COLLINS FOODS LIMITED

FY19 FULL YEAR RESULTS

25 JUNE 2019

COLLINS FOODS LIMITED

ACN 151 420 781

Sizzler

Collins Foods Group delivers strong earnings growth

($m)	FY18 Underlying(1)	FY19 Statutory	FY19 Significant items(2)	FY19 Underlying	Change
Revenue	770.9	901.2		901.2	16.9% ↑
EBITDA	94.5	112.2	1.5	113.7	20.3% ↑
EBIT	63.8	69.8	6.7	76.5	19.9% ↑
NPAT	38.9	39.1	5.9	45.0	15.7% ↑
Net Debt	227.2	212.5		212.5	14.7m ↓
Net Leverage Ratio	2.14	1.87		1.87	
Net Operating Cash Flow	74.5	97.5		97.5	$23.0m ↑
EPS Basic(3) (cents)	33.8	33.6	5.0	38.6	14.1% ↑
DPS (cents)	17.0	19.5		19.5	14.7% ↑

(1) Refer to Appendix
(2) Refer to comments on page 2
(3) EPS basic adjusted for NPAT impact of significant items

- Revenue up 16.9% to $901.2m
- Underlying EBITDA up 20.3% to $113.7m
- Underlying NPAT up 15.7% to $45.0m
- Net debt down to $212.5m and net leverage ratio down from 2.14 to 1.87 due to strong operating cash flow
- Net operating cash flow up 30.9% to $97.5m
- Underlying EPS up 4.8 cps to 38.6 cps from 33.8 cps at the prior year
- Fully franked final dividend of 10.5 cents per ordinary share declared (FY18: 9.0 cps). Total FY19 fully franked dividend of 19.5 cps (FY18: 17.0 cps)

COLLINS FOODS LIMITED

FY19 significant items summary

($m)	EBITDA	EBIT	NPAT
Impairment costs:			
KFC Australia restaurants	-	0.1	0.0
KFC Europe restaurants	-	4.6	4.3
Sizzler Australia restaurants	-	0.2	0.2
Total impairment costs	**-**	**4.9**	**4.5**
Restaurant closure costs:			
KFC Australia restaurants	0.1	0.1	0.0
KFC Europe restaurants	1.2	1.2	1.2
Total restaurant closure costs	**1.3**	**1.3**	**1.2**
Other items	**0.2**	**0.5**	**0.2**
Total significant items	**1.5**	**6.7**	**5.9**

Impairment costs

- Impairment of restaurant property, plant and equipment on 1 KFC Australia, 4 KFC Europe and 2 Sizzler Australia restaurants

Restaurant closure costs

- Provision for 1 onerous lease in KFC Australia and 1 in KFC Europe

Other significant items

- Insurance claim for material store damages, offset by the associated asset disposal
- Additional depreciation due to a change in the useful life on specific equipment associated with a product exit
- Adjustment to deferred tax assets position

FY19 results overview

KFC

Australia

- Top line revenue growth of 15.8%
- Same Store Sales (SSS) growth of 3.7%
- EBITDA margin of 16.6%, up 70 bps on prior year
- Delivery now available in 64 restaurants through Deliveroo and Menulog
- 7 new restaurants built and opened in the financial year

Europe

- Same Store Sales (SSS) decline of 3.7%
- Sales in Europe impacted by key promotion and value campaigns being less successful than prior year
- A number of sales initiatives underway to reduce the decline in sales
- 2 new restaurants opened in Germany and 2 new restaurants opened in Netherlands

TACO BELL

Australia

- Third and fourth restaurants opened during second half of FY19
- Continued positive customer engagement with the brand
- Overall restaurant level sales and profit performance in-line with expectations
- Further 10 restaurant openings expected before year end

Sizzler

Australia

- Sizzler Australia Same Store Sales (SSS) growth of 4.4%
- 1 restaurant closed during second half of FY19, bringing year end store count to 12

Asia

- Sizzler Asia growing sales and earnings, with net 4 restaurant openings during the year

KFC Australia

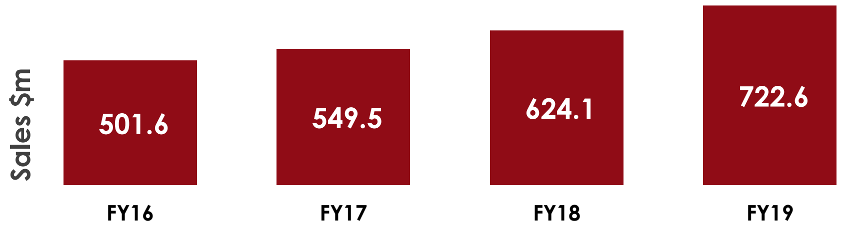
Substantial growth delivered across KFC Australia

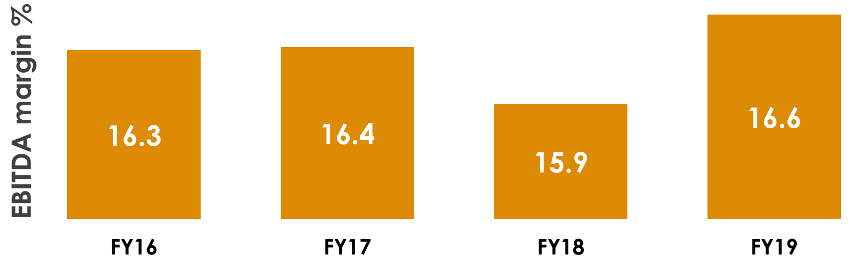
	FY18 Statutory	FY19 Statutory	FY19 Significant items[1]	FY19 Underlying	Change
Restaurants					
year end (no.)	223	231		231	8 ↑
Revenue ($m)	624.1	722.6		722.6	15.8% ↑
% SSS*	1.4%	3.7%		3.7%	
EBITDA ($m)	99.3	119.9	0.1	120.0	20.9% ↑
% margin	15.9%	16.6%		16.6%	70 bps ↑
EBIT ($m)	76.2	92.5	0.6	93.0	21.9% ↑
% margin	12.2%	12.8%		12.9%	64 bps ↑

(1) FY19 adjusted to exclude pre-tax impact of additional depreciation due to change in the useful life on specific equipment that is associated with a product exit, the provision of an onerous lease, impairment of property, plant and equipment of 1 restaurant and insurance claim for material store damages, offset by the associated asset disposal.

- Revenue up 15.8% to $722.6m
- Overall SSS* growth of 3.7% with all States showing positive SSS growth
- Underlying EBITDA up 20.9% to $120.0m, EBITDA margin of 16.6% driven mainly by positive leverage from SSS growth and strong cost control resulting from improved network systemisation
- 7 new restaurants opened and 2 restaurant closures. Final 3 restaurants completed as part of Yum! acquisition
- Good take up of delivery offer which is now available in ~ 64 restaurants through Deliveroo and Menulog

* SSS using Yum! methodology





COLLINS FOODS LIMITED

Innovation and great value remains at the heart of KFC Australia

Great value

Value offers contribute to strong growth

Core product innovation

Exciting twists and variations on existing products

COLLINS FOODS LIMITED

Strong performance in KFC Australia stemming from delivery, digital and operations

Delivery / digital

- 64 restaurants currently support delivery, with 40 of these covered by multiple delivery aggregators – ahead of schedule
- Delivery channel exhibiting strong growth, especially in metro and densely populated trade zones
- App sales showing strong and consistent growth supported by app-only offers
- Ongoing investment in digital channels including external digital menu boards, new instore point of sale and e-commerce website

Operations

- Focus on excellence in operational systems continues to yield gains on core KPIs:
  - speed of service during peak times has increased over 20%, contributing to same store sales growth
  - guest satisfaction scores up by over 15%, well above national average
- Quality and margin KPIs reviewed each period in each store as part of new Performance Operations Platform, underlying improvement and stability in margins
- Continued investment in modernisation and automation of operational systems – including advanced rostering and tablets for in-store audits

COLLINS FOODS LIMITED

KFC Australia restaurant investment update

- FY19 capex of circa $23.0 m for KFC Australia network development:
  - 7 new restaurant openings - 2 in first half and 5 in second half
  - 18 major remodels, 23 minor remodels and 2 major relocations completed
- FY19 maintenance and other capital circa $7.2m
- Ongoing refurbishment of portfolio unlocking capacity where possible (i.e. dual lane drive-thrus)
- Expecting to build 9 to 10 new restaurants in FY20
- Digital menu board rollout for drive-thrus to start in FY20


Banksia Grove, WA
New store

Kirwan, QLD
New store


Sippy Downs, QLD
New store

COLLINS FOODS LIMITED

KFC Europe

COLLINS FOODS LIMITED

Trading remained challenging in Europe

	FY18 Underlying[1]	FY19 Statutory	FY19 Significant items[2]	FY19 Underlying	Change
Restaurants					
year end (no.)	33	37		37	4 ↑
Revenue ($m)	91.6	123.8		123.8	35.2% ↑
% SSS	0.8%	(3.7%)		(3.7%)	
EBITDA ($m)	6.6	5.6	1.2	6.8	2.5% ↑
% margin	7.2%	4.6%		5.5%	175 bps ↓
EBIT ($m)	2.0	(5.9)	5.8	(0.1)	104.5% ↓
% margin	2.2%	(4.8%)		(0.1%)	224 bps ↓

(1) FY18 underlying excludes integrations costs of $0.6m

(2) FY19 adjusted to exclude pre-tax impact of the impairment of property, plant and equipment of 4 restaurants and the provision of an onerous lease.

- Europe SSS* decline of (3.7%) driven by lower than expected sales from underperforming new product promotional campaigns and fewer value offers than prior year
- Overall EBITDA impacted by:
  - sales deleverage from weak trading
  - cost of new restaurant openings and impact of restaurant closures due to remodelling, specifically Damrak
  - underperformance of some of the new restaurants
- Built and opened 4 new restaurants in the financial year
- The introduction of value and snacking as permanent layers supported by a national brand refresh to drive a positive turnaround in Germany
- A renewed focus on value and elevated restaurant experience is expected to improve Netherlands trading
- A new group financial system has been implemented in Europe to enhance back office efficiency

* SSS using Yum! methodology on acquired stores

COLLINS FOODS LIMITED

Brand initiatives and regional focus to drive sales in Germany

Sales driving activities

- National brand refresh launched (in June)
- Value layer to be a permanent feature going forward
- Introduction of a permanent snacking layer as at April (KFC Goodies)
- Brand elevation program being launched in the Stuttgart region with value as the core and incorporating:
  - enhanced customer experience trialling kiosk, delivery, digital menu board design and table service
  - local marketing campaign and community awareness
  - focus on creating a better drive-thru experience lifting drive-thru sales mix

Operations and store development

- Continue to focus on delivering consistently high operation standards
- Review of underperforming restaurants potentially leading to the closure of a couple
- Focus on tight margin controls
- Refocus new restaurant builds – more on drive-thru and less on in-line
- Plan to build 1 new restaurant in FY20, returning to 4 to 5 in the following years

COLLINS FOODS LIMITED

Renewed value focus to drive transactions in the Netherlands

Sales driving activities

- An insight driven approach to new product promotional activity enhanced by the recently appointed CMO
- Introduce everyday and disruptive value offers at key €5 and €10 price points as a permanent layer
- Elevate the restaurant experience through the introduction of multiple digital channels supported with table service
- Elevate the brand through relevant and distinctive campaigns and brand cues

Operations and store development

- Continue to focus on delivering consistently high operation standards
- Focus on tight margin controls
- Rollout of kiosks and the introduction of the digital app and table service
- Damrak reopened following a major remodel with the introduction of kiosks optimising customer flow and experience
- Plan to build 4 to 5 new restaurants in FY20

KFC Europe restaurant build and remodel update

- FY19 capex of circa $13.6m for KFC Europe network development:
  - 4 new restaurant openings:
    - 2 in first half being Moers and Duisburg (Germany)
    - 2 in second half being Den Bosch and Vlaardingen (Netherlands)
  - 7 major remodels and 1 minor remodel completed in FY19
- Review of the Germany asset portfolio potentially leading to the closure of a couple of restaurants in FY20
- Refocus Germany new restaurant build program, move to drive-thru restaurants and less in-line restaurants
- Expecting to build 5 to 6 new restaurants in FY20 with return to 8 to 10 new restaurant builds in FY21

Damrak, NEL
Major remodel

Duisburg, GER
New store

COLLINS FOODS LIMITED

Taco Bell

Successfully opened additional Taco Bell restaurants in Queensland

- Opened third and fourth restaurant in Cleveland, Qld (8 December 2018) and North Lakes, Qld (15 December 2018)
- Overall restaurants are trading in-line with expectations
- Great value products and contemporary restaurant designs continue to resonate well with customers
- Plan to rollout innovative new products that enhance the brand
- Strong pipeline of sites in place, 10 restaurants expected to open before year end
- Planning on expanding out of Queensland with opening of Taco Bell restaurants in Victoria in early 2020

North Lakes, QLD
New store

Cleveland, QLD
New store

COLLINS FOODS LIMITED

Exciting new products and unique customer experiences for Taco Bell

Unique customer experiences

Engaging the community

New products

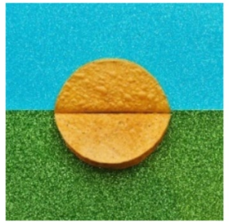
Craveable Menu

COLLINS FOODS LIMITED

Taco Bell restaurant build update

- 3 restaurants opened in Queensland at Robina, Cleveland and North Lakes during FY19, bringing the total restaurant count to 4
- Strong pipeline of sites, with development focus expanding to include Victoria
- Development Agreement with Taco Bell (a subsidiary of Yum! Brands Inc.) to build 50 restaurants over the next 3 calendar years:
  - covering 3 states (Queensland, Victoria and Western Australia)
  - right of first offer in all 3 states
  - funding from internally generated cash flows
- On target to open 10 Taco Bell restaurants by year end






Sizzler

Sizzler Australia and Asia delivered solid results

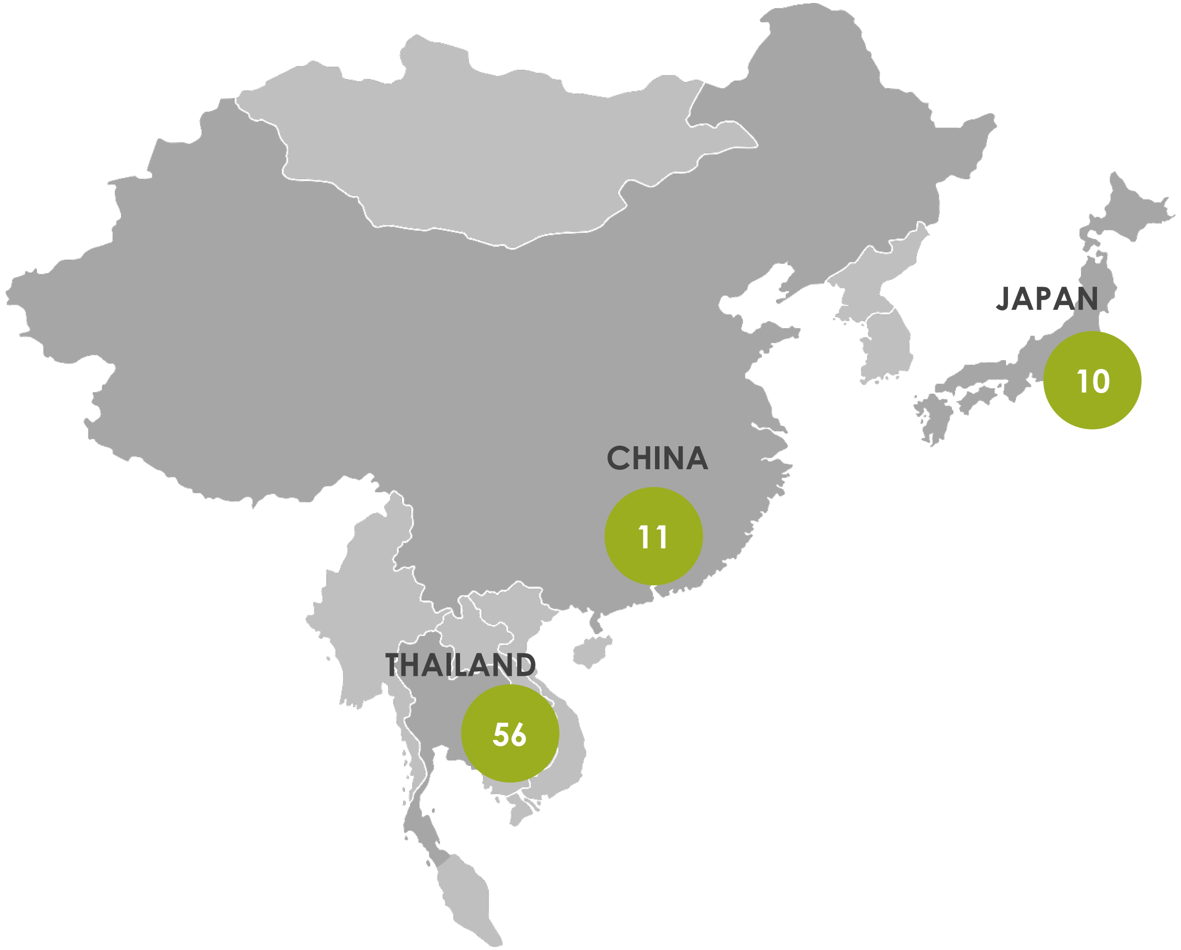
	FY18 Statutory	FY19 Statutory	FY19 Significant items (2)	FY19 Underlying	Change
Restaurants year end (no.) [1]	14	12		12	2 ↓
Revenue ($m)	50.8	46.7		46.7	8.0% ↓
% SSS [1]	(0.5%)	4.4%		4.4%	
EBITDA ($m)	4.6	4.8	0.1	4.9	7.3% ↑
% margin	9.0%	10.4%		10.5%	149 bps ↑
EBIT ($m)	3.2	3.3	0.3	3.6	11.0% ↑
% margin	6.4%	7.0%		7.7%	132 bps ↑

(1) Sizzler Australia only (excludes Sizzler Asia)
(2) FY19 adjusted to exclude pre-tax impact of the impairment of property, plant and equipment of 1 restaurant and smallwares.

- Good same store sales growth in Australia of 4.4%
- Overall revenue down 8.0% driven by fewer restaurants compared to prior year
- 2 restaurants closed during FY19, bringing store count to 12 as at year end
- EBITDA of $4.9m for the year at margin of 10.5%, up 149 bps on prior year

Sizzler Asia continues to grow

- Sizzler Asia continues to grow in both existing restaurant sales and new builds
- Total of 77 restaurants in Asia as at year end (5 restaurant builds: 3 in Thailand and 2 in Japan with 1 closure in China)
- Royalty revenue from Sizzler Asia up 12.2% compared with the prior full year



COLLINS FOODS LIMITED

Financial overview

COLLINS FOODS LIMITED

Strong operating cash flow supporting growth

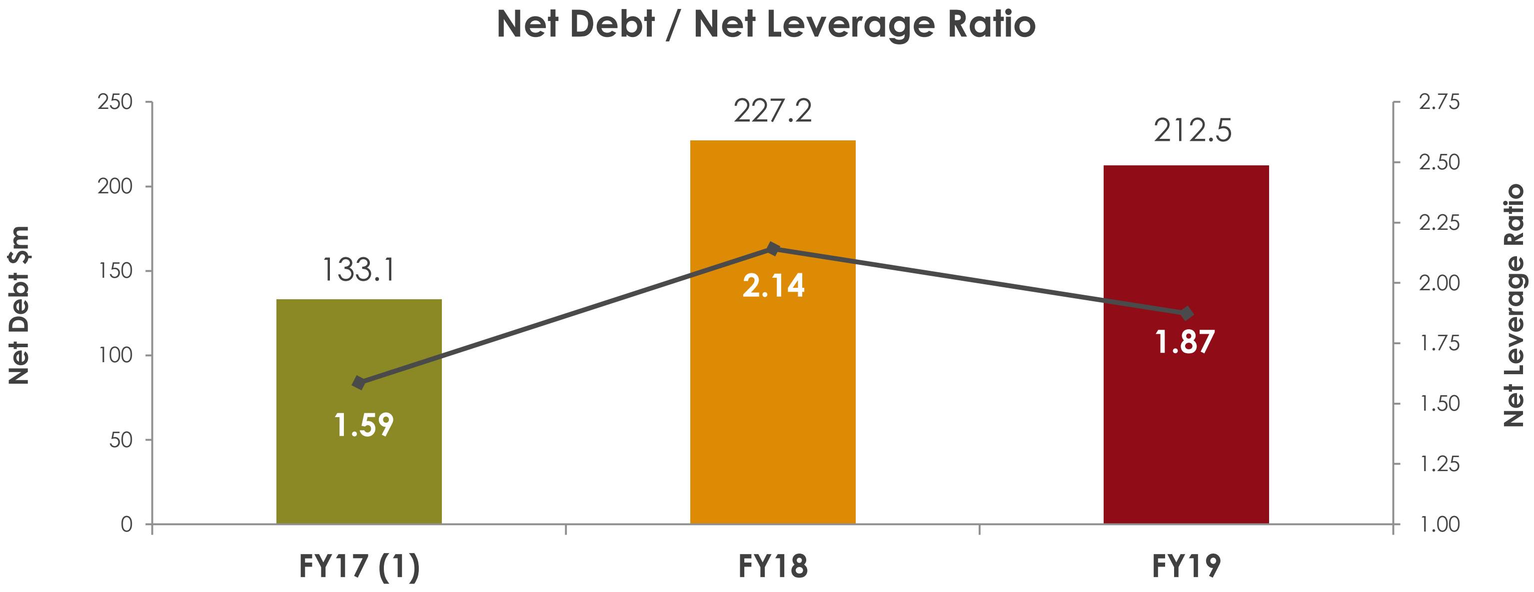
$m	FY18	FY19
Net operating cash flows before interest and tax	101.4	125.0
Net interest paid	(8.2)	(10.2)
Income tax paid	(18.7)	(17.3)
Net operating cash flows	**74.5**	**97.5**
Payment for acquisition of subsidiary, net of cash acquired	(198.0)	(7.5)
Payments for intangibles	(1.5)	(4.8)
Payments for plant and equipment (1)	(43.8)	(50.7)
Proceeds from sale of property, plant and equipment	0.1	0.0
Net cash flow from investing	**(243.3)**	**(63.0)**
Net cash flow from financing	**121.0**	**(15.4)**
NET CASH FLOW	**(47.8)**	**19.1**

(1) Payments reflects actual capital cash spend

- Net operating cash flow of $97.5m up $23.0m on prior year
- Capex cash spend of $50.7m:
  - new store and remodels circa $34.9m
  - maintenance and other capital circa $15.8m
- Payment (cash element) for acquisition of subsidiaries includes 3 KFC restaurants acquired in Australia for $7.5m
- Net cash flow from financing of $15.4m due to dividends paid of $20.9m, offset by bank loan borrowings of $5.5m
- Strong cash flows enabling a total FY19 fully franked dividend of 10.5 cps

COLLINS FOODS LIMITED

Net leverage ratio reduced due to strong operating cash flows



- Net leverage ratio at 1.87
- Net leverage ratio covenant maximum of 2.75
- Net debt of $212.5m (2)
- Current facility circa $365m (3)

(1) At FY17 the net proceeds of $53m raised from the share placement to partially fund the acquisition of KFC restaurants in the Netherlands was excluded from net debt and net leverage ratio.
(2) Net debt including $1.0m unamortised bank fees.
(3) Exchange rate of AUD $1 : EURO €0.6323 as at 28 April 2019.

Balance sheet

$m	29-Apr-18	28-Apr-19
Cash and equivalents	60.5	79.8
Total current assets	72.9	91.7
Property, plant and equipment	164.9 (1)	176.7
Total non-current assets	638.0	660.7
Total assets	**710.9**	**752.4**
Total current liabilities	85.5	102.2
Debt	286.3	291.3
Total non-current liabilities	292.4	299.6
Total liabilities	**377.9**	**401.8**
NET ASSETS	**333.0**	**350.6**

(1) Restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia and KFC Netherlands.

- Cash balance up $19.3m to $79.8m
- Property, plant and equipment up $11.8m to $176.7m mainly due to new restaurant builds, remodels and other capital, partially offset by depreciation
- Increase in total non-current assets largely due to property, plant and equipment as described above as well as increase in intangible assets of $9.1m resulting from the completion of the final 3 restaurants acquired from Yum! and purchase of franchise rights and other intangible assets

COLLINS FOODS LIMITED

Impact of new lease accounting standard

Estimated pro forma impact on FY20 financials	Impact	$m
Income statement		
Occupancy expenses (rent)	↓	$46.0
Depreciation	↑	$39.3
Finance costs (interest)	↑	$18.9
Balance sheet		
Assets	↑	$368.6
Liabilities	↑	$366.9

Estimated pro forma impact presented above may be different to actuals due to:

- changes in lease portfolio (CPI, market valuation, new leases and renegotiations)
- changes in judgement areas:
  - expectation in exercising rights of lease renewals
  - incremental borrowing rate used
  - foreign currency fluctuations

- New lease accounting standard (AASB16) effective FY2020
- Operating leases move on the balance sheet:
  - lease asset (right to use the leased item)
  - lease liabilities (present value of future lease payments)
- Depreciation of the lease asset and interest on the lease liabilities will be recognised on the income statement over the lease term
- Operating lease population includes property/premises and motor vehicles (excludes any short-term and low-value leases)
- Modified retrospective approach adopted (comparative amounts will not be restated)
- Leases continue to be calculated under old standard for the purpose of debt covenants (no impact)
- Estimated pro forma impact in FY20 includes:
  - ~$46.0m impact on EBITDA
  - ~$12.2m impact on NPBT

Key priorities for FY20

- ✓ Further strengthen operational systems
- ✓ Continue expanding the delivery network
- ✓ Continue to test digital initiatives
- ✓ Increase rate of new restaurant builds to ~ 9 to 10 in FY20

- ✓ Sales growth through permanent value /snacking layers
- ✓ Elevated focus on restaurant experience
- ✓ Create back office efficiencies through a new financial system
- ✓ New restaurant builds ~ 5 to 6 in FY20 returning to 8 to 10 from FY21

- ✓ Establish and build the Taco Bell brand in Australia
- ✓ Open further restaurants in Queensland and initial restaurants in Victoria
- ✓ Constant focus on operational performance ensuring business model returns are delivered
- ✓ New restaurant builds ~ 10 in FY20

COLLINS FOODS LIMITED

Appendix

COLLINS FOODS LIMITED

FY18 significant items summary

($m)	EBITDA	EBIT	NPAT
Acquisition costs:			
Due diligence and legal advice	0.7	0.7	0.7
Structuring and tax advice for acquisitions	0.5	0.5	0.5
Stamp duty on XYZ acquired stores	2.1	2.1	2.1
European set-up and integration costs	0.6	0.6	0.5
Total acquisition costs	**3.9**	**3.9**	**3.7**
Restructuring costs	1.0	1.0	0.7
Refinancing costs	-	-	0.7
DTA derecognition	-	-	1.1
Impairment write-offs	-	0.2	0.1
Total significant items	**4.9**	**5.1**	**6.4**

Acquisition costs

- Aggregated costs for the following acquisitions:
  - the acquisition of Yum! restaurants in Australia
  - the acquisition of Yum! restaurants in the Netherlands

Other significant items

- Restructuring costs: Snag Stand closure costs
- Refinancing costs: extinguishment of unamortised costs from previous refinancing
- DTA derecognition: Snag Stand deferred tax asset written-off

Questions

COLLINS FOODS LIMITED

Disclaimer

This presentation contains forward looking statements which may be subject to significant uncertainties beyond CKF's control.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Circumstances may change and the forward looking statements may become outdated as a result so you are cautioned not to place undue reliance on any forward looking statement.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the presentation. Amounts in the presentation have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Any discrepancies between totals, sums of components and differences in tables and percentage variances calculated contained in this presentation are due to rounding.