
COLLINS FOODS LIMITED

2016 HALF YEAR RESULTS

2 December 2015



HY16 saw growth across all key financial metrics

\$m	HY15 Statutory	HY15 Significant items ^[1]	HY15 Underlying	HY16 Statutory	Change vs HY15 Underlying
Revenue	256.7		256.7	269.7	5.1% ↑
EBITDA	29.4		29.4	35.3	19.8% ↑
EBIT	(17.0)	36.5	19.5	24.7	27.0% ↑
NPAT	(22.9)	33.7	10.7	14.3	33.6% ↑
Net Debt	131.7		131.7	117.4	\$14.3m ↓
Net Leverage Ratio	2.14		2.14	1.62	
Net Operating Cashflow	16.6		16.6	23.8	\$7.2m ↑
Net cash flow	(3.8)		(3.8)	5.4	\$9.1m ↑
EPS basic (cents)	(24.7)	36.2	11.5	15.4	33.6% ↑
DPS (cents)	5.0		5.0	6.0	20.0% ↑

- Revenue up 5.1% to \$269.7m
- EBITDA up 19.8% to \$35.3m
- NPAT of \$14.3m, up 33.6% against an underlying HY15
- EPS basic 15.4 cps, up 33.6% against an underlying HY15
- Net operating cash flow up 43.4% to \$23.8m
- Net debt \$117.4m and net leverage ratio improved to 1.62
- Interim dividend up 20.0% to 6.0 cps fully franked

[1] Adjusted to exclude Impairment (Pre-tax effect): KFC restaurants \$0.6m; Sizzler restaurants \$2.5m; Sizzler brand \$6.3m; and Sizzler goodwill \$27.1m

HY16 operational highlights



- Strong top line growth of 8.7%, with same store sales (SSS) of 5.2%
- Opened 3 new restaurants (2 in WA) with 2 more to come before Christmas
- Focused discipline continuing to improve margins



- Sizzler Australia, now managed as non-core, generating positive EBITDA
- 3 Sizzler restaurants closed
- Sizzler Asia contributing ongoing earnings growth



- Opened a new Stand in November at Pacific Fair incorporating the new brand elements
- 2 Stands closed in Victoria that were not reflective of future brand positioning



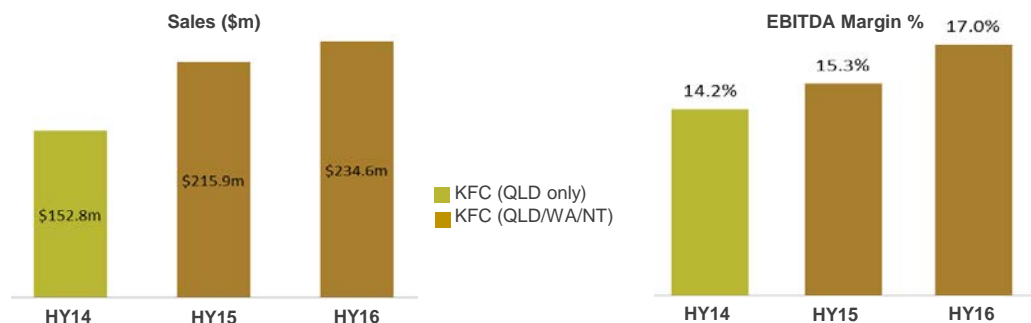
Strong KFC performance during first half



Strong KFC performance during first half

\$m	HY15 Statutory	HY15 Significant items ^[1]	HY15 Underlying	HY16 Statutory	Change vs HY15 Underlying
Restaurants					
- Half-year end	170		170	174	4 ↑
Revenue	215.9		215.9	234.6	8.7% ↑
% SSS	3.4%		3.4%	5.2%	
EBITDA	33.0		33.0	39.9	20.8% ↑
% margin	15.3%		15.3%	17.0%	170 bps ↑
EBIT	24.9	0.6	25.4	31.5	24.0% ↑
% margin	11.5%		11.8%	13.4%	160 bps ↑

- Revenue up 8.7% with SSS up 5.2%
- Good momentum across the business but tougher comp rolls to come in the second half
- 3 new restaurants opened and 11 major remodels in HY16
- Ongoing focus on operational performance delivers strong EBITDA growth
- EBITDA margin 17.0% up 170 bps
- EBIT margin 13.4% up 160 bps on HY15 underlying



[1] Impairment – KFC Valley Metro and KFC Macarthur Central

KFC continues to deliver great products that enhance the brand and which our customers love



Core product innovation

Original Tenders; Zinger Taco's; Fold Its - are at the centre of our product innovation and are key drivers of sales

Great value

\$1 chips; 24 nuggets for \$10, 9 for \$9.95 remain key components of our customer offer and a key contributor to transaction growth

Family and boxed meals

These products have a broad appeal as well as delivering good value

'Digital strategy plays an ever growing role in how we evolve communication with our customers'

Restaurant build and remodel program continues to drive growth

Baldivis (WA)



- HY16 Capex of circa \$12m for KFC network development
 - 3 new openings
 - 11 major remodels
 - 5 minor remodels

Butler (WA)



- Core maintenance and systems capital circa \$1m
- Further 4-5 new stores and 7 major remodels planned for the second half of FY16

Ormeau (QLD)



Gladstone (QLD)





Sizzler Australia now managed as non-core



Sizzler Australia now managed as non-core

\$m	HY15 Statutory	HY15 Significant items ^[1]	HY15 Underlying	HY16 Statutory	Change vs HY15 Underlying
Restaurants					
- Period end ^[2]	26		26	23	3 ↓
Revenue	40.8		40.8	35.1	13.9% ↓
% SSS ^[2]	(8.4%)		(8.4%)	(12.0%)	
EBITDA	1.7		1.7	2.1	28.1% ↑
% margin	4.1%		4.1%	6.0%	190 bps ↑
EBIT	(34.8)	35.9	1.1	1.2	14.2% ↑
% margin	(85.4%)		2.6%	3.5%	90 bps ↑

- Overall revenue down 13.9%
- 3 restaurants closed in first half
- Focused management of costs has seen margins hold despite declining sales
- EBITDA at \$2.1m for the half-year
- No further growth capital to be invested
- Sizzler Australia forecasted to generate a positive EBITDA in FY16

[1] Impairment Sizzler restaurants \$2.5m; Sizzler brand \$6.3m; and Sizzler goodwill \$27.1m

[2] Sizzler Australia only (excludes Sizzler Asia)

Sizzler Asia continues to grow

- Sizzler Asia continues to grow through increased royalty revenue and store count
- Royalty revenue HY16 vs HY15 up 20.9%
- 1 new restaurant opened in Thailand with further new restaurant opening in Tokyo in December
- 6 new restaurants planned to open in the second half





Financial overview

Positive cashflow enabling debt to be paid down

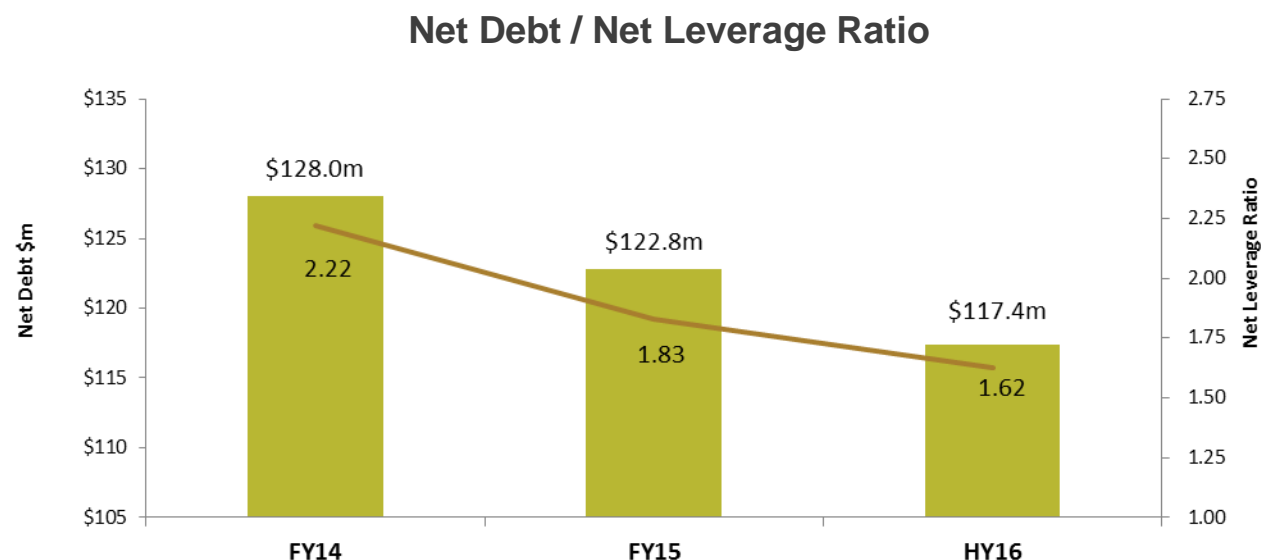
\$m	HY15	HY16
Net operating cash flows before interest and tax	28.2	34.7
Net interest paid	(4.2)	(3.9)
Income tax paid	(7.5)	(6.9)
Net operating cash flows	16.6	23.8
Payment for franchise rights	(0.2)	(0.2)
Capex *	(14.4)	(11.6)
Net cash flow from investing	(14.6)	(11.7)
Net cash flow from financing	(5.8)	(7.0)
Net foreign exchange movement	–	0.3
NET CASH FLOW	(3.8)	5.4

* Capex reflects actual Capex spent, excludes accruals at half-year

- Net cash flow positive \$5.4m
- Net operating cash flow before interest and tax increased by \$6.5m driven by growth in sales and margin in KFC restaurants
- Decrease in tax payments of ~\$0.6m
 - HY15 includes an additional periodic tax payment and a higher income tax instalment rate
- Capex down \$2.8m on prior year, but full year spend expected to be similar to last year
- Good cash flows enabling a HY16 fully franked dividend of 6.0 cps – up 20.0% on HY15
- Net foreign exchange driven by increase in cash balances and weakening AUD vs USD

Lower net debt and lower net leverage ratio

- Net debt down \$5.4m since year end to \$117.4m
- Increased covenant headroom with net leverage ratio down to 1.62



Balance sheet

\$m	03-May-15	18-Oct-15
Cash and equivalents	42.2	47.6
Total current assets	53.1	56.3
Property, plant and equipment	79.5	83.4
Total non-current assets	355.8	362.6
Total assets	408.9	418.9
Total current liabilities	66.6	66.0
Debt ^[1]	164.6	164.6
Total non-current liabilities	171.1	171.7
Total liabilities	237.7	237.7
NET ASSETS	171.3	181.2

- Cash balance up \$5.4m to \$47.6m
- Property, Plant & Equipment (PP&E) up \$3.9m due to new restaurants and remodels partially offset by restaurant depreciation
- Increase in non-current assets largely due to PP&E up \$3.9m, increase in deferred tax asset \$1.3m and intangible asset increase by \$0.6m on Sizzler Asia brand
- Net Assets up to \$181.2m

[1] Net of capitalised costs \$0.4m (FY15: \$0.5m)

Priorities for remainder of FY16

- Growing the KFC business through:
 - Existing store sales growth
 - Building 4-5 new stores and remodelling a further 7 stores
 - Exploring acquisition opportunities
- Disciplined focus on operational improvement and KFC margins
- Continuing to refine Snag Stand model
- Dividend policy to pay out 50% of full year NPAT excluding KFC WA/NT



Questions

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