

Collins Food Limited (CKF)

Consumer Services

UNDERPERFORM

CKF A\$10.00

TARGET PRICE \$8.82

Collins Foods Limited (CKF) engages in the operation of restaurants and food service retail outlets. It operates KFC and Taco Bell restaurants in Australia, Germany and the Netherlands and are the franchisor of Sizzler restaurants in Japan and Thailand.

Company Data

Number of shares	117.0M
Market Capitalisation (\$m)	1,045.8
Free float (%)	91.4
12-month high/low	\$14.1/\$8.33
Average Daily Turnover (\$m)	4.579
% S&P/ASX200	0.053%
DDM Ranking	275
% All Ordinaries	0.041%
GICS Industry Group	Restaurants

Source: FactSet, BPC

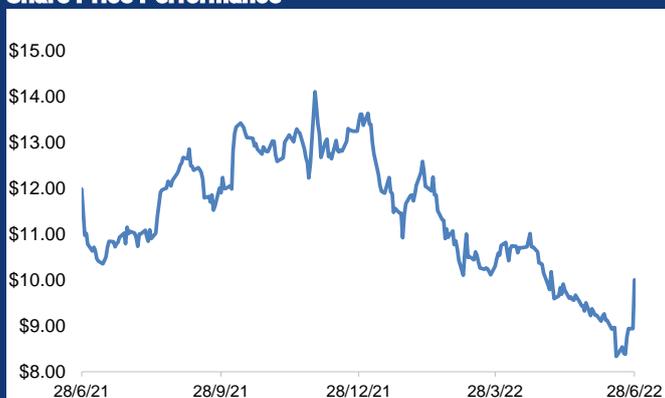
Earnings Summary (AUD)

Year end May	2022A	2023F	2024F	2025F
Revenue (\$M)	1,184.5	1,390.1	1,491.3	1,566.7
EBITDA (\$M)	209.2	205.7	223.7	232.3
Reported NPAT (\$M)	54.8	65.3	73.7	76.4
Adjusted NPAT (\$M)	59.7	66.2	74.2	76.4
Reported EPS (c)	47.0	56.5	64.2	71.3
Adjusted EPS (c - FD)	51.2	55.9	63.0	68.9
Adjusted EPS growth (%)	24.1	0.9	14.1	10.2
Adjusted P/E (x)	17.5	19.4	17.2	15.7
Dividend (c/sh)	27.0	30.3	33.9	36.7
Gross yield (%)	4.3	4.8	5.4	5.9
Net yield (%)	3.0	3.4	3.8	4.1
ROIC (%)	11.1	11.6	13.1	13.6

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share Price Performance



Source: FactSet, Barclay Pearce Capital

FY22 Results

On 28th of June 2022, Collins Foods Limited (CKF) announced Group FY22 full year results, with the following highlights:

Highlights:

- Revenue up 11.1% to \$1,184.5m (FY21: \$1,065.9m);
- Statutory EBITDA from continuing operations up 12.5% to \$207.2m (FY21: \$183.8m);
- Underlying EBITDA (post AASB16) from continuing operations up 12.6% to \$209.2m (FY21: \$185.m);
- Statutory NPAT from continuing operations up 47.2% to \$54.8m (FY21: \$37.3m);
- Underlying NPAT (post AASB16) from continuing operations up 25.0% to \$59.7m (FY21: \$47.8m);
- Net Operating cash flow (post AASB16) of \$156.3m (FY21: \$128.2m);
- Net Debt reduced to \$174.9m (FY21: \$177.m) and Net Leverage Ratio decreased to 1.17 (FY21: 1.34), providing significant headroom to support ongoing growth; and
- Fully franked final dividend of 15.0 cents per ordinary share declared (FY21: 12.5 cps fully franked). Total FY22 fully franked dividend of 27.0 cents per share, up 17.4% (FY21: 23.0 cps fully franked).

CEO comments:

MD & CEO, Drew O'Malley commented on CKF outlook: "The global environment continues to exhibit unprecedented challenges with inflationary pressures and supply chain shortages. Our QSR brands are nonetheless in excellent shape to navigate this landscape.

"Sales results over the first seven weeks of FY23 have been encouraging, particularly in Europe, with all business units reporting positive same store sales. KFC Netherlands has started the year +12.2% on same store sales, with KFC Germany an even more impressive +19.4% on this metric. In Australia over the same 7-week period, KFC has delivered +4.1% same store sales and Taco Bell +1.4%.

Outlook:

- CKF will continue to grow the store footprint across the QSR brands, with 20 to 29 new restaurants planned for FY23;
- The company is planning for 9 to 12 new KFC Australia restaurants and 2 to 5 new KFC Europe restaurants; and
- It will also accelerate the Taco Bell rollout with 9 to 12 new builds, ensuring the brand remains on track to reach scale within 3 years.

Earnings changes

CKF has announced its FY22 underlying NPAT of \$51.2m. This compares to the market expectation of \$50.4m. However, sales growth in the first seven weeks of FY23 is well above current market expectations. Hence, we expect positive earnings revisions of 10% in FY23 and future periods.

Valuation

We are initiating research coverage on CKF with a 12-month price target of \$8.82 and with an UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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28 June 2022

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Disclaimer

This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as an Authorised Representative (AR: 422117) and is issued by Barclay Pearce Capital Management Pty Ltd (BPCM) AFSL 503261.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

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28 June 2022

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Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)