



COLLINS FOODS LIMITED

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ASX RELEASE

STRONG FUNDAMENTALS AMID ADVERSE ECONOMIC CONDITIONS

Tuesday, 3 December 2024: Collins Foods Limited (ASX: CKF) announced its results for the half year ended 13 October 2024 (HY25), a period in which the Company posted higher revenues against the backdrop of a challenging consumer environment impacting same store sales (SSS) and persistent inflation weighing on margins.

Group HY25 results*

- Revenue from continuing operations^[1] up 1.2% to \$703.5 million (HY24: \$695.2 million^[2]) with modest growth in Australia offset by softness in Europe
- Underlying^[3] EBITDA from continuing operations^[1] down 6.6% to \$102.7 million (HY24: \$109.9 million) with margins impacted by a combination of flat same-store sales and ongoing inflationary pressures
- Underlying^[3] NPAT from continuing operations^[1] down 23.8% to \$23.7 million (HY24: \$31.2 million) due to lower EBITDA and higher depreciation on an increasing store footprint
- Statutory NPAT \$24.1 million, down from \$50.5 million in HY24, reflecting \$20.2 million gain on sale of Sizzler Asia in the prior year and underlying performance
- Net debt reduced to \$158.9 million (HY24: \$173.0 million) and Net Leverage Ratio^[4] of 1.09 (HY24: 1.12) due to strong cash generation
- Fully franked interim dividend of 11.0 cents per ordinary share (cps) declared (HY24: 12.5 cps fully franked)

Whilst trading results reflected the impact of adverse consumer conditions, Collins Foods continued to generate strong cash flows and ended the period with lower net debt, leaving it with significant capacity for investment in growth opportunities.

KFC Australia

- Revenue up 2.7% to \$536.8 million (HY24: \$522.9 million)
- SSS growth^[5] of (0.1%) (HY24: +6.6%)
- Underlying EBITDA down 3.1% to \$102.2 million (HY24: \$105.5 million) at a margin of 19.0% (HY24: 20.2%)
- Underlying EBIT of \$67.6 million (HY24: \$72.7 million) at a margin of 12.6% (HY24: 13.9%)

KFC Australia revenue increased 2.7% over the prior year, benefiting from 6 net new restaurants in HY25. Digital^[6] channels accounted for a larger proportion of revenue, at 33.7% of sales for HY25, up 5.6 percentage points on the same period last year, underpinned by continued growth in the number of app customers and kiosk roll outs.

Underlying EBITDA fell 3.1% over the year to \$102.2 million, with margins down 114 basis points on the prior corresponding period with sales growth not being sufficient to offset continued wage, energy and input cost inflation. EBIT movements also reflected higher depreciation on a larger restaurant footprint.

^[1] Represents continuing operations, excluding Sizzler Asia.

^[2] Comparative revenue restated to exclude business rental income of \$1.3 million, which is shown in other income in the Financial Report.

^[3] Underlying results exclude Taco Bell lease settlement and make-good asset write off.

^[4] Net Leverage Ratio stated on pre AASB 16 basis consistent with measurement criteria in Syndicated Facility Agreement.

^[5] Using the same methodology as Yum!

^[6] Digital channels comprised of delivery, web, app, kiosk, and click and collect.

6 new restaurant builds were added to Collins Foods' Australian KFC network in HY25 bringing its national footprint to 285. The Company continued to invest in its portfolio, with 6 new restaurants and 22 remodelled restaurants (including 7 super-charged) during the half to improve customer experience, operational capacity and efficiency.

KFC Australia maintained market share and retained the number one position in terms of brand index compared to other QSR competitors^[7] with brand health essential in advance of a consumer-led recovery.

KFC Australia's 'Brand in Culture' marketing drove increased consumer engagement including Christmas in July, Colonel's Spice House and sponsorships of BBL, NRL and AFL teams, whilst the Every Day Value launch is improving value, trust and accessible category entry points. New bundles include the \$9.95 Packed Lunch and the \$24.95 Boneless Dinner. Product innovation was also ramped up with consumer favourites such as Cookie Dough, Hot & Spicy and The Slab.

KFC Europe

- Revenue down 3.4% to \$142.1 million (HY24: \$147.2 million^[8])
- SSS growth of (3.8%) (HY24: +8.8%)
- Underlying EBITDA down 15.2% to \$17.1 million (HY24: \$20.2 million) at a margin of 12.0% (HY24: 13.7%)
- Underlying EBIT of \$2.8 million (HY24: \$6.3 million) at a margin of 2.0% (HY24: 4.3%)

KFC Europe revenue was 3.4% lower at \$142.1 million, reflecting ongoing soft consumer sentiment and affordability issues arising from cost of living pressures.

SSS growth was (3.8%), after cycling a very strong HY24 +8.8% and HY23 +10.4% and reflective of the consumer environment. Germany SSS growth was (5.5%) (HY24: +11.7%) and the Netherlands recorded SSS growth of (3.3%) (HY24: +7.9%).

Market share was maintained, driven by value, innovation and taste^[9]. Brand metrics improved, with awareness up +2.4 pp on prior year to 23% and consideration up +2.8 pp on last year to 17.6%^[10]. KFC Europe also continued to lead the market on the best tasting chicken^[10]. New products, including the launch of the "Beter Leven"^[11] Boneless Zinger are delivering on KFC Europe's value and innovation promise.

Digital^[12] channels remain key to growth in Europe, now accounting for more than 60% of sales in the Netherlands and Germany. KFC Europe continues to invest in product improvements and brand accessibility, optimising the customer journey across multiple channels.

Softness in SSS and persistent elevated labour cost growth impacted underlying EBITDA margins, which fell to 12.0% (HY24: 13.7%) despite deflation in some commodity costs. EBIT was \$2.8 million, down 54.8% on the prior year on lower EBITDA and higher depreciation due to a growing restaurant count and remodels.

Collins Foods' European footprint at HY25 was 74 restaurants, with a stronger development pipeline in place.

The QSR category in Europe remains resilient despite the current consumer environment reflecting consumer preferences for ease, convenience and faster service experiences.

Taco Bell

- Revenue down 2.0% to \$24.6 million (HY24: \$25.1 million)
- SSS growth of (0.3)% (HY24: +7.9%)
- Underlying EBITDA of \$(0.9) million (HY24: \$(0.1) million) at a margin of (3.7)% (HY24: (0.5)%)
- Underlying EBIT of \$(1.1) million (HY24: \$(0.2) million) at a margin of (4.3)% (HY24: (1.0)%)

Taco Bell posted revenue of \$24.6 million down 2.0% on the prior year and SSS growth of (0.3)% with results reflecting the consumer environment. The free-standing drive-thru (FSDT) format outperformed the network, particularly in Victoria, demonstrating the importance of quality QSR locations. Targeted geographical marketing investment saw in-restaurant transactions grow in HY25. EBITDA at a restaurant level was \$0.7 million, reflecting elevated marketing investment and cost inflation.

^[7] Data Source - YouGov Q3 Brand Index is a derived metric reflecting avg score on Quality, Value, Reputation, Satisfaction, Recommend & Impression; Yum Red Survey: Taste Q3 2024.

^[8] Comparative revenue restated to exclude business rental income of \$1.3 million, which is shown in other income in the Financial Report.

^[9] Data Source - Hiiiper (Q3 2024).

^[10] Data Source - YouGov Brand Index for HY25 (April 29 2024-Oct 13 2024).

^[11] Beter Leven - chicken with higher welfare standard.

^[12] Digital channels comprised of delivery, web, app, kiosk, and click and collect.

Taco Bell continues to focus on everyday value at \$5 and \$10 price points, which improved key value metrics^[13]. Simultaneously, consumer metrics trended up with brand index^[13] continuing to grow over HY25 in terms of quality and value, while brand awareness was highest in the Mexican QSR category. Top reasons for customer repurchasing were great tasting food and good value for money^[14].

Improvements in brand metrics were supported by a pipeline of innovation including successful collaborations with well-known iconic brands such as Red Bull for International Taco Day and Doritos, as well as the launch of a new beverages range.

Cash flow and dividends

Cash conversion was again strong in HY25. Net operating cash flow was \$75.3 million, and whilst down on prior year as a result of lower EBITDA, cash conversion was 108%, an attractive feature of Collins Foods' business model. Investing cash outflows were higher by \$28.3 million and capex up \$1.3 million to \$34.1 million, reflecting investment in network and technology.

Financing cash outflows lower by \$21.4 million to \$35.8 million, with no debt repayments in HY25 (HY24: \$22.0 million) and \$18.9 million in lease principal payments, consistent with HY24. The strong cash flows support a full year dividend payment.

Taking into consideration Collins Foods' HY25 performance and strong balance sheet, the Board declared a fully franked interim dividend of 11.0 cents per ordinary share (HY24: 12.5 cps fully franked). The interim dividend will have a record date of 9 December 2024 and payment date of 6 January 2025.

Outlook

Sales in the first 7 weeks of the second half reflected the continuation of a weaker consumer environment in Australia and Europe and the conflict in the Middle East which continued to impact sales, particularly in the Netherlands.

KFC Australia's total sales increased 3.9% in the first 7 weeks with SSS up 0.8% representing a continuation of the gradual improvement in sales trends during HY25. Total KFC Europe sales were lower in an overall soft QSR sector, down 1.6% in the first 7 weeks, with SSS down 3.5% in the Netherlands and 0.4% in Germany, cycling very strong growth in the prior year. Taco Bell's overall performance was flat with SSS down 1.4%.

The outlook for commodities has improved in Australia with some product categories expected to see slight deflation, although labour and energy costs remain elevated. Costs in Europe are stabilising, including labour.

The group expects to add 7 restaurants to the portfolio in the balance of FY25, with 3 in Australia and 4 in the Netherlands.

Collins Foods also provided the following guidance for full-year FY25:

- FY25 group underlying EBITDA (post AASB16) margins expected to be in range of: 14.2% – 14.7% (FY24: 15.4%) with underlying EBIT margins expected to be in range of 6.8% – 7.3% (FY24: 8.3%).
- Full year FY25 interest (including lease interest) estimated to be around \$42 million (FY24 underlying: \$38.0 million) with the increase primarily reflecting lease additions and renewals.
- Group effective tax rate FY25 (in line with HY25) estimated to be around 33% (FY24 underlying continuing operations: 30.3%) but expected to normalise as European profitability improves.

Commenting, Managing Director and CEO, Xavier Simonet said:

"I am delighted to be leading Collins Foods and am excited about the potential of our business moving forward. The Company operates world-class brands in an exceptionally resilient category and in attractive markets. The business has strong fundamentals and is well positioned to benefit as consumer confidence returns.

"Looking ahead, my priorities will be:

- to be laser focused on operational excellence and to leverage the existing store network to deliver great customer experiences, to be a world class operator and drive same store sales growth and margin improvement;
- to continue creating scale via profitable new restaurant development, complemented by disciplined M&A as the right opportunities emerge. Our strong cash generation and balance sheet will enable us to invest in profitable growth;
- to review our growth strategy in a timely manner. Our objective is to deliver scale and profitable growth which, in turn, will drive shareholder value."

^[13] Data Source - YouGov Brand Index is a derived average measure of Quality, Value, Reputation, Satisfaction, Recommend, Impression.

^[14] Data Source - Simon Kutcher 2024.

Mr Simonet added: "From a more personal perspective, I have enjoyed my first weeks at Collins Foods. We have a great team, a warm culture of collaboration and a passion for performance and customer service. I look forward to working with the team to create shareholder value."

Investor conference call today

A briefing for investors and analysts will be held at 12:00pm AEDT (11:00am AEST) today. Participants can register for the briefing session via: <https://sl.c-conf.com/diamondpass/10043350-v51ohn.html>

Please select either the "Teleconference" tab for audio participation only or "Webcast" to also view the slide presentation. Please note that registered participants will receive a calendar invite once registration is complete. Registered participants for the Teleconference will also receive their dial in number upon registration.

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

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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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