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ASX RELEASE

COLLINS FOODS DELIVERS GROWTH ACROSS ALL THREE BUSINESS UNITS

Tuesday, 28 November 2023: Collins Foods Limited (ASX: CKF) is pleased to announce its results for the half year ended 15 October 2023 (**HY24**), a period that saw the Company deliver growth in revenue, same store sales (**SSS**), and earnings in a challenging operating environment.

Group HY24 results*

- Revenue from continuing operations[1] up 14.3% to $696.5 million[2] (HY23: $609.4 million[3]) with strong growth across all business units.
- Underlying[4] EBITDA from continuing operations[1] up 16.7% to $109.9 million (HY23: $94.2 million).
- Underlying[4] NPAT from continuing operations[1] up 28.7% to $31.2 million (HY23: $24.2 million).
- Statutory NPAT of $50.5 million, compared with $11.0 million HY23, including gain on sale of Sizzler Asia of $20.2 million HY24.
- Net debt reduced to $173.0 million (HY23: $191.1 million) and Net Leverage Ratio of 1.12 (HY23: 1.31) as a result of strong cash generation.
- Fully franked interim dividend of 12.5 cents per ordinary share (**cps**) declared (HY23: 12.0 cps fully franked).

Commenting on Collins Foods' HY24 results, Managing Director & CEO, Drew O'Malley, said:

"Performance in the first half has highlighted the underlying strength of our business, and the resilience of the QSR sector in challenging economic conditions. Our approach to value has continued to deliver solid topline, same store sales, and earnings growth across the Group. This was underpinned by the strength of our world-class brands, our growing digital channels, and value credentials. As higher cost-of-living pressures continue to impact consumers, offering great tasting food that provides exceptional value has never been more important.

"Our restaurant footprint continues to grow with five new builds added across the Group over the first half. We remodelled a further thirty restaurants and continue to innovate format design to support the global shift towards digital and delivery channels. While inflationary pressures remain, we managed short-term cost impacts through margin support initiatives that improved profitability in the first half while prioritising long-term brand health and consumer trust. And as always, we have done this on the foundations of operational excellence at the heart of what Collins Foods stands for."

* All figures are presented on a post AASB 16 basis, unless otherwise stated.
[1] Continuing operations excludes Sizzler Asia.
[2] HY24 Revenue includes business rental income of $1.3m, shown in other income in the Financial Report.
[3] Comparative revenue restated to present the impact of a change in accounting policy relating to Corporate Franchise Agreement revenue, noting no impact to EBITDA or EBIT.
[4] Underlying results exclude restaurant impairments, sale of Sizzler Asia, provisions and closure costs, acquisition costs and certain tax and marketing costs.

KFC Australia*

- Revenue up 9.0% to $522.9 million (HY23: $479.6 million).
- SSS growth[5] of +6.6% (HY23: +5.1%).
- Underlying EBITDA up 11.1% to $105.5 million (HY23: $95.0 million) at a margin of 20.2% (HY23: 19.8%).
- Underlying EBITDA (pre AASB 16) of $84.0 million (HY23: $75.6 million) at a margin of 16.1% (HY23: 15.8%).

KFC Australia increased revenue 9.0% over the prior year, supported by four new restaurants and SSS growth of 6.6% which was driven by growth in digital and delivery. E-commerce channels (delivery, web, kiosk and app) remain a growth driver, accounting for 28.1% of sales in the first half, up from 22.2% for the same period last year. Greater availability of in-store kiosks is lifting digital adoption, while increased personalisation of app offers has improved conversion rates.

Underlying EBITDA grew 11.1% to $105.5 million, with EBITDA margin up 37 basis points. Inflation continues to exert pressure on costs, with labour and now energy the most notable areas of impact.

Collins Foods' Australian KFC footprint continues to expand, now at 275 restaurants nationally, with the Company on track to open nine to 12 new restaurants this fiscal year, ahead of development agreement commitments.

Commenting on the performance, Mr O'Malley said:

"Our KFC Australia operations have a proven track record of delivering year-on-year revenue growth, and we continue to do so in one of the most challenging consumer environment in recent years. KFC is well-positioned in this economic climate, leading the QSR market across value, quality, and consideration metrics. We continue to strengthen and elevate our value positioning, introducing new offerings at key price points.

"Convenience provides additional growth opportunities for the business, and we continue to see strong conversion in digital and delivery, with e-commerce channels up more than 25% on a year ago. We are confident this channel will account for an increasingly greater proportion of sales over the long-term. New and remodelled restaurants are benefitting from design and digital innovation. These investments are driving e-commerce sales, unlocking production capacity, improving speed of service, and enhancing the customer experience."

KFC Europe*

- Revenue up 36.5% to $148.5 million[6] (HY23: $108.8 million[7]).
- SSS growth of +8.8% (HY23: +10.4%).
- Underlying EBITDA up 53.0% to $20.2 million (HY23: $13.2 million) at a margin of 13.6% (HY23: 12.1%).
- Underlying EBITDA (pre AASB 16) of $10.2 million (HY23: $5.6 million) at a margin of 6.9% (HY23: 5.2%).

KFC Europe continues to deliver double-digit topline growth with revenue of $148.5 million, up 36.5% over the prior year, and more than doubling since HY21. Growth reflects the successful integration of eight KFC restaurants in the Netherlands, and an 8.8% increase in SSS. Positive SSS were driven by strong digital growth. Germany continues to perform with SSS growth of +11.7% (HY23: +14.6%) and Netherlands growing its SSS at +7.9% (HY23: +9.2%).

Brand awareness and consideration continued to improve, up +3.0% and +0.5% respectively over the prior year, ahead of other QSR competitors.

Marketing and operational initiatives under Collins Foods' Netherlands Corporate Franchise Agreement (**CFA**) improved profitability with underlying EBITDA margin increasing to 13.6% (HY23: 12.1%[7]). Significant inflationary pressure remained across utilities, labour and commodities, partially offset by a range of initiatives in supply chain, energy and operations.

The European footprint now stands at 72 restaurants with a further three net new restaurants expected to open in the Netherlands in H2 FY24.

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* All figures are presented on a post AASB 16 basis, unless otherwise stated.
[5] Using the same methodology as Yum!
[6] HY24 Revenue includes business rental income of $1.3m, shown in other income in the Financial Report.
[7] Comparative revenue restated to present the impact of a change in accounting policy relating to Corporate Franchise Agreement revenue, with a corresponding flow on impact to margin percentages, but no impact to EBITDA or EBIT.

Commenting on performance, Mr O'Malley said:

"KFC Europe's revenue and same store sales performance over the first half has demonstrated its increasing potential as a growth engine for Collins Foods. Marketing and operational control in the Netherlands has enabled us to improve quality, taste, and brand awareness, and this has delivered margin improvements, even in a high inflation environment. Importantly, we are outperforming competitors and gaining share as our focus on everyday value continues to resonate with price-conscious consumers.

"More than half of all sales in the Netherlands are now coming via digital channels, driven by the high adoption of in-store kiosks. We are continuing to invest in digital and delivery to support the next phase of growth, recently launching a new KFC app and digital platform to facilitate personalised offers, improve customer experiences, and accelerate click-and-collect sales. Netherlands is the first KFC market in Europe to implement the "MENU" platform, with other markets now looking to adopt the technology.

"Netherlands is also leading the global market on innovative energy solutions and remodels, and we will soon open our first battery-supported restaurant. While our future development pipeline continues to build in the Netherlands, we are also a key growth partner for the new KFC Germany master franchisee – an experienced KFC operator with master franchise agreements in Turkey and Northern Cyprus."

Taco Bell*

- Revenue up 18.9% to $25.1 million (HY23: $21.1 million).
- SSS growth of +7.9% (HY23: -(7.8)%).
- Underlying EBITDA of $(0.1) million (HY23: $(0.8) million) at a margin of (0.5)% (HY23: (3.8)%).
- Underlying EBITDA (pre AASB 16) of $(2.2) million (HY23: $(2.3) million) at a margin of (8.8)% (HY23: (10.9)%).

Taco Bell returned to growth in the first half of FY24 with positive SSS of 7.9%. Revenue was up 18.9% to $25.1 million, driven by SSS and the addition of three new restaurants over the prior period. EBITDA at a restaurant level was $1.4 million, with an EBITDA margin of 5.8%, excluding new restaurant opening and brand general and administration costs.

Higher-quality products are meeting and exceeding Australian consumer expectations on taste and value. Creative and media strategies have focused on new product innovation, such as Jalapeno Crunch Burrito and in the first half Taco Bell successfully launched its Crispy Chicken product range, including the Lava Crispy Chicken Burrito meal at an attractive price point of $10.

An integrated restaurant connected to BP in Underwood, Queensland was opened, bringing total restaurant numbers to 27, comprising 14 in Queensland, nine in Victoria and four in Western Australia.

Mr O'Malley commented:

"We are encouraged by Taco Bell's return to positive same store sales and its current trajectory. The brand is benefiting from the impact of improved product quality, successful marketing campaigns, and a relentless focus on value. We are also leveraging collaborations with popular brands such as Vegemite to enhance local appeal and introduce new consumers to Taco Bell.

"Strong media investment is highlighting product innovation and lifting brand awareness, while greater accessibility via delivery channels is driving trial. We will continue to feature Taco Bell's value credentials as a central element of its marketing strategy to bring new consumers into the brand and wow them with great tasting food at an affordable price. This has helped to support the recent growth in same store sales. And though we will begin to lap the rollout of Uber Eats in the second half, which will impact same-store-sales results, overall, we are pleased with the increasing strength in the foundations of the brand."

Cash flow and dividends*

The Group remained highly cash generative during the half with operating cash flow up 44.0% to $82.2 million, facilitating re-investment in new restaurants and remodels, acquisitions, as well as debt reduction and dividend payments. Net debt was reduced to $173.0 million, $18.2 million lower than the same period last year and the net leverage ratio was lowered to 1.12.

Reflecting the strength of the half year result and balance sheet position, the Board has declared a fully franked interim dividend of 12.5 cents per ordinary share (HY23:12.0 cps fully franked). The interim dividend will have a record date of 5 December 2023 and payment date of 28 December 2023.

* All figures are presented on a post AASB 16 basis, unless otherwise stated.

Outlook*

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

"Sales continued to grow in the first six weeks of the second half with KFC same store sales up +2.9% in Australia, +8.1% in Netherlands, +8.6% in Germany, while Taco Bell continued its positive trajectory with same store sales up +8.7%.

"We expect consumer pressures to remain high over the coming year. Despite these and various operational headwinds, we remain focused on our sustainable long-term growth plans, and continue to invest in new restaurants, digital and design innovation, and the customer experience to improve accessibility. Initiatives across supply chain, energy, and operations will continue to mitigate margin pressure in the short-term and strengthen our efficiency and sustainability efforts in the long-term.

"Our KFC network will continue to expand, and we are building our organic growth pipeline in the Netherlands whilst monitoring the broader European landscape for acquisition and development opportunities. We are encouraged by recent results for Taco Bell in Australia, and will continue to prioritise taste, value, and great operations to enable the brand to reach its potential.

"In our more than 50 years in the QSR market, Collins Foods has operated restaurants in many different economic environments. We always prioritise brand health by keeping value on the menu, which is critical in times when consumers are experiencing significant cost-of-living pressures. Meeting consumer expectations with great tasting food at affordable prices will remain our focus as we harness the resilience we have built in our brands. We are ideally placed to navigate the challenging landscape, leveraging our deep expertise operating some of the world's best QSR brands at a time when value really matters."

Investor conference call today

A briefing for investors and analysts will be held at 11:00am AEST /12:00pm AEDT today. Participants can register for the briefing session via: https://s1.c-conf.com/diamondpass/10034741-hg867t.html

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 and KFC franchisee in Germany. 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

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