



Sphera Franchise Group

Interim results: Jan-Sep 2017





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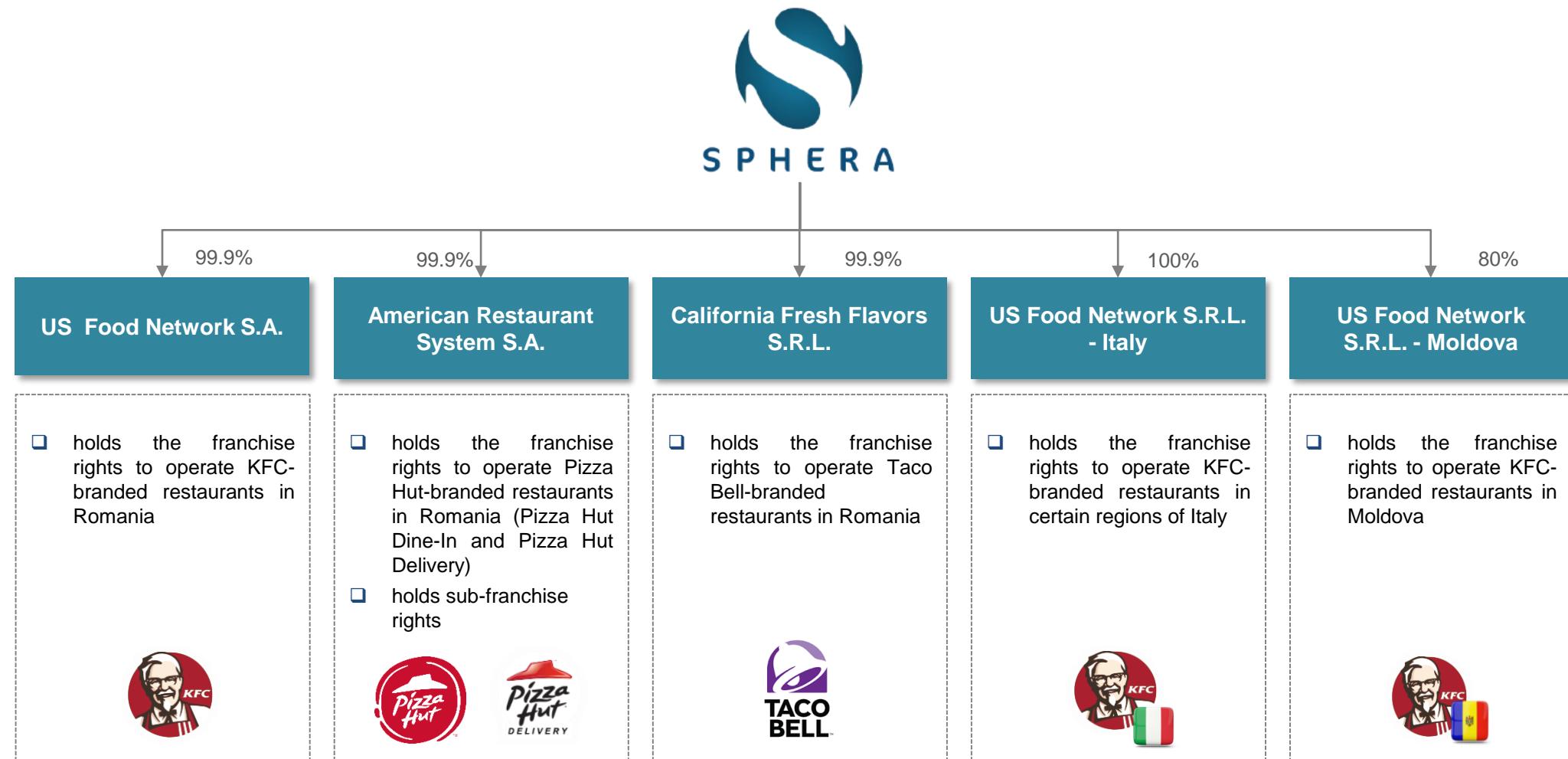
Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.



- **Successful IPO & listing on the BSE**
 - EUR 62m @ RON 29/share
 - +14% stock price growth in first trading week
- **Strong sales & operational performance**
 - Double-digit same-store sales growth
 - YTD net openings: 11
 - On plan to reach 116 units by YE (+18 Y/Y)
 - Leading top of mind awareness for both KFC and Pizza Hut
 - Taco Bell launches with a big bang!
- **Consolidated nine-month Financials**
 - Sales +33.6%
 - EBITDA +11.4%
 - net profit +17.5%

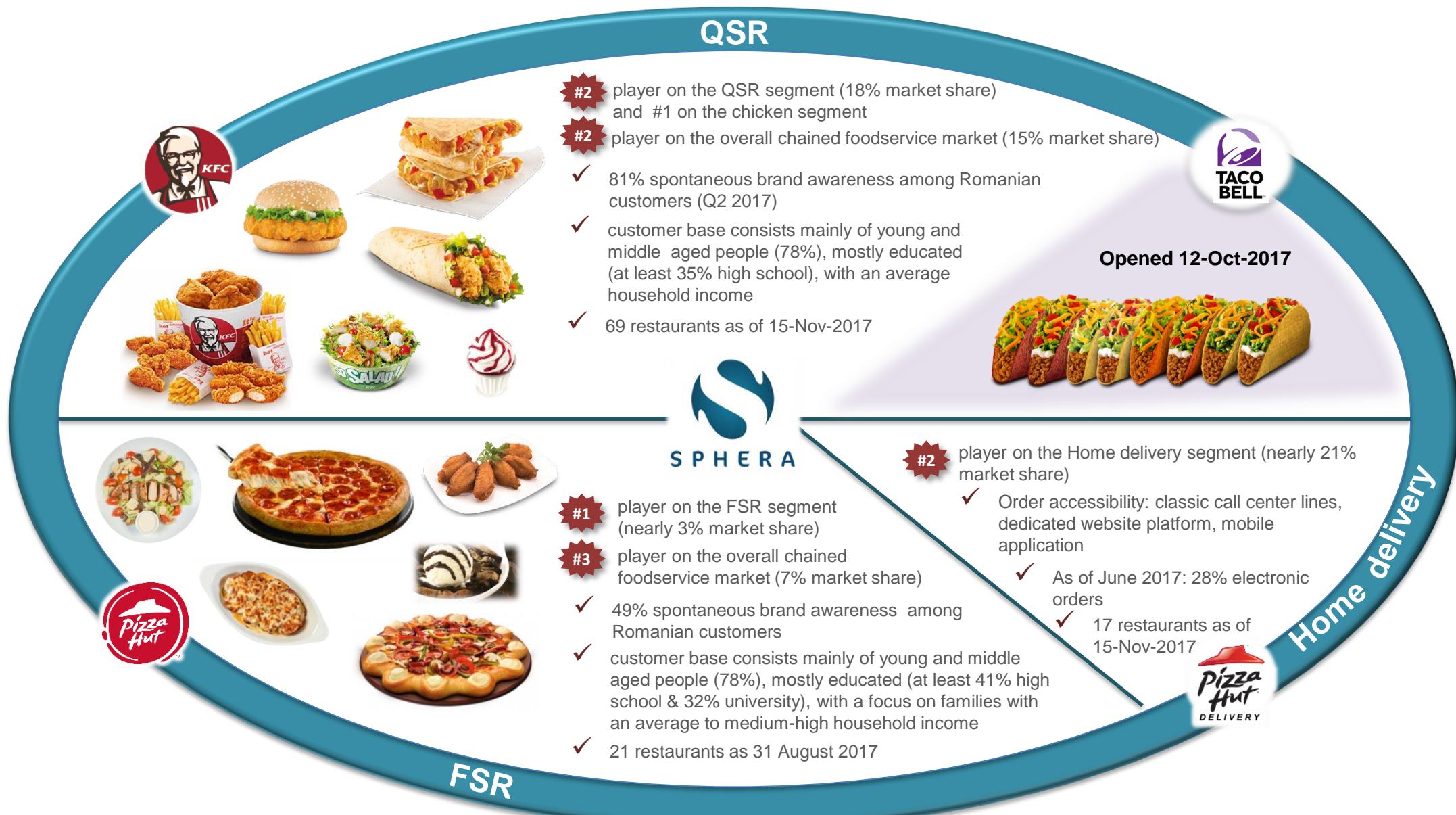


Corporate structure





Leading restaurant group in Romania by sales, network and sector coverage

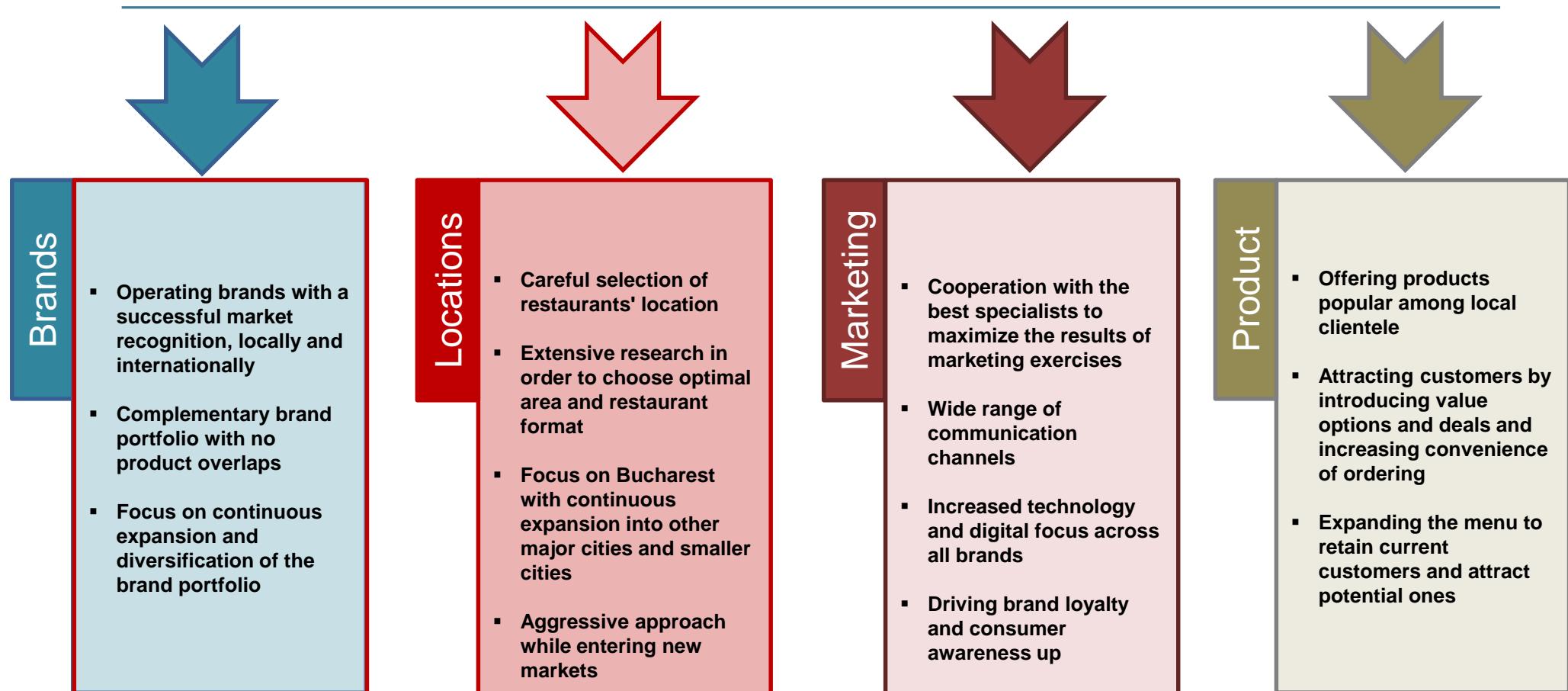




The Company's Value Proposition

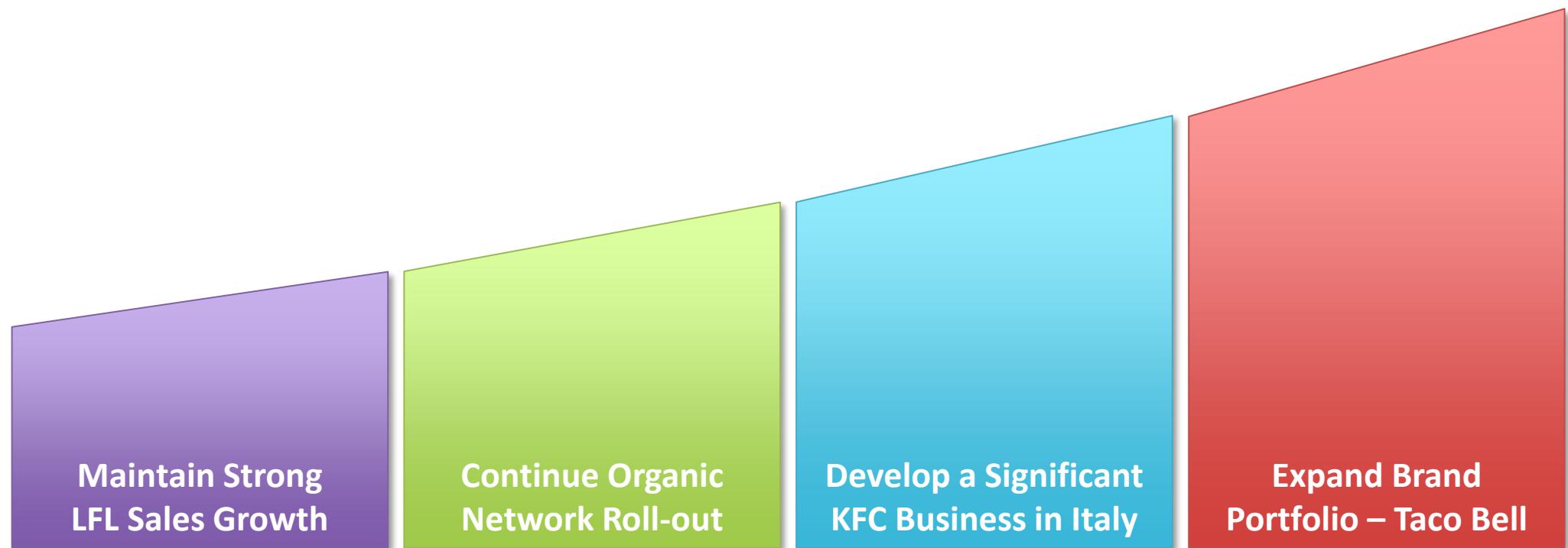


S P H E R A





Long-term growth strategy based on four key pillars



Note: Size of segments do not constitute indication to their contribution to the overall growth.



Sales performance by brands

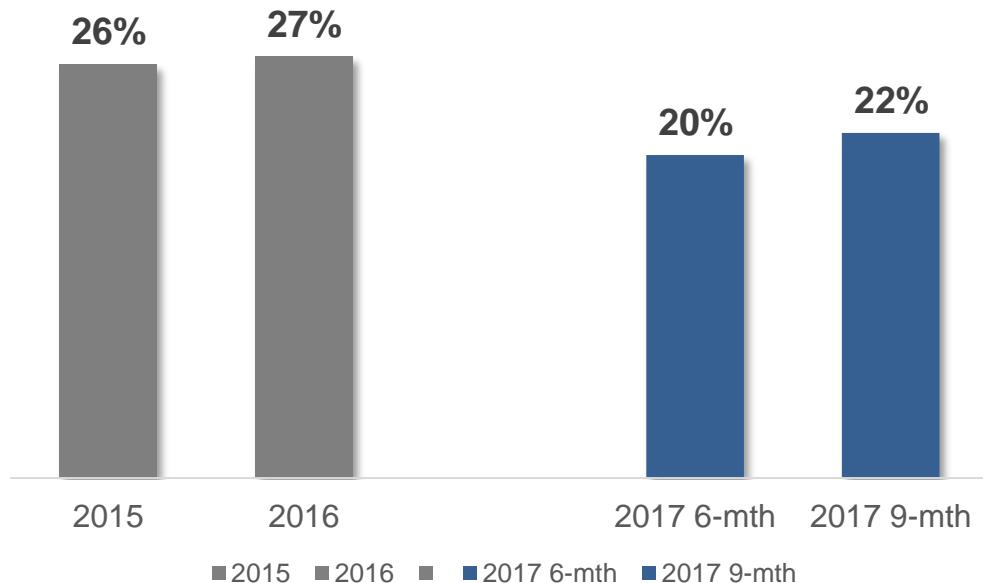


Brand performance: KFC

Sales growth analysis

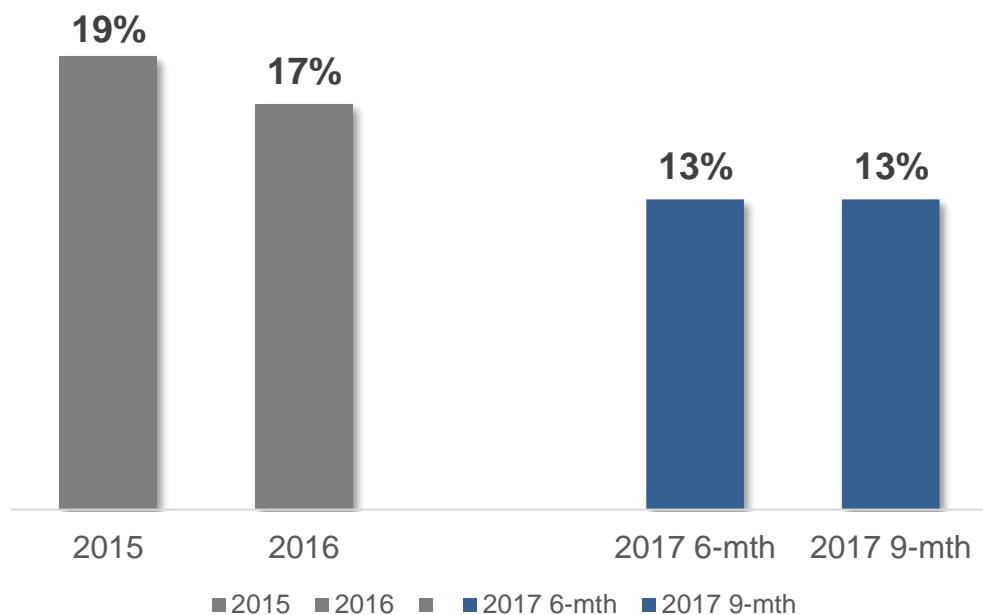
All-store performance

- All-store sales growth of 22% Y/Y supported by mainly by same-store performance (+13%),
- new openings contributed another 9% (including Italy – contribution of 2.7%)



Same-store performance

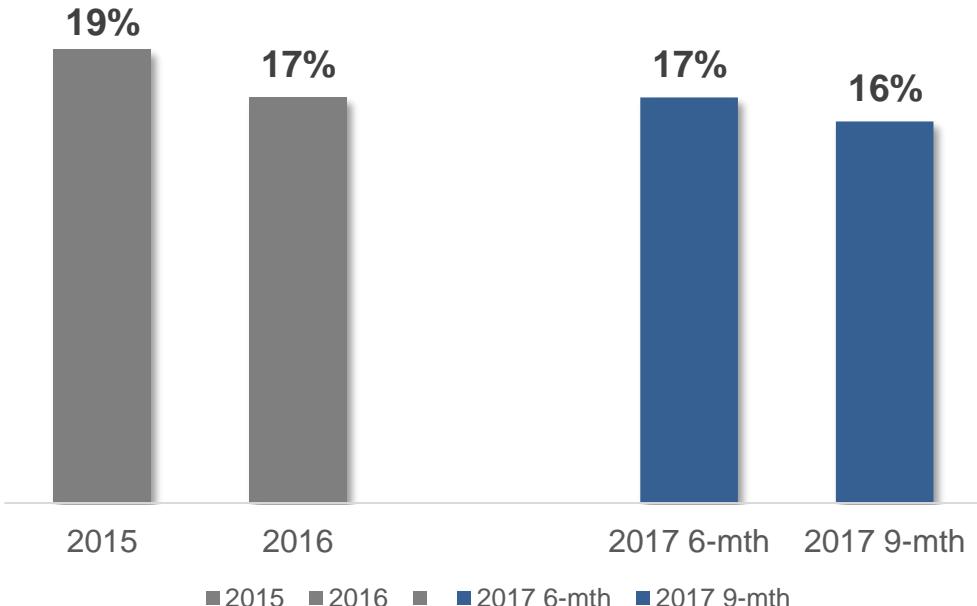
- same-store sales growth of 13% Y/Y fueled by performance of stores outside Bucharest as well as by supported by same-store performance, new openings (including Italy – contribution of 2.7%)



Sales growth analysis

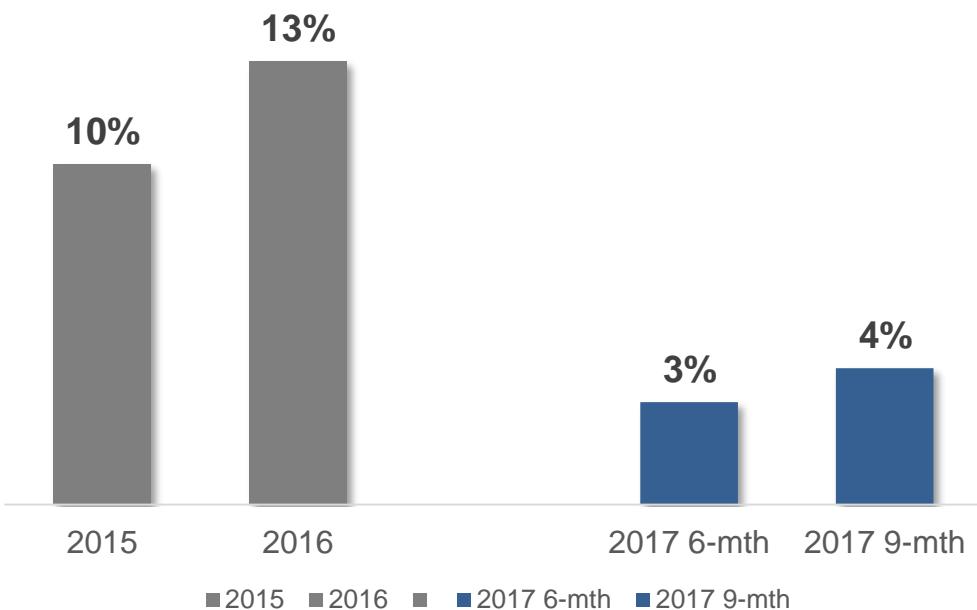
All-store performance

- All-store sales growth of 16% Y/Y supported by mainly by new openings (contribution of 12% to the overall growth), especially coming from the new delivery units



Same-store performance

- same-store sales growth of 4% Y/Y fueled mainly by the better performance of the delivery units

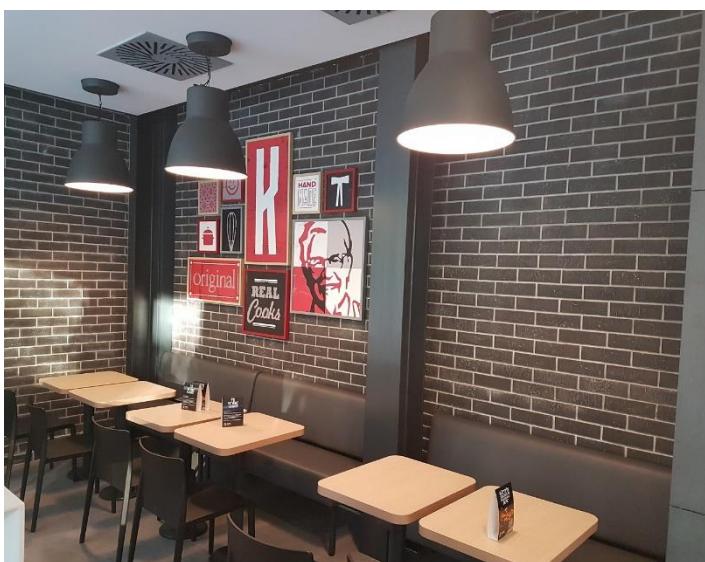




Development

Restaurant openings in 2017

	Total stores YTD	YTD Openings	DtYE Openings	YE stores	New store locations
 KFC	69	5	6	75	<ul style="list-style-type: none"> ▪ Romania: Bucharest (1x IL, 1x DT), Oradea (1x DT) ▪ Italy: 2x FC ▪ Closed stores: Romania (Oradea: 1x FC)
	22	1		22	<ul style="list-style-type: none"> ▪ Galati (1x FC)
	17	5		17	<ul style="list-style-type: none"> ▪ Bucharest (4x IL), Ploiesti (1x IL)
	1	1	1	2	<ul style="list-style-type: none"> ▪ Bucharest (1x FC)
	109	11	7	116	



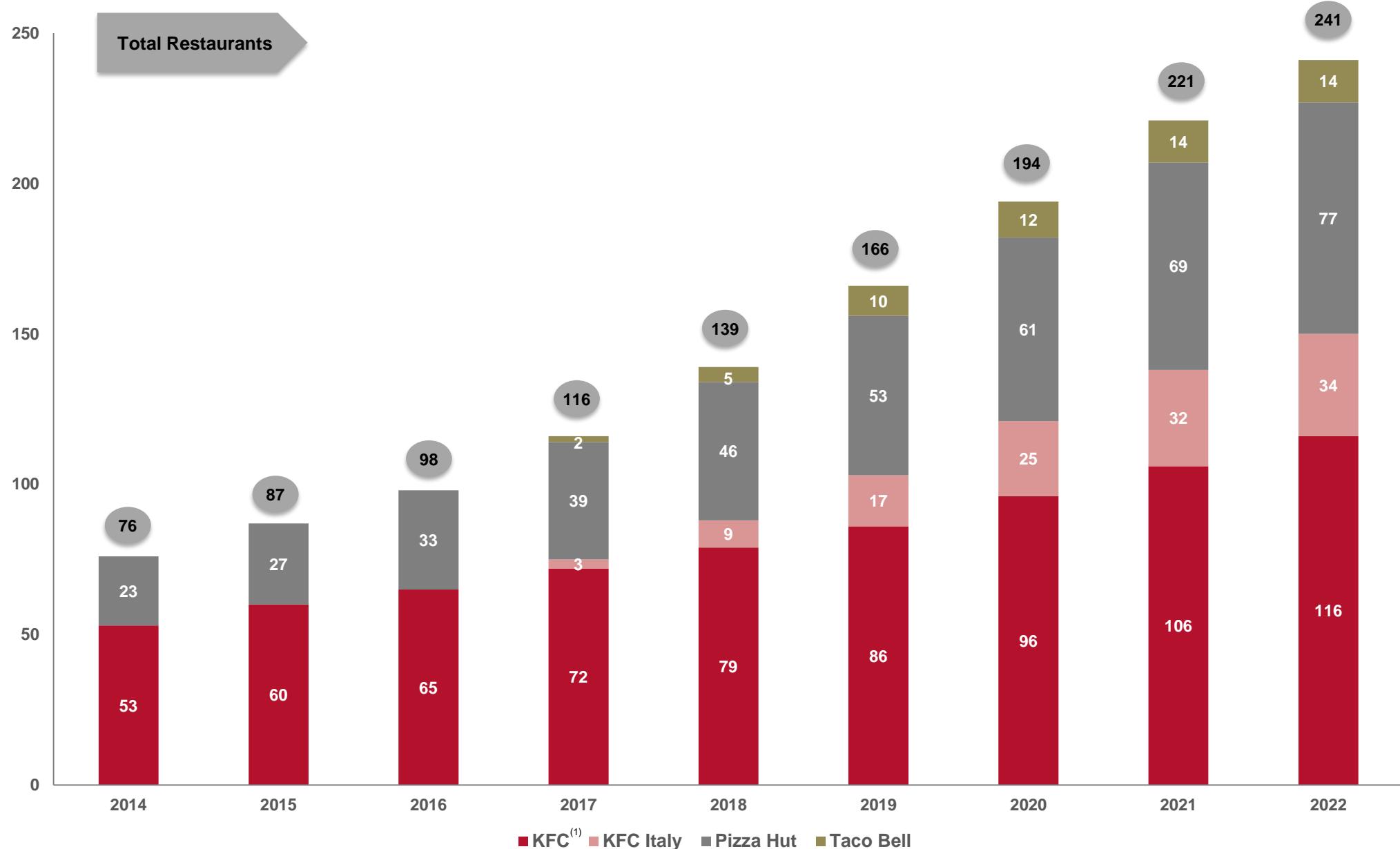




Significant Further Growth Opportunities



Total Restaurants at year-end (considering target roll-out2)



Source: Company information

Notes: (1) Includes KFC Romania and KFC Moldova (2) Exception 2017 with actual expected total number of units (two units above target)

Significant Further Growth Opportunities



Restaurants roll-out plan by brands

		2017	2018	2019	2020	2021	2022	Total
KFC Romania	Commitment	4	6	7	8	9	9	43
	Target	7	7	7	10	10	10	51
Pizza Hut:	Commitment	6	7	7	8	8	8	44
Delivery	Target	5	5	5	6	6	6	33
Dine in	Target	1	2	2	2	2	2	11
Taco Bell Romania	Commitment	2	3	5	-	-	-	10
	Target	2	3	5	2	2	-	14
KFC Italy (North-East & Piemonte)	Commitment	3	6	8	7	7	1	32
	Target	3	6	8	8	7	2	34
TOTAL OPENINGS	Commitment	15	22	27	23	24	18	129
	Target	18	23	27	28	27	20	143



Marketing / CSR



Continuous activities to promote our brands

January	February	March	April	May	June	July	August	September	October	November	December
 KFC											
											
											

Note: ⁽¹⁾ size of campaigns' pictures are not an indication of exact duration of the respective campaign



Q3-2017 highlights

- **KFC** focused on value innovation for Q3, successfully launching a new recipe for Duetos after researching it with consumers; sales results were above expectations with +11.2% same-store sales growth and the product was bought almost half a million times during the campaign
- **KFC** and **Pizza Hut** were leaders in top of mind awareness in Q3 surpassing their main competitor: 39% for KFC vs 29% McDonald's and 26% for Pizza Hut vs 5% Trattoria
- **Taco Bell** launched with a big bang in Bucharest, creating lines for weeks, flooding social media channels and setting a new European record for the opening week
- **Pizza Hut** flagship store (Dorobanti) was elevated through modern design and a new menu including burgers and ribs in the context of moving the brand to a positioning of "experience"; after the redesign of the store sales grew by 14% compared to last year
- **Pizza Hut Delivery** launched a media campaign to generate downloads of its Mobile App; the campaign resulted in 3,500 no of downloads in the first month and 7.2% of all customers have ordered through the mobile app. Today, overall online ordering represents over 29% of total delivery sales, one of the highest in Europe



Ongoing CSR campaigns & programs

EUR 130k raised in 2017, to finance school for 200 children

'I want to go to high-school' (with World Vision Romania)



'Physics (taught) differently' (with CEAE)



"SOS Children's Villages Bucharest"



'Hospice, House of Hope'





Financials



Consolidation perimeter

2016				2017							
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
J	F	M	A	M	J	J	A	S	O	N	D

Sphera - Consolidated financials

KFC Romania	[Timeline]	[Timeline]
KFC Moldova	[Timeline]	[Timeline]
KFC Italy	[Timeline]	[Timeline]
Pizza Hut	[Timeline]	[Timeline]

Expected impact on Sphera P&L

Consolidated

- Sales
- Restaurant expense
 - COGS
 - Labour
 - Rent
 - Advertising
 - Royalties
 - Other opex
 - Depreciation
 - G&A



Pro forma



Sphera - Pro forma information (P&L only)

KFC Romania	[Timeline]	[Timeline]
KFC Moldova	[Timeline]	[Timeline]
KFC Italy	[Timeline]	[Timeline]
Pizza Hut	[Timeline]	[Timeline]

ARS - stand-alone financials

Pizza Hut	[Timeline]	[Timeline]
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Pro forma financials



Statement of comprehensive income

	Pro forma - summary						% of Sales							
	RON'000					2014			2015		2016			
	2014	2015	2016	Jun-17	Sep-17	2014	2015	2016	Jun-17	Sep-17	2014	2015	2016	
Restaurant sales	324,912	405,830	514,475	287,833	446,982	100.0%								
Restaurant expenses	267,699	325,134	422,204	237,034	372,301	82.4%	80.1%	82.1%	82.4%	83.3%				
Food and material expenses	115,286	142,859	183,409	100,472	156,580	35.5%	35.2%	35.6%	34.9%	35.0%				
Payroll and employee benefits	52,401	65,135	91,960	55,195	88,425	16.1%	16.0%	17.9%	19.2%	19.8%				
Rent	26,447	29,020	35,525	20,898	32,387	8.1%	7.2%	6.9%	7.3%	7.2%				
Royalties	19,103	23,830	30,356	16,807	25,640	5.9%	5.9%	5.9%	5.8%	5.7%				
Advertising	16,777	20,960	26,521	14,220	23,303	5.2%	5.2%	5.2%	4.9%	5.2%				
Other operating expenses, net	26,864	32,904	41,972	22,782	35,498	8.3%	8.1%	8.2%	7.9%	7.9%				
Depreciation and amortization	10,821	10,426	12,461	6,660	10,468	3.3%	2.6%	2.4%	2.3%	2.3%				
Restaurant operating profit	57,213	80,696	92,271	50,799	74,681	17.6%	19.9%	17.9%	17.6%	16.7%				
General and administration expenses, net	21,419	23,912	31,988	20,204	28,863	6.6%	5.9%	6.2%	7.0%	6.5%				
Operating profit	35,794	56,784	60,283	30,595	45,818	11.0%	14.0%	11.7%	10.6%	10.3%				
Finance costs	1,287	1,013	929	638	1,350	0.4%	0.2%	0.2%	0.2%	0.3%				
Finance income	247	417	113	115	135	0.1%	0.1%	0.0%	0.0%	0.0%				
Profit before tax	34,754	56,188	59,467	30,072	44,603	10.7%	13.8%	11.6%	10.4%	10.0%				
Income tax expense	5,195	8,421	6,144	1,742	2,688	1.6%	2.1%	1.2%	0.6%	0.6%				
Profit for the period from continuing operations	29,559	47,767	53,323	28,330	41,915	9.1%	11.8%	10.4%	9.8%	9.4%				
Discontinued operations														
Loss after tax from discontinued operations	(620)	(476)	(1,683)											
Profit for the period	28,930	47,291	51,640	28,330	41,915	8.9%	11.7%	10.0%	9.8%	9.4%				
EBITDA														
Operating profit from continuing operations	35,794	56,784	60,283	30,595	45,818	11.0%	14.0%	11.7%	10.6%	10.3%				
Adjustments to bridge operating profit to EBITDA:														
Depreciation and amortization included in restaurant	10,821	10,426	12,461	6,660	10,468									
Depreciation and amortization included in general	658	655	758	1,179	1,349									
EBITDA from continuing operations	47,273	67,865	73,502	38,434	57,635	14.5%	16.7%	14.3%	13.4%	12.9%				



Consolidated financials



Statement of comprehensive income

Data in RON'000	Sphera (Consolidated)				
	Sep-16	Sep-17	Δ% Y/Y	% of Sales	
Restaurant sales	300,482	401,353	33.6%	100.0%	100.0%
Food and material	114,913	144,052	25.4%	38.2%	35.9%
Payroll and employee benefits	48,143	76,660	59.2%	16.0%	19.1%
Rent	19,803	28,490	43.9%	6.6%	7.1%
Royalties	17,699	22,958	29.7%	5.9%	5.7%
Advertising	14,615	20,807	42.4%	4.9%	5.2%
Other operating expenses	21,158	31,190	47.4%	7.0%	7.8%
Depreciation	6,260	8,580	37.1%	2.1%	2.1%
Restaurant operating profit	57,891	68,616	18.5%	19.3%	17.1%
G&A expenses	16,534	24,491	48.1%	5.5%	6.1%
Operating profit	41,357	44,125	6.7%	13.8%	11.0%
Finance costs	820	1,152	40.5%	0.3%	0.3%
Finance income	73	129	76.7%	0.0%	0.0%
Profit before tax	40,610	43,102	6.1%	13.5%	10.7%
Income tax expense	5,755	2,135	-62.9%	1.9%	0.5%
Profit for the period	34,855	40,967	17.5%	11.6%	10.2%



Statement of financial position

All data are in RON'000 unless
otherwise stated

31-Dec-16 30-Jun-17 30-Sep-17

Assets

Non-current assets	54,245	143,055	155,503
Property, plant and equipment	47,551	81,159	91,991
Intangible assets	6,365	60,475	61,485
Trade and other receivables_LT		285	163
Deposits for guarantees	290	668	1,368
Deferred tax assets	39	468	496
Current assets	65,399	51,769	56,545
Inventories	5,744	7,458	7,545
Trade and other receivables	8,780	5,077	6,118
Prepayments	1,907	3,418	3,195
Cash and short-term deposits	48,968	35,816	39,687
Assets held for sale		195	195
Total assets	119,644	195,019	212,243

All data are in RON'000 unless
otherwise stated

31-Dec-16 30-Jun-17 30-Sep-17

Equity and liabilities

Total equity	58,253	100,342	114,094
Equity attributable to equity holders of parent	58,292	100,339	114,053
Issued capital	190	581,990	581,990
Other capital reserves	19	0	0
Retained earnings	58,124	38,977	52,705
Share premium		-520,557	-520,578
Foreign currency translation reserve	-41	-71	-64
Non-controlling interests	-39	3	41
Non-current liabilities	16,304	33,223	34,826
Interest-bearing loans and borrowings	14,630	31,227	33,539
Trade and other payables	1,674	1,996	1,287
Deferred revenue	0	0	0
Deferred tax liabilities	0	0	0
Current liabilities	45,087	61,454	63,323
Trade and other payables	37,291	45,650	45,967
Interest-bearing loans and borrowings	7,796	15,804	17,356
Deferred revenue	0	0	0
Provisions	0	0	0
Total liabilities	61,391	94,677	98,149
Total equity and liabilities	119,644	195,019	212,243