequent mourning period. During FY17 there were 5 new restaurants opened (and 4 closures) in Thailand, 3 new restaurants opened in China and 1 restaurant closed in Japan taking the total restaurant count in Asia to 68 at year end.

### **Snag Stand under strategic review**

Snag Stand was unable to achieve an overall improvement in trading despite refining the menu and brand. The business is undergoing a strategic review, with no further growth capital being allocated.

### **Continued growth in dividend**

The Board has declared a final FY17 fully franked dividend of 9.0 cps, up 12.5% on the prior corresponding period (FY16 final dividend: 8.0 cps). This dividend will have a record date of 5 July 2017 and payment date of 20 July 2017.

The total dividend for FY17 is up to 17.0 cps fully franked (FY16: 14.0 cps).

## Priorities for FY18

Commenting on Collins Foods' priorities for FY18, Mr Maxwell said:

"Our priorities are to grow the core KFC Australia business through driving transactions and maintaining margins with our disciplined approach to operational management, while integrating and growing our KFC Europe business. Given our position as the largest KFC franchisee in Australia, we are well placed to drive Collins Foods' next growth phase.

"In Australia, we plan to build 8 new KFC restaurants in addition to our remodel programme. In addition, upon completion, we will integrate the recently acquired 28 KFC restaurants in Tasmania, South Australia and Western Australia into the Collins Foods' network.

"In Europe, we will integrate the 16 KFC restaurants in the Netherlands into the company's network upon completion. We plan to grow the company's European KFC business by introducing the value concept to Germany to drive transactions, building 8 to 10 restaurants with 4 to 5 in both Germany and the Netherlands, and building a strong and efficient back office to support growth in the European business.

"We will also strengthen our organisational capability to deliver on our acquisitions as well as organic growth.

"With further growth anticipated in the 2018 financial year, we expect continued increased shareholder returns as we deliver on our strategic plan."

ENDS

## For further information, please contact:

Graham Maxwell  
CEO  
P: +61-7 3352 0800

Ronn Bechler  
Investor Relations - Market Eye  
P: +61-400 009 774

Jenna Hawkins  
Media - PPR  
P: +61-7 3309 4721

## About us

Collins Foods Limited (ASX: CKF) is a KFC franchisee in Australia and Germany, and is the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in Asia. The Company also owns Snag Stand which has company owned outlets and a franchise 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.collinsfoods.com](http://www.collinsfoods.com)