



# Sphera Franchise Group

Interim results: Jan-Sep 2017





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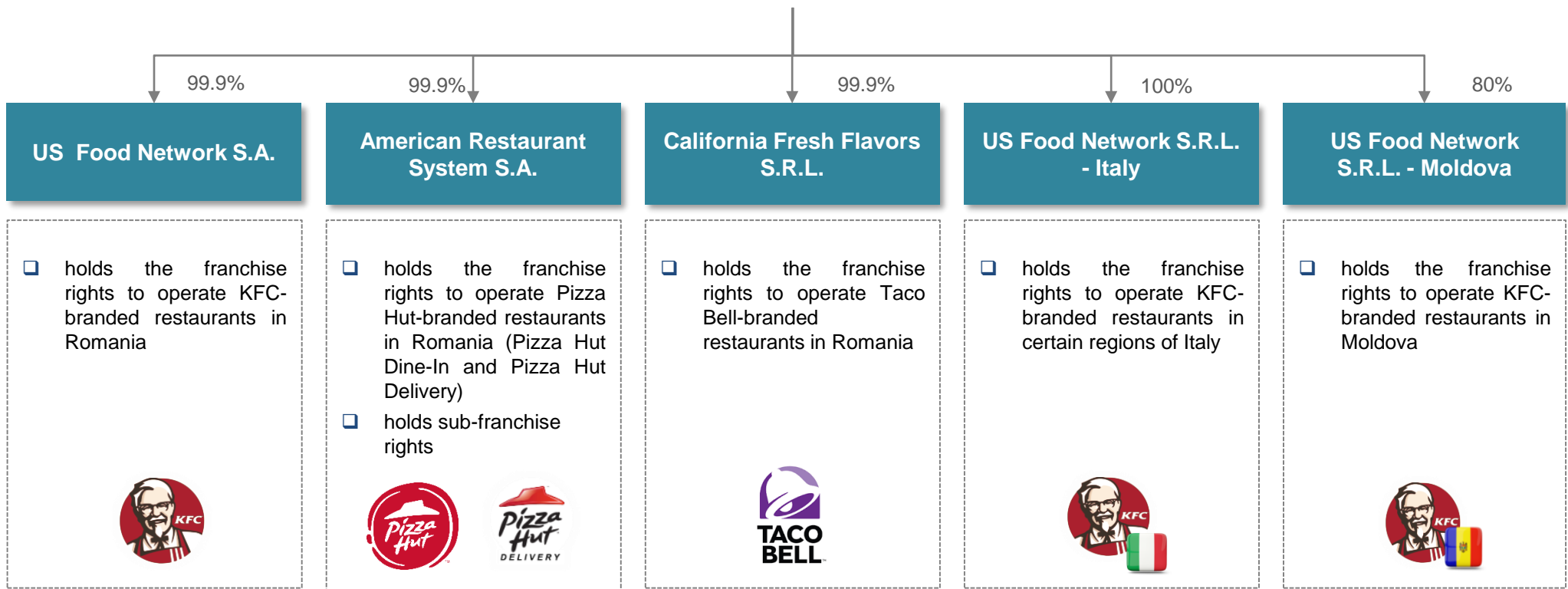
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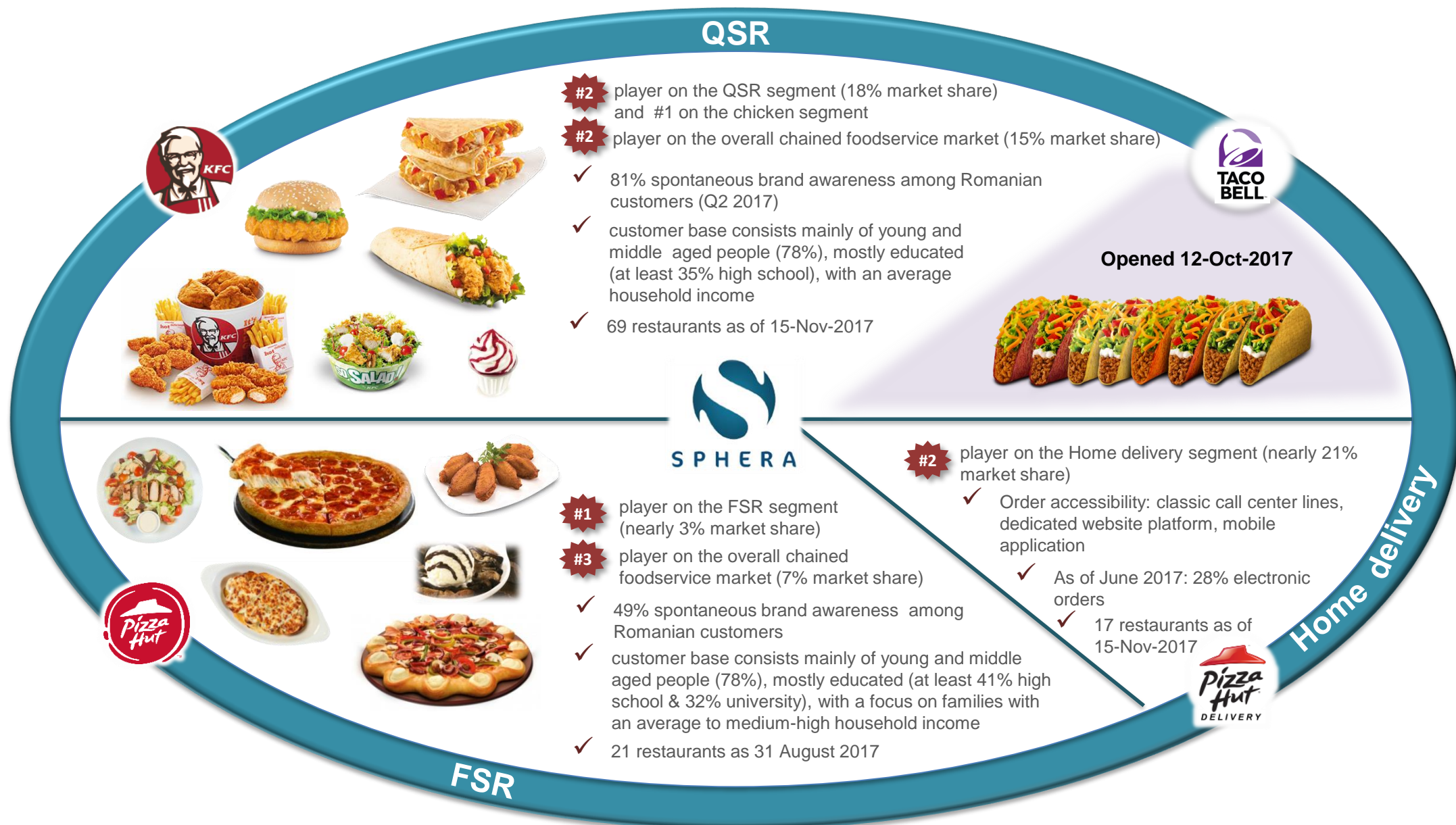


- **Successful IPO & listing on the BSE**
  - EUR 62m @ RON 29/share
  - +14% stock price growth in first trading week
- **Strong sales & operational performance**
  - Double-digit same-store sales growth
  - YTD net openings: 11
  - On plan to reach 116 units by YE (+18 Y/Y)
  - Leading top of mind 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%



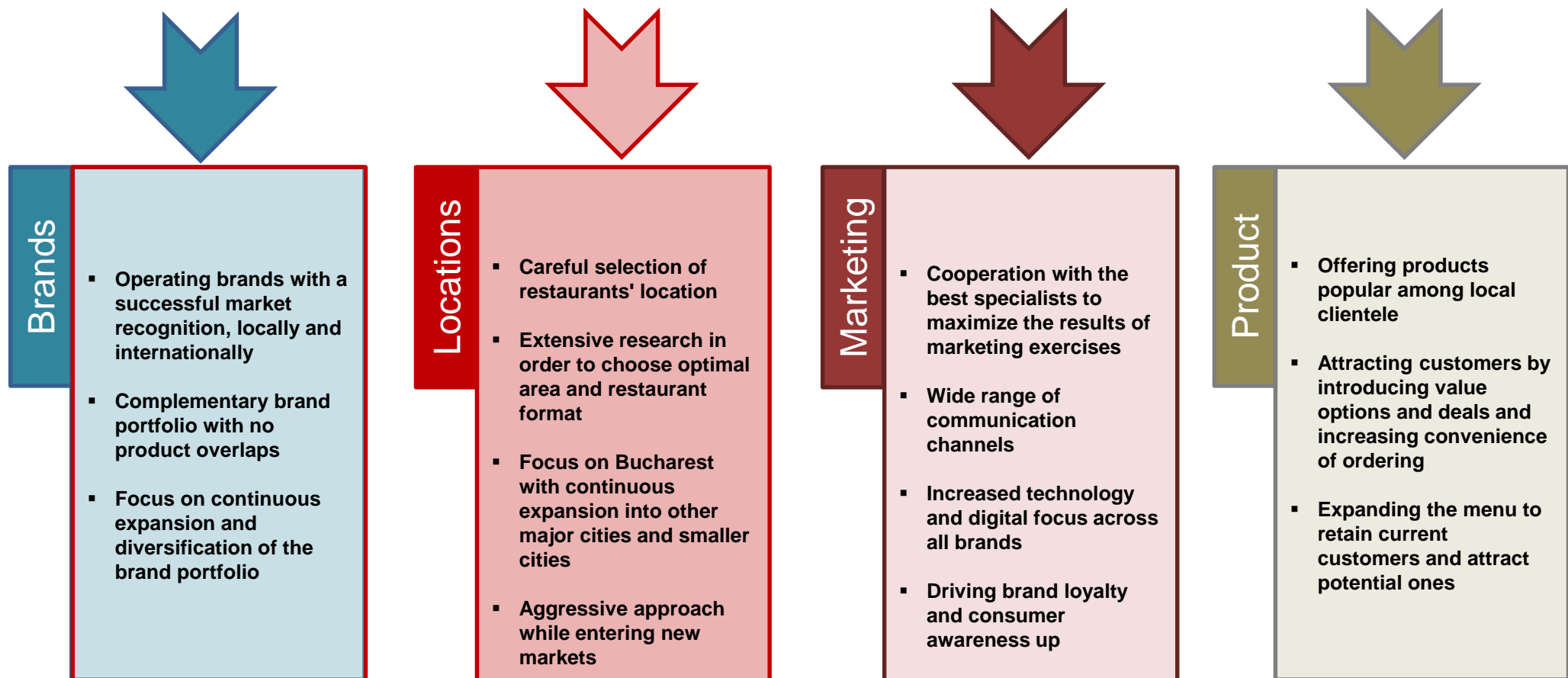


## Leading restaurant group in Romania by sales, network and sector coverage



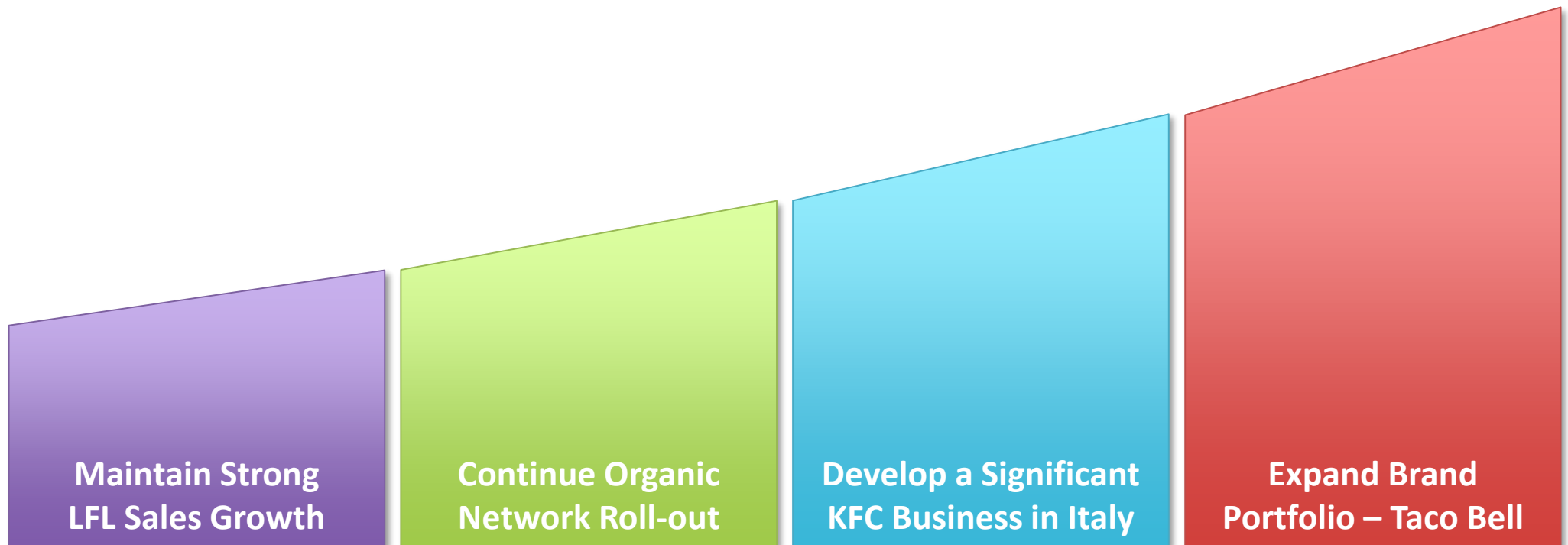


## The Company's Value Proposition





## 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

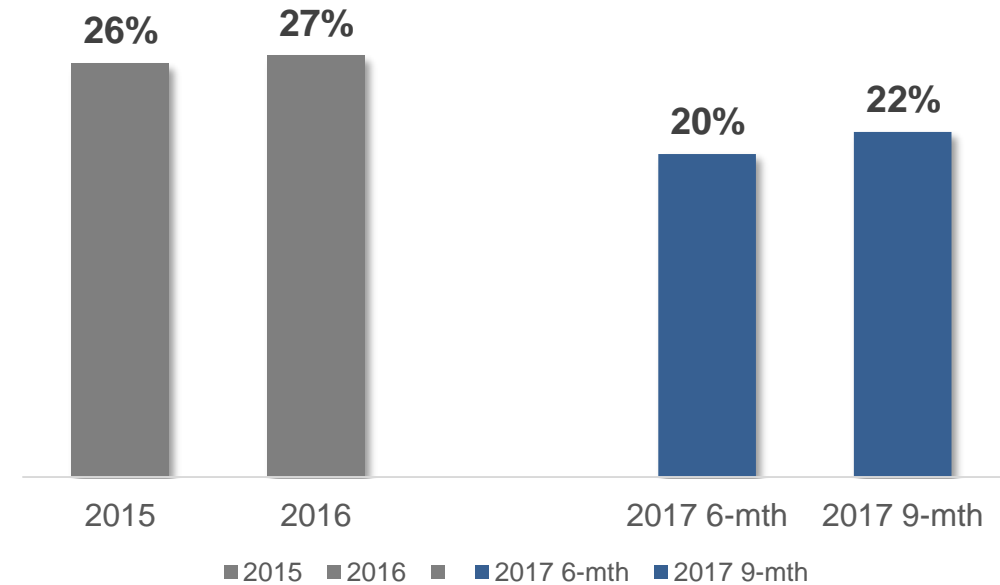




## Sales growth analysis

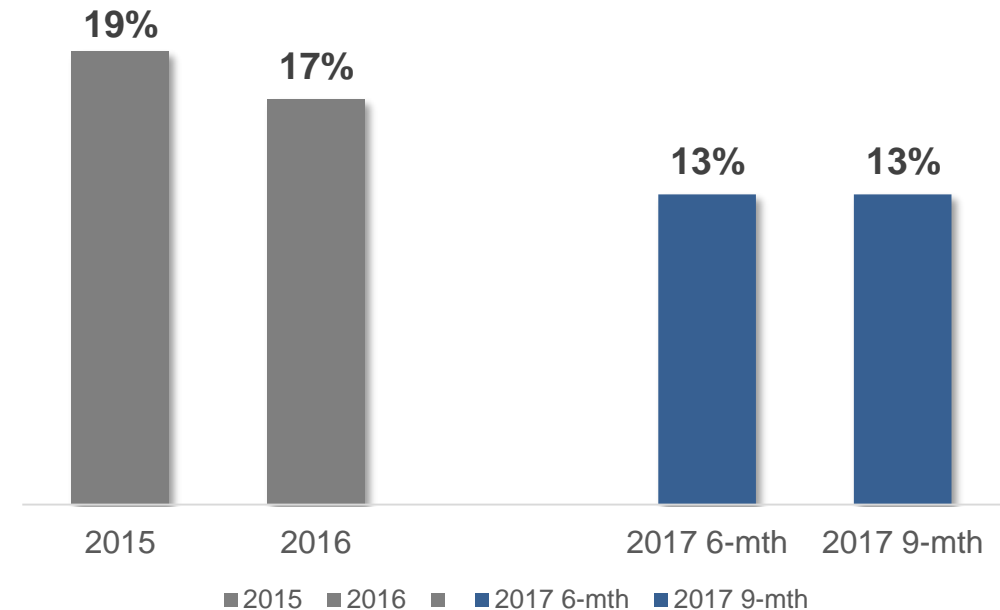
### All-store performance

- 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

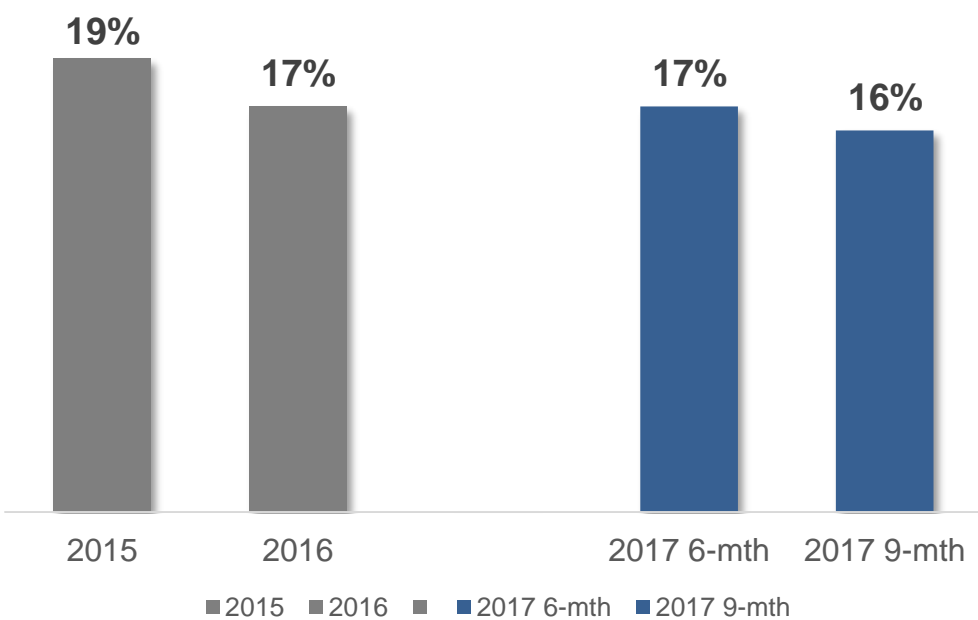
- same-store sales growth of 13% Y/Y fueled by performance of stores outside Bucharest as well as by supported by same-store performance, new openings (including Italy – contribution of 2.7%)



## Sales growth analysis

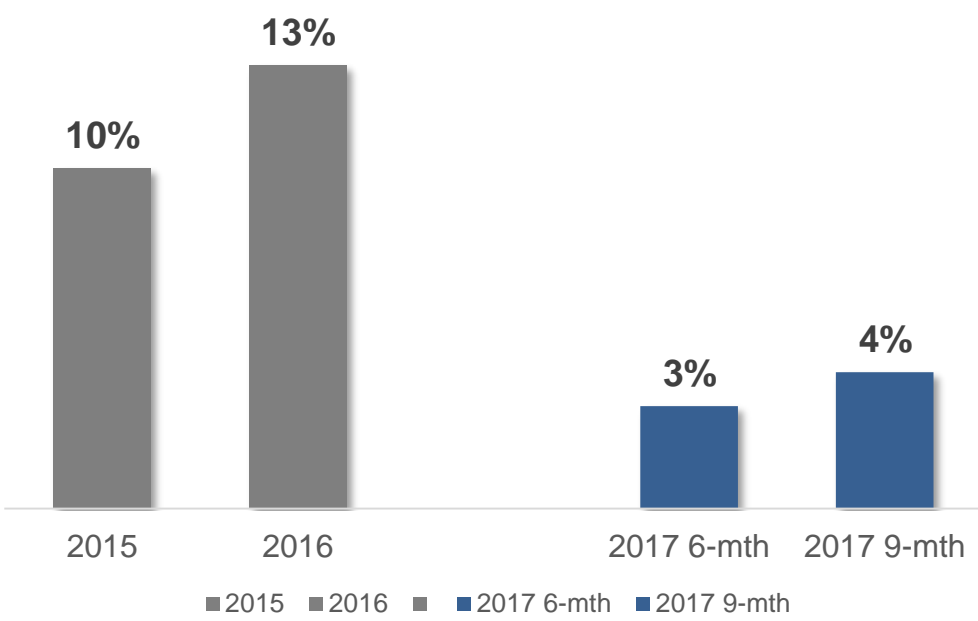
### All-store performance

- 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
	69	5 -1	6	75	<ul style="list-style-type: none"> <li>Romania: Bucharest (1x IL, 1x DT), Oradea (1x DT)</li> <li>Italy: 2x FC</li> <li>Closed stores: Romania (Oradea: 1x FC)</li> </ul>
	22	1		22	<ul style="list-style-type: none"> <li>Galati (1x FC)</li> </ul>
	17	5		17	<ul style="list-style-type: none"> <li>Bucharest (4x IL), Ploiesti (1x IL)</li> </ul>
	1	1	1	2	<ul style="list-style-type: none"> <li>Bucharest (1x FC)</li> </ul>
	109	11	7	116	











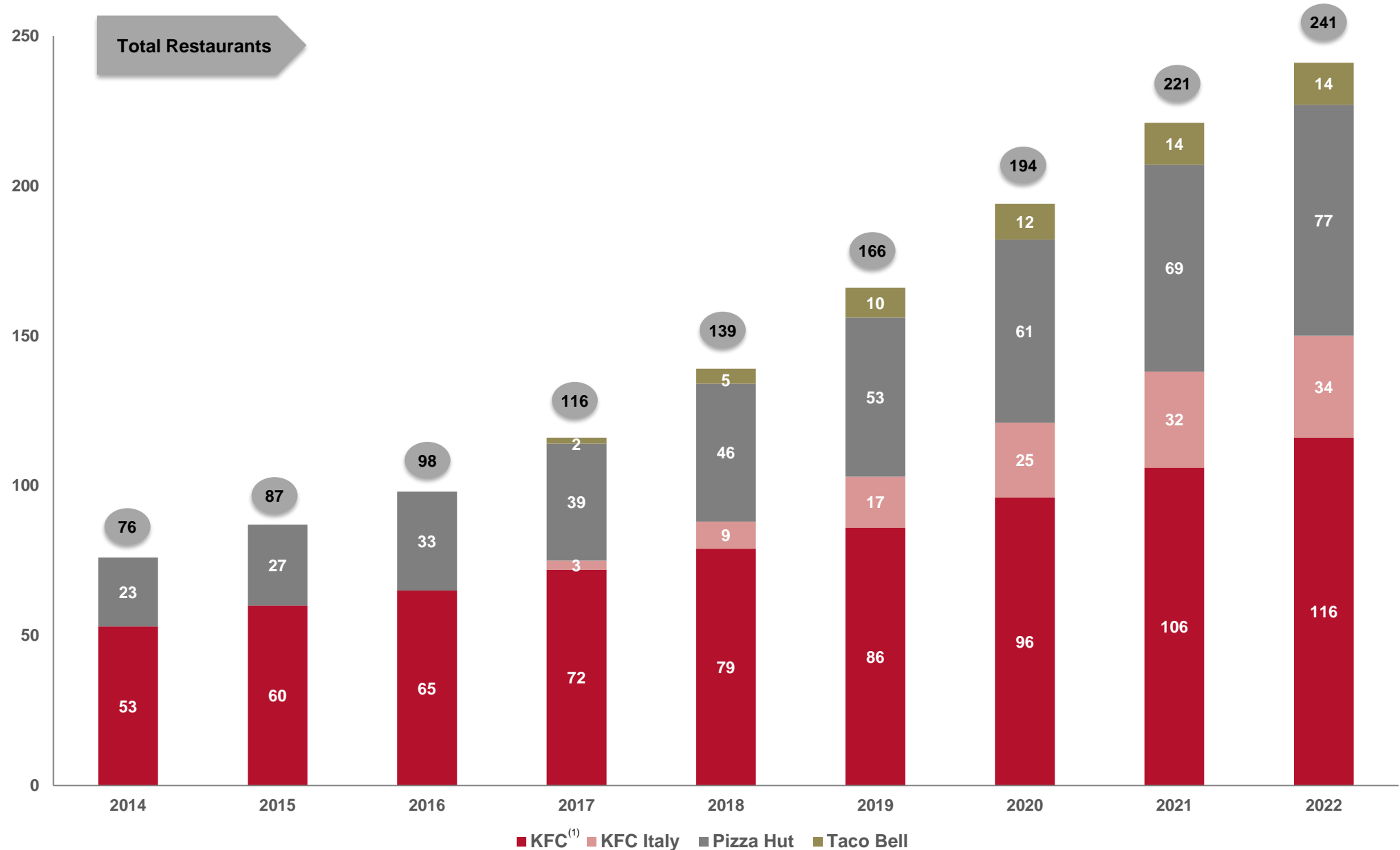






# Significant Further Growth Opportunities

## 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)



## 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: Delivery Dine in	Commitment	6	7	7	8	8	8	44
	Target	5	5	5	6	6	6	33
	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

Note: <sup>(1)</sup> 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	J	F	M	A	M	J	J	A	S	O	N	D

### Sphera - Consolidated financials

KFC Romania																							
KFC Moldova																							
KFC Italy																							
Pizza Hut																							

### Sphera - Pro forma information (P&L only)

KFC Romania																							
KFC Moldova																							
KFC Italy																							
Pizza Hut																							

### ARS - stand-alone financials

Pizza Hut																							
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### Expected impact on Sphera P&L

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

Consolidated	Pro forma
or	





## Pro forma financials



## Statement of comprehensive income

	Pro forma - summary									
	RON'000					% of Sales				
	2014	2015	2016	Jun-17	Sep-17	2014	2015	2016	Jun-17	Sep-17
<b>Restaurant sales</b>	<b>324,912</b>	<b>405,830</b>	<b>514,475</b>	<b>287,833</b>	<b>446,982</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Restaurant expenses</b>	<b>267,699</b>	<b>325,134</b>	<b>422,204</b>	<b>237,034</b>	<b>372,301</b>	<b>82.4%</b>	<b>80.1%</b>	<b>82.1%</b>	<b>82.4%</b>	<b>83.3%</b>
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%
<b>Restaurant operating profit</b>	<b>57,213</b>	<b>80,696</b>	<b>92,271</b>	<b>50,799</b>	<b>74,681</b>	<b>17.6%</b>	<b>19.9%</b>	<b>17.9%</b>	<b>17.6%</b>	<b>16.7%</b>
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%
<b>Operating profit</b>	<b>35,794</b>	<b>56,784</b>	<b>60,283</b>	<b>30,595</b>	<b>45,818</b>	<b>11.0%</b>	<b>14.0%</b>	<b>11.7%</b>	<b>10.6%</b>	<b>10.3%</b>
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%
<b>Profit before tax</b>	<b>34,754</b>	<b>56,188</b>	<b>59,467</b>	<b>30,072</b>	<b>44,603</b>	<b>10.7%</b>	<b>13.8%</b>	<b>11.6%</b>	<b>10.4%</b>	<b>10.0%</b>
Income tax expense	5,195	8,421	6,144	1,742	2,688	1.6%	2.1%	1.2%	0.6%	0.6%
<b>Profit for the period from continuing operations</b>	<b>29,559</b>	<b>47,767</b>	<b>53,323</b>	<b>28,330</b>	<b>41,915</b>	<b>9.1%</b>	<b>11.8%</b>	<b>10.4%</b>	<b>9.8%</b>	<b>9.4%</b>
<b>Discontinued operations</b>										
Loss after tax from discontinued operations	(620)	(476)	(1,683)							
<b>Profit for the period</b>	<b>28,930</b>	<b>47,291</b>	<b>51,640</b>	<b>28,330</b>	<b>41,915</b>	<b>8.9%</b>	<b>11.7%</b>	<b>10.0%</b>	<b>9.8%</b>	<b>9.4%</b>
<b>EBITDA</b>										
<b>Operating profit from continuing operations</b>	<b>35,794</b>	<b>56,784</b>	<b>60,283</b>	<b>30,595</b>	<b>45,818</b>	<b>11.0%</b>	<b>14.0%</b>	<b>11.7%</b>	<b>10.6%</b>	<b>10.3%</b>
<b>Adjustments to bridge operating profit to EBITDA:</b>										
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					
<b>EBITDA from continuing operations</b>	<b>47,273</b>	<b>67,865</b>	<b>73,502</b>	<b>38,434</b>	<b>57,635</b>	<b>14.5%</b>	<b>16.7%</b>	<b>14.3%</b>	<b>13.4%</b>	<b>12.9%</b>



## Consolidated financials



## Statement of comprehensive income

Data in RON'000	Sphera (Consolidated)				
	Sep-16	Sep-17	Δ% Y/Y	% of Sales	
<b>Restaurant sales</b>	<b>300,482</b>	<b>401,353</b>	<b>33.6%</b>	<b>100.0%</b>	<b>100.0%</b>
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%
<b>Restaurant operating profit</b>	<b>57,891</b>	<b>68,616</b>	<b>18.5%</b>	<b>19.3%</b>	<b>17.1%</b>
G&A expenses	16,534	24,491	48.1%	5.5%	6.1%
<b>Operating profit</b>	<b>41,357</b>	<b>44,125</b>	<b>6.7%</b>	<b>13.8%</b>	<b>11.0%</b>
Finance costs	820	1,152	40.5%	0.3%	0.3%
Finance income	73	129	76.7%	0.0%	0.0%
<b>Profit before tax</b>	<b>40,610</b>	<b>43,102</b>	<b>6.1%</b>	<b>13.5%</b>	<b>10.7%</b>
Income tax expense	5,755	2,135	-62.9%	1.9%	0.5%
<b>Profit for the period</b>	<b>34,855</b>	<b>40,967</b>	<b>17.5%</b>	<b>11.6%</b>	<b>10.2%</b>



## Statement of financial position

All data are in RON'000 unless otherwise stated			
	31-Dec-16	30-Jun-17	30-Sep-17
<b>Assets</b>			
<b>Non-current assets</b>	<b>54,245</b>	<b>143,055</b>	<b>155,503</b>
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
<b>Current assets</b>	<b>65,399</b>	<b>51,769</b>	<b>56,545</b>
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
<b>Total assets</b>	<b>119,644</b>	<b>195,019</b>	<b>212,243</b>

All data are in RON'000 unless otherwise stated			
	31-Dec-16	30-Jun-17	30-Sep-17
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>58,253</b>	<b>100,342</b>	<b>114,094</b>
<b>Equity attributable to equity holders c</b>	<b>58,292</b>	<b>100,339</b>	<b>114,053</b>
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
<b>Non-controlling interests</b>	<b>-39</b>	<b>3</b>	<b>41</b>
<b>Non-current liabilities</b>	<b>16,304</b>	<b>33,223</b>	<b>34,826</b>
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
<b>Current liabilities</b>	<b>45,087</b>	<b>61,454</b>	<b>63,323</b>
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
<b>Total liabilities</b>	<b>61,391</b>	<b>94,677</b>	<b>98,149</b>
<b>Total equity and liabilities</b>	<b>119,644</b>	<b>195,019</b>	<b>212,243</b>