
COLLINS FOODS LIMITED

MORGANS ANNUAL QLD CONFERENCE

8 October 2014





Chief Executive Officer

Graham Maxwell

Collins Foods Limited



**170 KFC restaurants
across Queensland, Western
Australia and Northern
Territory
– owned and operated under
a franchise agreement with
Yum! Brands**



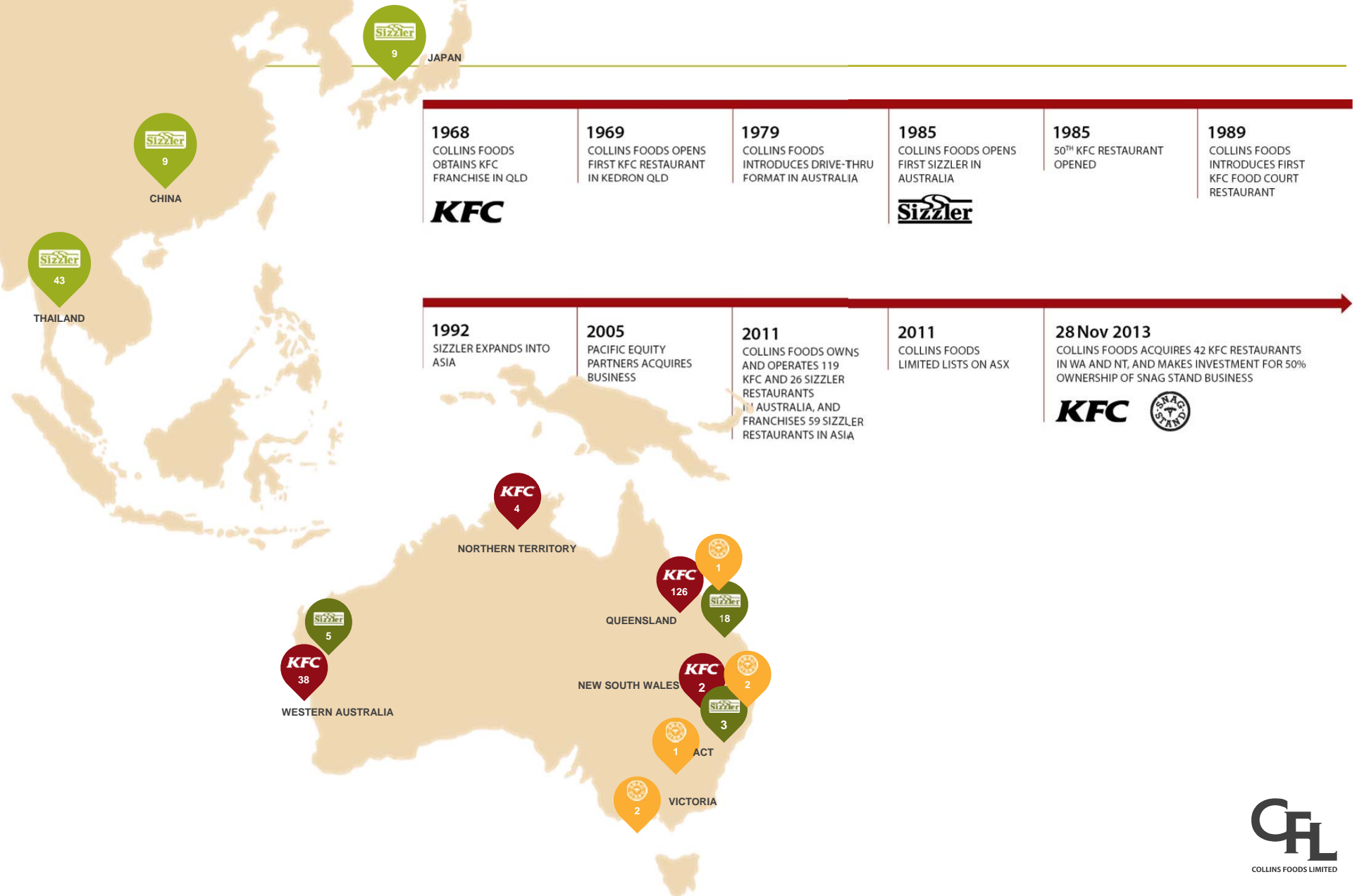
**26 Sizzler restaurants in
Australia, predominately in
Queensland but also in Perth
and Sydney
– owned and operated**

**61 Sizzler restaurants in Asia
(Thailand, China and Japan)
– operated by our franchise
partners**



**6 Snag Stands
across eastern seaboard
– 50 % partnership**

Our history



CKF FY14 financial overview

\$m	FY12	FY13	FY14	WA impact (1)	Significant items (2)	FY14 Underlying	Change versus FY13 Underlying
Revenue	406.5 *	423.9	440.6	15.4	-	425.1	0.3% ↑
- KFC Qld SSS %	(1.8%)	4.2%	0.8%				
- Sizzler SSS %	(4.0%)	(2.4%)	(9.3%)				
EBITDA	51.1 *	47.2	50.5	1.5		49.0	3.8% ↑
EBIT	34.0 *	29.8	26.9	(1.5)	(2.4)	30.8	3.5% ↑
NPAT	18.4 *	16.4	14.0	(2.1)	(1.8)	17.9	9.3% ↑
Net cash flow	(24.5)	4.3	13.3				
EPS basic (cents)	19.8 *	17.6	15.1			19.2	9.3% ↑
DPS full year (cents)	6.5	9.5	10.5				10.5% ↑

- Underlying NPAT up 9.3% to \$17.9m
- Underlying EPS up 9.3% to 19.2 cps
- Full year dividend payout of 10.5 cps – an increase of 10.5%
- Net cash flow of \$13.3m
- Revenue slightly positive at 0.3%
- Underlying EBITDA up 3.8% to \$49.0m
- Underlying EBIT up 3.5% to \$30.8m

(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.

* Pro forma measures, which are unaudited, differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.



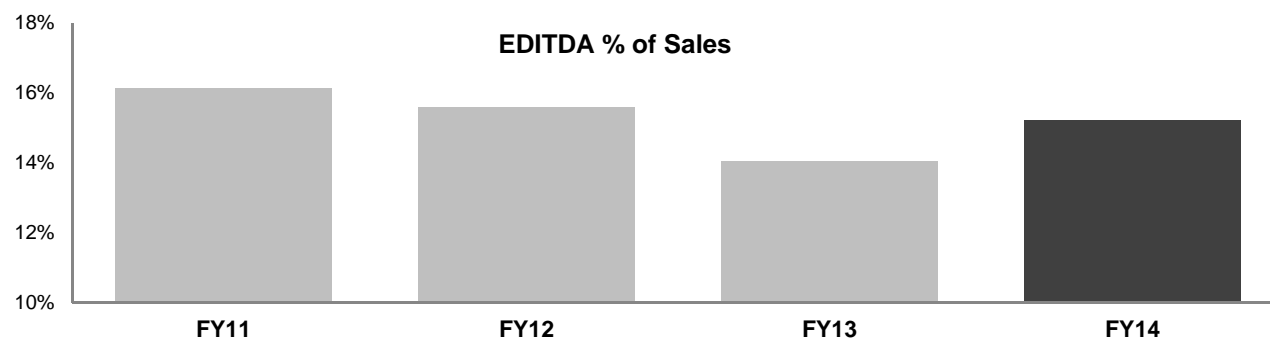
KFC



KFC Qld growing both top and bottom line

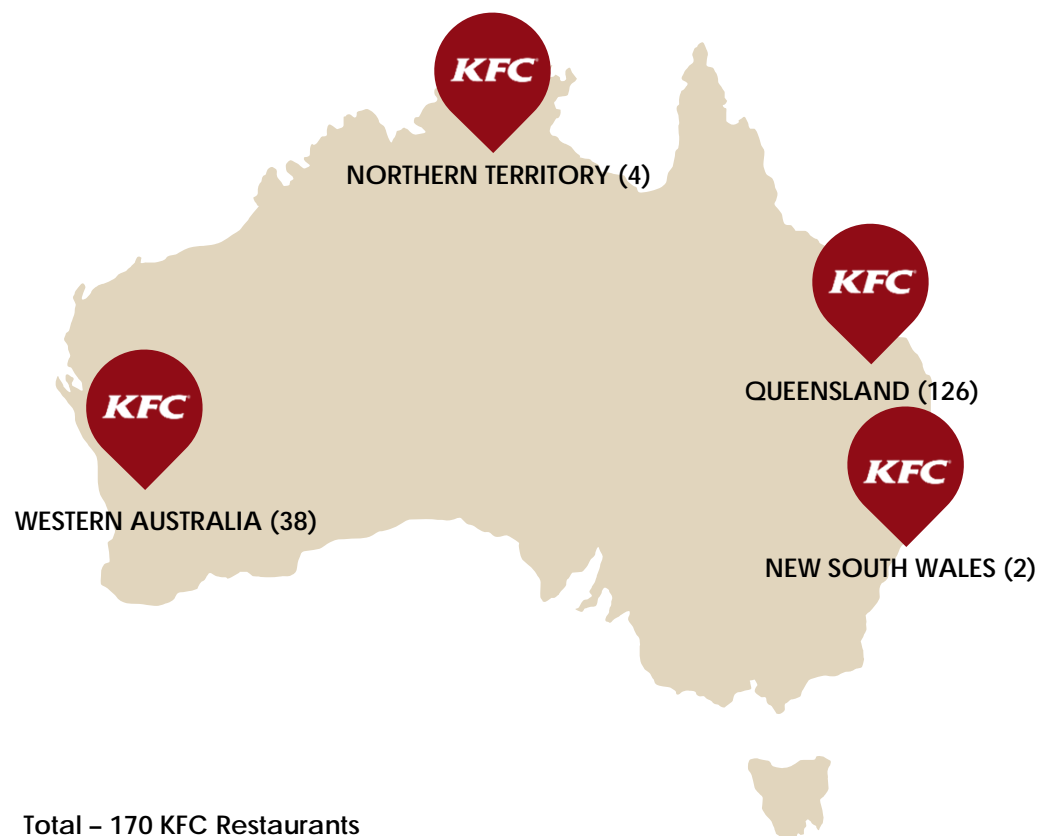
\$m	FY12 *	FY13	FY14	Significant items	FY14 Underlying	Change
Restaurants						
- period end	121.0	122.0	125.0	-	-	3.0 ↑
Revenue	300.8	318.2	329.3	-	-	3.5% ↑
% SSS	(1.8%)	4.2%	0.8%	-	-	
EBITDA	46.9	44.7	50.2	-	-	12.2% ↑
% margin	15.6%	14.0%	15.2%	-	-	120 bps ↑
EBIT	35.7	33.3	37.4	(0.2)	37.6	12.8% ↑
% margin	11.9%	10.5%	11.3%	-	11.4%	90 bps ↑

* FY12 numbers are pro forma measures, which differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.



- Revenue up 3.5% with SSS up 0.8%
- 4 new restaurants opened and 1 closed
- EBITDA margin 15.2% up 120 bps
- Direct and indirect labour efficiencies and productivity gains key component in improved operating margins
- EBIT margin 11.4% up 90 bps
- FY15 Q1 SSS up 2.6%

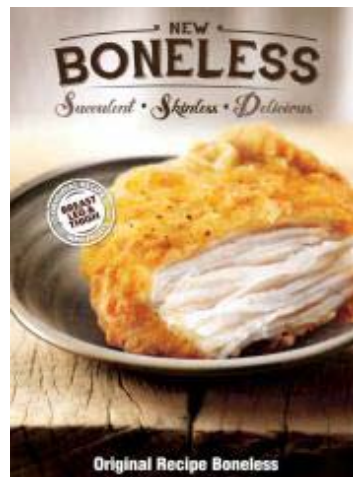
KFC WA/NT - expanding our footprint



- Acquired 42 KFC restaurants in Western Australia and Northern Territory
- Transaction completed 7 March 2014
- FY14 revenue of \$107m and EBITDA of ~ \$10m
- Expecting a ~ 15% EPS accretive to CKF earnings in FY15
- Target a 200 bps EBITDA in productivity gains over 3 years
- ~ \$25m in capex to upgrade over 4 years
- Build 10 new restaurants in 4 years

KFC Brand supported by solid pipeline/campaigns

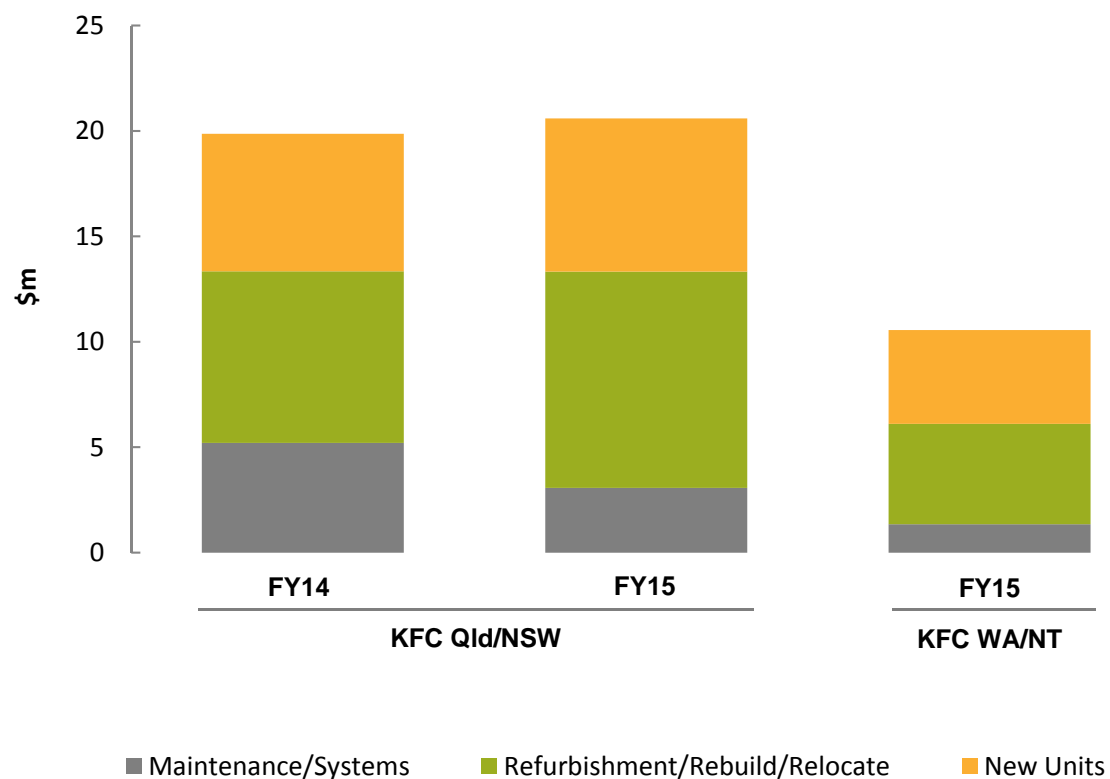
- Strong new product promotions – Zinger pie, Mighty Burger, Boneless chicken etc – continuing to introduce innovation and excitement to the Brand
- Innovative and fun family dinner offerings at centre of Brand strategy
- Value offers remain an industry focus – KFC value plays still relevant to transaction growth
- KFC Australia at forefront of successfully leveraging social media trend: +750,000 Facebook likes



Growing and upgrading our estate



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

- Capex funded from cash flows



Sizzler in transition



Sizzler performance reflects ongoing transition

\$m	FY12 *	FY13	FY14	Significant items ⁽¹⁾	FY14 Underlying	Change
Restaurants						
- period end**	27.0	27.0	26.0	-	-	1.0 ↓
Revenue	105.8	105.6	95.8	-	-	9.3% ↓
% SSS**	(4.0%)	(2.4%)	(9.3%)	-	-	-
EBITDA	10.7	10.1	7.8	-	-	22.7% ↓
% margin	10.2%	9.6%	8.1%	-	-	150 bps ↓
EBIT	7.0	6.0	2.0	(1.9)	3.9	34.1% ↓
% margin	6.6%	5.7%	2.1%	-	4.1%	160 bps ↓

* FY12 numbers are pro forma measures, which differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.

** Australia only

(1) Sizzler Mackay Impairment \$1.9m

- Overall revenue down 9.3% to \$95.8m with Sizzler Australia SSS down 9.3%
- Revenue decline has put pressure on margins with 150 bps decline in EBITDA margin to 8.1%
- 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 roll-out

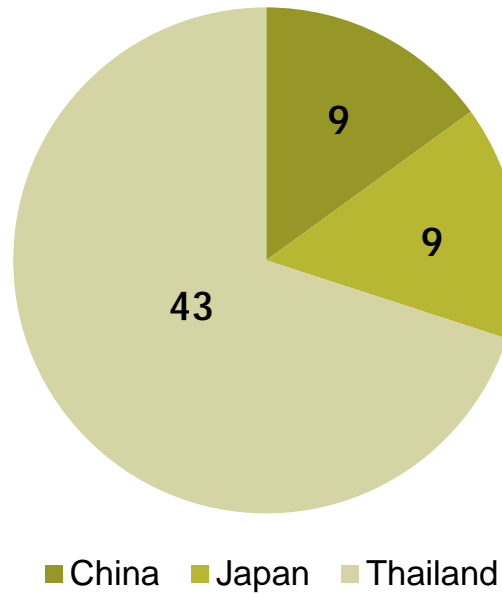
- Two restaurants, Cleveland and Caboolture have reopened with the key **Get Refreshed** elements included in an overall front of house remodel and a third, Mermaid Beach to reopen at the end of October
- To date sales in Cleveland and Caboolture have been very positive
- **Get Refreshed** elements to be in all restaurants by the launch of a our Summer campaign



Sizzler Asia continues to grow

- Royalty revenue over FY14 up 9.9%
- Opened 4 new restaurants in China and Thailand during FY14
- New restaurants in China have performed well on opening
- Plan to open a further 5 new restaurants in China and 2 in Thailand during FY15

Sizzler Restaurants in Asia





Snag Stand a new addition



Investment in an innovative concept

- An innovative concept in the fast growing section in the food service industry
- Gourmet Artisan sausages of the finest quality.... it's fantastic tasting, international inspired dude food
- Currently 6 stores (1 franchise) with a further Stand under construction
- CKF taken a 50% equity stake with the founders





Financial overview

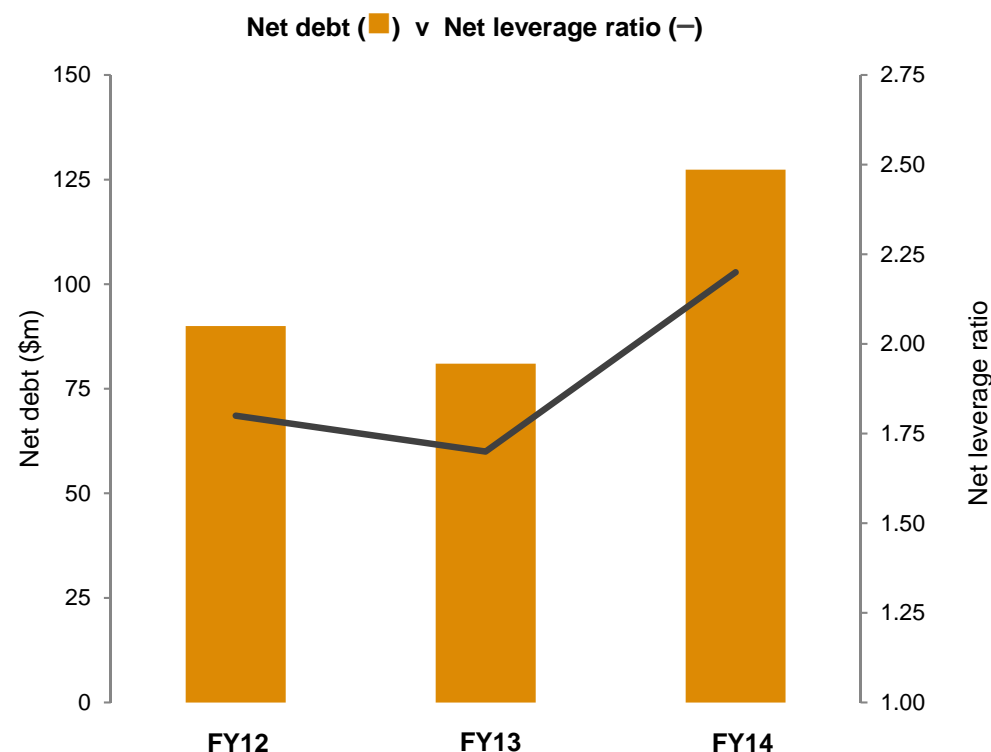
Strong cash flow generation

\$m	FY12	FY13	FY14
Net operating cash flows before interest and tax	51.2	50.1	57.5
Net interest paid	(15.8)	(6.0)	(5.7)
Income tax paid	0.2	(2.9)	(6.9)
Net operating cash flows	35.6	41.2	44.9
Payment for acquisitions including costs	0.0	0.0	(59.5)
Capex	(18.8)	(17.9)	(20.6)
Other	0.4	(0.1)	(1.2)
Net cash flow from investing	(18.4)	(18.0)	(81.3)
Net cash flow from financing	(41.7)	(18.9)	49.8
NET CASH FLOW	(24.5)	4.3	13.3

- Generated a net cash flow of \$13.3m
- Net operating cash flow increased \$7.4m reflecting strong cash generation and change in working capital primarily due to KFC WA/NT acquisition
- Refinancing of debt in July 2013 has had a positive effect on the financing costs
- Increased income tax paid reflects the utilisation of historical tax losses and final deductions taken for certain remaining IPO related costs in FY13
- Increased borrowings by \$60m to fully fund KFC WA/NT acquisition (including associated costs)
- Capex spend of \$20.6m primarily to fund KFC Qld remodel and new store program
- Strong cash flows enabled FY14 final fully franked dividend of 6 cps (FY13: 5.5 cps) and total FY fully franked dividends of 10.5 cps (FY13: 9.5 cps)

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



Business focus and outlook

- Continue to expand and strengthen KFC business
 - 30 restaurants across Queensland, Western Australia and Northern Territory over the next four years
 - potentially further acquisitions
- Return Sizzler Australia to positive growth through the roll-out of **Get Refreshed**
- Expand Sizzler China through our franchise partner
- Firm up a Snag Stand concept and accelerate roll-out



Thank you

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