

## ASX RELEASE

### COLLINS FOODS DELIVERS A STRONG OPERATING AND FINANCIAL RESULT

**Thursday, 25<sup>th</sup> June 2015:** Collins Foods Limited (ASX: CKF) today announced its results for the full financial year ended 3 May 2015 (FY15), which reflected strong underlying earnings growth including a better than anticipated performance from the Western Australia and Northern Territory KFC restaurants.

Commenting on the FY15 result, Collins Foods' Chief Executive Officer, Mr Graham Maxwell said: "Over the past twelve 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 been very pleasing, and we continue to see opportunity for growth across all KFC regions."

#### Overview of FY15 results

- Revenue up 29.7% to \$571.6m (FY14: \$425.1m)
  - KFC SSS (same store sales) up 4.8% (FY14: up 0.8%)
  - Sizzler Australia SSS down 8.5% (FY14: down 9.3%)
  - 6 new KFC restaurants built
  - 16 KFC major remodels (9 in QLD and 7 in WA)
- EBITDA up 37.5% to \$67.4m (FY14: \$49.0m)<sup>1</sup>
- Statutory NPAT loss of \$10.4m was heavily impacted by a \$37.5m non-cash, pre-tax impairment charge on Sizzler Australia
- Strong growth in underlying financials:
  - EBIT up 46.4% to \$45.1m (FY14: \$30.8m)<sup>1</sup>
  - NPAT up 37.4% to \$24.6m (FY14: \$17.9m)<sup>1</sup>
- Net operating cash flow up 11.3% to \$49.1m (FY14: \$44.9m)
- Strong balance sheet with net debt down \$5.2m to \$122.8m (FY14: \$128.0m)
  - Net leverage ratio reduced to 1.83 (from FY14 of 2.22)
- Fully franked final dividend of 6.5 cents per ordinary share declared, up 8.3% (FY14: 6.0 cps). Total FY15 fully franked dividend up 9.5% to 11.5 cps (FY14: 10.5 cps)

#### Strong performance across KFC business

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

"Strong sales across our KFC stores were boosted by attractive product offerings, a continued focus on innovation, and a successful summer marketing campaign. In addition, our focus on cost control and extraction of further efficiency gains has resulted in continued margin improvement across the store network.

<sup>1</sup> Adjusted to exclude WA/NT costs of acquisition in FY14 and non-cash impairments in FY14 and FY15

“We continue to expand our KFC network in regions with low market penetration compared with our existing stores, whilst enhancing our existing network with progressive major remodels. The investment in the KFC network continued to gather pace with a further six new builds for the period (predominately in South East Queensland and one in Perth) and a further sixteen major remodels across Queensland and Western Australia. These remodels are enhancing the dining experience of customers by offering a contemporary restaurant design, convenience and best in class dining experience.”

### **Healthy balance sheet with debt reducing**

The Company’s balance sheet has improved significantly following the acquisition of the KFC Western Australia and Northern Territory restaurants. Net debt continued to decline, down \$5.2m to \$122.8m and a net leverage ratio of 1.83.

“Growing our business whilst maintaining a prudent balance sheet is a high priority, and we remain committed to further reducing our debt levels. We’ve demonstrated throughout 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 now regarded as non-core to strategic growth in Australia**

Sizzler Australia’s revenue continued to decline through FY15, falling 8.5% to \$88.5m. A non-cash, pre-tax impairment charge of \$37.5m has been booked for FY15. This impairment does not have any impact upon Collins Foods’ funding covenants. In addition, the charge does not have any impact on the Sizzler Asian business which is viewed separately.

As planned, following the summer trading period Collins Foods undertook a strategic review of the operations of Sizzler Australia. “After careful consideration and due to the year on year under performance of the Sizzler Australia business we no longer consider Sizzler to be a strategic growth prospect in Australia and therefore we will not be investing further capital into Sizzler Australia. We believe this is a necessary course of action in order to pursue more attractive growth opportunities,” Mr Maxwell said.

Throughout FY16 a small number of restaurants will be closed and remaining restaurants will be closely monitored with appropriate action taken as and when necessary. Despite the decline in sales, Sizzler Australia is still forecasted to generate a positive EBITDA contribution in FY16.

### **Snag Stand building its growth foundations**

Two new Snag Stand stores were opened during the period – with a stand at the Macquarie Centre in Sydney and one at Sunshine Plaza on the Sunshine Coast bringing the total number of Snag Stands to six company owned stores and one franchised. The new formats are delivering healthy sales and generating positive consumer feedback.

“Whilst we continue to refine the operational and economic model for Snag Stand, patronage of the stores has been growing and we believe the business presents a viable avenue for growth,” added Mr Maxwell.

## **Dividend**

The Board has declared a final 2015 fully franked dividend of 6.5 cents per share, up 8.3% on the prior corresponding period (FY14 final dividend: 6.0 cps). This dividend will have a record date of 9 July 2015 and payment date of 23 July 2015. On a total dividend basis, the total dividend for FY15 is up 9.5% to 11.5 cents per share fully franked (FY14: 10.5 cps).

## **Looking forward**

Commenting on Collins Foods' priorities for FY16, Mr Maxwell said:

"Our ongoing focus on operational improvement and strategic management should see us deliver further growth over the next financial year.

"We will maintain a disciplined focus on the KFC business with plans for eight new restaurant builds in addition to eighteen major remodels to take place. In addition, we will continue to focus on improving the performance of our Western Australia and Northern Territory restaurant portfolio via the rollout of further operational and labour efficiency measures along with the remodelling and upgrading of existing restaurants.

"Sizzler Asia will continue to grow with plans for two new restaurant openings in Thailand in FY16 and further expansion likely for China.

"The steady rollout of Snag Stand will remain in place with plans to open a store at the redeveloped Pacific Fair Shopping Centre on the Gold Coast in late 2015."

- ENDS -

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## **About us**

Collins Foods Limited (ASX: CKF) operates 171 KFC restaurants and 25 Sizzler company owned restaurants throughout Queensland, New South Wales and Western Australia. In addition, the Company has 60 franchised Sizzler restaurants around Asia.

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](http://www.collinsfg.com.au)