

30 March 2020

ASX Market Announcements Office
10 Bridge Street
SYDNEY NSW 2000

Via ASX Online

Dear Sir/ Madam

ANNOUNCEMENT FOR RELEASE VIA MARKET ANNOUNCEMENTS PLATFORM

Please find **attached** an announcement entitled, "COVID-19 Update (3)" (**Announcement**) for release via the ASX Market Announcements Platform.

The Announcement sets out contact details for queries relating to the Announcement.

By Order of the Board



Frances Finucan

Company Secretary

ASX RELEASE

COLLINS FOODS LIMITED – COVID-19 UPDATE (3)

Monday, 30 March 2020: Collins Foods Limited (ASX: CKF) provides the following update in relation to the impact of the global COVID-19 (coronavirus) pandemic on its business and recent sales trends.

The health and safety of Collins Foods' employees and customers in Australia, the Netherlands and Germany are the Company's top priority. Collins Foods has already undertaken significant measures to address the coronavirus issues faced in each of the communities in which we operate.

Collins Foods' Managing Director & CEO Graham Maxwell said, "As a team we are reviewing the situation daily and taking advice from the relevant Government authorities in conjunction with Yum! to ensure we are best caring for the health and safety of our employees and customers."

Prior to any Federal or State Government coronavirus response directives, as of Wednesday, 18 March 2020 KFC Australia and Taco Bell pro-actively closed their in-restaurant dining areas and shifted their focus to take-away, drive-thru and delivery.

For KFC Australia these channels represent at least 80% of total sales. As of Monday, 23 March 2020 the Australian Government had limited all restaurants to take away (including drive-thru) and delivery.

In Europe, the Netherlands is operating take-away, drive-thru and delivery; while in Germany in addition to take-away, drive-thru and delivery, in-restaurant dining remains open at reduced opening hours as directed by the Government.

Same store sales performance over the first 20 weeks of the second half of FY20 from 14 October 2019 until 1 March 2020 were strong:

- KFC Australia same store sales growth of 3.5%;
- KFC Germany same store sales growth of 5.6%; and
- KFC in the Netherlands was showing early signs of recovery with same store sales of -3.6%.

Since the recent introduction of restrictions on in-restaurant dining, overall sales in KFC Australia have declined, with sales in the last week being -8% versus prior year. As expected, drive-thru restaurants have performed stronger than Food Courts due to the latter's reduced mall traffic. This reduction in sales, should it continue for a prolonged period, will most likely have a material impact on full year earnings. Recognising the fast-changing dynamics of the current environment, the Company will update the market once more trading information is known.

While the outlook for sales in the closing weeks of the Company's financial year (ending 3 May 2020) is uncertain given the rapidly evolving situation, Collins Foods is uniquely placed to deal with the current situation in the KFC Australian business, given the large proportion of drive-thru restaurants within its network and its ability to also offer delivery from the majority of those restaurants.

In Europe, where drive-thru is not as prominent in the overall mix, sales in the Netherlands have dropped 30% to 40% versus prior year while in Germany, sales have dropped approximately 50% versus prior year.

In response to the changes in recent trading conditions and the high level of uncertainty generally, Collins Foods has already implemented initiatives to maximise sales across the various business units and introduce operational changes to preserve cash, including but not limited to minimising operational expenditure, and delaying capital expenditure.

"Our business is showing strong resilience despite very challenging macro conditions and is well positioned for when the overall environment improves," said Mr Maxwell.

Collins Foods' balance sheet remains strong and has significant headroom in its current debt facilities and covenants. As at the Company's half year result at 13 October 2019, Collins Foods had net debt of A\$217.3 million against credit facilities of A\$395 million (applying exchange rates extant at half year date). The Company's pre AASB16 net leverage ratio at H1 FY20 was 1.84 against the covenant maximum of 2.75, and the Lease Adjusted Interest Cover ratio was 2.75 against the minimum 1.75.

ENDS

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About us

Collins Foods Limited (ASX: CKF) is a KFC and Taco Bell franchisee in Australia and KFC franchisee in the Netherlands and Germany, the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in 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.collinsfoods.com