

ASX RELEASE

COLLINS FOODS DELIVERS DOUBLE-DIGIT GROWTH UNDERPINNED BY EUROPEAN RECOVERY

Tuesday, 28 June 2022: Collins Foods Limited (ASX: CKF) is pleased to announce its results for the year ended 1 May 2022 (FY22), a period that saw the Company deliver robust growth in sales and earnings, underpinned by a rebound in European performance.

Group FY22 results^[1]

- Revenue up 11.1% to \$1,184.5 million (FY21: \$1,065.9 million);
- Statutory EBITDA from continuing operations up 12.5% to \$207.2 million (FY21: \$183.8 million*);
- Underlying EBITDA (post AASB 16) from continuing operations up 12.6% to \$209.2 million (FY21: \$185.8 million);
- Statutory NPAT from continuing operations up 47.2% to \$54.8 million (FY21: \$37.3 million*);
- Underlying NPAT (post AASB 16) from continuing operations up 25.0% to \$59.7 million (FY21: \$47.8 million);
- Net Operating cash flow (post AASB 16) of \$156.3 million (FY21: \$128.2 million);
- Net Debt reduced to \$174.9 million (FY21: \$177.4 million) and Net Leverage Ratio decreased to 1.17 (FY21: 1.34*), providing significant headroom to support ongoing growth;
- Fully franked final dividend of 15.0 cents per ordinary share declared (FY21: 12.5 cps fully franked). Total FY22 fully franked dividend of 27.0 cents per share, up 17.4% (FY21: 23.0 cps fully franked).

Commenting on Collins Foods' strong results, Managing Director & CEO, Drew O'Malley, said:

"KFC Australia managed to deliver positive same store sales growth for the full year, despite cycling unprecedented growth in the prior year. The KFC brand has never been stronger in Australia, and metrics around quality, value, and purchase intent are at record levels, particularly important in times like these. At the same time, we continue to amplify our strengths in convenience with further growth in digital, delivery and innovation, including the introduction of drone delivery and, more recently, UberEats.

"KFC Europe had an impressive year of recovery, with same store sales growth and margins above pre-COVID FY19 levels. We cemented our position in the Netherlands with acquisitions taking us to 55% of the franchisee market and the commencement of the Netherlands Corporate Franchise Agreement. We are already seeing the benefits of effective control with improved marketing campaigns and an expanding development pipeline, as we build toward scale in this market.

"Taco Bell returned to positive same store sales growth in Q4 FY22. We have been making additional investments in media to support core brand positioning around taste and value. We have also seen new store openings perform ahead of expectations, providing confidence in the brand's potential as we look to accelerate the pace of development.

[1] Underlying results exclude restaurant impairments, closure provisions, acquisition costs, gain on disposal of land, fair value loss on debt modification and foreign exchange gain.

* The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements.

"A total of 32 restaurants were added across the group in FY22, including 17 openings. This significant reinvestment in the business was funded out of strong operating cash flow, enabling continued healthy dividends and a further strengthening of our balance sheet. As such, we remain well capitalised to pursue our long-term growth agenda, while navigating near term inflationary headwinds."

KFC Australia: delivers another year of growth while cycling record SSS comparatives

- Revenue up 6.1% to \$955.5 million (FY21: \$900.4 million);
- SSS growth^[2] of 1.4% (FY21: 12.9%);
- Underlying EBITDA (post AASB 16) of \$206.9 million at a margin of 21.6% (FY21: \$198.5 million);
- Underlying EBITDA (pre AASB 16) of \$166.5 million at a margin of 17.4% (FY21: \$161.4 million).

SSS growth of 1.4% was achieved despite cycling 12.9% same store sales in the prior year. SSS growth was complemented by the continued new restaurant rollout, with 10 new restaurants opened during the year, ahead of the Company's development agreement, taking the total KFC Australia footprint to 261 restaurants.

Underlying EBITDA grew 3.5%, with an EBITDA margin of 21.6% down slightly on the prior year as anticipated, reflecting the impact of two annual minimum wage increases and the lower SSS growth given the exceptional prior year sales being cycled. With inflationary pressure commencing in late FY22, there was only a modest impact from this on the full year margins.

Collins Foods continues to make the KFC brand more accessible to customers with digital and delivery accounting for 16.9% of sales in the second half of FY22 (second half FY21: 13.3%). Delivery via aggregators and Delivery-as-a-Service (Daas) is now in more than 200 restaurants, while click and collect ordering grew nearly 60% during the year ahead of a new app release scheduled for the second half of FY23. The Company also commenced Australia's first KFC drone delivery pilot in partnership with Google Wing and Yum! Brands, and has begun rolling out its new partnership with UberEats in recent weeks.

KFC Europe: strong recovery complemented by commencement of Netherlands' Corporate Franchise Agreement (CFA)

- Revenue up 41.2% to \$190.4 million (FY21: \$134.9 million);
- SSS growth of 16.8% (FY21: (0.6)%);
- Underlying EBITDA (post AASB 16) of \$27.6 million at a margin of 14.5% (FY21: \$12.0 million);
- Underlying EBITDA (pre AASB 16) of \$12.4 million at a margin of 6.5% (FY21: \$1.1 million).

A significant recovery in Europe saw SSS growth of 16.8% on the prior period, and 11.2% growth over the pre-pandemic FY19 level. Netherlands achieved SSS growth of 18.8% (FY19: 7.1%) and Germany delivered 11.7% (FY19: 17.0%). The underlying EBITDA margin (post AASB 16) of 14.5% was well up on FY21 levels (FY21: 8.9%), while pre AASB 16 underlying margins were also higher than pre COVID levels (FY22: 6.5%, FY19: 5.5%).

The Netherlands CFA was initiated on 31 December 2021, providing Collins Foods with primary operational control over the entire market and incentives for market development, with a target of up to 130 net new restaurants over the next 10 years. The first few months under the CFA have been very positive with the completion of the integration of Yum! and Collins Foods' teams, execution of a revised marketing strategy, development of the pipeline and positive engagement with franchisees.

The acquisition of 15 restaurants across 3 transactions^[3] and the opening of 3 restaurants increased Collins Foods' Netherlands footprint to 45 restaurants, representing a 55% market share of the 82-restaurant market. Acquired restaurants contributed \$25.2 million revenue in FY22, with all acquisitions now fully integrated into the Collins Foods' network and performing in line with or above expectations.

[2] Using the same methodology as Yum!

[3] In addition to the acquisition of net 2 restaurants in late FY21

Taco Bell: return to SSS growth in Q4 FY22

- Revenue up 27.5% to \$35.8 million (FY21: \$28.0 million);
- EBITDA (post AASB 16) of \$(0.4) million (FY21: \$0.2 million); restaurant level EBITDA (post AASB 16) of \$4.0 million at a margin of 11.2% (FY21: \$3.2 million);
- EBITDA (pre AASB 16) of \$(3.0) million (FY21: \$(1.6) million); restaurant level EBITDA (pre AASB 16) of \$1.4 million at a margin of 3.7% (FY21: \$1.4 million).

Taco Bell revenue increased 27.5% to \$35.8 million reflecting the addition of four new restaurants. While SSS declined by 8.1% for the year, there was a noticeable improvement in the second half with a return to positive growth in the fourth quarter (Q4 FY22: +0.4%).

The improved momentum has continued into the new financial year and is being driven by a continued focus on improving value and quality of the offering. The segment was EBITDA profitable at the restaurant level by \$4.0 million, though overall EBITDA was slightly negative when taking into account start-up and overhead costs.

Taco Bell's store rollout remains focused on tightly clustered locations in South-East Queensland, greater Melbourne and Perth. An additional three sites were opened post year end, despite COVID-related building delays in Melbourne, taking total store count to 23.

Sizzler Asia: post COVID recovery underway

Sizzler Asia delivered 10.8% revenue growth to \$2.8 million and an EBITDA profit of \$1.7 million. The FY22 result absorbed the impact of COVID-19 restrictions in the first half, with significant improvement experienced in Japan and Thailand through the second half post these markets reopening.

Cash flow continues to be reinvested for growth

Collins Foods remained highly cash generative in FY22 with operating cash flow of \$156.3 million (FY21: \$128.2 million). Capital expenditure was allocated to new restaurants, acquisitions, remodels, and other growth initiatives. Notwithstanding significant reinvestment, the Company remained self-funding during the year, enabling a slight reduction in net debt of \$174.9 million (FY21: \$177.4 million) and a decrease in the net leverage ratio to 1.17 (FY21: 1.34*).

ESG

Over the past year, Collins Foods has made progress on its Positive Impact Strategy, focused on the three pillars of People and Communities, Planet, and Governance. The Company continues to raise the bar on fast food restaurant expectations, creating unmatched experiences for its customers and people. Collins Foods has also committed to decrease the environmental impact of its operations, reducing greenhouse gas emissions and waste to landfill, despite increasing the number of restaurants. Environmental efforts were highlighted in FY22 by the commencement of solar installations in every eligible drive-thru restaurant in Australia (subject to landlord and council approvals), with Collins Foods being the largest Australian restaurant company of its size to make this commitment. Currently 103 restaurants have had solar installed, with additional installations underway.

Dividend growth

Taking into consideration Collins Foods' strong operating cash flows and reinvestment opportunities, healthy balance sheet and outlook, the Board has declared a fully franked final dividend of 15.0 cents per ordinary share, up 20% (FY21: 12.5 cps fully franked). The final dividend will have a record date of 11 July 2022 and payment date of 1 August 2022.

This brings the total FY22 dividend declared to 27.0 cents per share fully franked, an increase of 17.4% (FY21: 23.0 cps fully franked).

* The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements.

Outlook

Commenting on Collins Foods' growth outlook, Mr O'Malley said:

"The global environment continues to exhibit unprecedented challenges with inflationary pressures and supply chain shortages. Our QSR brands are nonetheless in excellent shape to navigate this landscape. Their proven track record of consumer appeal regardless of economic conditions, combined with our relentless pursuit of operational excellence, ensures we are well positioned to manage through the current inflationary environment.

"Sales results over the first seven weeks of FY23 have been encouraging, particularly in Europe, with all business units reporting positive same store sales. KFC Netherlands has started the year +12.2% on same store sales, with KFC Germany an even more impressive +19.4% on this metric. In Australia over the same 7 week period, KFC has delivered +4.1% same store sales and Taco Bell +1.4%. While menu pricing is factoring into our efforts to offset margin pressures, we will continue to keep value at the centre of our customer appeal. While some margin compression in the short-term is unavoidable, in the mid-term we expect margins to recover, and remain on track to deliver on our growth ambitions.

"With our restaurants performing well and a strong pipeline of new sites, we will continue to grow our store footprint across our QSR brands, with 20 to 29 new restaurants planned for FY23. Within this, we are planning for 9 to 12 new KFC Australia restaurants and 2 to 5 new KFC Europe restaurants; we will also accelerate our Taco Bell rollout with 9 to 12 new builds, ensuring the brand remains on track to reach scale within 3 years.

"Collins Foods possesses the key ingredients to weather turbulent times – a strong balance sheet, world-class brands, and a passionate and dedicated team of experienced operators. We continue to monitor the landscape for acquisition opportunities that fit our portfolio and capabilities. And ultimately, we believe that by staying focused on providing unmatched experiences for our customers and people, our long-term prospects are as bright as ever."

Investor conference call

A results briefing for investors and analysts will be held at 11:00am AEST today. Participants can register for the briefing session via: <https://s1.c-conf.com/diamondpass/10021968-3lamk3.html>

Please note that registered participants will receive their dial in number upon registration.

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Authorised for release by the Board.

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About us

Collins Foods Limited (ASX: CKF) is a KFC and Taco Bell franchisee in Australia, KFC Netherlands corporate franchisee, KFC franchisee in Germany, and the franchisor for Sizzler in Asia. The Company seeks continuous improvement in all areas of its operations and work towards the following mission: "Restaurants Done Better." For further information please visit www.collinsfoods.com