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30 June 2020

ASX Market Announcements Office 10 Bridge Street SYDNEY NSW 2000

Via ASX Online

Dear Sir/ Madam

ANNOUNCEMENT FOR RELEASE VIA MARKET ANNOUNCEMENTS PLATFORM

Please find **attached** for release via the ASX Market Announcements Platform an announcement entitled, "Collins Foods Strong Earnings Growth Continues, Dividends Maintained" (**Announcement**)

The Announcement sets out contact details for queries relating to the Announcement.

By Order of the Board

Frances Finucan

Company Secretary









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ASX RELEASE

COLLINS FOODS STRONG EARNINGS GROWTH CONTINUES, DIVIDENDS MAINTAINED

Tuesday, 30 June 2020: Collins Foods Limited (ASX: CKF) is pleased to release its results for the 53 week FY20 period (FY19: 52 weeks), which saw strong earnings growth continue despite the impact of COVID-19.

Commenting on the FY20 results, Collins Foods' incoming Chief Executive Officer, Drew O'Malley said:

"While today we are quite clearly operating in an unprecedented business and consumer landscape, we are pleased to announce that our full year financial results have nonetheless continued to demonstrate strong growth in sales and earnings, which is a testament to the strength of our brands, the resilience of our business model, and the dedication and commitment of our extraordinary team.

"KFC Australia has once again shown that it is a safe and trusted brand that customers can rely on during uncertain times, allowing the business to quickly recover same store sales growth and continue its expansion into digital and delivery channels. In Europe, sales were more severely impacted by COVID-19 restrictions, but we continue to experience a steady recovery. Taco Bell sales are also recovering close to pre COVID-19 levels, and home delivery in that brand has been launched ahead of schedule in 11 of the 12 restaurants.

"We have also maintained a healthy balance sheet in a turbulent environment, thanks to strong operating cashflows, effective cash management, and tight controls on capital and operational expenditures during the peak of the crisis. As a result, our Net Leverage Ratio has continued to reduce, as has our Net Debt, and we have more than ample headroom to support a robust dividend payout, as well as to fund our exciting plans for continued growth in the years to come."

Key FY20 results highlights

- Revenue up 8.9% to \$981.7million (FY19: \$901.2 million)
 - KFC Australia same store sales (SSS) growth of 3.5% (FY19: 3.7%);
 - KFC Europe SSS decline of -5.8% (FY19: -3.7%) due mainly to COVID-19
 - Taco Bell continues its expansion amidst high brand engagement, with recent shifts towards drive-thru and delivery channels
- Statutory earnings (post AASB16):
 - EBITDA of \$175.6 million and NPAT of \$31.3 million (FY19: EBITDA of \$112.1 million and NPAT of \$39.1 million)
 - Net Operating cash flow of \$149.3 million (FY19: \$97.5 million)
- Underlying EBITDA (pre AASB16) up 6.3% to \$120.6 million (FY19: \$113.5 million) including KFC Australia underlying EBITDA (pre AASB 16) margin of 16.8% (FY19: 16.6%) driven mainly by sales leverage and effective cost controls
- Underlying NPAT (pre AASB16) up 5.1% to \$47.3 million (FY19: \$45.0 million)
- Net Operating cash flow (pre AASB16) of \$96.4 million, down \$1.1 million on prior year

- Net Debt down to \$203.2 million (FY19: \$212.5 million) and Net Leverage Ratio (pre AASB16) down to 1.69 (FY19: 1.87)
- Funding headroom within the current facility of circa \$400 million
- Fully franked final dividend of 10.5 cents per ordinary share (cps) declared (FY19: 10.5cps) bringing the total FY20 dividend to 20.0cps fully franked (FY19: 19.5cps).

Same store sales growth delivered as KFC Australia proved resilient though COVID-19 challenges

Commenting on the Collins Foods' KFC Australia Network, Mr O'Malley said: "The strength of the KFC Australia brand enabled overall same store sales growth of 3.5%, with second half-year same store sales growth of 2.3% despite the impact of COVID-19 in the last few months of the financial year. Throughout this challenging time, Collins Foods maintained an operational priority on the highest standards of hygiene and safety to ensure the health and well-being of customers and employees. KFC was also able to quickly pivot toward take-away channels such as drive-thru and delivery, accelerating customer shifts into those channels and recapturing lost sales from the dine-in channels."

Effective cost control and SSS growth resulted in KFC Australia's underlying EBITDA increasing 10.6% to \$132.7 million, on an improved EBITDA margin of 16.8%. Revenue increased 9.5% to \$791.5 million.

Across Collins Foods' KFC Australia network, 137 restaurants now offer delivery, and the channel continues to demonstrate strong growth. 'Click and Collect' and website traffic continues to increase, and combined with delivery and drive-thru, provided a contactless method of providing great tasting and great value meals during the COVID-19 crisis.

During the financial year, there were 9 new restaurant openings, 16 major remodels and 25 minor remodels completed. To further enhance the customer experience, Collins Foods commenced a digital menu board roll out for drive-thrus during FY20.

European network update

Commenting on Collins Foods' KFC Europe Network, Mr O'Malley said: "In Europe, the restrictions resulting from COVID-19 have had a greater impact. Throughout the crisis, Collins Foods' operational priority has continued, as in Australia, to provide customers with great value meals while ensuring the highest standards of hygiene and safety. Across the region, we have worked hard to support our teams and find innovative ways to provide value and convenience to our customers while ensuring margin controls are firmly in place."

Revenues increased 8.3% to \$134.1 million with 3 new restaurants opened in the Netherlands, 1 new restaurant opened in Germany and 1 restaurant closed. Overall Europe SSS declined by (5.8%) for the financial year. As a result of COVID-19, Collins Foods is re-evaluating the pace of new builds across Germany and the Netherlands and is likely to delay some openings as challenging conditions persist.

In Germany, pre COVID-19 sales showed strong momentum, with permanent value and snacking menu layers driving SSS growth. COVID-19 has accelerated the shift towards drive-thru usage in the region and there are now 4 restaurants offering delivery. In Germany, the new restaurant build program remains focused on drive-thru restaurants in promising new locations.

In the Netherlands, pre COVID-19 sales trends were gradually improving following the return to a value-focus led by the new Yum! Netherlands marketing team. In the country, 15 of Collins Foods' restaurants now offer delivery, and the launch of 'click and collect' is imminent.

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Taco Bell continues its expansion

Commenting on Collins Foods' Taco Bell network, Mr O'Malley said: "We continue to see Taco Bell as an exciting growth opportunity for the company. As a newer and less well-established brand than KFC, Taco Bell was more significantly impacted by COVID-19, though the shift to drive-thru and takeaway channels and an accelerated launch of home delivery to 11 of our 12 locations has allowed Taco Bell to recover close to pre COVID-19 sales levels. The Taco Bell brand continues to resonate strongly with customers as we saw emphatically with our market entry into Victoria last December. We continue to make refinements to the menu, operations, and business model as we progress, and are confident the brand has a great future in Australia."

During the period, 6 new restaurants were built and opened in Queensland and 2 in Victoria, bringing the total count to 12 restaurants. As a result of COVID-19, Collins Foods is re-assessing the pace of development during calendar years 2020-2021 and is in discussion with Taco Bell International around extension of the development agreement.

Sizzler impacted by COVID-19

As a full-service dine-in concept, Sizzler has been the brand in the Collins Foods' portfolio most impacted by the COVID-19 pandemic. Revenues decreased by 17.9% to \$38.3 million, driven by dine-in restrictions and a lower restaurant count, with 3 restaurants in Australia closed during the financial year. In response to these restrictions, Sizzler has launched takeaway and home delivery services. Improvements in sales trends have occurred since restrictions have eased, albeit off of a very low base, as Sizzler's loyal fan base looks to re-access the superb value and food quality the brand embodies. Collins Foods continues to assess the non-core status of the Sizzler Australia business and closely monitor the pace of sales recovery.

At the end of the financial year, Sizzler Asia operated in Japan, China, and Thailand, all of which were also heavily impacted by dining restrictions due to COVID-19. China was most impacted and as a result, all of the remaining restaurants in that country will stay closed and the Sizzler brand will exit the Chinese market. Between Thailand and Japan, 67 restaurants currently continue to operate, with 1 restaurant built in Thailand during the period, and dining restrictions have been almost fully relaxed. Royalty revenue from Sizzler Asia was up 1.2% compared to the prior year.

Dividend

As noted above, reflecting the strength of the business, the Board has declared a fully franked final dividend of 10.5cps. This dividend will have a record date of 16 July 2020 and payment date of 30 July 2020.

Key growth priorities for FY21

Commenting on Collins Foods' growth priorities for FY21, Mr O'Malley said: "Whilst COVID-19 restrictions have eased in Australia and Europe, we remain alert to the possibility of a second wave and are operationally prepared to deal with the consequences should that occur. We continue to stay focused on the health and safety of our employees and customers above all, though are confident we can also maintain strong unit economics in a broad range of contingencies.

"Across the KFC Australia business, we will continue to expand the delivery network and build on the consistent growth in app and e-commerce channels. We are targeting 9 – 12 new restaurant builds in FY21 which will feature strengthened and streamlined operational systems and innovation to improve the customer experience, and we will continue to look for ways to accelerate our growth through organic development and acquisitions where possible.

"In Europe, our focus is to quickly respond to the easing of restrictions and regain the pre COVID-19 sales momentum in Germany, underpinned by value and snacking menu layers. At the same time, we need to quickly re-establish the value-driven pre COVID-19 campaigns in the Netherlands which were moving the business in the right direction. Our planned openings in FY21 in Europe are 3-4 restaurants.

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"At Taco Bell, we continue to focus on building the brand through new locations and bold marketing campaigns to drive top-line sales growth. Efforts around operational efficiencies and reduction in build costs are well underway and will only further enhance the business model. While we need to stay flexible in the near-term around development builds in the shadow of COVID-19, we are planning 4-6 openings in the current financial year and are confident that Taco Bell will be another growth engine for Collins Foods in the years to come.

"Overall, we are proud and grateful to have persevered through extraordinarily challenging times with strong results to show for FY20. While the months ahead are difficult to predict, we remain confident that the combination of our brands, our business model, and our people, will allow us to navigate these challenges and continue to grow the business successfully."

ENDS

For further information, please contact:

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About us

Collins Foods Limited (ASX: CKF) is a KFC and Taco Bell franchisee in Australia and KFC franchisee in the Netherlands and Germany, the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in Asia. The Company seeks continuous improvement in all areas of its operations and work 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.collinsfoods.com