COLLINS FOODS LIMITED

FY18 INTERIM RESULTS
29 November 2017

COLLINS FOODS LIMITED

ACN 151 420 781

HY18: solid revenue and earnings growth

($m)	HY17 Underlying [1]	HY18 Statutory	HY18 Significant items [2]	HY18 Underlying	Change
Revenue	282.5	322.1		322.1	14.0% ↑
EBITDA	38.6	37.5	3.3	40.8	5.7% ↑
EBIT	27.8	25.0	3.3	28.3	1.6% ↑
NPAT	16.8	12.7	4.7	17.4	3.7% ↑
Net Debt [3]	124.6	151.0		151.0	$26.4m ↑
Net Leverage Ratio [3]	1.54	1.55		1.55	0.01 ↑
Net Operating Cash Flow	26.3	27.2		27.2	$0.9m ↑
EPS Basic [4] (cents)	17.6	11.3		15.4	12.2% ↓
DPS (cents)	8.0	8.0		8.0	–

[1] HY17 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/VIC border region and $0.5m in respect of KFC restaurants in Germany).
[2] Refer to comments on page 2.
[3] Net debt and the net leverage ratio include $23.0m yet to be spent proceeds from the equity raise to partially fund the acquisition of KFC restaurants in WA, SA and TAS. Excluding the $23.0m, the net leverage ratio would have been 1.78.
[4] EPS basic adjusted for NPAT impact of significant items. The comparative EPS has been restated for the bonus element of the one-for-eleven share rights issue undertaken.

- Revenue up 14.0% to $322.1m
- Statutory EBITDA is in line with the prior half year with underlying EBITDA up 5.7% to $40.8m
- Underlying NPAT up 3.7% to $17.4m
- Net debt up to $151.0m and net leverage ratio up from 1.54 to 1.55 due to completion of acquisition in Netherlands and part completion in Australia, with balance to come in second half
- Net operating cash flow up 3.4% to $27.2m
- Underlying EPS down 2.2 cps to 15.4 cps due to greater shares on issue and acquisitions not yet being fully reflected in earnings
- Fully franked interim dividend of 8.0 cents per ordinary share declared (HY17: 8.0 cps)

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HY18: significant items summary

($m)	EBITDA	EBIT	NPAT
Acquisition costs:			
Due diligence and legal advice	0.5	0.5	0.5
Structuring and tax advice for acquisitions	0.3	0.3	0.3
Stamp duty on WA stores	1.0	1.0	1.0
European set-up and integration costs	0.3	0.3	0.2
Total acquisition costs	2.1	2.1	2.0
Restructuring costs	1.2	1.2	0.8
Refinancing costs	0.0	0.0	0.7
DTA write-off	–	–	1.1
Total significant items	**3.3**	**3.3**	**4.7**

Acquisition costs

- Aggregated costs for the following acquisitions:
  - 5 restaurants in WA, with a further 23 to be acquired by year end in WA, SA and TAS
  - 16 restaurants in Netherlands

Other significant items

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

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HY18: operational snapshot

Australia

- Top line revenue growth of 8.5%
- Same Store Sales (SSS) growth of 1.2%
- EBITDA margin 16.8%
- Acquisition of 5 stores complete at HY18 with majority of the remaining restaurants to complete by end of December

Europe

- Germany transformation underway, Same Store Sales (SSS) growth of 0.4%
- Completion of Netherlands acquisition on 31 August. Integration progressing well with business performing to expectations

TACO BELL

- First restaurant opened on 4 November
- Early trading ahead of expectations
- Strong brand recognition and consumer engagement
- Second restaurant due to open in first half of 2018

- Sizzler Australia SSS decline of (1.3%)
- Further 2 Sizzler restaurants closed during the period, bringing store count to 14 at half year
- Sizzler Asia growing sales and earnings with 3 new stores opened during the half year

- Exit plan underway
- Will have exited by end of financial year
- Expected pre-tax exit cost of $1.2m booked at half year

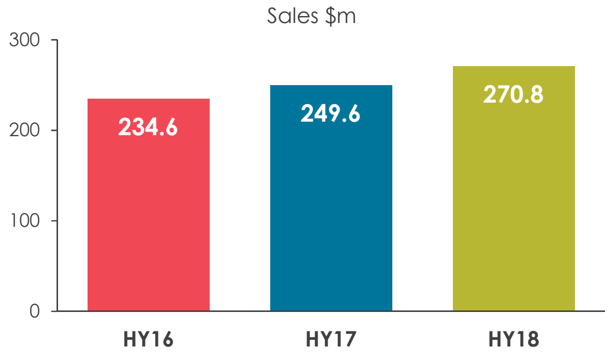
KFC

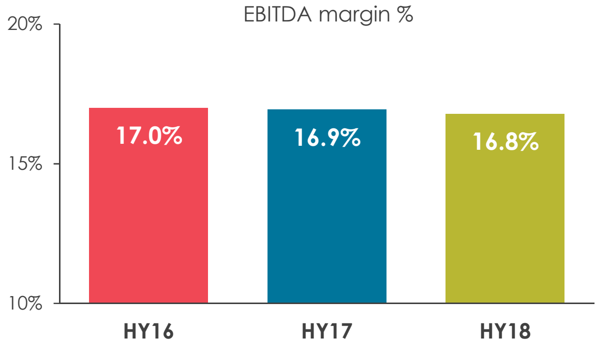
Continuing the growth story

KFC Australia: continuing to build on growth platform

	HY17 Underlying [1]	HY18 Statutory	Change
Restaurants			
- half year end (no.)	190	200	10 ↑
Revenue ($m)	249.6	270.8	8.5% ↑
- % SSS	(0.6%)	1.2%	
EBITDA ($m)	42.3	45.5	7.6% ↑
- % margin	16.9%	16.8%	15 bps ↓
EBIT ($m)	33.0	35.5	7.6% ↑
- % margin	13.2%	13.1%	11 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/VIC border region





- Revenue up 8.5% to $270.8m (of which $8.3m or 3.3% contributed by 13 store acquisition in NSW/Vic border completed in July 2017)
- Overall SSS growth of 1.2% dampened somewhat by negative comps in WA
- EBITDA up 7.6% to $45.5m; EBITDA margin down 0.1% to 16.8%
- 1 new restaurant opened, with 1 restaurant closure
- 5 of 28 restaurants acquired from Yum! completed on 9 October 2017 (6 days trading as Collins Foods' stores)
- 6 major remodels completed

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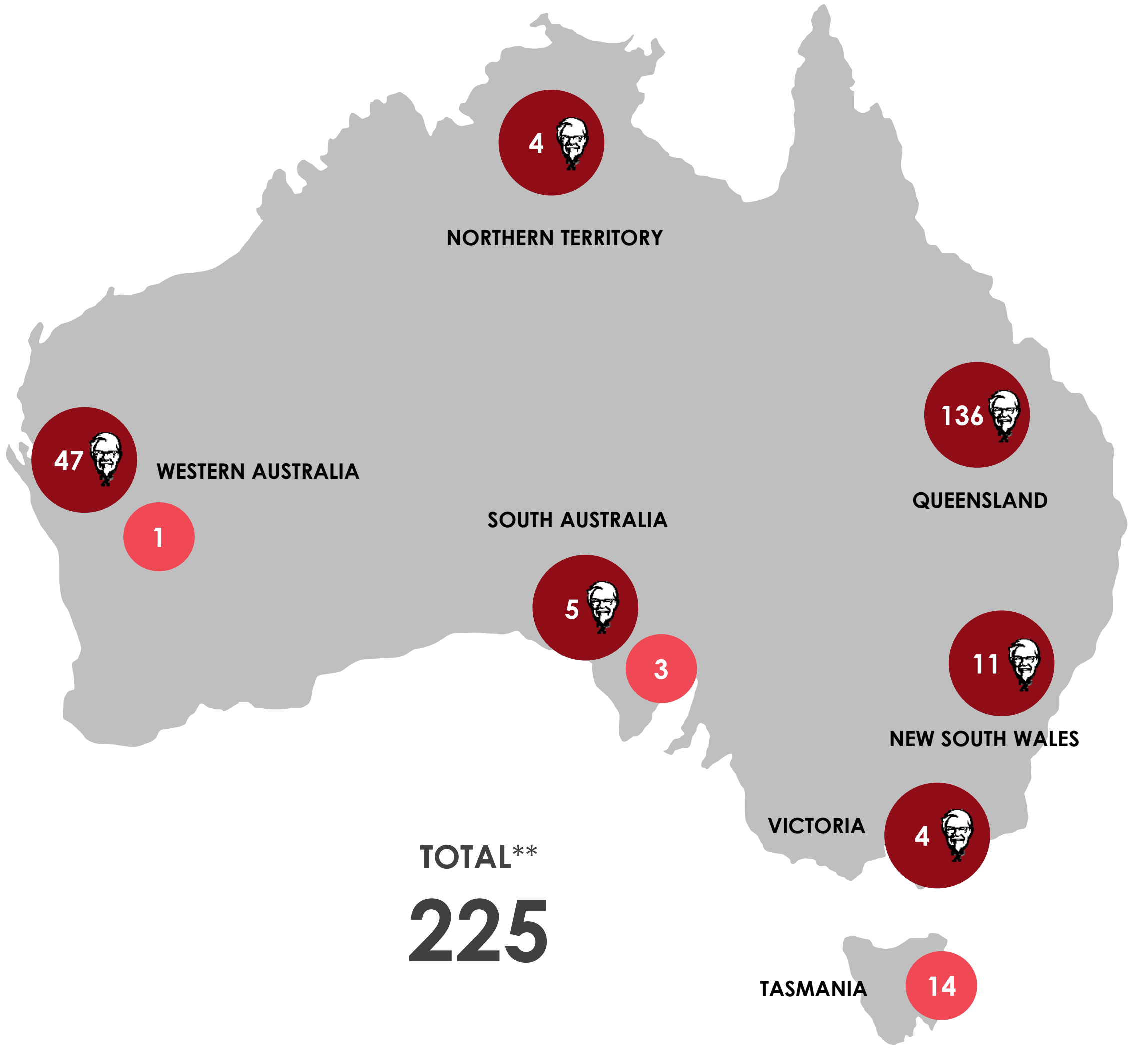
KFC Australia: update on progress of domestic acquisition

- Acquisition of 28* restaurants in Australia announced on 26 June 2017
- Completion has occurred as follows:
  - WA (4* restaurants) on 9 October 2017
  - SA (5 restaurants) on 23 October 2017
  - WA (1 restaurant) on 16 November 2017
- TAS (14 restaurants) completion is expected to occur in early December 2017
- Completion of remaining 3 restaurants in SA is expected to occur before the end of FY18
- Additional 1 new restaurant in WA (part of overall deal) built by Yum! is expected to be opened by Collins Foods over the next 2 months
- Overall comp sales for the restaurants was +5% for the half year (based on Yum! data)
- Integration of restaurants is progressing well



* Net of 1 closure expected to occur during the second half
** After completion of remainder of 28 restaurants
No. of stores remaining to be acquired from Yum!
No. of stores currently owned by Collins Foods

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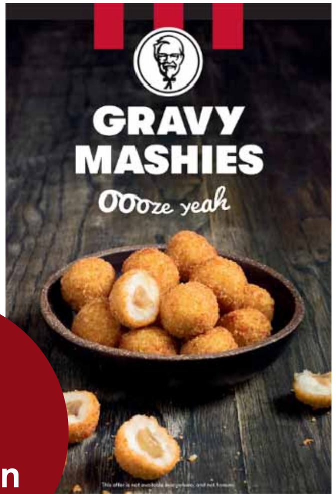
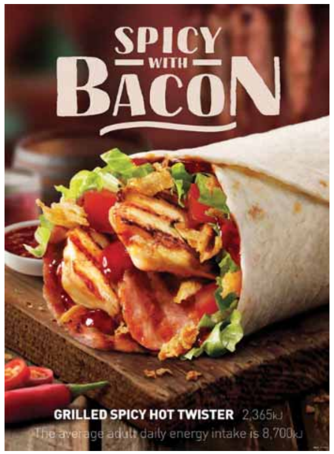
KFC Australia: continuing to create innovate products



Core product innovation

Gravy Mashies, Zinger Mozzarella Burger, Smoky BBQ Crunch and Grilled Spicy Hot Twister provided the brand with a new variation on existing products



Value offers such as 15 for $10 Wicked Wings and $10 Popcorn Chicken bucket, continue to drive transaction growth and provide value

Great value

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KFC Australia: operations, technology and delivery

Operations

- Post-acquisitions, operational focus will be on increased **systematisation**: aligning and upgrading all operational systems to ensure unified, high-quality customer experience amongst Collins Foods' KFC restaurants
- Particular emphasis on:
  - new Labour Rostering system
  - enhanced Speed of Service
  - identifying efficiency opportunities in maintenance and energy costs

App

KFC app processing over 13,000 transactions each week

Delivery

Delivery trial with Foodora has been well received by customers with minimal marketing

Now delivering from 5 stores

Further stores to be rolled out during second half

Strategic review underway to determine optimal long-term model to support Delivery sales

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KFC Australia: continuing to build and open stores

- HY18 capex of circa $6.8m for KFC network development:
  - 1 new opening in WA with a further 2 opened in QLD post half year
  - 6 major remodels
  - 8 minor remodels
- HY18 core maintenance capital circa $2.6m
- Expecting a further 3 stores to be built before the end of FY18

Ashmore (QLD)


Eagleby (QLD)


Lakelands (WA)

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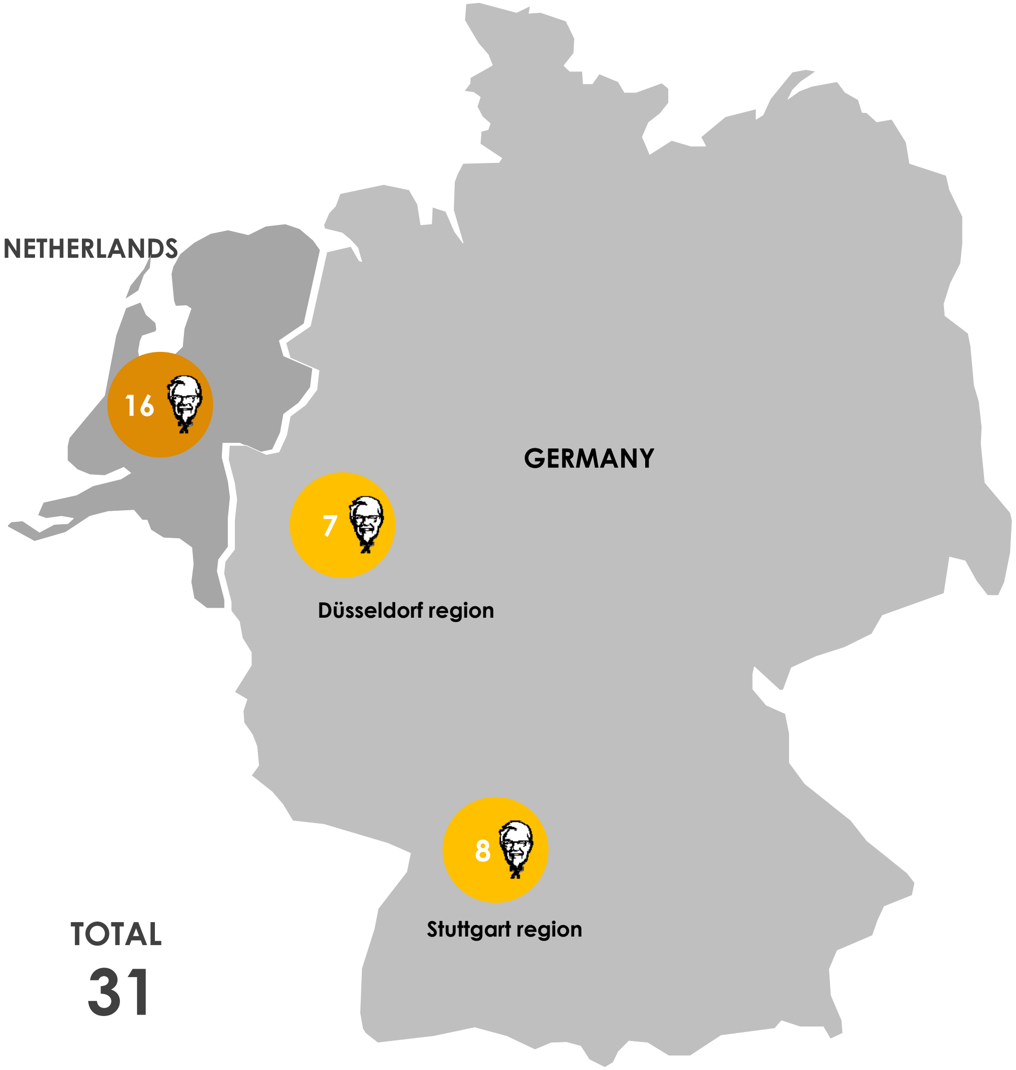
KFC Europe: market overview

- Total of 31 KFC restaurants at half year:
  - 15 KFC restaurants in Germany
  - 16 KFC restaurants in Netherlands
- Built and opened 2 restaurants in Germany during the half year *(Kirchheim-Teck and Munster)*. *Siegburg* opened on 25 April 2017
- Additional 2 new restaurants to be opened in the Netherlands *(Utrecht Haarrijn and Rijswijk id Bogaard)* before the end of 2017 calendar year
- On target to open 3 to 4 in Germany and 3 to 4 in Netherlands during 2018 calendar year



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KFC Europe: HY18 proforma P&L

	HY18 proforma Europe
Restaurants	
- half year end	31
Revenue ($m)	50.3
- % SSS	1.8%
EBITDA ($m)	4.8
- % margin	9.6%
EBIT ($m)	2.4
- % margin	4.8%

- Proforma P&L based on Collins Foods owning all acquired restaurants for the half year:
  - Total revenue of $50.3m
  - EBITDA margin of 9.6%
  - SSS growth of 1.8% (Netherlands 2.5%, Germany 0.4%)
- EBITDA includes all ops and corporate support for the European market
- Netherlands business performing slightly ahead of expectations, mitigated by softness in Germany due to the business transformation program currently underway

Neckarsulm (GER)

Almere City Centre (NED)

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KFC Europe: transformation of Germany underway, Netherlands performing to expectations

	HY18 Statutory	HY18 Significant items [1]	HY18 Underlying
Restaurants			
- end of half year (no.)	31		31
Revenue ($m)	25.7		25.7
- % SSS	(0.2%)		(0.2%)
EBITDA ($m)	0.1	0.3	0.4
- % margin	0.4%		1.6%
EBIT ($m)	(1.0)	0.3	(0.7)
- % margin	(4.0%)		(2.8%)

[1] Underlying: excludes integration costs of $0.3m

Rijswijk (NED)

- Revenue of $25.7m
- Netherlands completed on 31 August 2017(6 weeks trading)
- Same Store Sales of (0.2%)
- Underlying KFC Europe EBITDA margin of 1.6%. Overall margin impacted by:
  - renewal and retraining in Germany
  - new store opening costs
  - additional overhead carried prior to Netherlands completion
- Our key focus in Germany is the continuation of the transformation program – key elements include;
  - continuing to refine our value proposition to drive transaction growth
  - further training and development of management and team members
  - ongoing implementation of operational tools to significantly improve the customer experience
- Our priorities for the Netherlands are integrating the restaurants into the Collins Foods business and building on the solid foundations

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KFC Europe: development summary and roadmap

- Development during the half year:
  - 2 new restaurants built and opened in Germany
  - 1 major remodel in Germany
- HY18 capex of circa $4.5m
- Second half development expectations are:
  - 2 to 3 additional restaurants to be build in Germany
  - 3 additional restaurant in Netherlands (2 will be opened before the end of calendar year 2017)
  - 2 major remodels in Germany
  - 3 major remodels in Netherlands
- Total capex for the full year FY18 expected to be circa $18m
- Overall, on target to open 3 to 4 in Germany and 3 to 4 in Netherlands during 2018 calendar year

Siegburg, Bahnhof (GER)

Köln, Hauptbahnhof (GER)

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Taco Bell

Exciting opportunity for Collins Foods to open its first restaurant in Australia

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Taco Bell: introducing Mexican QSR to Australia

- Opened Annerley store on 4 November 2017
- Trading well above expectations during first 3 weeks
- Very positive customer acceptance of the brand
- Second restaurant to open in the first half of 2018, with a further restaurant to follow shortly after
- Review and evaluate brand acceptance and performance in 2018

Annerley

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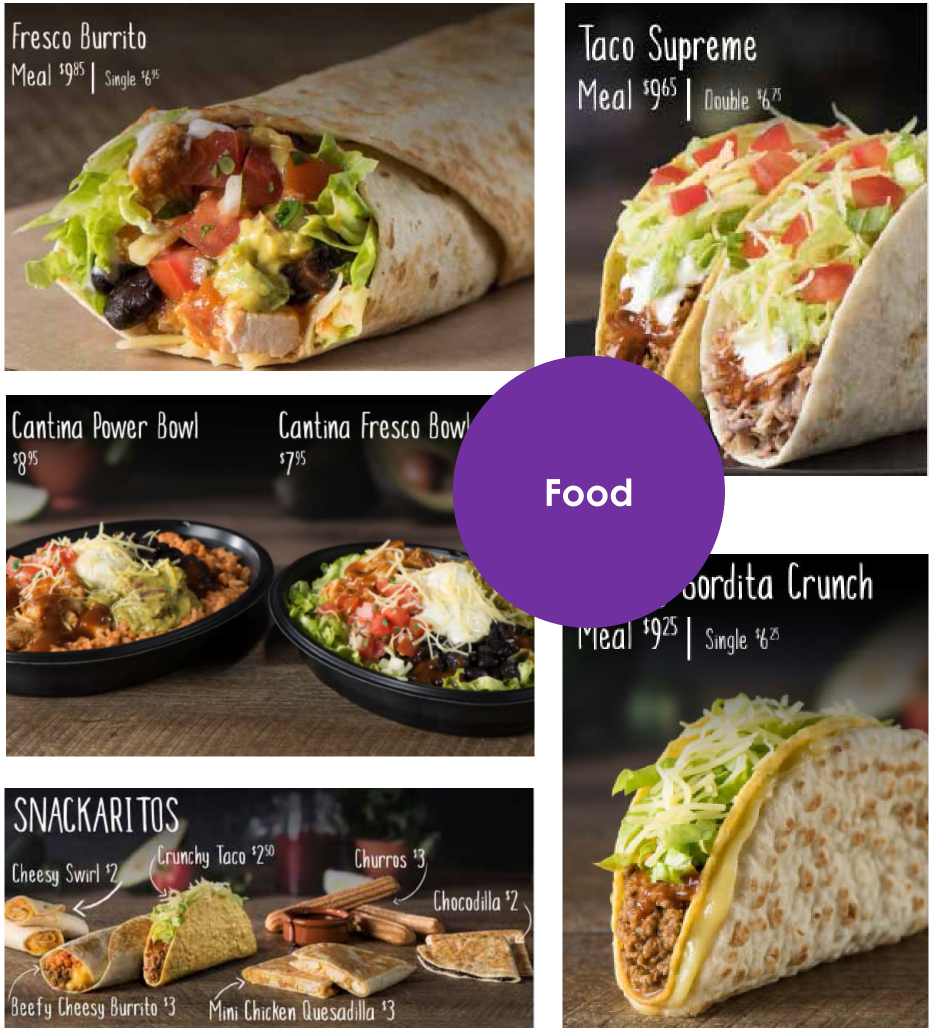
Taco Bell: product offering and social engagement

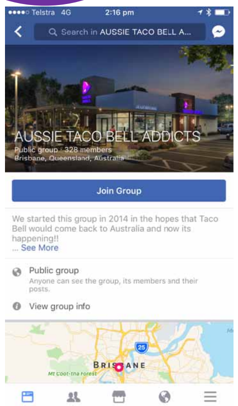


Food

Significant response to initial news of Taco Bell launch: 7.8k comments

[36 other posts by Courier on same day, with an average of 211 comments]

Engage-ment



26k+ followers

16 members to 328 within one week

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Sizzler

Asia growing & Australia performing to expectations

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Sizzler: Asia growing and Australia performing to expectations

	HY17 Statutory	HY18 Statutory	Change
Restaurants			
- end of half year (no.) [1]	21	14	7 ↓
Revenue ($m)	31.2	24.0	23.0% ↓
% SSS [1]	(0.6%)	(1.3%)	
EBITDA ($m)	2.7	2.3	14.3% ↓
- % margin	8.6%	9.6%	98 bps ↑
EBIT ($m)	2.0	1.7	17.2% ↓
- % margin	6.5%	7.0%	49 bps ↑

[1] Sizzler Australia only (excludes Sizzler Asia)

- Overall revenue down 23% with fewer restaurants compared to prior half year
- Half year store count of 14 reflects 2 closures since FY17 year end
- Comp sales in Australia of (1.3%)
- EBITDA at $2.3m for the half year at slightly higher margin of 9.6%

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Sizzler Asia continues to grow

- Sizzler Asia continues to expand its footprint
- Thailand opened 2 restaurants and China opened 1 restaurant
- Royalty revenue down 3% vs last year due to softer sales in China and the significant impact on the Thailand sales after the King's passing
- Total of 71 restaurants in Asia at half year
- 2 new restaurant openings are planned in the second half of FY18

Thailand

Japan


China


Financial overview

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Continued growth in net operating cash flow

($m)	HY17	HY18
Net operating cash flows before interest and tax	38.3	40.0
Net interest paid	(3.9)	(3.6)
Income tax paid	(8.1)	(9.2)
Net operating cash flows	**26.3**	**27.2**
Payment for acquisition of subsidiary, net of cash acquired	(15.1)	(115.2)
Purchase of franchise rights	(0.1)	(0.4)
Capex [1]	(15.5)	(17.1)
Net cash flow from investing	**(30.7)**	**(132.7)**
Net proceeds from borrowings - bank loan facilities	0.0	24.7
Loans advanced - related parties	(0.2)	0.0
Proceeds from entitlement offer net of costs	0.0	44.2
Dividends paid	(7.4)	(9.6)
Net cash flow from financing	**(7.6)**	**59.3**
NET CASH FLOW	**(12.0)**	**(46.2)**

[1] Capex reflects actual Capital cash spend

- Net operating cash flow of $27.2m up $0.9m on prior half year
- Capex cash spend of $17.1m:
  - new store and remodels circa $11.8m (including 3 new builds in Australia and 2 in Germany)
  - group systems and maintenance $2.8m
- Payment (cash element) for acquisition of subsidiaries includes:
  - KFC restaurants acquired in Australia for $21.0m
  - KFC restaurants acquired in the Netherlands for $94.2m
  - Prior year KFC restaurants acquired in NSW/VIC for $15.3m
- Net cash flow from financing of $59.3m includes the following:
  - $44.2m relating to the capital raising proceeds to partially fund the acquisitions
  - $9.6m of dividends paid
  - $24.7m relating to net facilities drawn
- Adjusting for M&A activity, net cash flow was positive at $0.5m
- Strong cash flows enabling a HY18 fully franked dividend of 8 cps

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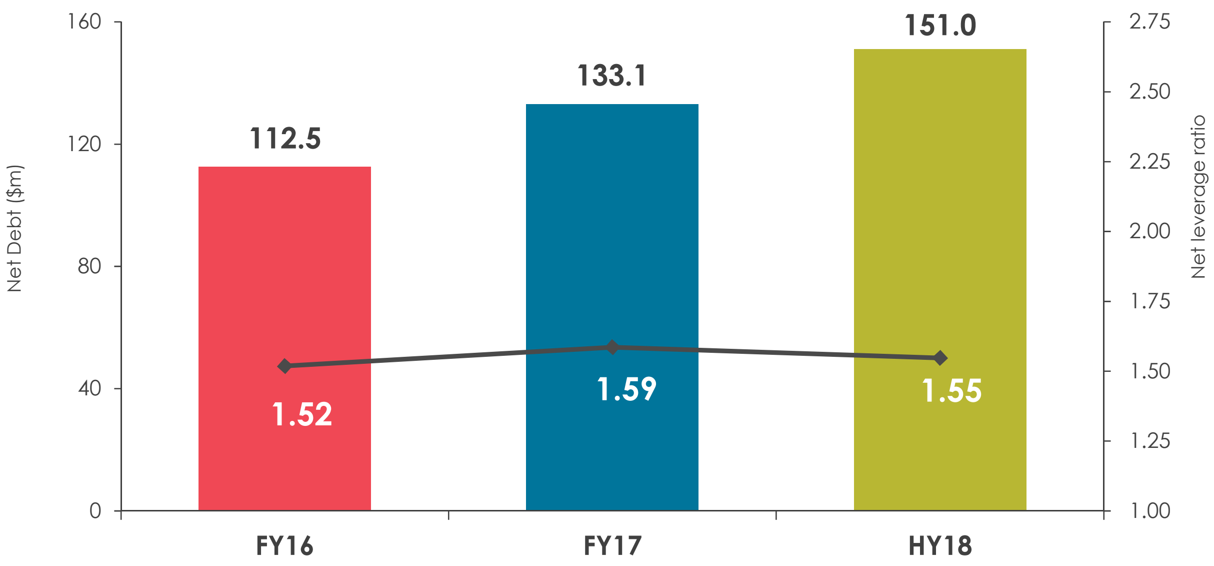
Net leverage ratio is 1.55 after Netherlands & WA acquisitions

Net debt / Net leverage ratio [1]



- Net leverage ratio at 1.55
- Net leverage ratio covenant maximum of 2.75
- Net debt up $17.9m to $151.0m, driven by acquisition of 16 KFC Netherlands restaurants and 5 KFC WA restaurants
- Net leverage ratio expected to be circa 2.1 at year end – once full impact of Australian KFC acquisition has been incorporated

[1] At half year the remaining net proceeds raised from the entitlement offer to partially fund the acquisition of KFC restaurants in WA, SA, and TAS for $23.0m was included in net debt and net leverage ratio. Excluding the $23.0m, the net leverage ratio would have been 1.78. 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.

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Balance sheet

($m)	30-Apr-17	15-Oct-17
Cash and equivalents	104.8	60.6
Total current assets	114.1	75.3
Property, plant and equipment	103.4	129.8
Total non-current assets	414.1	529.1
Total assets	**528.2**	**604.4**
Total current liabilities	73.6	74.1
Debt [1]	183.0	210.0
Total non-current liabilities	187.8	213.6
Total liabilities	**261.4**	**287.7**
NET ASSETS	**266.8**	**316.8**

[1] Net of capitalised costs $1.6m (FY17: $1.0m)

- Cash balance down $44.2m to $60.6m following completion of Netherlands and part of Australian acquisition.
- Property, plant and equipment up $26.4m due to $23.0m restaurant acquisitions, $14.6m new restaurant builds and remodels offset by depreciation of $11.5m
- Increase in other non-current assets largely due to an increase in goodwill of $88.0m resulting from the acquisition of new restaurants
- Increase in debt of $27.0m due to funding of acquisitions

Priorities for FY18

- Growing the core KFC Australian business through:
  - transaction led same store sales growth, with particular focus on WA
  - position delivery for further roll-out
  - building a further 3 restaurants
  - disciplined focus on operational improvement and margins
- Integrating the newly acquired restaurants in WA, SA and Tasmania
- Growing the KFC European business through:
  - execution of the transformation plan in Germany
  - integrating the Netherlands business and building a strong and efficient back office to support the European business
  - building a further 5 to 6 restaurants
- Build a further 2 Taco Bell restaurants while establishing the brand

Questions

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