

To:

BURSA DE VALORI BUCUREȘTI S.A.
AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ

CURRENT REPORT 31/2020

According to Law no. 24/2017 regarding issuers of financial instruments and market operations, ASF Regulation no. 5/2018 regarding the issuers of financial instruments and market operations and/or Rulebook of the Bucharest Stock Exchange Market Operator.

Date of report	12.11.2020
Name of the Company	Sphera Franchise Group SA
Registered Office	Bucharest, Romania
Address	Calea Dorobanților nr. 239, 2 nd floor, Bucharest sector 1
Phone / Fax	+40 21 201 17 57 / +40 21 201 17 59
Email	investor.relations@spheragroup.com
Registration nr. with Trade Registry	J40/7126/2017
Fiscal Code	RO 37586457
Subscribed and paid share capital	581,990,000 RON
Total number of shares	38,799,340
Symbol	SFG
Market where securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category

Important events to be reported: Q3 2020 Report Availability

Q3 2020 continued to be a challenging period for the HoReCa sector across the world, as the COVID-19 pandemic continued to take the toll on the businesses. In this difficult context, Sphera Franchise Group continued its strategy of quick response to changing environments in order to maximize the revenues. As a result, the Group ended first nine months of 2020 with a consolidated turnover of RON 502.4 million (-27,6% compared to the same period of 2019), out of which RON 197.9 million were generated between July and September 2020 (-20,5% compared to the same period of 2019).

In the first nine months of 2020, the restaurants operated by the Group registered operating profit of RON 34.8 million, -60.5% lower compared to the same period of last year. Despite decreasing the G&A expenses by 17.4%, the Group ended 9M 2020 with an operating loss of RON 0.4 million. Nonetheless, the Group significantly improved the EBITDA margin in Q3 2020, ending the 9M 2020 period with normalized EBITDA of RON 28.4 million and EBITDA 5.7% margin, considerably higher compared with normalized EBITDA of RON 1.6 million and 0.5% EBITDA margin reported for H1 2020.

Q3 2020 was the period leading to the reopening of all the Group's stores as well as continuous agile adaptation to the new realities. The Group has primarily focused on the extension of delivery services, "menu engineering" meaning optimizing menus to fit the market conditions, redesigning client and production flows, analysis and improvement of cost and cost structures to maximize the performance. As a result of these actions, Q3 showed signs of gradual recovery from the onset of the COVID-19 pandemic as the consolidated sales grew with RON 91.6 million (+86.2%) compared to Q2 2020. The normalized EBITDA margin registered by the Group in Q3 2020 reached 13.6%, improved compared both with result from Q2 2020 (-1.9%) and from the same period of last year, Q3 2019 (12.3%). The significant improvement of Q3 2020 performance helped partially recover the negative evolution caused by the onset of the pandemic in Q2 2020.

In Q3 2020, the Group continued to implement significant cost-saving measures both at the restaurant level as well as at the level of G&A expenses. Moreover, throughout Q3 2020, the Group benefitted



from state aid from the Romanian government, which helped lower the payroll expenses by 33.4%, as well successfully renegotiated with its lessors, which ended in 20.7% decrease in rent expenses. The Group also lowered the advertising costs by 34.9% compared to Q3 2019. The reduction in the cost of food & material, as well as royalties due, was aligned with the decline in overall restaurant sales.

As a result, the consolidated restaurant expenses were lower in Q3 2020 by 19.2% (RON -40.3 million) compared to the same period of 2019. The G&A expenses decreased by 32.6% (RON -5.2 million) and, consequently, the Group closed Q3 with a normalized EBITDA of RON 26.9 million, just 11.8% lower than result from Q3 2019, and a net profit of RON 17.6 million, 12.3% lower than in Q3 2019. The normalized EBITDA margin increased from 12.3% in Q3 2019 to 13.6% in Q3 2020. Consequently, the performance in Q3 2020 alone helped recover RON 26.9 million in EBITDA and lower the net loss registered as of June 30th, 2020 by RON 17.6 million.

At the individual level, USFN Romania (KFC Romania) and USFN Moldova (KFC Moldova) closed 9M 2020 profitable, registering together RON 30.7 million in net profit. In Q3 2020, KFC Romania registered a high level of EBITDA margin performance, of 19.2%, while KFC Moldova registered EBITDA margin of 21.2%. Taco Bell Romania closed the three months period with 11.3% EBITDA margin.

Sales through own delivery channels, partnership with food aggregating platforms as well as well-targeted marketing activities continued playing an important role in the Group strategy and contributed to the improved performance in Q3 2020. Even though the share of sales through delivery dropped in Q3 2020 compared to Q2 2020, 24% of all orders were for delivery while 76% were sold in-store. As a comparison, in the same period of 2019, only 6% of sales were generated through the delivery channel.

As of September 30th, 2020, the Group counted 158 stores. Since the beginning of 2020 until the date of publishing this report, 4 new KFC restaurants opened in Romania (+1 relocation of a store based in Targu Mures), 3 new KFC stores were opened in Italy and 1 Taco Bell opened in Romania. In Q3 2020 alone, the Group inaugurated 4 stores – 3 in Romania and 1 in Italy. So far in Q4 2020, 1 KFC restaurant was inaugurated mid-October in Romania, 1 KFC in Italy mid-November and 1 Taco Bell in Romania mid-November.

Data presented above is excluding the impact of IRFS 16 adoption.

Please note that Q3 refers to the three-month period between July 1st and September 30th, while 9M refers to first nine months of the year, namely period between January 1st and September 30th.

Investor Call

The conference call for presenting the financial results as of September 30th, 2020 will take place on November 12th, 2020, 15:00 local time (EET) / 14:00 CET / 13:00 UK / 08:00AM US (EST). Attached to the Q3 2020 Report is also the presentation for the Conference Call.

Report Availability

The Interim Condensed Consolidated Financial Statements for the nine-month period ended September, 30th 2020 (unaudited), accompanied by the Director's Report, are available on the company's website, www.spheragroup.com, in the Investor Relations section, on the website of the Bucharest Stock Exchange, www.bvb.ro, as well as are attached to this Report.

CHIEF EXECUTIVE OFFICER

Calin Ionescu

CHIEF FINANCIAL OFFICER

Valentin Budes



TACO BELL