
COLLINS FOODS LIMITED

FY17 HALF-YEAR RESULTS

30 November 2016

KFC

Sizzler



CFI
COLLINS FOODS LIMITED

HY17 saw continued growth in key financial metrics

\$m	HY16 Statutory	HY17 Statutory	FY17 Significant Items ^[1]	FY17 Underlying	Change vs HY16 Statutory
Revenue	269.7	282.5		282.5	4.7% ↑
EBITDA	35.3	37.4	1.2	38.6	9.4% ↑
EBIT	24.7	26.6	1.2	27.8	12.6% ↑
NPAT	14.3	15.4	1.3	16.8	17.2% ↑
Net Debt	117.4	124.6		124.6	\$7.2m ↑
Net Leverage Ratio	1.62	1.54		1.54	0.08 ↓
Net Operating Cash Flow	23.8	26.3		26.3	\$2.5m ↑
EPS Basic (cents)	15.4	16.4	1.4	17.8	15.4% ↑
DPS (cents)	6.0	8.0		8.0	33.3% ↑

- Revenue up 4.7% to \$282.5m
- Underlying EBITDA up 9.4% to \$38.6m
- Underlying NPAT up 17.2% to \$16.8m
- Net debt up to \$124.6m but net leverage ratio held at 1.54
- Net operating cash flow of \$26.3m up \$2.5m on prior year
- Underlying EPS up 15.4% to 17.8 cps
- Interim dividend up 33.3% to 8.0 cps fully franked

[1] Adjusted to exclude pre-tax impact of gain on disposal of property, plant and equipment \$0.6m and pre-tax costs of acquisitions expensed \$1.8m (which includes \$1.0m stamp duty and \$0.3m legal, consultancy and setup costs for the 13 KFC restaurants in NSW/Victoria border region and \$0.5m in respect of KFC restaurants in Germany)

HY17 operational snapshot



- Top line growth of 6.4% - same store sales (SSS) of (0.6%) with Q2 SSS returning to positive growth
- Margins held despite flat SSS
- Opened 1 new restaurant and completed 13 major remodels
- Integration of NSW/Victoria acquisition progressing well
- Post half year announced purchase of 11 stores in Germany



- Sizzler Australia sales better than expected with good margin controls delivering improved EBITDA over prior year
- 1 Sizzler restaurant closed, bringing store count to 21 at the half-year
- Sizzler Asia growing earnings – 4 new stores opened with plans for a further 2 in the second half



- Business now fully under Collins Foods leadership
- New menu and brand refresh being launched before Christmas
- Total Stand count of 6 (including 1 franchised Stand)



KFC continues to grow

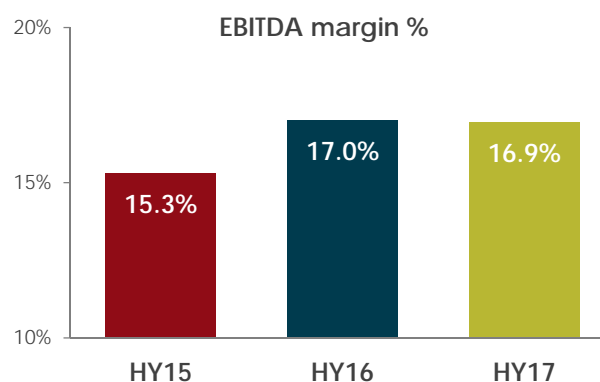
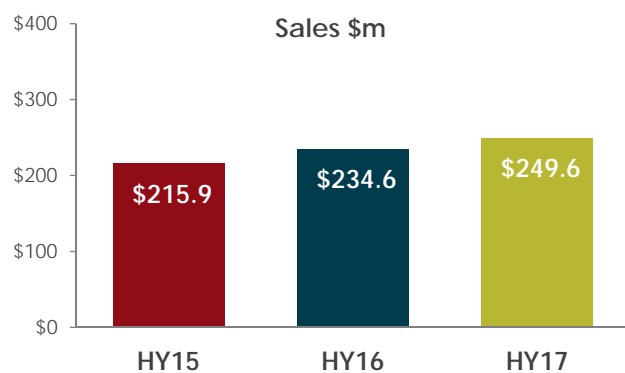


KFC continues to grow

	HY16 Statutory	HY17 Statutory	HY17 Significant items ^[1]	HY17 Underlying	Change vs HY16 Statutory
Restaurants					
- Half-year end	174	190		190	16 ↑
Revenue (\$m)	234.6	249.6		249.6	6.4% ↑
- % SSS (Collins Foods)	5.2%	(0.6%)		(0.6%)	
EBITDA (\$m)	39.9	42.8	(0.5)	42.3	6.0% ↑
- % margin	17.0%	17.2%		16.9%	10 bps ↓
EBIT (\$m)	31.5	33.5	(0.5)	33.0	4.7% ↑
- % margin	13.4%	13.4%		13.2%	22 bps ↓

[1] Underlying - excludes gain on disposal of property, plant and equipment of \$0.6m and setup costs of \$0.1m for the 13 KFC restaurants in NSW/Victoria border region

- Revenue up 6.4% to \$249.6m
 - the acquisition of 13 stores in the NSW/Victoria market contributed revenue of \$7.8m
- SSS were (0.6%) vs HY16:
 - rolling over high comps vs prior year
 - comps were positive in Q2 of HY17
- 1 new restaurant opened and 13 major remodels completed
- Underlying EBITDA margin of 16.9% held up well given softer SSS



Innovation, value and new product offerings keep driving growth

'New products continue to engage customers whilst our value layer continues to deliver great results'



Great value

Value offers such as 24 Nuggets for \$10 and \$2 Sliders continue to drive transaction growth and deliver good value



Core product innovation

Pulled Pork, Saucy Wings, Tender Sliders, and Pumpkin and Feta Twister provided the brand with a new variation on existing products



Boxed meals and family meals

Boxed and Family meals continue to perform. Mega Bucket and the One Box were good examples of abundant value



Continued investment driving further growth

Greenslopes (QLD)



- HY17 capex of circa \$7.7m for KFC network development
 - 1 new opening
 - 13 major remodels
 - 5 minor remodels
- HY17 core maintenance and systems capital circa \$2.1m

Caboolture (QLD)



Melville (WA)



- Balance of year activity expectations:
 - 5 – 6 new openings
 - 7 major remodels
 - 5 minor remodels

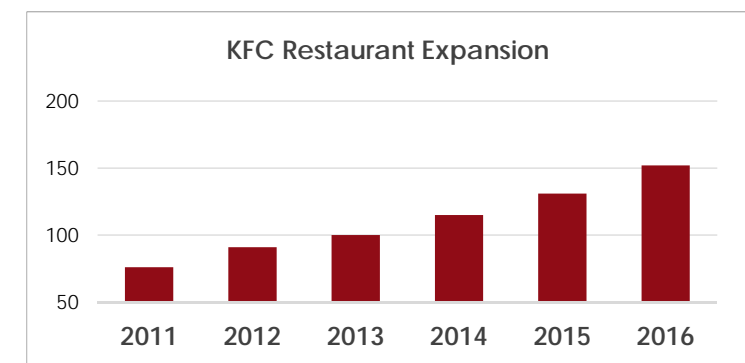
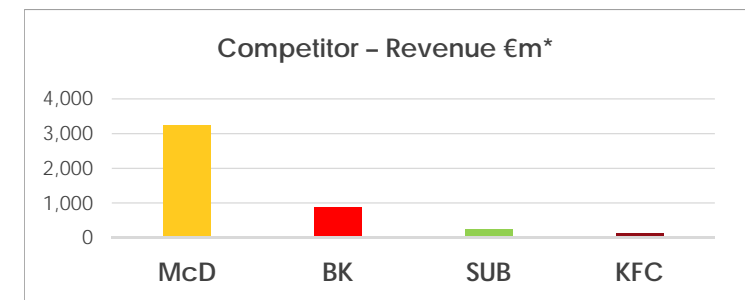
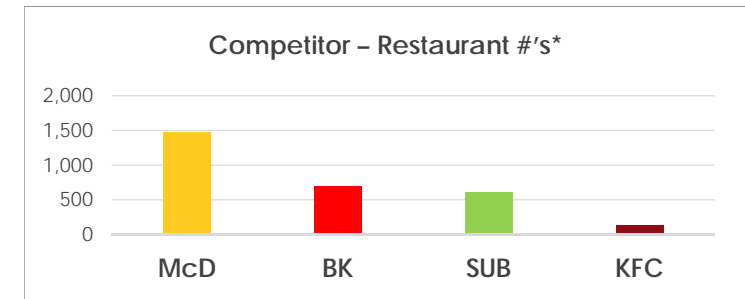
South Perth (WA)



Expansion into Germany

- World's 4th largest economy
- 82.5m consumers
- €71b out of home food market with the QSR segment worth approximately €23b*
- Currently there are approximately 1,500 McDonald's* and over 700 Burger Kings* – established and entrenched fast food industry
- KFC late starter in QSR category with 142 restaurants
- Last 4 years has seen approximately a 50% increase in KFC store count
- KFC under represented in Germany compared to Australian market and local competition - circa 1 KFC:37,000 people (Australia), circa 1 KFC:580,000 people (Germany)
- Provides platform to expand into wider European market

* source: CREST 2016, npdgroup Deutschland GmbH



Acquisition of 11 KFC restaurants in Germany

- Acquisition of 11 KFC restaurants located in Germany – 6 in Dusseldorf region; 5 in Stuttgart region – for €12.7m
- On a trailing basis sales were €22.5m
- Immediately EPS accretive (pre-synergies)
- Fragmented franchise community with no dominant player
- Significant store growth opportunity over medium to long term
- Short term plan to open 4 to 5 restaurants per year over the next 2 years increasing to 10 restaurants per year in the following years





Sizzler delivered improved EBITDA results



Sizzler delivered improved EBITDA results

	HY16 Statutory	HY17 Statutory	Change vs HY16 Statutory
Restaurants			
- Period end ^[1]	23	21	2 ↓
Revenue ^[2] (\$m)	35.1	31.2	11.1% ↓
- % SSS ^[1]	(12.0%)	(0.6%)	
EBITDA ^[2] (\$m)	2.1	2.7	27.3% ↑
- % margin	6.0%	8.6%	261 bps ↑
EBIT ^[2] (\$m)	1.2	2.0	67.9% ↑
- % margin	3.5%	6.5%	308 bps ↑

- Overall revenue down 11.1%, with comp sales in Australia of (0.6%)
- Store count down 2 versus prior year due to closures
- Ongoing focus on cost management has enabled margins to be held
- Underlying EBITDA at \$2.7m for the half year
- Both Sizzler Australia and Sizzler Asia EBITDA up on prior year
- No further growth capital has been invested

[1] Sizzler Australia only (excludes Sizzler Asia)

[2] Includes Sizzler Australia and Sizzler Asia

Sizzler Asia continues to grow

- Sizzler Asia continues to grow through increased royalty revenue and store count
- Royalty revenue up 15.0%
- 2 new restaurants opened in Thailand and 2 new restaurants opened in China during HY17
- 2 further new restaurant openings are planned for FY17





Financial overview

Net cash flow pre acquisition costs remains positive

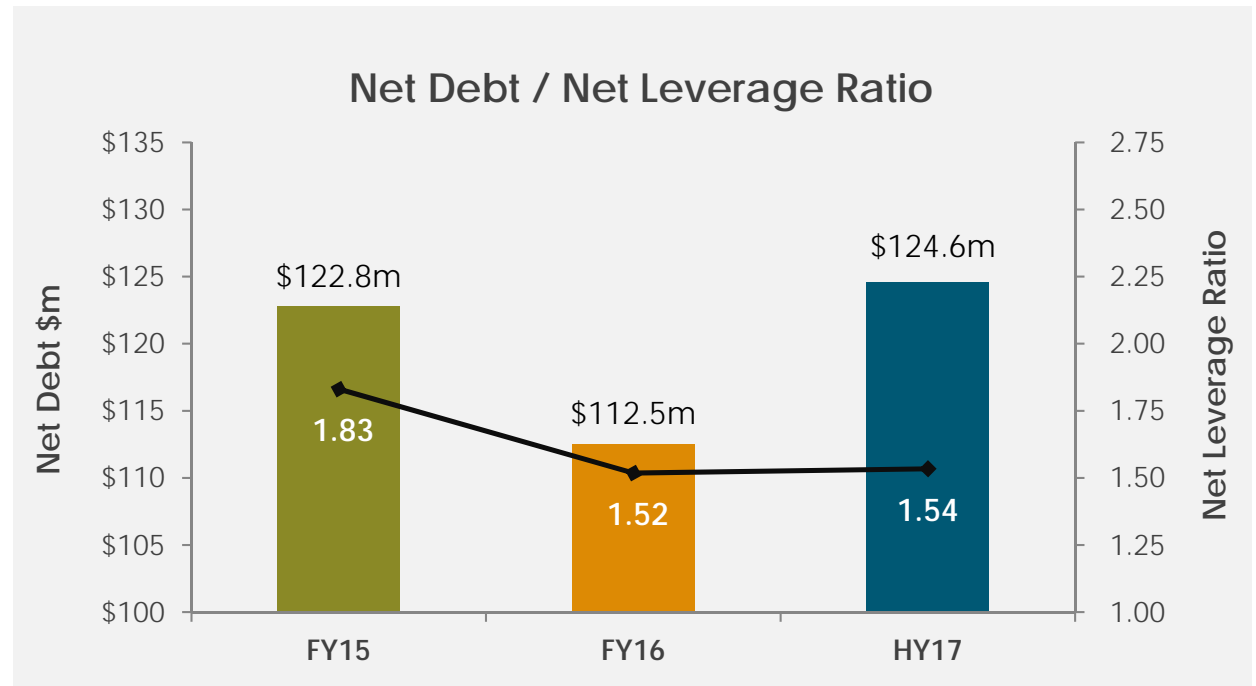
\$m	HY16	HY17
Net operating cash flows before interest and tax	34.7	38.3
Net interest paid	(3.9)	(3.9)
Income tax paid	(6.9)	(8.1)
Net operating cash flows	23.8	26.3
Payment for franchise rights	(0.2)	(0.1)
Payment for acquisition of subsidiaries, net of cash acquired	0.0	(15.0)
Capex ^[1]	(11.6)	(15.5)
Net cash flow from investing	(11.7)	(30.7)
Net cash flow from financing	(7.0)	(7.6)
Net foreign exchange movement	0.3	0.0
NET CASH FLOW	5.4	(12.0)

[1] Capex reflects actual Capital cash spend.

- Net operating cash flow increased by \$2.5m
- Income tax paid increased \$1.2m due to an increase in revenue and the tax instalment rate when compared to prior year
- Capex cash spend of \$15.5m
 - New store and remodels circa \$10m
 - Payment of invoices accrued at end of FY16 circa \$5m
- Cash element of 13 KFC restaurant acquisition in NSW/Vic border region was \$15.3m (transaction costs of circa \$1.2m included within operating cash flows)
- Strong cash flows enabling an interim FY17 fully franked dividend of 8.0 cps, up 33.3% on prior year

Net leverage ratio is 1.54 after acquisition of 13 new KFC restaurants in NSW/Victoria border region

- Net leverage ratio remains at 1.54 from FY16
- Net leverage ratio covenant maximum of 2.75
- Net debt up \$12.1m to \$124.6m, driven by costs of acquisition of 13 KFC restaurants in NSW/Victoria border region of \$15.3m
- Balance Sheet remains strong



Balance sheet

\$m	1 May 2016	16 October 2016
Cash and equivalents	52.5	40.4
Total current assets	65.9	49.5
Property, plant and equipment	88.0	93.1
Total non-current assets	362.4	392.4
Total assets	428.3	441.9
Debt ^[1]	164.2	164.3
Total current liabilities	68.4	63.7
Total non-current liabilities	170.2	170.5
Total liabilities	238.6	234.1
NET ASSETS	189.7	207.7

[1] Net of capitalised costs \$0.7m (FY16: \$0.8m)

- Decrease in cash of \$12.1m due to acquisition of 13 KFC restaurants
- Property, plant and equipment up \$5.1m mainly due to new restaurant acquisitions and remodels offset by restaurant depreciation
- Increase in non-current assets largely due to an increase in goodwill of \$23.0m resulting from the acquisition of new restaurants
- Total current liabilities down \$4.7m due to lower trade payables

Priorities for the remainder of FY17

- Growing the KFC Australian business through:
 - existing store sales growth
 - building 5 – 6 new stores
 - continuing remodel program with 7 major and 5 minor remodels
 - exploring further local acquisition opportunities that meet Collins Foods strategic criteria
- Continued disciplined focus on operational improvement and KFC margins
- Establish local support centre for 11 KFC stores in Germany and build platform for further growth, opening an additional 2 restaurants in the next 6 months
- Launch new menu and branding for Snag Stand



Questions

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