
COLLINS FOODS LIMITED

2015 INTERIM RESULTS

26 November 2014

KFC

Sizzler

CFI
COLLINS FOODS LIMITED

HY15 financial overview

	HY14 Stat	HY14 Significant items [1]	HY14 Underlying [2]	HY15 Stat	HY15 Significant items [3]	HY15 Underlying [4]	Change HY14 v HY15 Underlying
\$m							
Revenue	198.0	-	198.0	256.7	-	256.7	29.6% ↑
- KFC Qld SSS %	1.3%	-	1.3%	3.0%	-	3.0%	-
- KFC WA/NT SSS % [5]	-	-	-	4.3%	-	4.3%	-
- Sizzler SSS %	(9.4%)	-	(9.4%)	(8.4%)	-	(8.4%)	-
EBITDA	21.4	-	21.4	29.4	-	29.4	37.6% ↑
EBIT	11.2	1.9	13.1	(17.0)	36.5	19.5	49.0% ↑
NPAT	6.2	1.3	7.5	(22.9)	33.7	10.7	43.0% ↑
Net Cash flow	3.0	-	3.0	(3.8)	-	(3.8)	
EPS (cents)	6.6	1.4	8.1	(24.7)	36.2	11.5	43.0% ↑
DPS (cents)	4.5	-	4.5	5.0	-	5.0	11.1% ↑

- Underlying NPAT up 43.0% to \$10.7m
- Revenue up 29.6% to \$256.7m
- EBITDA up 37.6% to \$29.4m
- Interim dividend up 11.1% to 5.0cps fully franked
- Net cash flow declined \$3.8m - timing of tax payments made in prior year
- Net debt of \$131.7m and net leverage ratio improved to 2.14
- Pre tax non-cash impairments of
 - \$35.9m for Sizzler Australia
 - \$0.6m for KFC Qld

[1] Impairment: Sizzler Mackay \$1.9m

[2] HY14 adjusted for impairment

[3] Impairment: KFC restaurants \$0.6m; Sizzler restaurants \$2.5m; Sizzler brand \$6.3m; and Sizzler goodwill \$27.1m

[4] HY15 adjusted for impairment

[5] KFC WA/NT was acquired on 7 March 2014. The sales increase is based upon sales reported in the prior period by the previous owners

HY15 operational overview



- Positive revenue growth of 6.8% for KFC Qld and 3.7% for KFC WA/NT
- EBITDA margin gains across KFC system
- Built 3 new restaurants and undertook 10 major remodels and 3 minor remodels



- Rolled out all stages of 'Get Refreshed' as of November
- Remodelled Cleveland, Caboolture and Mermaid Beach – all experiencing positive growth
- Sizzler Asia continuing to perform well



- Continuing work on Snag Stand concept
- Sunshine Plaza (Maroochydore) Stand under construction ~ mid December opening



ultimate[®]
burger meal

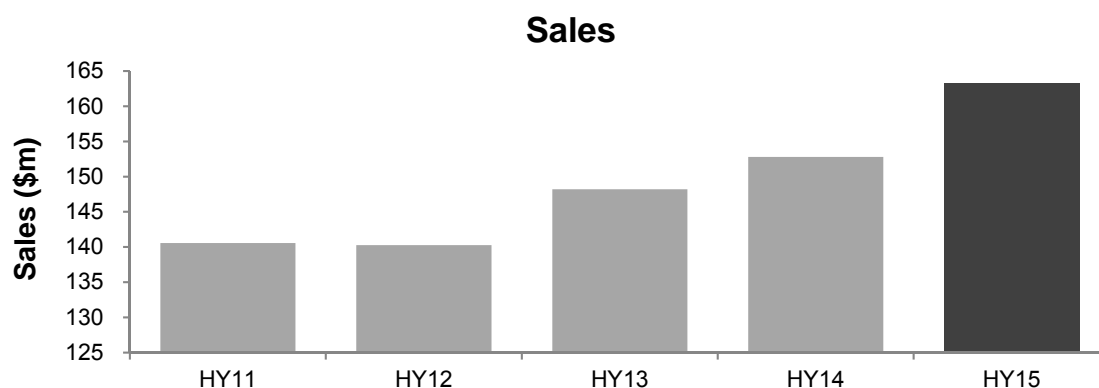
KFC has a strong half



CFL
COLLINS FOODS LIMITED

KFC Qld continues to grow

\$m	HY14 Stat	HY15 Stat	HY15 Significant items [1]	HY15 Underlying	Change HY14 Stat v HY15 Underlying
Restaurants					
period end	125.0	128.0		128.0	3.0 ↑
Revenue	152.8	163.2		163.2	6.8% ↑
% SSS	1.3%	3.0%			
EBITDA	21.7	27.7		27.7	27.8% ↑
% margin	14.2%	17.0%		17.0%	280 bps ↑
EBIT	16.1	20.9	0.6	21.4	33.4% ↑
% margin	10.5%	12.8%		13.1%	260 bps ↑



- Revenue growth up 6.8% with SSS growth of 3.0%
- 3 new restaurants opened
- EBITDA margin up 280 bps to 17.0%
- EBIT up 33.4% v PCP
- Labour efficiencies and productivity gains key element in improved operating margins
- KFC Qld lapping a favourable advertising spend (prior year weighted more towards front half of year)
- Impairment charge of \$0.6m for KFC Valley Metro and KFC Macarthur Central

[1] Impairment – KFC Valley Metro and KFC Macarthur Central

KFC WA/NT starts to deliver improvements

	\$m	HY15
Restaurants		
period end		42.0
Revenue		52.6
% SSS		4.3% ^[1]
EBITDA		5.3
% margin		10.1%
EBIT		4.0
% margin		7.6%

- Revenue growth up 3.7%
- SSS growth of 4.3%
- 4 restaurants remodelled – 2 major and 2 minor
- 1 new restaurant opened post half year – 18 November
- Efficiency and productivity gains starting to make their way into the P&L
- EBITDA margin of 10.1%

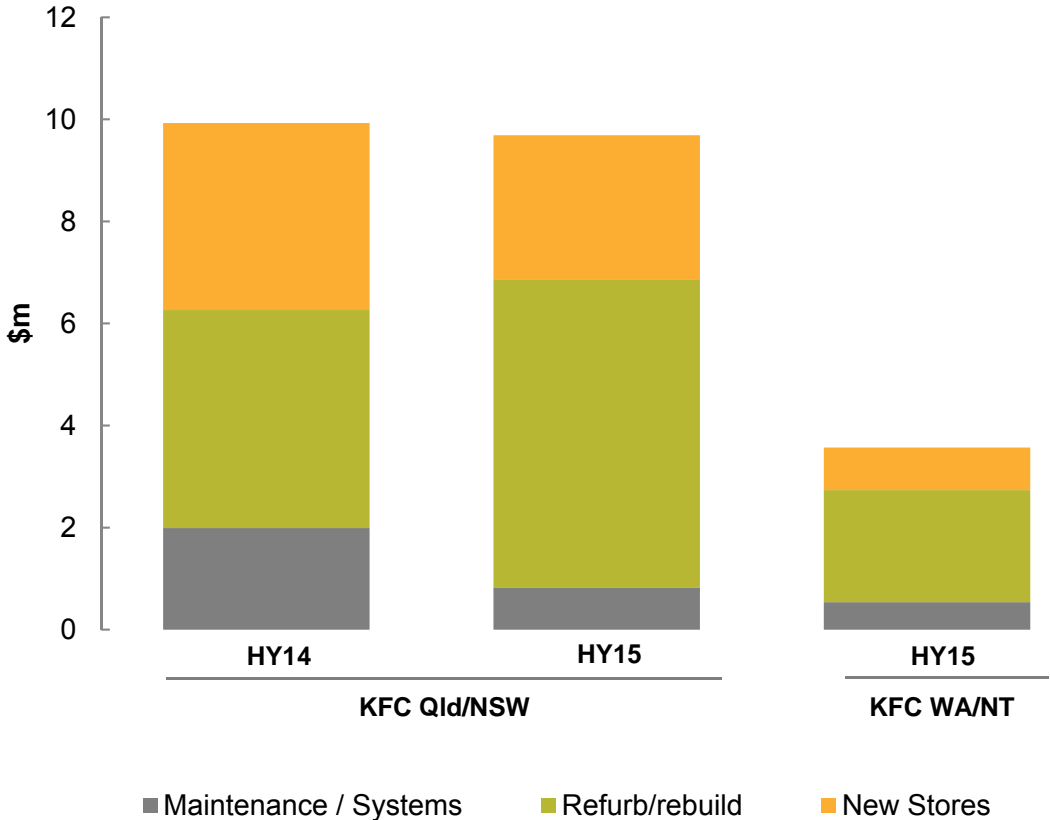
[1] KFC WA/NT was acquired on 7 March 2014. The sales increase is based upon sales reported in the prior period by the previous owners

KFC Brand supported by solid pipeline/campaigns

- Strong new product promotions – Zinger Stacker, Mighty Burger, The One Box, etc – continuing to introduce innovation and excitement to the Brand
- Innovative and fun family dinner offerings at centre of Brand strategy
- Value offers remain an industry focus – KFC value plays still relevant to transaction growth
- KFC Australia at forefront of successfully leveraging social media trend: +750,000 Facebook likes



Investment underpinning future growth



- Total KFC capex of ~ \$13.3m for HY15:
- ~ \$9.7m for Queensland:
 - 3 new builds
 - 8 major remodels
 - 1 minor remodels
- ~ \$3.6m for WA/NT:
 - 1 new build – November opening
 - 2 major remodels
 - 2 minor remodels

New and remodelled KFC Qld restaurants



New and remodelled KFC WA/NT restaurants

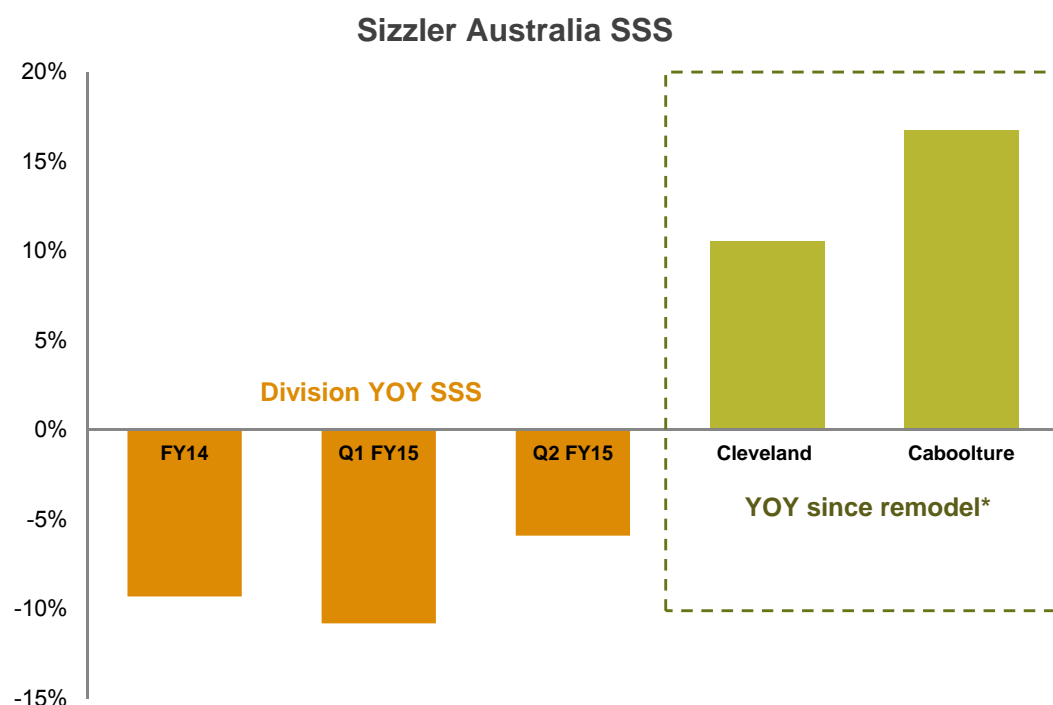




Sizzler still in transition



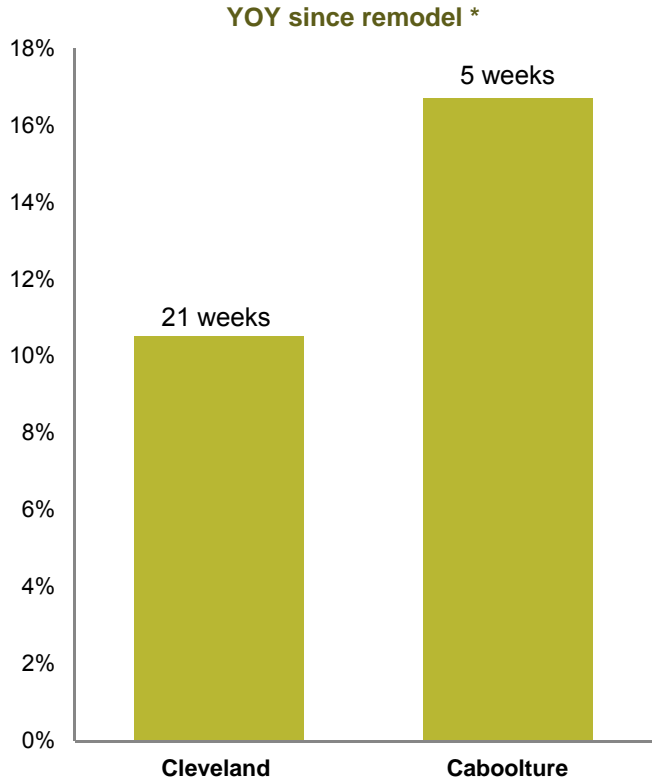
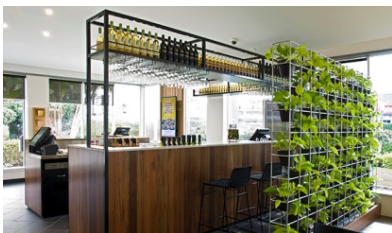
Sizzler Australia while still experiencing top line challenges, is starting to show some positive signs



- 'Get Refreshed' initiatives starting to have a positive effect in rate of growth decline
- 'Get Refreshed' initiatives fully rolled into system at end of November ahead of the summer campaign
- Remodelled restaurants showing positive growth
 - Cleveland (21 weeks)
 - Caboolture (5 weeks)
 - Mermaid Beach (too early to call)

* Up until 26 October 2014

Remodels are resonating positively with Sizzler customers



* Up until 26 October 2014

Sizzler Australia still experiencing top line challenges

\$m	HY14 Stat	HY14 Significant items [1]	HY14 Underlying	HY15 Stat	HY15 Significant items	HY15 Underlying	Change HY14 v HY15 Underlying
Restaurants							
period end	27.0		27.0	26.0		26.0	1.0 ↓
Revenue	45.2		45.2	40.8		40.8	9.8% ↓
% SSS (Aus)	(9.4%)		(9.4%)	(8.4%)		(8.4%)	
EBITDA	4.1		4.1	1.7		1.7	59.2% ↓
% margin	9.0%		9.0%	4.1%		4.1%	490 bps ↓
EBIT	0.2	1.9	2.1	(34.8)	35.9	1.1	49.5% ↓
% margin	0.4%		4.7%	(85.4%)		2.6%	210 bps ↓

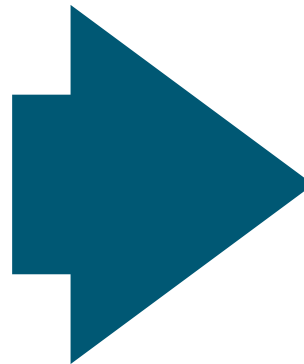
[1] Sizzler Mackay Impairment \$1.9m

- Total revenue decline of 9.8%
- Sizzler Australia SSS down 8.4%
- EBITDA margins under pressure from a deleveraged top line
- Booked a non-cash impairment in Sizzler Australia of \$35.9m – Sizzler restaurants \$2.5m, Sizzler goodwill \$27.1m and Sizzler brand \$6.3m

Sizzler to undergo a strategic review post summer campaign



- All 'Get Refreshed' initiatives rolled out by end of November
- 3 front of house remodels – Cleveland, Caboolture and Mermaid Beach
- 1 front of house 'light' remodel – Ipswich
- Summer campaign – summer menu and advertising

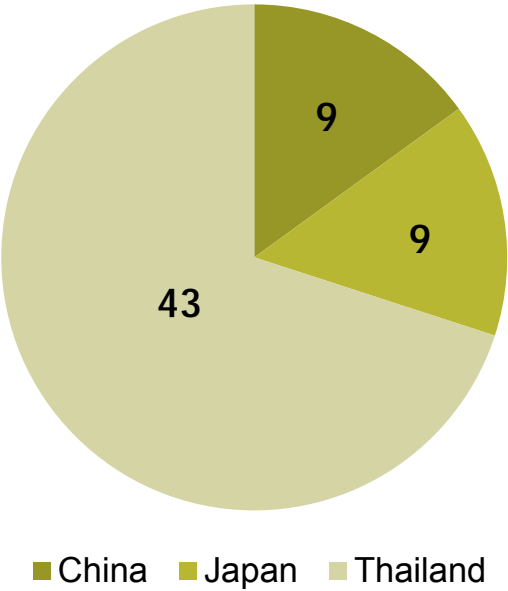


Sizzler to undergo a strategic review post the summer campaign

Sizzler Asia continues to perform

- Royalty revenue over HY14 up 8.4%
- China opened 1 restaurant and closed 1 restaurant
- Plan to open a couple of new restaurants in China and Thailand during FY15

Sizzler Restaurants in Asia





Financial information

Strong cash flows

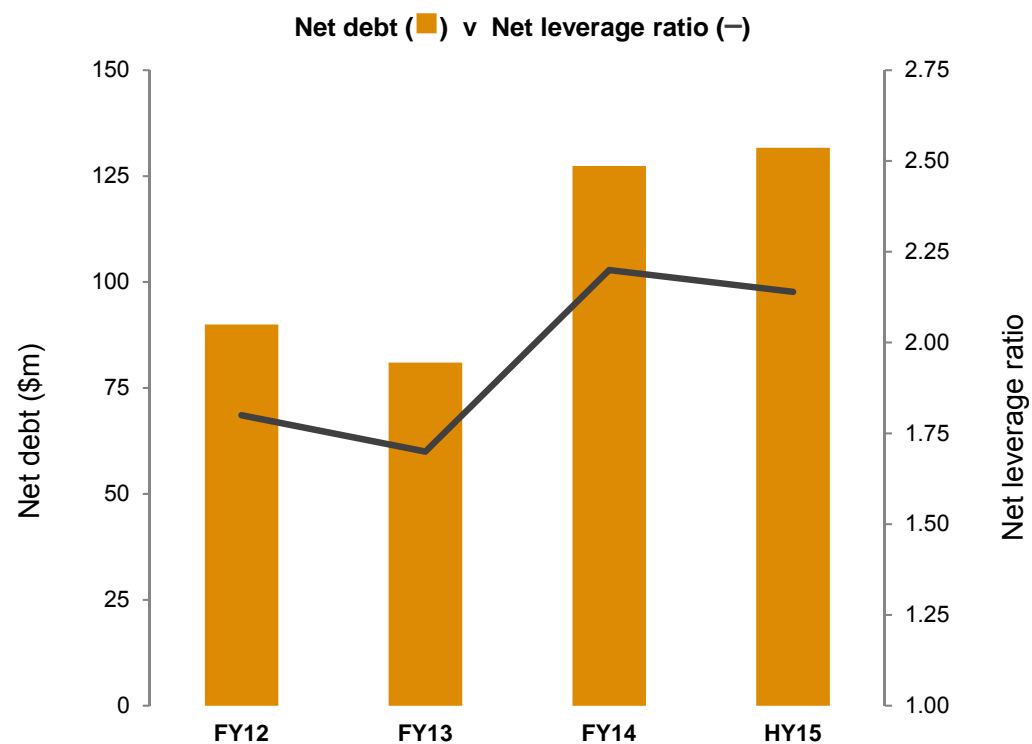
	\$m	HY14	HY15
Net operating cash flows before interest and tax		24.2	28.2
Net interest paid		(2.8)	(4.2)
Income tax paid		(2.5)	(7.5)
Net operating cash flows		19.0	16.6
Capex *		(10.4)	(14.4)
Other		(0.1)	(0.2)
Net cash flow from investing		(10.6)	(14.6)
Net cash flow from financing		(5.4)	(5.8)
NET CASH FLOW		3.0	(3.8)

* Capex reflects actual Capex spent, excludes accruals at period end

- Net operating cash flows before interest and tax up \$4m to \$28.2m
- The income tax instalment rate in the PCP was low due to the lag effect of the IPO costs ~ \$2m
- Delay in tax payment in prior half ~ \$2m
- Capex spend up \$4m on prior half but still in line with FY15 budget
- Net cash flow down \$3.8m
- Strong cash flows enabling a HY15 fully franked dividend of 5.0cps – up 11.1% on HY14

Comfortable debt profile

- Increased overall debt facilities in March 2014 to \$175m up from \$145m to support KFC WA/NT acquisition
- Net debt at half year – \$131.7m
- Adequate covenant headroom – net leverage ratio improved to 2.14
- Undrawn debt facility ~ \$10m



Strong balance sheet

\$m	27 April 2014	12 October 2014
Cash and equivalents	37.0	33.3
Total current assets	44.7	42.9
Property, plant and equipment	72.5	74.9
Total non-current assets	376.0	349.1
Total assets	420.7	392.0
Debt	164.4	164.5
Total current liabilities	61.1	59.1
Total non-current liabilities	168.2	170.0
Total liabilities	229.3	229.2
NET ASSETS	191.4	162.8

- Decrease in cash of \$3.7m to \$33.3m
- Prepaid rent at half year out of sync with full year by ~ half a month
- Property, plant and equipment up \$2.4m to \$74.9m – new restaurants and rebuilds partially offset by depreciation and impairment
- Impairment charge of \$33.4m across Sizzler Australia goodwill and Sizzler Australia brand partially offset by an increase in the deferred tax asset

Breakdown of corporate overhead / administration costs

	HY15 \$'000s	% Revenue
Management Reporting		
- Support Centre		
- Public Company costs		
- Asia administration		
- Above restaurant operations direct costs		
	11,394	4.4%
- Restaurant costs (LSL & trainees) allocated to above restaurant operations	994	
	12,388	4.8%
Allocated Administration - Interim Financial Reporting		
- Depreciation and amortisation – brands, software and other *		
- Maintenance technicians #		
- Administration consumables and postage #		
	8,698	
Reported Administration Costs	21,086	8.2%

- For reporting purposes Collins Foods have chosen to present their income statement based on the function classification (as opposed to the nature classification)
- The administration function includes amongst others overheads in its classification
- The real overheads relating to operation of Collins Foods at the half year are 4.4% of the revenue

* Primarily brand amortisation
Included in restaurant level P&L

Priorities for remainder of FY15

- Return Sizzler Australia to positive growth through 'Get Refreshed'
- Undertake strategic review of Sizzler post summer campaign
- Continue focus on improving KFC WA/NT operational performance
- Build 2 more KFC restaurants over and above 4 built in the first half
- Continue to grow KFC footprint and remodel selected locations
- Firm up on Snag Stand concept and continue to invest in the brand

Note: Collins Foods Limited have a 53rd week in FY15



Questions

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 Class Order 98/100, 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 Class Order 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.