



COLLINS FOODS LIMITED

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## ASX RELEASE

### COLLINS FOODS LIMITED 2021 AGM MANAGING DIRECTOR & CEO'S REPORT

**Friday, 27 August 2021:** In my first full year as Managing Director & CEO, I am pleased to report Collins Foods has delivered a strong financial performance, despite the ongoing impacts of COVID-19. Our focus on people and operations was critical to this, as our teams did an exceptional job of keeping our restaurants operating at a world-class level.

In FY21, we leveraged our brand strength and strong operational foundations to drive same store sales growth and increase our restaurant footprint — building and opening 18 new restaurants across the Group.

We did this through continuously validating new concepts and innovation and then integrating them into our core operations so that we can bring scale to our brands. This ensures we remain a leader in the industry as we successfully navigate and harness accelerating industry trends.

#### KFC

KFC's trusted brand status in Australia, combined with new e-commerce initiatives, were key growth drivers for our KFC Australia business, delivering strong same store sales growth over FY21.

Europe was a different operating environment with COVID-19 lockdowns and restrictions in place for a large part of the year, which made trading difficult given our higher inline and food court mix in the region. However, weaker operating conditions created strategic acquisition opportunities, with the acquisition of eight net new restaurants, and the execution of a new Development Agreement in the Netherlands.

#### Taco Bell

After pausing new developments in the first half of FY21, we added four new restaurants in the second half of the year as part of our brand development strategy, bringing restaurant numbers to 16. New brand awareness campaigns focused on taste, value and convenience show positive brand adoption trends, supported by our differentiated offering within the Mexican Quick Service Restaurant (QSR) category.

#### Financial performance – another record year

FY21 delivered another year of strong revenue and earnings growth despite the ever-present challenges of COVID-19. Revenue increased 12.4% to \$1,065.9 million with growth primarily driven by strong same stores sales growth and new restaurants in our core KFC Australia business.

Statutory EBITDA increased 5.2% to \$184.2 million (continuing operations, post-AASB 16), and underlying EBITDA was up 12.4% to \$136.3 million (continuing operations, pre-AASB 16).

Statutory NPAT increased 5.4% to \$32.9 million (post-AASB 16); with underlying NPAT increasing 18.3% to \$56.9 million (continuing operations, pre-AASB 16), reflecting flow through from revenue and strong operational execution.

Cash generation remained strong with net operating cash flow of \$148.0 million<sup>[1]</sup>, which was used to fund expansion, further reduce debt, and drive dividend growth. Net debt reduced by \$25.8 million to \$177.4 million, with the net leverage ratio falling from 1.69 to 1.33 (pre-AASB 16).

#### Operational performance

##### KFC AUSTRALIA

KFC Australia responded to uncertain macro conditions, by leveraging its brand strength and investing in digital and delivery initiatives. These innovations, combined with back-and front-of-house improvements, saw us grow our customer base, gain market share, and deliver a best-in-class customer experience.

<sup>[1]</sup> FY21 statutory post-AASB 16. FY21 Statutory pre-AASB 16 Net Operating Cash Flow was \$95.9 million.

Revenue increased 13.8% to \$900.4 million, underpinned by strong same store sales growth of 12.9% and the addition of 11 new restaurants opened during the year. New store openings increased our footprint to 252 restaurants nationally.

Underlying EBITDA grew 21.6% to \$161.4 million (pre-AASB 16), with EBITDA margin expanding to a record 17.9%, on the back of the strong revenue growth.

Investment in digital and delivery initiatives continued, with 202 restaurants now offering delivery with three aggregators. Digital menu boards are now in a third of our drive-thrus, while in-store kiosks are being trialled at 13 restaurants. Consumer demand for convenience is driving e-commerce sales, which now accounts for 14% of total sales.

#### **KFC EUROPE**

Europe was a challenging environment for foodservice with COVID-19 lockdowns and dining restrictions in place for most of the year. While revenue increased slightly to \$134.9 million, up 0.6%, same store sales declined 0.6% and margins were impacted. Underlying EBITDA profitability was maintained at \$1.1 million (pre-AASB 16), though EBITDA margin contracted to 0.8%.

Germany outperformed the Netherlands with same store sales growth of 4.2%, supported by effective marketing and relatively less restrictive trading conditions. Drive-thru results were strong in both countries, with same store sales growth of 12.6% and 9.5% in Germany and the Netherlands respectively, a positive indicator of underlying demand.

FY21 was also a year of strategic execution in the Netherlands. A new Development Agreement was signed with Yum! to 2025, which is structured to incentivise growth. In addition, we acquired three franchisees, adding eight net new restaurants to the network and an expanded geographic presence.

Despite the ongoing impacts of COVID-19, the European business is well-positioned to recover as restrictions ease. CEO Europe Hans Miete joined the business early in the year and has built a strong team.

#### **TACO BELL**

We continue to build support for the emerging Taco Bell brand with increased customer adoption through brand awareness and trial.

Our marketing strategy reinforces the brand's differentiated QSR value proposition and we are now ramping up new restaurant openings.

Revenue grew 57.4% to \$28.0 million with the contribution of four new restaurants opened in the second half of the year and the full year effect of restaurants opened in FY20. Same store sales increased 3.9%, measured on a subset of seven restaurants that have been trading for 18 months or longer.

The brand is profitable at the store level, with EBITDA of \$1.4 million (pre-AASB 16) before general and administration costs and start-up costs. EBITDA remains in a slight loss-making position of \$1.6 million (pre-AASB 16) but is expected to improve with scale.

Our clear brand and value proposition combined with consumer demand for Mexican category products provide us with confidence in the long-term prospects for the business.

#### **SIZZLER ASIA**

Sizzler Asia remained profitable despite royalty revenues being heavily impacted by COVID-19 lockdowns in Thailand and Japan. Revenue of \$2.5 million was down 46.8% on FY20 and EBITDA was \$1.6 million.

#### **Making a positive impact**

I would like to echo the Chairman's enthusiasm for the inaugural release of our Positive Impact Report. At Collins Foods, we are passionate about our people, communities and environment and want to ensure we continue to operate in an ethical, sustainable and socially responsible manner.

The Positive Impact Report outlines our strategy to achieve 75%+ enrolment in Collins Food Giving program by 2026. In FY21, we had a 31% participation rate and raised \$587,000 for employees' selected charities. Our other key commitment to our people is a strong safety culture, with the Lost Time Injury Frequency Rate (LTIFR) reducing to 14.20 during the year.

We are committed to reducing our carbon footprint by achieving a 25% reduction in greenhouse gas emissions and 25% increased diversion of waste from landfill by 2026. In FY21, our restaurants emitted 471 CO<sub>2</sub>-e tonnes of scope 1 greenhouse gases, an improvement from 531 CO<sub>2</sub>-e in FY20, and diverted an average of 18.9% of waste per restaurant<sup>[†]</sup>.

Just as we strive for operational excellence across the business, we are committed to continuous improvement in best practice governance standards. As always, we expect our people and those we conduct business with to act ethically and with integrity, openness, honesty and fairness.

## Key priorities for FY22

In FY22, we will continue to pursue strategic organic and acquisition growth opportunities across the group. Our strong KFC Australia core business will continue to grow, and we will build and scale our Taco Bell and KFC Europe brands.

Our focus on technology deployment and world-class customer experience is expected to sustain positive same store sales growth and high margins in KFC Australia in the year ahead. Digital and delivery initiatives are key pillars of our growth strategy with further rollout of delivery, menu board and kiosk instalments planned, in addition to back-of-house investment in automation.

With COVID-19 restrictions easing in Europe, we see strong prospects for improved financial performance from the existing network. In the Netherlands, we continue to explore acquisition opportunities and are fully committed to rolling out new stores under our new Development Agreement. In Germany we will continue to engage customers with effective marketing and will remain selective in deployment of growth capital.

I would like to thank all our staff for their hard work and commitment throughout the year. The record results achieved in FY21 would not have been possible without the strong contribution from our employees, particularly given the COVID-19 hurdles our people have overcome during the year.

Lastly, I would like to thank you, our shareholders, for your support. Our strong KFC Australia business is complemented by long-term growth opportunities in KFC Europe and Taco Bell, and I look forward to delivering sustainable growth in the year ahead.

ENDS

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 and KFC franchisee in the Netherlands and 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](http://www.collinsfoods.com)

<sup>[†]</sup> 230 KFC Australia and Taco Bell restaurants. Excludes food courts, restaurants serviced by the Sunshine Coast Council and Sizzler Australia.