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ASX RELEASE

COLLINS FOODS DELIVERS RECORD REVENUE, HIGHER EARNINGS IN CHALLENGING MARKET

Tuesday, 25 June 2024: Collins Foods Limited (ASX: CKF) announced its results for the full year ended 28 April 2024 (**FY24**), a period in which the Company delivered record revenues and positive same store sales (**SSS**) across all business units, resulting in higher earnings, strong cash flows and higher dividends.

Group FY24 results*

- Revenue from continuing operations[1] up 10.4% to $1,488.9 million (FY23: $1,348.6 million[2]) with growth across all business units
- Underlying[3] EBITDA from continuing operations[1] up 12.0% to $229.8 million (FY23: $205.1 million) driven by sales growth, operational efficiencies, and cost control
- Statutory NPAT of $76.7 million, up from $12.7 million in FY23, reflecting underlying performance as well as the $36.7 million impairment of Taco Bell in FY23, the resultant depreciation saving in FY24 ($3.3m), and $20.2 million profit from the sale of Sizzler Asia
- Underlying[3] NPAT from continuing operations[1] up 15.6% to $60.0 million (FY23: $51.9 million)
- Net debt reduced to $165.5 million (FY23: $212.2 million) and Net Leverage Ratio of 1.07 (FY23: 1.47) due to strong cash generation
- Fully franked final dividend of 15.5 cents per ordinary share (cps) declared; total FY24 dividend of 28.0 cps fully franked (FY23: 27.0 cps fully franked)

Commenting on Collins Foods' FY24 result, Interim CEO and Managing Director, Kevin Perkins, said:

"Collins Foods maintained its growth momentum, delivering record revenue and positive same store sales across all business units. Growth was driven by our growing footprint with 17 net new restaurants added across the Group, increased adoption of digital channels, new product innovation, and value-led initiatives. Profitability also improved over the year, benefiting from sales growth, greater operational efficiency and cost control.

"Our solid FY24 performance is even more impressive given the challenging macro environment. While the QSR sector is one of the most resilient, it is not immune to the ongoing cost-of-living pressures facing consumers. As expected, trading conditions were softer in the second half given the dual impacts of inflation across all input lines and weaker consumer sentiment. We continue to manage our business for the long-term, prioritising brand health by ensuring value across the menu to retain consumer trust."

KFC Australia*

- Revenue up 6.6% to $1,121.0 million (FY23: $1,051.3 million)
- SSS growth[4] of +3.8% (FY23: +5.8%)
- Underlying EBITDA increased 9.8% to $221.4 million (FY23: $201.6 million) at a margin of 19.8% (FY23: 19.2%)
- Underlying EBITDA (pre AASB 16) of $174.4 million (FY23: $157.9 million) at a margin of 15.6% (FY23: 15.0%)

* All figures are presented on a post AASB 16 basis, unless otherwise stated. All references to digital channels include delivery, web, app, kiosk, and click and collect where relevant.

[1] Continuing operations excludes Sizzler Asia.

[2] Comparative revenue restated to exclude business rental income of $0.9m, which is shown in other income in the Financial Report.

[3] Underlying results exclude restaurant impairments, acquisition and refinancing costs and reversal of the Taco Bell onerous lease provision.

[4] Using the same methodology as Yum!

In a challenging consumer environment, KFC Australia revenue increased 6.6% over the prior year, benefiting from 7 net new restaurants and SSS growth of +3.8%. Digital channels accounted for a larger proportion of revenue, at 30.6% of sales for H2, up 6.3 percentage points on the same period last year, supported by higher app adoption.

Underlying EBITDA increased 9.8% over the year to $221.4 million, driven by operational efficiency, disciplined cost control, and optimised pricing. These initiatives offset a higher cost environment across labour, energy and commodities.

Nine new builds were added to Collins Foods' Australian KFC network in FY24, bringing its national footprint to 279 restaurants. The Company continues to enhance the quality of its portfolio, upgrading more than 70 restaurants to improve customer experience, operational capacity and efficiency.

Commenting on Collins Foods' KFC Australia's FY24 performance, Mr Perkins said:

“KFC Australia's solid revenue growth and positive same store sales in a deteriorating retail environment reinforces the resilience of this world-class brand, which remained the fastest growing QSR brand nationally in 2023 in terms of net new builds. We continue to prioritise long-term brand health, focusing on our value credentials and introducing new core menu enhancements and limited time products to remain top-of-mind as consumers feel the pinch of higher interest rates and cost-of-living pressures. This consistent approach to customer retention has proven successful, evidenced by KFC retaining share nationally, ensuring we are well placed for growth as economic conditions improve.

"Our Australian network continues to scale and modernise with in-store technology and design initiatives designed to boost capacity and improve customer experience, while increasing accessibility to the brand. Investments in digital and delivery channels are broadening our customer base with app acquisition campaigns and targeted value promotions proving highly successful. We're also continuing to leverage our deep QSR expertise to manage short-term margin headwinds with operational and cost management initiatives driving savings and protecting profitability."

KFC Europe*

- Revenue increased 26.1% to $313.5 million (FY23: $248.7 million[5])
- SSS growth of +4.9% (FY23: +13.9%)
- Underlying EBITDA up 29.6% to $42.5 million (FY23: $32.8 million) at a margin of 13.6% (FY23: 13.2%)
- Underlying EBITDA (pre AASB 16) of $19.6 million (FY23: $16.4 million) at a margin of 6.3% (FY23: 6.6%)

KFC Europe delivered another strong performance with revenue up 26.1% to $313.5 million, reflecting an expanded network now totalling 75 restaurants and favourable currency movement. SSS increased +4.9%, cycling double-digit growth in both FY23 and FY22 as well as a more challenging consumer environment. Digital channels, value initiatives and product innovation all contributed to positive SSS. Germany achieved SSS growth of +6.4% (FY23: +17.3%) and Netherlands +4.3% (FY23: +12.8%).

Marketing and operational improvements under Collins Foods' Netherlands Corporate Franchise Agreement have elevated the KFC brand and supported market share gains. Brand metrics are now at record highs with awareness up +7.8 percentage points over the prior year to 55% and consideration up +0.7%. This is ahead of QSR competitors, many of whom have seen consideration decline.

Sales growth and operational initiatives saw the underlying EBITDA margin remain stable at 13.6% (FY23: 13.2%) despite inflationary pressure across all input lines, including significant minimum wage increases in both regions and VAT subsidy changes in Germany.

Collins Foods' Netherlands footprint increased by 11 restaurants in FY24, inclusive of 8 acquired and 3 new builds.

On performance, Mr Perkins said:

“Our European operations continue to expand with solid growth in revenue and same store sales even as cost-of-living pressures impacted the broader QSR category. Improved brand perceptions to record levels and our balanced approach to value have enabled us to gain share in this weaker consumer environment. We're also increasing brand relevance and appeal, introducing cult localised products and a permanent higher welfare chicken option to meet consumer expectations.

"Digital channels, led by in-store kiosk, remain key to growth in Europe, now accounting for almost 60% of sales. We're continuing to invest in technology improvements and brand accessibility, optimising the customer journey across multiple channels. And we continue to realise operational efficiencies within the business, in particular across supply chain.

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[5] Comparative revenue restated to exclude business rental income of $0.9m, which is shown in other income in the Financial Report.

"While development and energy challenges persist in the Netherlands, our pipeline continues to build and we remain confident in the long-term opportunity. Smaller format drive-thrus are unlocking new trade zones and we're first to market with a certified energy-neutral building and battery-supported restaurant solution, providing us another innovative option to address ongoing energy grid challenges. We've also invested resources to reduce energy consumption, down 3.1% across the network this year, with 1 location achieving a 15.5% saving. In addition to pursuing opportunities in Netherlands and Germany, we're also actively evaluating M&A in new geographic regions to accelerate our growth in Europe."

Taco Bell*

- Revenue up 11.7% to $54.4 million (FY23: $48.7 million)
- SSS growth of +3.5% (FY23: (4.8)%)
- Underlying EBITDA of $(0.7) million (FY23: $(1.5) million) at a margin of (1.3)% (FY23: (3.2)%)
- Underlying EBITDA (pre AASB 16) of $(5.4) million (FY23: $(5.9) million) at a margin of (9.8)% (FY23: (12.2)%)

Taco Bell continues to gain traction, delivering double-digit revenue growth and positive SSS of +3.5%. Revenue of $54.4 million increased 11.7% on the prior year, driven by improved product quality, the full year impact of a successful Uber Eats rollout, and more effective marketing. Victorian restaurants remain the strongest performers, demonstrating the importance of quality QSR locations. EBITDA at a restaurant level was $2.4 million, reflecting increased investment in media and marketing to drive brand awareness and consumer trial.

Product quality and menu innovations have lifted brand perceptions, further supported by successful collaborations with well-known iconic brands, Arnott's and Vegemite. Targeted digital marketing campaigns are reinforcing Taco Bell's value credentials, highlighting new products at key price points such as the Enchilada burrito and Lava Crunch burrito meal.

Development remains temporarily paused while Collins Foods optimises its current network of 27 restaurants in suburban metro geographies across Queensland (14), Victoria (9) and Western Australia (4).

Mr Perkins commented:

"Product quality, innovation and marketing improvements over the past year are resonating with customers, and we have a relentless focus on the key foundations of taste, quality and value. More effective marketing, increased media investment, and brand collaborations have lifted awareness and local relevance, introducing Taco Bell to a broader audience. Our successful Uber Eats rollout is also improving accessibility and supporting trial, with digital and delivery now representing 30.4% of sales in H2 FY24.

"The continued strong performance of our Victorian restaurants highlights the potential of the Taco Bell brand within the attractive Mexican category. Taco Bell's value credentials provide a real point of difference to fast casual players in this segment with new product innovation focused on key price points. While development remains paused, we are highly encouraged by Taco Bell's solid performance over the past year and will continue to re-assess restaurant rollout linked to continued growth and profitability milestones."

Cash flow and dividends*

Collins Foods remained highly cash generative in FY24 with operating cash flow up 20.7% to $176.4 million, facilitating re-investment in new restaurants, remodels, acquisitions, as well as debt reduction and higher dividend payments. Net debt reduced $46.7 million over the prior year to $165.5 million, supported by the sale of Sizzler Asia. Net leverage ratio was down to 1.07.

Taking into consideration Collins Foods' FY24 performance and strong balance sheet, the Board declared a fully franked final dividend of 15.5 cents per ordinary share. The final dividend will have a record date of 9 July 2024 and payment date of 6 August 2024. This brings the total FY24 dividend declared to 28.0 cps fully franked, slightly ahead of FY23's total dividend (FY23: 27.0 cps fully franked).

Outlook*

Sales in the first 7 weeks of FY25 reflected the continuation of a weaker consumer environment in Australia and Europe, as well as the lapping of strong growth in the prior year. In addition, the conflict in the Middle East has continued to impact sales, particularly in the Netherlands.

KFC Australia's total sales increased 1.5% during the period with same store sales partially impacted by short-term cannibalisation from the addition of new restaurants, down (0.8)%. Total KFC Europe overall sales remained relatively stable, down (0.1)% in the first 7 weeks, with same store sales down (2.3)% in Netherlands and (2.8)% in Germany. Taco Bell's positive momentum has continued into the new fiscal year with same store sales up +0.6%.

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Commenting on Collins Foods' outlook, Mr Perkins said:

"Significant cost-of-living and inflationary pressures are expected to remain for much of the year ahead, impacting sales growth and we expect margin pressure across the Group. Encouragingly, we are seeing commodity prices stabilising further. However, labour and energy costs remain elevated globally. While we are confident margins will recover as trading conditions improve, we also recognise the importance of maintaining brand health to ensure our mid and longer-term success. Our consistent approach to everyday affordability and product innovation will continue in FY25 - key pillars of the strategy that have enabled us to weather the challenging macro environment better than many of our peers. At the same time, the strong operational expertise of our management team will continue to find efficiencies across labour, supply chain, and energy.

"Current conditions remain challenging, however, they have not dampened our enthusiasm for growth. We're continuing to grow our KFC network with Australian expansion in FY25 expected to be a little ahead of our development agreement commitment, and a number of new restaurants are planned for the Netherlands. We're also exploring and evaluating M&A opportunities for KFC in existing markets as well as complementary new geographies. Alongside our expanding KFC footprint, modernising our portfolio will drive continued growth through digital and delivery channels and elevate customer experience. And we're continuing to work with Taco Bell International to improve the foundations of our Taco Bell business, solidifying its position as a genuine QSR alternative within the fast-growing Mexican category."

Investor conference call today

A 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/10038847-xdi2wh.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