



Another year of growth from this tasty and somewhat hidden gem

Company/ASX Code	Collins Foods Limited
AGM date	Friday, 2 September 2022
Time and location	9.30am (QLD time) at the offices of Clayton Utz, Level 28, 71 Eagle Street, Brisbane, Queensland and online
Registry	Computershare
Type of meeting	Hybrid: https://meetnow.global/MPQXNPF
Poll or show of hands	Poll on all items
Monitor	Peter Cory assisted by Steven Mabb
Pre AGM Meeting?	With Chair Robert Kaye & Director Russell Tate

The individuals involved in the preparation of this voting intention have a shareholding in this company.

Summary of Issues for the Meeting

1. Boards intentions on Diversity and Independence were discussed with the Chair during the Pre AGM meeting with the current Board structure being:

Diversity - Currently 2 of 7 directors are female (29%). The board increased in size due to the appointment of Mark Hawthorne in December 2021, reducing the gender diversity percentages.

Independence issue next year - 2 Directors Appointed in 2011 will no longer be considered Independent by ASA from next year (Kevin Perkins (previous CEO), Russell Tate), resulting in 50% independent board.

The Chair advised that a process was currently in place to find a potential female director to replace Bronwyn Morris, who will retire at the conclusion of the 2022 AGM and that Christine Holman would be taking over as Chair of the Audit & Risk Committee. The Chair also advised that the Board were considering appointing another female Director in the coming year to add skills and gender balance.

2. The Chairman also highlighted the valuable skills new Director Mark Hawthorne's brings with previous retail, franchising and Mexican Food experience, whilst at Taco Bell competitor Guzman y Gomez from 2015 to 2020. We agree this looks to be a welcome addition given the importance of growth through Taco Bell moving forward.

Proposed Voting Summary

No.	Resolution description	
2	Election of Director — Mark Hawthorne	For
3	Approve grant of performance rights to Drew O'Malley	For
4	Adoption of Remuneration Report	For

Consideration of accounts and reports - No vote required

2022 Financial Year

CKF produced a solid set of results despite the impacts of COVID-19, the necessity for CKF to increase menu prices for the three times in 2022 as raw material costs increased, along with the shortage of supplies such as lettuce which caused CKF to use a cabbage blend in some burgers. While total shareholder return was down, the dividend paid increased by 3 cents per share. Total group revenue was up 11.1% year on year (YOY) following strong same stores sales growth across KFC Australia (+6.1%), Taco Bell sales (+27.7%), KFC Europe (+41.2%) and Sizzler in South East Asia (10.8%).

There were no significant changes in the nature of the Group's activities this financial year, other than Collins Foods Netherlands Limited, a wholly owned subsidiary of Collins Foods Limited, entered into a Share Purchase Agreement to acquire 100% of the issued capital of KFC Taupo Lelystad restaurant from Kia Ora Holding B.V, obtaining control of KFC Taupo Lelystad. The Group paid €2.2 million (\$3.4 million) for the acquisition of three restaurants, on 1 June 2021, in order to expand the groups European operations.

31 restaurants were added across the Group in FY22, including 16 NET new openings

E-Commerce sales have been rising via online orders and have risen from 13.3% over the previous year to 16.9% in 2022 FY. These being on the Uber Eats platform in Queensland, which are being rolled out nationally, along with a trial using drone deliveries in five Brisbane suburbs.

2023 Financial Year

The Group will continue to pursue KFC acquisition opportunities where available. Organisational capability is continually being strengthened to support this growth.

CKF have plans for new store development in FY23 consisting of 9 to 12 restaurants in KFC Australia, 2 to 5 restaurants in KFC Europe and of 9 to 12 restaurants in Taco Bell, concentrating in SEQ, Melbourne & Perth. Taco Bell also expect to launch Uber Eats in the first half of 2023. They are optimistic about growth potential in the Netherlands in particular.

Governance and culture

Over the past year, Collins Foods has made progress on its overall Sustainability with a Positive Impact Strategy, focused on the three pillars of People and Communities, Planet, and Governance.

1. People and communities
 - Target is to establish Collins Foods Giving as a best-in-class signature program by 2026 with 75% + PARTICIPATION RATE (*36% enrolment achieved in FY22, FY21: 27%*)
2. Planet
 - Reduce carbon footprint by achieving a 25% reduction in greenhouse gas emissions by 2026 compared to FY21
 - Reducing Scope 1 and 2 GHG despite increasing restaurants (*FY22: 65,926 tonnes CO₂-e FY21: 68,613 tonnes CO₂-e*)
 - Solar panels installed in 103 locations (*FY22: 89 additional solar panel systems installed, entered power purchase agreement*)
 - Reducing waste to landfill by diverting, reusing, recycling or upcycling waste by 25% by 2026 compared to FY22 (*18.3% diversion in FY22*)
3. Governance
 - CKF have a Commitment to Continuous improvement in best practice governance standards in all business activities

We discussed the ASA ESG policy with the Board and what we are looking for in general which they were receptive to. CKF as yet haven't made any commitments to reaching Net Zero Emissions by 2050, however they and their parent, Yum! are working towards this.

Risk Management

Risks identified in the Annual Report and Governance documents on the website seem to be appropriate and sensibly managed at this point.

Key Board or senior management changes

Newman Manion resigned as Non-executive Director effective 27 August 2021.

Bronwyn Morris AM will retire at the conclusion of the 2022 AGM.

Mark Hawthorne – Appointed as an Independent Non-executive Director, member of the Audit and Risk Committee and Remuneration and Nomination Committee effective 23 December 2021, with shareholders to vote on his election at this AGM.

All Directors attended 100% of their respective Board and committee meetings throughout the year and all have appropriate skin in the game at this point.

Five Year Performance Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	54.8	32.9	31.2	39.1	32.4
UPAT (\$m)	64.6	54.6	47.3	44.9	37.6
Share price (\$)	9.93	11.47	7.00	7.45	5.35
Dividend (cents)	27	23	20	19.5	17
Simple TSR (%)	-7%	62%	1%	43%	6%
EPS (cents)	46.8	48.58	40.29	38.36	32.66
CEO total remuneration, actual (\$m)	1.47	1.47	1.36	1.51	1.11

Election of directors

Mark Hawthorne (B. Financial Administration, CA, GAICD)

Appointed Independent Non-executive Director, member of the Audit and Risk Committee and Remuneration and Nomination Committee effective 23 December 2021.

Experience and expertise: Mark has extensive experience as an executive that has lead franchisee centric brands in different scenarios including start up, founder led, large multi-national, private equity ownership in different countries and cultures around the World. His more than 25 years of retail and franchising experience has been gained as the CEO & Executive Director of Guzman y Gomez from 2015 to 2020 and prior to that, leading McDonalds in various markets including the United Kingdom, New Zealand and the Middle East and Africa. Mark achieved his Chartered Accountant qualification in 1997 and is a Graduate of the Australian Institute of Company Directors' Company Directors Course.

Whilst he does not have other ASX Listed Director experience we believe this a good appointment by the Board given the importance of Taco Bell to the business moving forward and his extensive experience in that sector.

Approve grant of performance rights to CEO/MD, Drew O'Malley

- The specific number of Performance Rights to be issued to Mr O'Malley is 95,810.
- The total reward received by Mr O'Malley in FY22 (as disclosed in the FY22 remuneration report) was \$1,687,030. Total reward includes salary, superannuation, other benefits, short term incentive and long-term incentive, as detailed in Appendix 1.
- Since the LTIP was last approved by shareholders at the 2021 Annual General Meeting, 74,005 Performance Rights have been issued to Mr O'Malley in line with the calculation methods set out in the 2021 remuneration report.

Adoption of Remuneration Report

Overall, we believe the remuneration structure for the CEO and other key management personal is sensible and appropriate. It is clear and understandable and has a good blend of financial measures along with customer experience metrics that ultimately will drive financial performance. Shareholder TSR is also a component of LTI now which we welcome.

As reported in FY21, the Board reviewed the remuneration mix of the Managing Director & CEO and other KMP Executives as part of the review of the STIP and LTIP. As a result, the mix of Base Salary, STI and LTI for FY22 remained unchanged for the Managing Director & CEO, but other KMP Executives saw an increase in LTI vesting rates to 40% of Target and 80% for Stretch performance.

The same mix of Base Salary, STI and LTI is anticipated for FY23 for the Managing Director & CEO and other KMP Executives, however the board continue to review performance targets and compare these with those from Yum! restaurants.

In 2022 Financial Year, KFC total group revenues increased by 11.1% to \$1.185 billion, underlying earnings before interest, tax and depreciation (**EBITDA**) increased by 10.4% to 150 million, and underlying net profit after tax (**NPAT**) from continuing operations by 14.1% to \$64.6 million.

Consequently, EBITDA targets set within Short-Term Incentive Plan (**STIP**) were exceeded at KFC Australia, KFC Europe and Total Company levels, triggering STI payments for all Key Management Personnel (**KMP**), and over 100 of KFC's management and support teams.

In FY23 the weighting of the three STI metrics will be adjusted to 85% EBITDA performance, 15% on the Guest Experience Survey with ESG used as a modifier where up to 15% of STI will be at risk for non-achievement of ESG related activities.

CEO & Managing Director Drew O'Malley was appointed Managing Director & CEO effective 29 June 2021, and his Remuneration and Equity Grants are set out below. The amounts are considered reasonable, when compared to companies with a similar market capitalisation.

2022 CEO Remuneration Framework and Total Reward

CEO rem. Framework for FY22	Target \$	% of Total	Max. Opportunity \$	% of Total	Total Reward \$	% of Total
Fixed Rem.	858,825	49	858,825	36	858,825	51
STI - Cash	429,413	24	641,119	27	434,139	26
STI - Equity	0	0	-	0	0	0
LTI	429,413	24	858,825	36	357,304	21
Other	37,050	2	37,050	2	37,050	2
Total	1,754,701	100	2,398,819	100	1,687,030	100

For 2022, the CEO's total actual remuneration of \$1.47m was **15.4 times** the Australian Full time Adult Average Weekly Total Earnings (based on \$95,430.40, May 2022 data from the ABS).

2022 CEO Equity Grants

Name	Role(s)	FY in which Rights may vest	Maximum value yet to vest (\$)
Drew O'Malley	Managing Director & CEO	2023	–
		2024	135,837
		2025	347,591
Total			483,428

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