



SFG Investor Presentation

02.12.2020 | Wood's Winter Wonderland





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



- 1 Sphera Franchise Group at a glance
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For further details

We invite you to read our latest Director's Report which includes analysis of financial results, details our response to COVID-19 crisis as well as provides forecasts for full year 2020 performance. You can access the Q3 2020 report at www.spheragroup.com, Investor Relations section.



Sphera Franchise Group at a Glance



2nd Quick
Service
Restaurants
Operator

1st Full-Service
Restaurant
Operator

25 Years of
Operation

161 Restaurants
in 3 countries¹

Track record and
above-market
average
performance
even in crisis²

Pre-Crisis Performance (2017 - 2019)

23%
Restaurant sales
growth

9.2%
LfL⁽³⁾ restaurant
sales growth

16%
Increase in no.
of restaurants

9.3%
Normalized
EBITDA
growth⁽²⁾

3-year CAGR

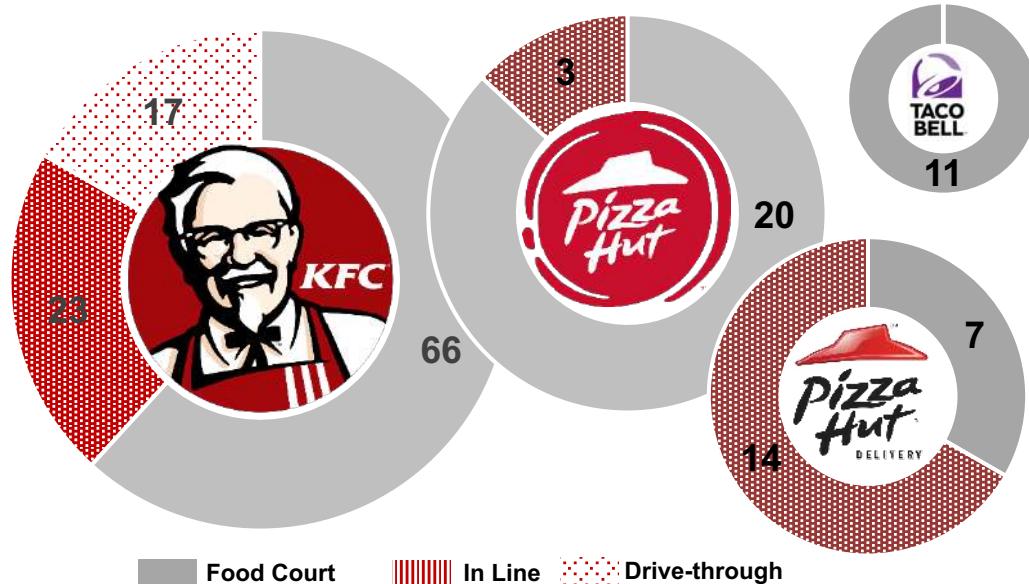
Source: IFRS financial information, excluding impact from IFRS 16 adoption (starting 2019), HORA Association

Notes: 1)Restaurants as of 1.12.2020 2) Performance in H1 2020, Group vs Romanian Hospitality Sector, based on estimates of HORA Association, 3) LfL performance for the reporting year is calculated by taking into account all the restaurants that have been in uninterrupted operation from the beginning of the preceding year to the end of the reporting year

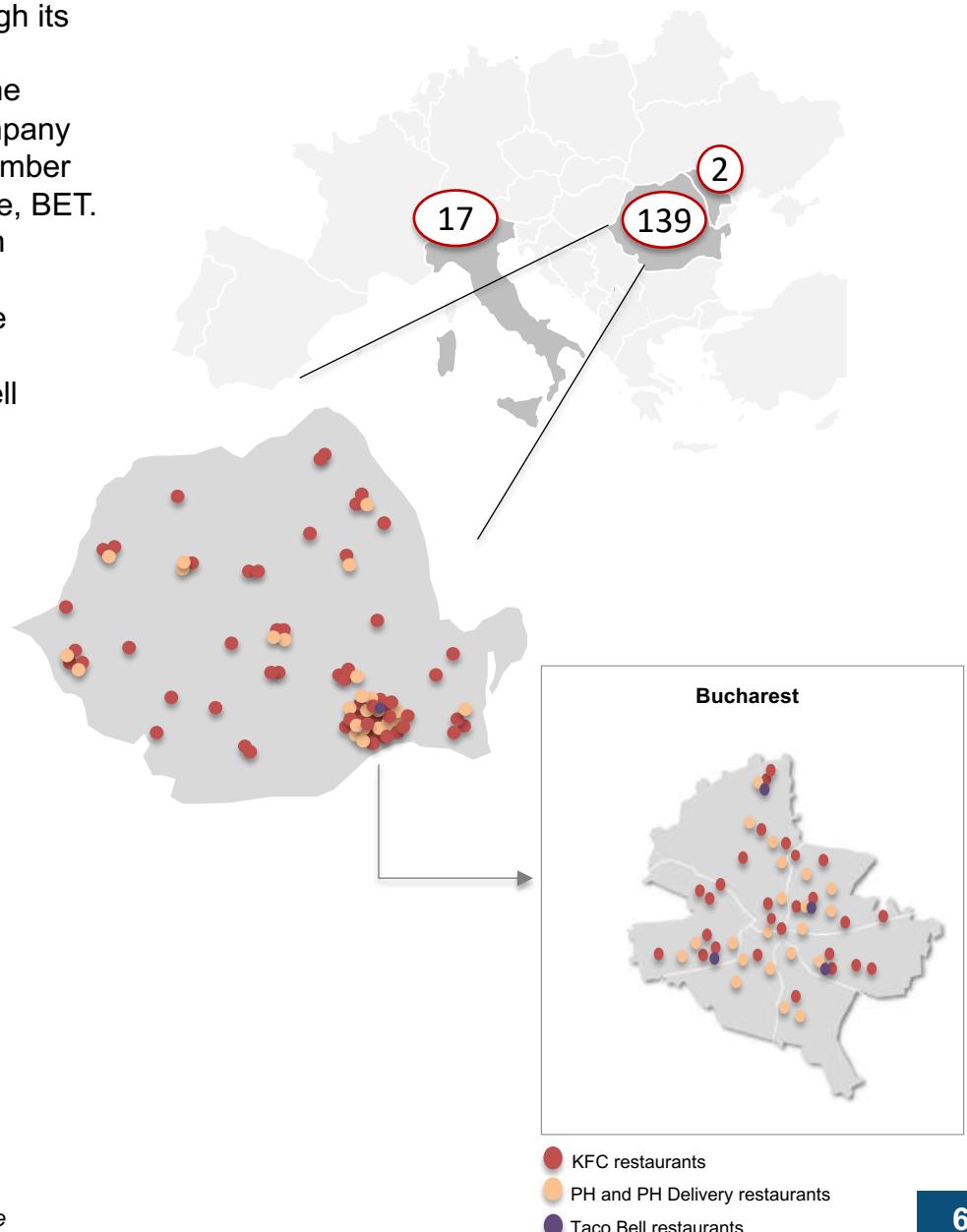
Introduction to Sphera Franchise Group

- Sphera is one of the leading food operators in Romania¹, operating also through its subsidiaries in Moldova and in Italy
- Sphera was incorporated in May 2017 to consolidate all brands operated by the Group, namely KFC, Pizza Hut Dine-In and Pizza Hut Delivery under one company
- Quoted on the Bucharest Stock Exchange since November 2017; since September 2018 SFG shares are included in the Main Index of Bucharest Stock Exchange, BET.
- In 2017, Sphera secured the franchise for operation of Taco Bell restaurants in Romania
- In 2017, Sphera opened its first two KFC restaurants in Italy and is already the largest KFC operator in Italy
- KFC Romania, KFC Italy, Pizza Hut, Pizza Hut Delivery Romania and Taco Bell Romania operate under the Yum International Franchise Agreement

Locations split per brand²

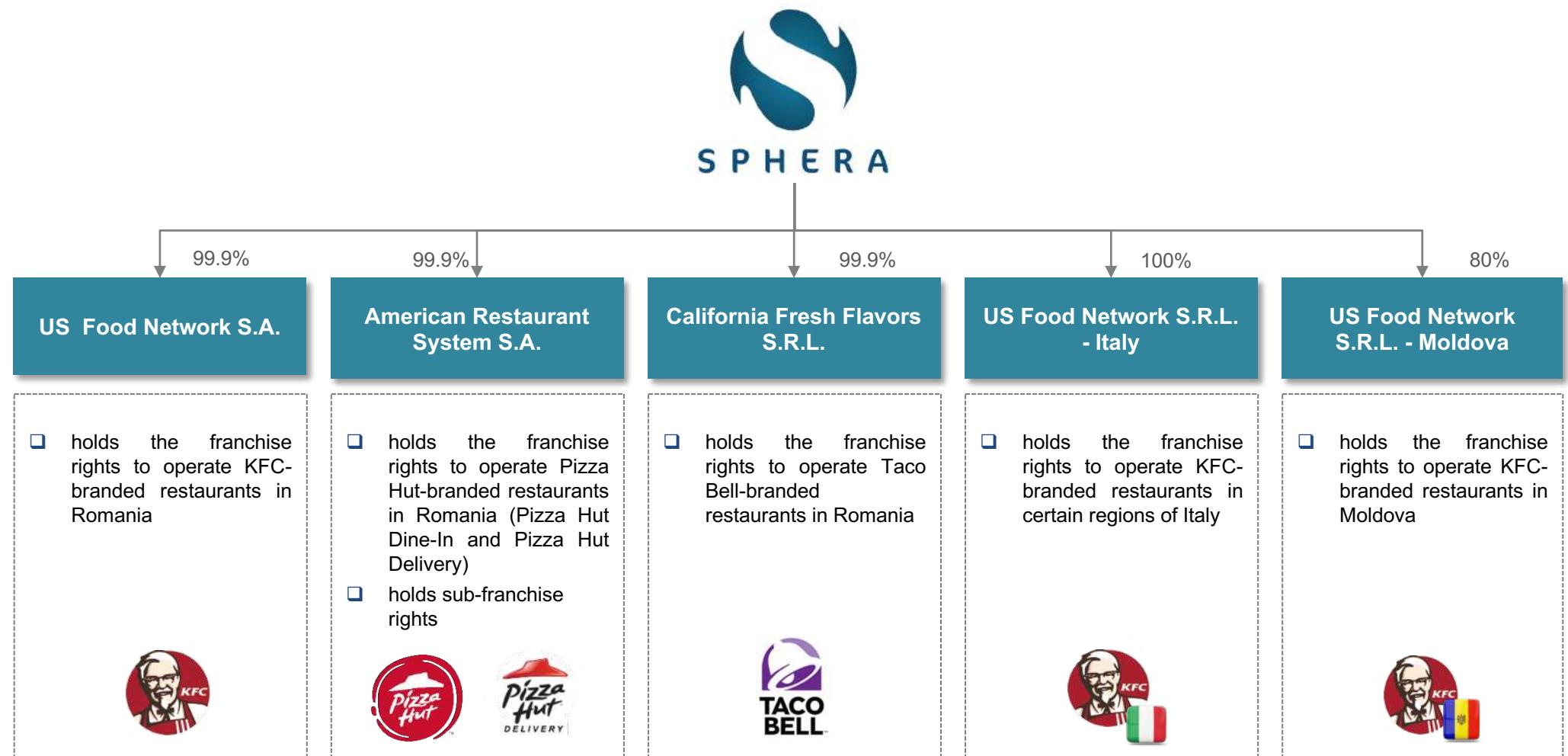


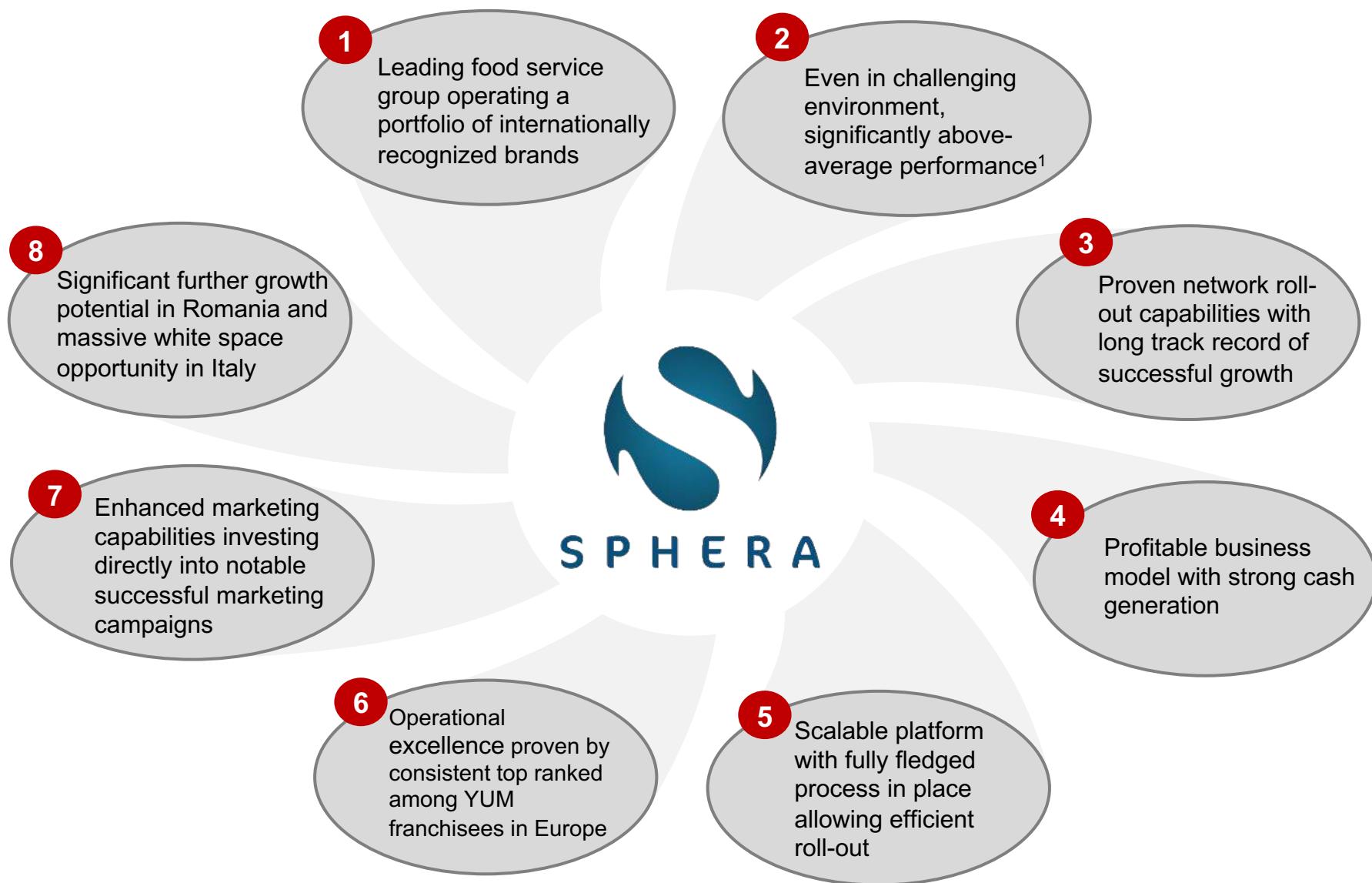
Geographical footprint



Notes: 1) first in FSR and second in QSR, 2) Restaurants as of 30.09.2020, 1 Paul Store not included above

Sphera Franchise Group at a Glance: Corporate Structure





¹) HORA, the Romanian Hotel and Restaurants Association, stated that the overall sales turnover in the industry in the first half of 2020 dropped by 70% compared to the same period of last year as a result of the COVID-19 pandemic, with 40% of the operators suspending their activity.



QSR



- #2 player on the QSR segment (18% market share) and **#1 on the chicken segment**
- #2 player on the overall chained foodservice market (15% market share)

- ✓ 83% spontaneous brand awareness among Romanian customers (YE 2018)
- ✓ customer base consists mainly of young and middle-aged people (78%), mostly educated (at least 35% high school), with an average household income
- ✓ 83 restaurants in Romania as of 1.09.2020

✓ First Taco Bell was opened in Oct-2017 in Bucharest



✓ 10 restaurants as of 1.09.2020



SPHERA



- #1 player on the FSR segment (nearly 3% market share)
- #3 player on the overall chained foodservice market (7% market share)
- ✓ C. 60% spontaneous brand awareness among Romanian customers
- ✓ customer base consists mainly of young and middle-aged people (78%), mostly educated (at least 41% high school & 32% university), with a focus on families with an average to medium-high household income
- ✓ 23 restaurants as of 1.09.2020

✓ player on the Home delivery segment (nearly 21% market share)

- ✓ Order accessibility: classic call center lines, dedicated website platform, mobile application
- ✓ C. 50% online orders
- ✓ 21 restaurants as of 1.09.2020

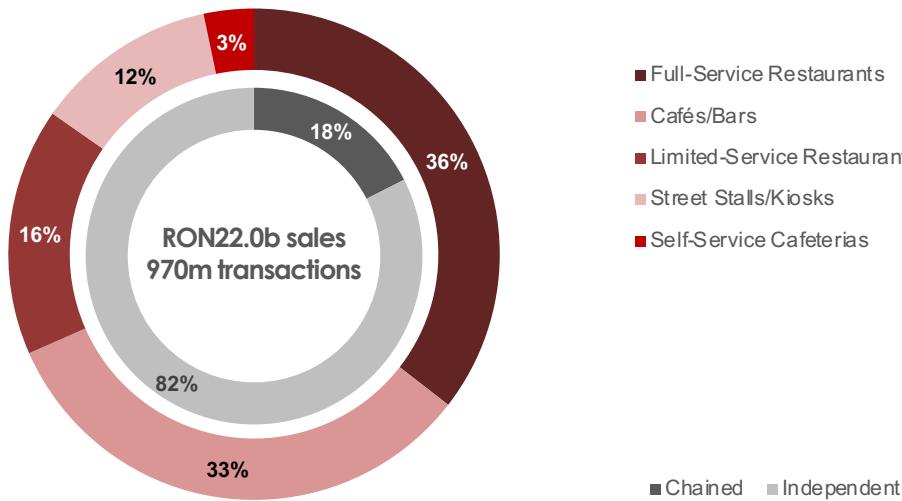
Home delivery



Foodservice Market Structure & Competitive Overview



Chained players generates below 20% of sector sales



Source: Euromonitor, Consumer Foodservice in Romania, 2018.

FSR: Pizza Hut Dine-in no. 1 and increasing distance vs no. 2

#	Brand	Product offering	2018 Mk share	'13-'18 var. +pp.
1		Pizza, Pasta, Burgers	2.7%	+0.4%
2		Pizza, Pasta, traditional Italian food	0.5%	-0.1%
3		Pizza, Pasta, Burgers	0.5%	+0.5%
4		Traditional Serbian food	0.4%	0.0%
5		Grill, Romanian and Moldavian cuisine	0.4%	+0.4%
Top 5			4.8%	

Source: Euromonitor, Consumer Foodservice in Romania, 2018.

KFC: no. 2 but growing faster

#	Brand	Product offering	2018 Mk share	'13-'18 var. +pp.
1		Burgers, Chicken, Salads, Desserts	22.6%	-4.0%
2		Chicken, Burgers, Salads, Desserts	16.1%	+3.2%
3		Greek food	3.3%	+2.8%
4	SALAD BOX	Salads	2.8%	+2.0%
5		Turkey kebabs	2.5%	+1.5%
Top 5			47.5%	5.5%

Source: Euromonitor, Consumer Foodservice in Romania, 2018.

Delivery: Pizza Hut Delivery no. 1

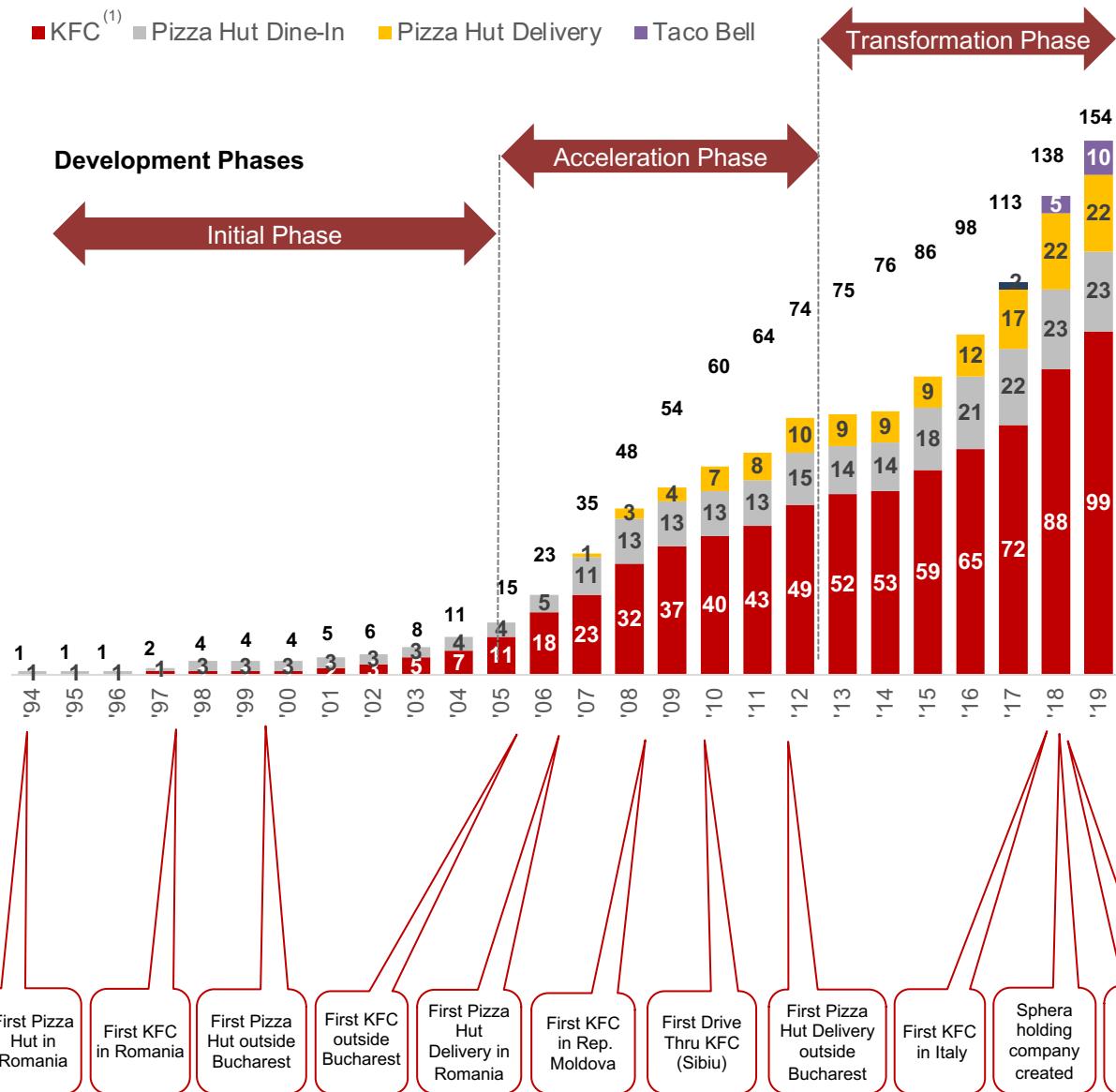
#	Brand	Product offering	2018 Mk share	'13-'18 var. +pp.
1		Pizza	2.0%	+0.9%
2		Pizza	1.5%	0.0%
3		Pizza	1.4%	+0.9%
4		Pizza	1.1%	+0.6%
5		Pizza	0.8%	-0.1%
Top 5			69.8%	

Source: Euromonitor, Consumer Foodservice in Romania, 2018.

Successful Track Record of Growth

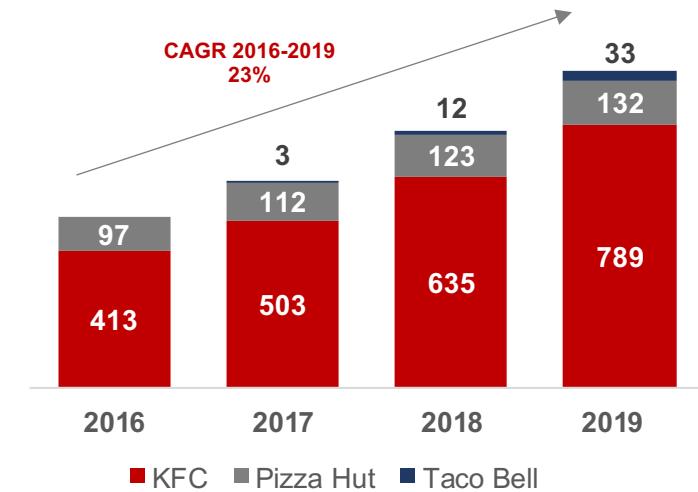


Long Track Record of Successful Network Development

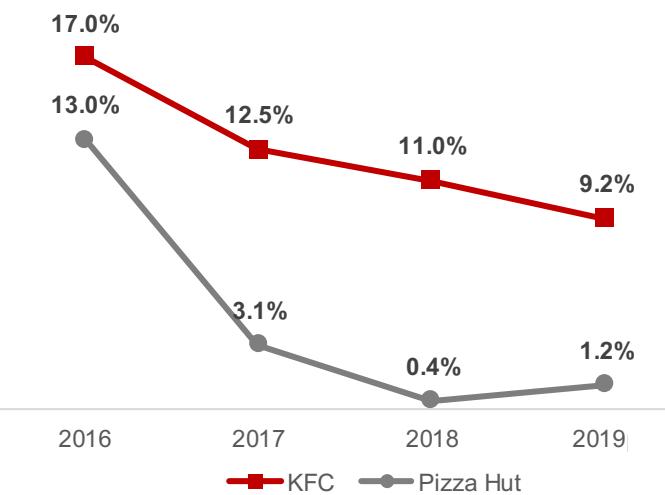


Sustained Growth Across All Brands

KFC remaining the key contributor at ca. 83% of revenues



Coupled with Strong and Resilient LfL Growth

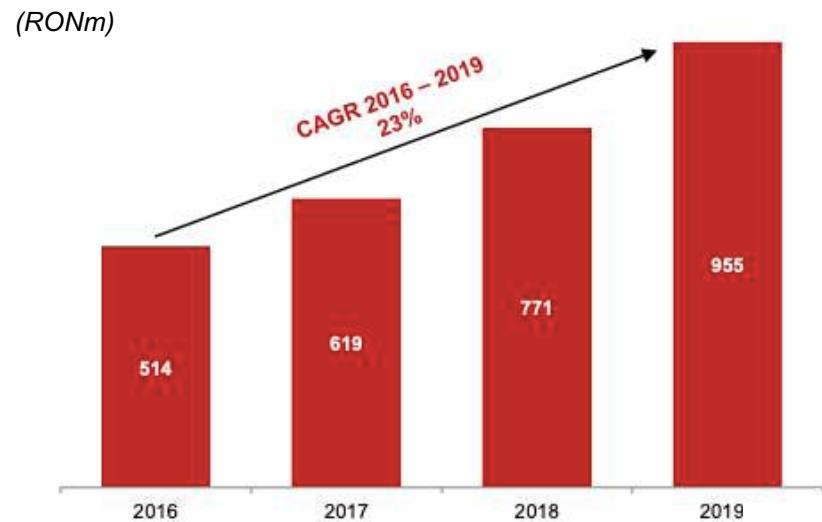


Source: Company information, Consolidated Pro Forma Financial Statements.

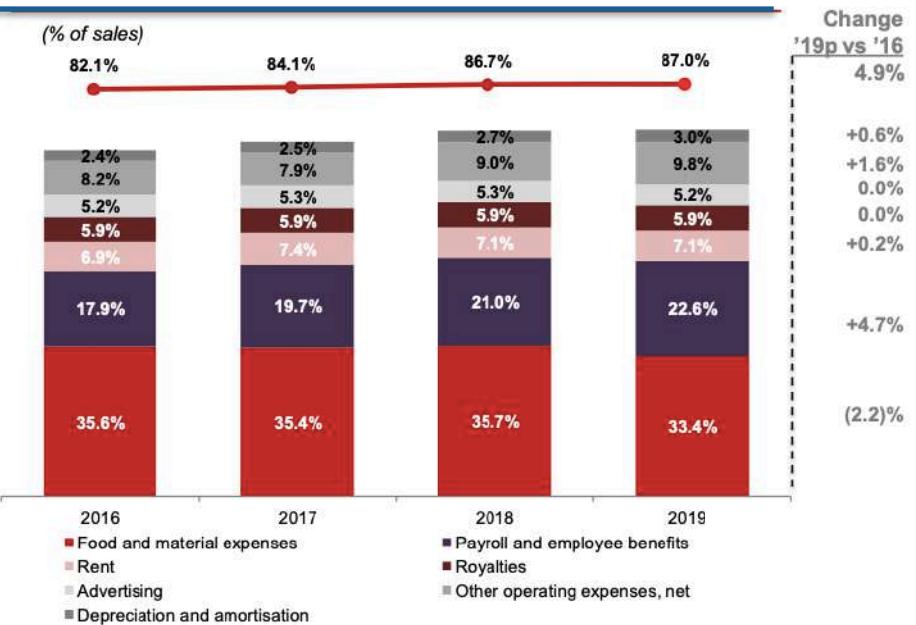
Note: (1) Includes KFC restaurants in Romania, Moldova and Italy.



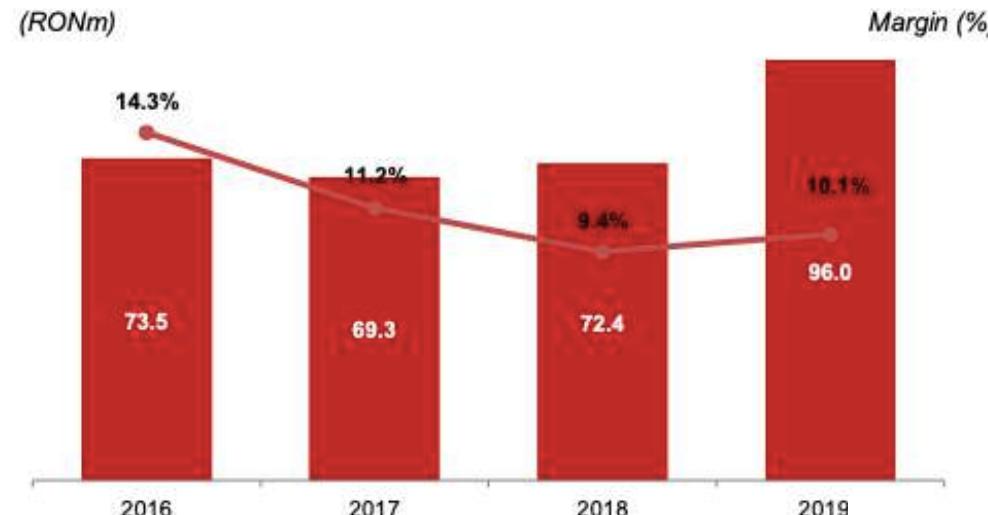
Sales



Restaurant Opex Structure



Normalized EBITDA



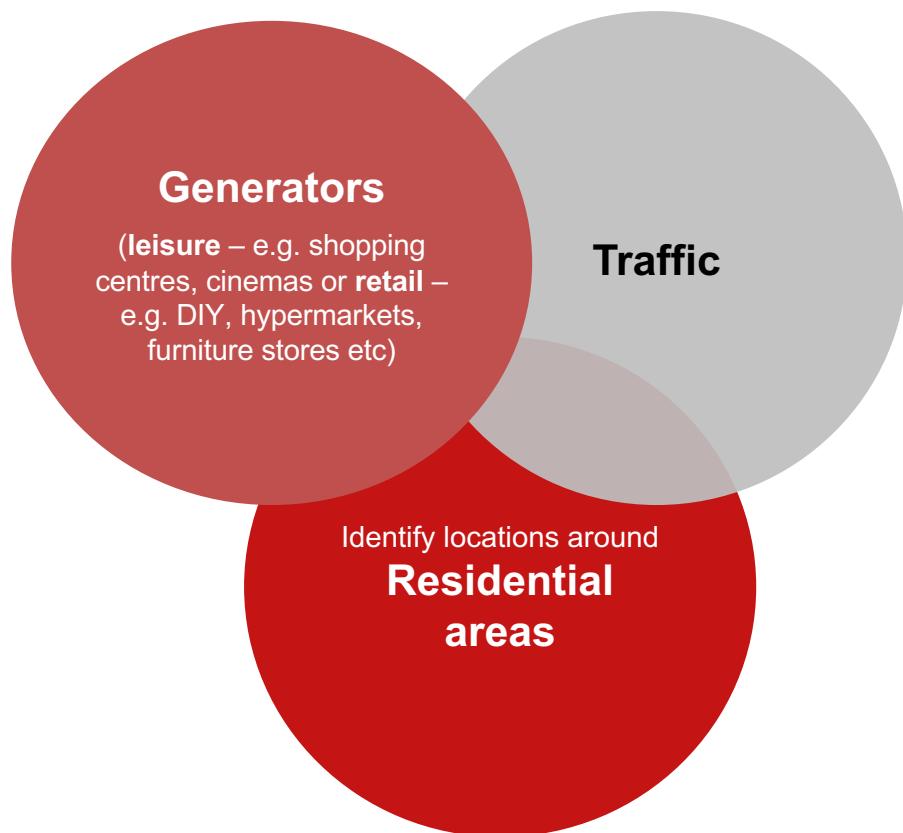
Net Profit



Note: 2019 result is excluding the impact of IFRS 16, unaudited.



Restaurant / Unit Selection Criteria



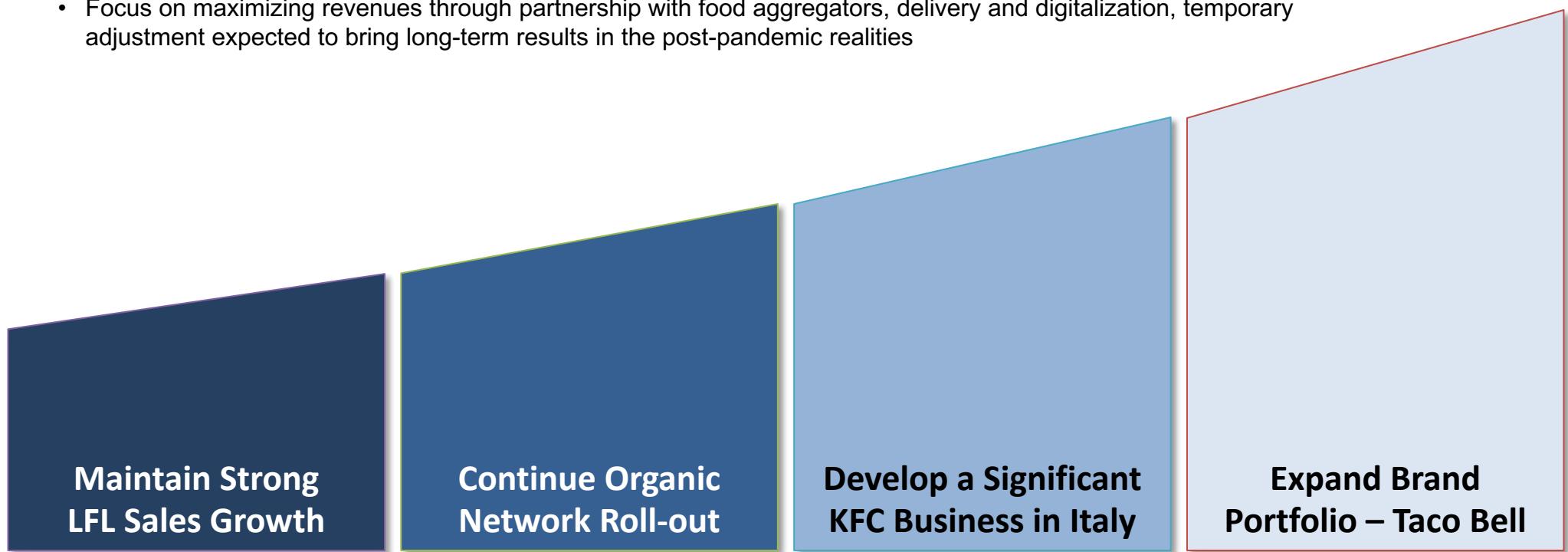
New Restaurant Opening Process





COVID-19 Adjustment

- Postponement, not the abandonment of the development plan; renegotiations with YUM!
- The scale of the business as well as agile adoption to realities have helped the group lower the expenses at 9M 2020 thus lowering the negative impact of the pandemic on the business (decline less than half of the Romanian hospitality industry average, where revenues dropped -70% in H1 2020 compared to H1 2019; no official data for 9M yet issued by industry)
- Special attention paid to operational expenses – only stores that can cover own expenses remain open
- Focus on maximizing revenues through partnership with food aggregators, delivery and digitalization, temporary adjustment expected to bring long-term results in the post-pandemic realities



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

Restaurant roll-out plan by brand: pre-pandemic estimates



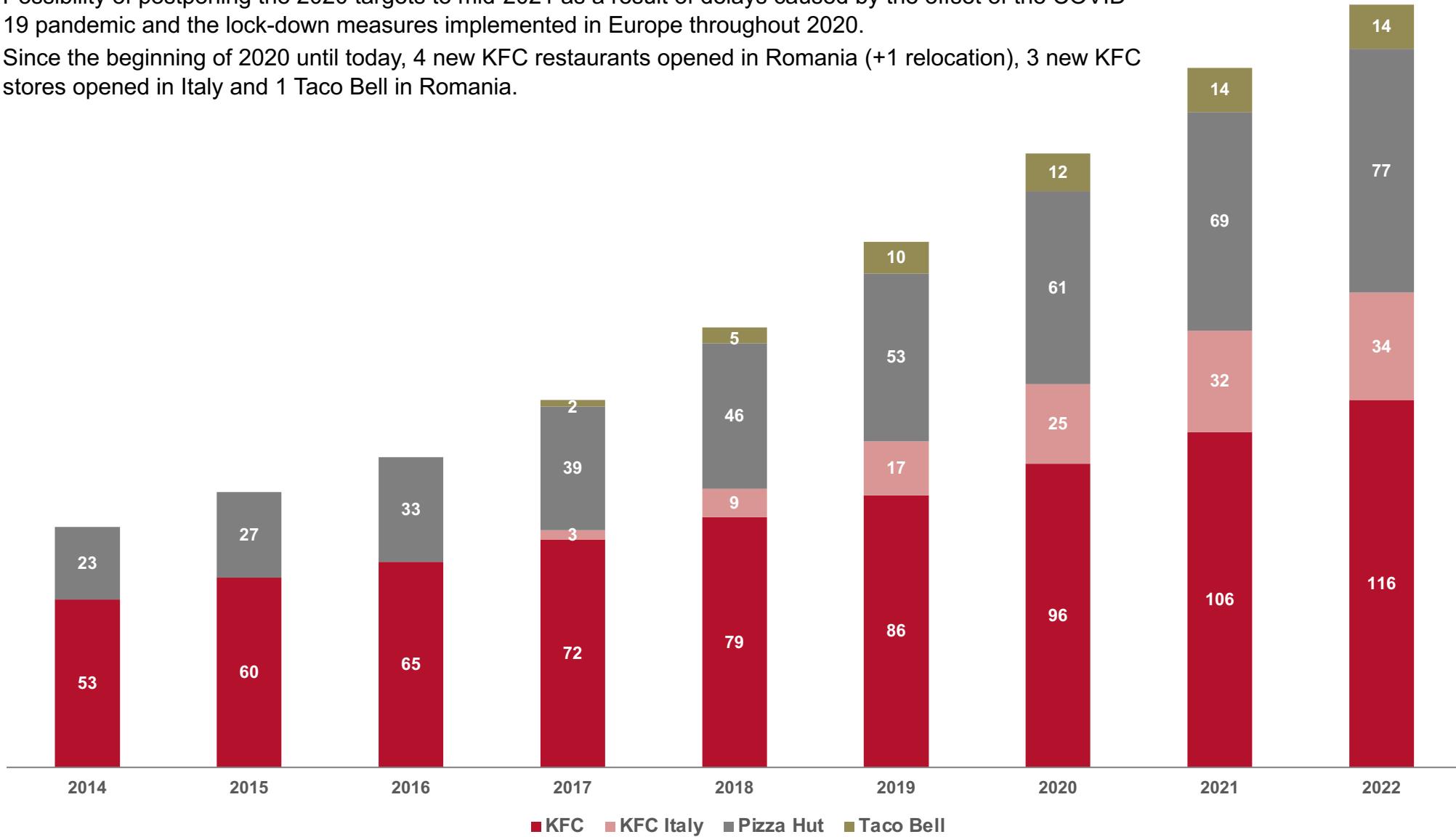
		2017	2018	2019	2020	2021	2022	Total
KFC Romania	Commitment	4	6	7	8	9	9	43
	Target	7	7	7	10	10	10	51
Pizza Hut (Dine-in & Delivery)	Commitment	5	5	7	8	9	-	34
	Target	6	7	7	8	8	8	44
Taco Bell Romania	Commitment	2	3	5	-	-	-	10
	Target	2	3	5	2	2	-	14
KFC Italy (North-East & Piemonte)	Commitment	3	6	8	7	7	1	32
	Target	3	6	8	8	7	2	34
TOTAL OPENINGS	Commitment	14	20	27	23	25	10	129
	Target	18	23	27	28	27	20	143

- Given the rapidly developing situation related to the COVID-19 pandemic as well as global uncertainty related to the second half of the year, the Group has not yet revised the development plans. Ongoing renegotiations with master franchisor, YUM!
- Possibility of postponing the 2020 targets to mid-2021 as a result of delays caused by the offset of the COVID-19 pandemic and the lock-down measures implemented in Europe between March – May 2020.
- Since the beginning of 2020 until today, 4 new KFC restaurants opened in Romania (+1 relocation), 3 new KFC stores opened in Italy and 1 Taco Bell in Romania.

Number of restaurants at year-end: pre-pandemic estimates



- Given the rapidly developing situation related to the COVID-19 pandemic as well as global uncertainty related to the second half of the year, the Group has not yet revised the development plans.
- Possibility of postponing the 2020 targets to mid-2021 as a result of delays caused by the offset of the COVID-19 pandemic and the lock-down measures implemented in Europe throughout 2020.
- Since the beginning of 2020 until today, 4 new KFC restaurants opened in Romania (+1 relocation), 3 new KFC stores opened in Italy and 1 Taco Bell in Romania.



Notes: (1) Includes KFC Romania and KFC Moldova



9M 2020 Highlights



Encouraging results in Q3 2020

- 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.
- In September 2020, following the reopening of the Romanian economy, the Group registered decline of just 9.4% compared to September 2019 (100% of the pre-pandemic (average of Jan-Feb 2020 sales), showing the speed of recovery.
- 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.

Cost-optimizations continued in Q3 2020

- Restaurant expenses in 9M 2020 decreased by 22.8%; and 19.2% in Q3 2020.
- In 9M 2020, the Group managed to lower the General and Administrative (G&A) expenses by 17.4% compared to the same period of 2019. Only in Q3 2020, the Group lowered G&A costs by 32.6% compared to Q3 2019.

Historically high EBITDA margins in Q3 2020

- The normalized EBITDA margin registered by the Group in Q3 2020 reached 13.6%, improved compared to Q1 2020 margin (1.8%), Q2 2020 (-1.9%) and Q3 2019 (12.3%).
- Significant improvement of Q3 2020 performance helped partially recover the negative evolution caused by the onset of the pandemic in Q2 2020.
- KFC Romania registered high EBITDA margin 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.

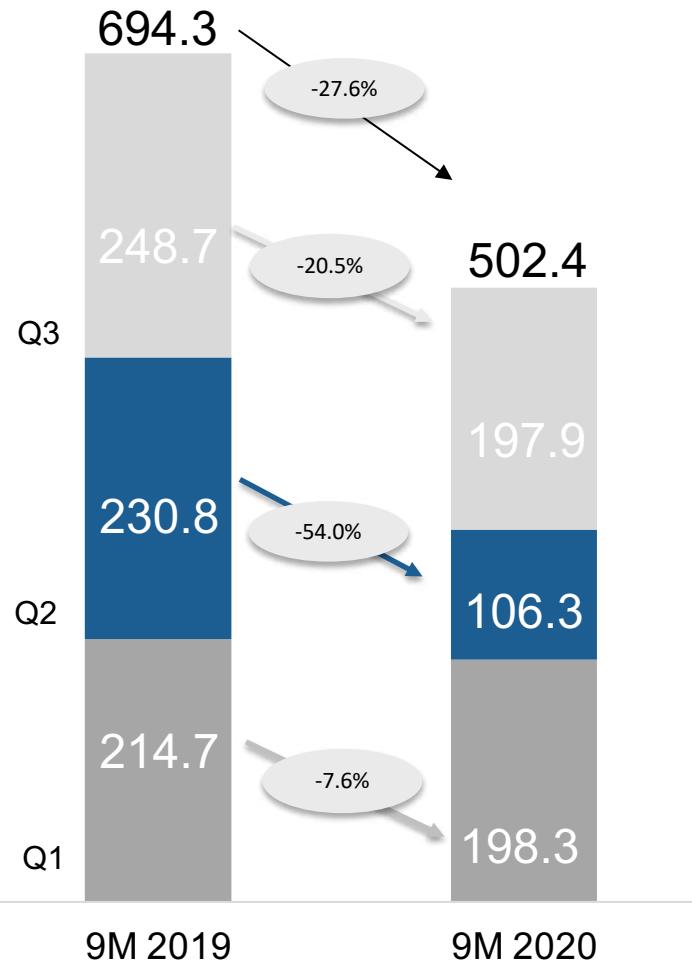
Risks related to local lockdowns, yet Group well prepared for delivering across the “red zones”

- Lockdowns at a local (municipality or city) level were already ordered in Romania in September 2020, in areas qualified a “red zone” (>3 COVID-19 cases/1,000 inhabitants), impacting sales.
- As of October 2020 Bucharest (red alert starting October 20th, 2020), Ramnicu Valcea, Zalau, Bacau, Focsani were qualified red zones and indoor dining sections in those locations had to be closed.
- In “red zones”, the Group sees partial recovery of sales at delivery and take-away.



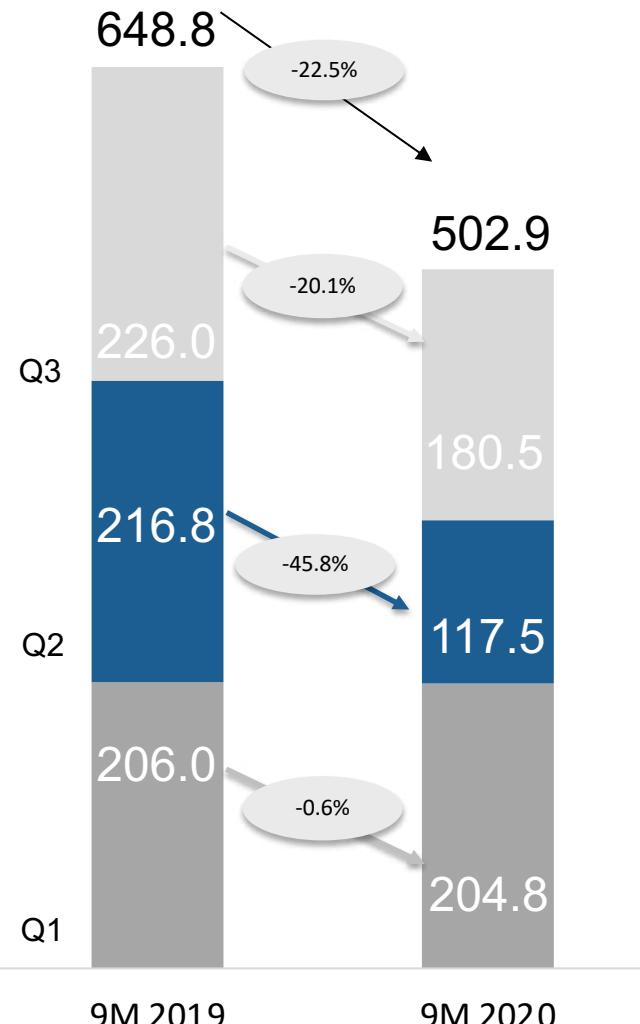
RESTAURANT SALES

RON m



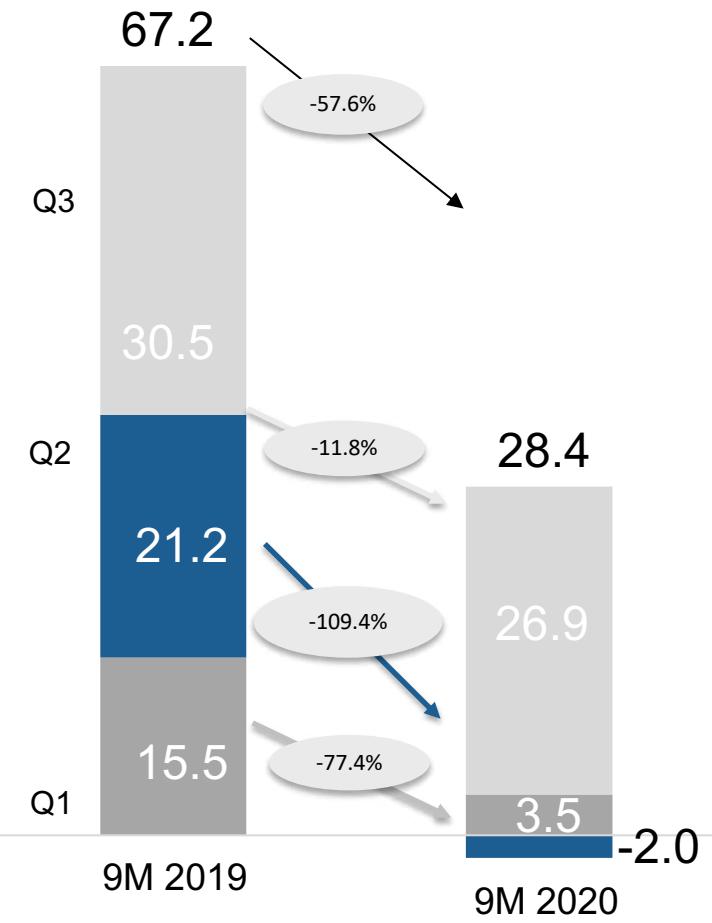
EXPENSES (Restaurant + G&A)

RON m, excluding IFRS 16

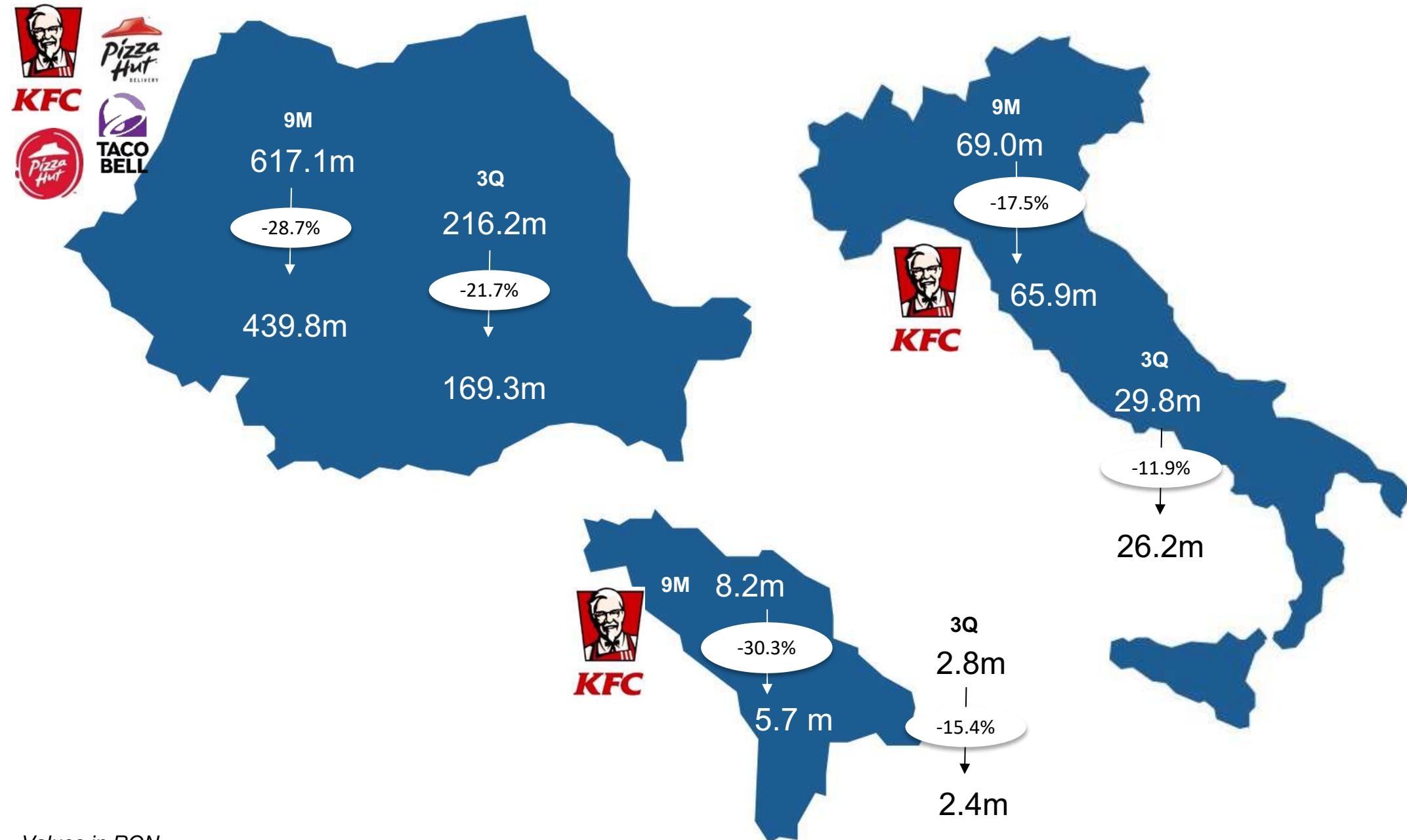


NORMALIZED EBITDA

RON m, excluding IFRS 16



Sphera Franchise Group 9M & Q3 20 Sales performance per country



Values in RON.

2019 values on top of the map, 2020 on the bottom.



COVID-19 Adaptation in Q3 2020



MAXIMIZING REVENUES

- Expansion of delivery services: in September KFC Romania launched a dedicated online ordering platform.
- Continued enhanced cooperation with local food aggregators:
 - Romania: FoodPanda, Glovo, Tazz (EuCeManac), TakeAway;
 - Italy: Glovo, Deliveroo, Just Eat, UberEats;
 - Moldova: Straus, iFood.
- Focused on marketing campaigns promoting delivery and take away, with the aim of addressing new consumption occasions.
- Stand out in the category with communication messages adapted to the new reality.
- Menu Engineering: optimizing menus to fit the market conditions.

DEVELOPMENT PLANS

- Despite the pandemic, the Group continued to implement the plan for opening new restaurants as well as identifying new locations for future developments.
- Since beginning of 2020 until today, 3 new KFC stores opened in Italy, 4 KFCs in Romania (+1 relocation in Targu Mures), and 1 Taco Bell. In Q3, the Group inaugurated 4 stores – 3 in Romania and 1 in Italy. So far in Q4 1 KFC restaurant was inaugurated in Romania, 1 KFC in Italy and 1 Taco Bell in Romania. Since 01.01.2020, 3 stores in Romania identified as non-viable were closed.
- The Group is currently in negotiations with YUM!, the Master Franchisor, to revise and update the restaurant development plan for KFC Romania and Pizza Hut in Romania.

LEASE AGREEMENTS

- In Q3 2020, the Group benefited from a discount of RON 4.3 million on fix rent.
- Total amount of discounts from fix rent granted in 9M 2020 equaled RON 8.7 million. There are no more ongoing negotiations related to the rent for the first 9M of 2020.
- In Q4 2020, new negotiations will be initiated by the Group on a case-by-case basis, depending on the restrictions applicable in specific areas (countries, regions, counties or cities).



STAFF & STATE AID RELATED TO STAFF COSTS

- As of 30.06.2020, estimated 22% of the restaurant employees in Romania were still in technical unemployment, which covered the expenses of 75% of the average national salary. As of 1.09, all the restaurant employees, on all three markets of activity, have returned from the technical unemployment.
- As of 30.06.2020 all HQ staff was back from technical unemployment. In Q3 2020, HQ staff continued to work under a reduced schedule.
- In Q3, 2020 Sphera Franchise Group benefitted from technical unemployment grants from the Romanian state as well as applied for the state aid accorded by the Romanian government that covered 41.5% of costs related to the salaries of employees who received technical unemployment indemnity, according to the provisions of the Emergency Ordinance no. 92/2020.
- The total amount of state aid granted to the entities from the Group in Q3 2020, across all 3 markets of activity, was RON 7.7 million., out of which:
 - RON 2.4 million technical unemployment indemnity received from the Romanian state;
 - RON 0.3 million received from Italian and Moldovan governments in Q3 2020 for employees who were in technical unemployment in H1 2020;
 - RON 4.9 million lei Romanian state aid that covered 41.5% of payroll costs of restaurant employees who previously were in technical unemployment.
- The applicability of further indemnities granted by the State for Q4 2020 on, is to be evaluated based on the legislation to be released.
- As of 30.09.2020, the Group had 4,934 employees, out of which 4,533 in Romania, 321 in Italy and 80 in the Republic of Moldova. Mid-September, the Group announced the intention to hire over 400 employees in order to ensure continuous operations of KFC Romania.



Financial



- All the financing facilities accessed in H1 2020 to ensure working capital were still applicable throughout Q3 2020.
- Group secured a new short-term working capital line of RON 9.6 million, which has not been activated to date,
- Group continued to engage in good faith negotiations with suppliers and with the Master Franchisor, YUM!.
- To enhance the liquidity, the Group decided to take advantage of the provisions of Emergency Ordinance 181/2020, which allows to benefit from payment rescheduling, for a maximum of 12 months, for the principal fiscal obligations whose maturity were fulfilled after the date the state of emergency was declared.



Brand Performance



	 KFC	 KFC	 KFC	 Pizza Hut	 Pizza Hut DELIVERY	 TACO BELL	
Restaurant count as of 30.09.2020	85	2	17	23	21	10	158
Operational restaurants							
- June '20	80	1	16	20	21	10	148
- September '20	84	2	17	23	21	10	157
- October '20	85	2	17	23	21	10	158

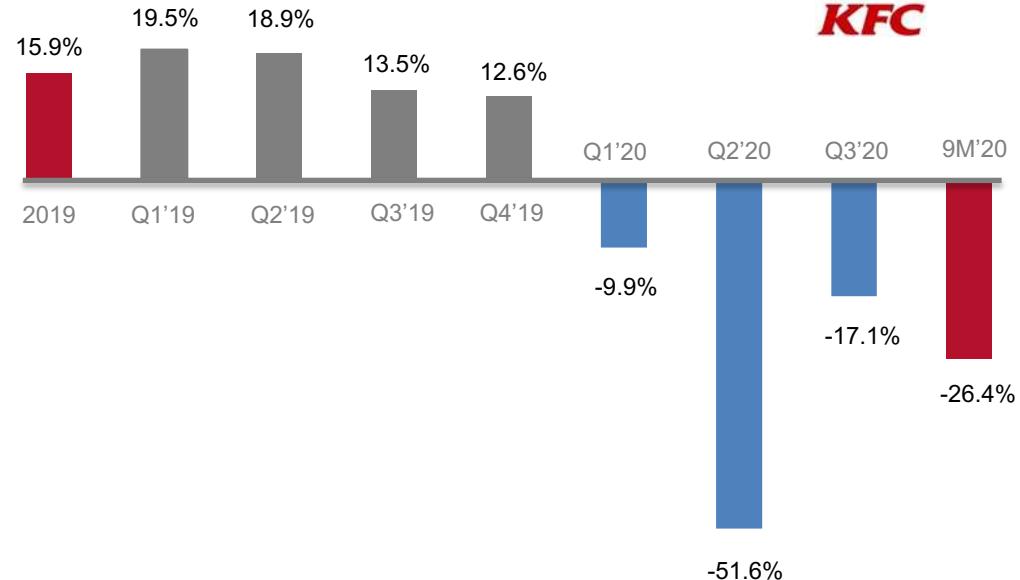
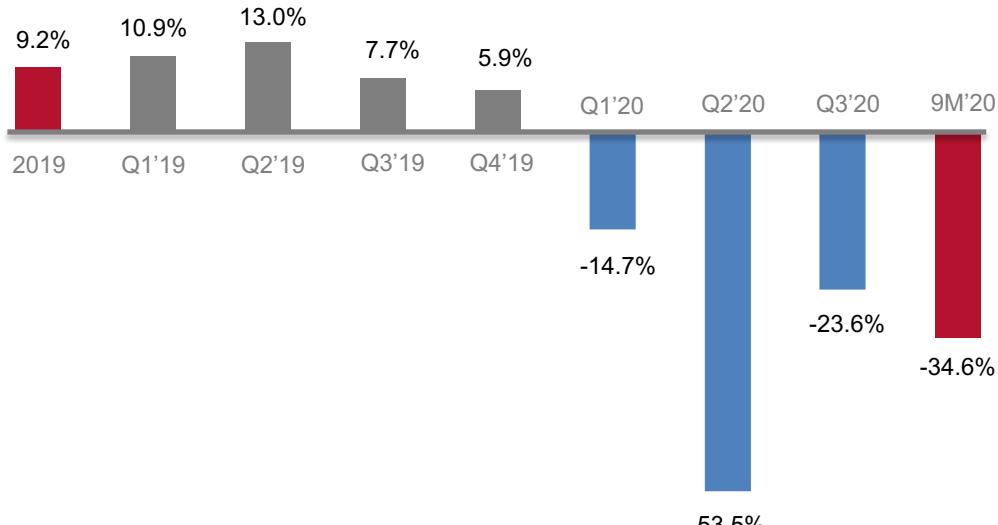
- In Q3 2020, Group inaugurated 4 KFC stores – 3 in Romania and 1 in Italy.
- So far in Q4 2020, 1 KFC restaurant was inaugurated mid-October in Romania, 1 KFC in Italy mid-November and 1 Taco Bell in Romania mid-November.
- Since the beginning of 2020 until today, 4 new KFC restaurants opened in Romania (+1 relocation), 3 new KFC stores opened in Italy and 1 Taco Bell in Romania.
- Since the beginning of 2020, 3 stores in Romania identified as non-viable were closed, one of them impaired as of December 31st, 2019.
- The Group had 158 stores as of 30.09.2020.



KFC

All-Store Performance KFC Romania

- All-store sales dipped 9.9% Y/Y in Q1 2020, followed by a steep decline of 51.6% Y/Y in Q2 2020, and partial recovery in Q3 2020 when it reached -17.1% Y/Y.
- Worst performance in month of April 2020 (-73.2% Y/Y), gradual recovery since then as All-store sales reached -13.2% Y/Y in September 2020 and -3.7% Y/Y in October 2020.
- New locations opened for KFC Romania and their solid performance in Q3 2020 helped recover part of the revenues lost.



Same-Store Performance KFC Romania

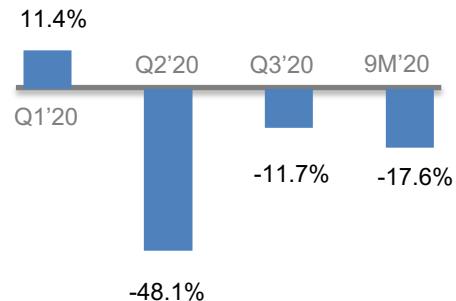
- Same-store sales registered steeper decline in 9M 2020 when compared to all-store, with performance per quarter dropping: -14.7% Y/Y in Q1 2020, -53.5% Y/Y in Q2 2020 and -23.6% Y/Y in Q3 2020.
- In line with all-store performance, April 2020 saw the steepest decline (-74.0% Y/Y), with performance increasing since.
- In October 2020, same-store sales registered -12.0% Y/Y, with all-store performance that month showcasing the positive impact of new locations opened.



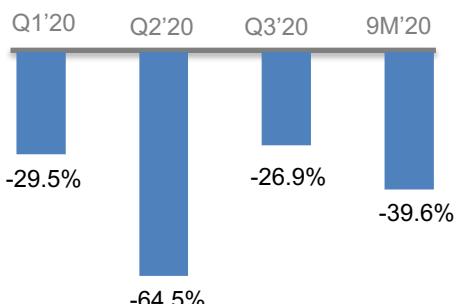
All-Store Performance KFC Italy

- KFC Italy grew All-Store performance in Q1 2020 thanks to the opening of new locations between Q2 and Q4 2019. Same-store performance dropped -17.6% at 9M 2020.
- In August 2020, due to partial reopening of the Italian economy, all-store performance was equal to the performance from August 2019.

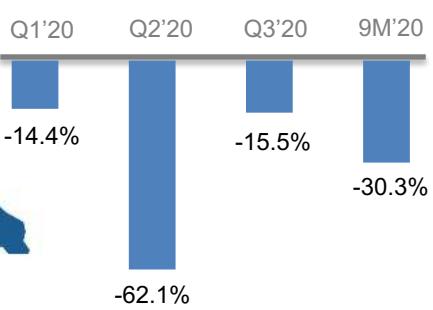
All-Store Performance



Same-Store Performance



All-Store Performance



All-Store Performance KFC Moldova

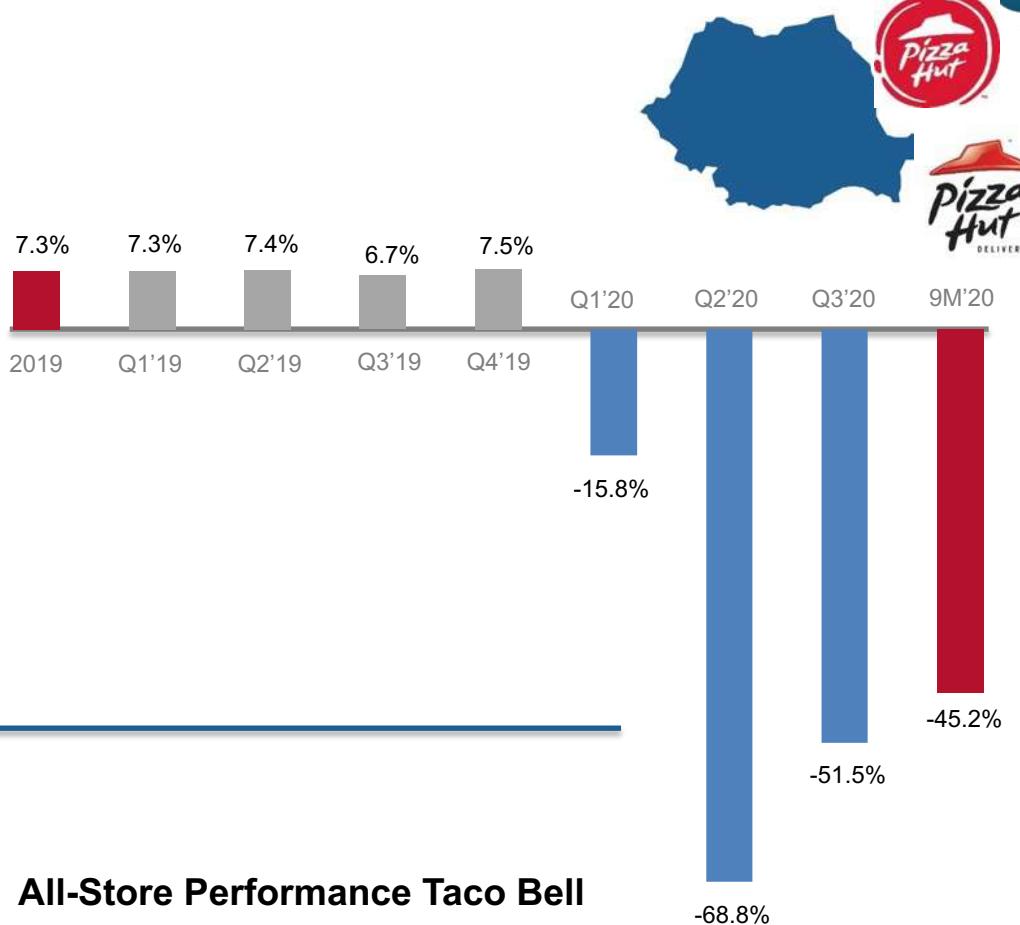
- All-store performance same with same-store performance.
- Gradual, month-by-month, recovery since the sales plunged -74,7% in April 2020.
- In October 2020, sales reached 0,3% of the October 2019 result.

Brand performance: Pizza Hut & Taco Bell

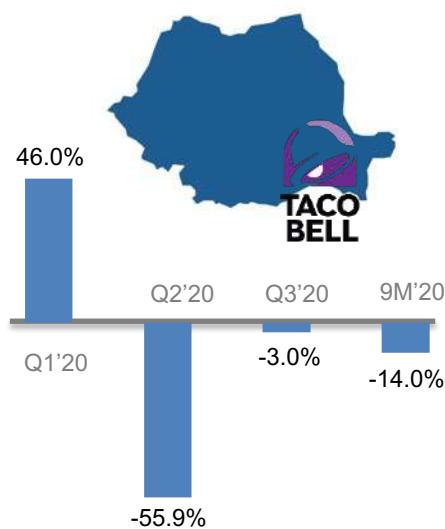


All-Store Performance Pizza Hut

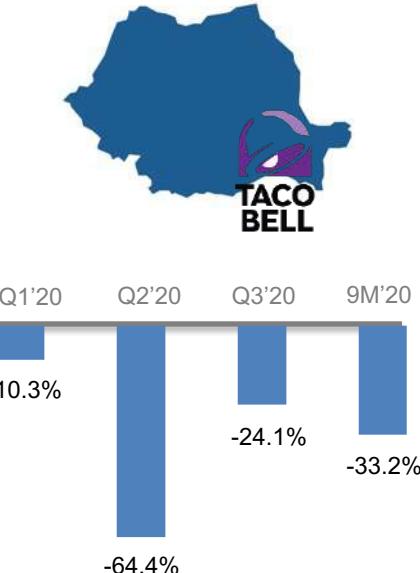
- All-store performance same with same-store performance
- All-store sales declined in Q1 2020 with -15.8%, followed by steep plunge of -68.8% caused by the temporary closing on dine-in restaurants.
- Partial recovery in Q3 2020 however slower than the other portfolio brands caused by the restrictions on indoor dining



All-Store Performance



Same-Store Performance



All-Store Performance Taco Bell

- Taco Bell grew All-Store performance in Q1 2020, driven primarily by the opening of new locations between Q2 and Q4 2019.
- In April 2020, Taco Bell registered 0 sales. As a result both all-store and same-store sales plunged in Q2 2020, but Q3 2020 brought a recovery with all-store sales dropping just 3% compared to same period of last year



Key Q3 & 9M 2020 Financials



Statement of Comprehensive Income at 9M (excluding IFRS 16 impact)

Data in RON'000	9M-20	9M-19	Y/Y % 9M-20/9M- 19	% of Sales		Δ%
				9M-20	9M-19	
Restaurant sales	502,445	694,317	-27.6%			
Restaurant expenses	467,620	606,107	-22.8%	93.1%	87.3%	5.8%
Food and material	164,520	235,421	-30.1%	32.7%	33.9%	-1.2%
Payroll and employee benefits	106,011	158,397	-33.1%	21.1%	22.8%	-1.7%
Rent	43,154	49,123	-12.2%	8.6%	7.1%	1.5%
Royalties	29,439	40,780	-27.8%	5.9%	5.9%	0.0%
Advertising	23,435	34,230	-31.5%	4.7%	4.9%	-0.2%
Other operating expenses, net	74,477	67,625	10.1%	14.8%	9.7%	5.1%
Depreciation and amortization	26,585	20,530	29.5%	5.3%	3.0%	2.3%
Restaurant operating profit	34,825	88,210	-60.5%	6.9%	12.7%	-5.8%
General & Admin expenses, net	35,235	42,644	-17.4%	7.0%	6.1%	0.9%
Operating Profit/(Loss)	(411)	45,566	-100.9%	-0.1%	6.6%	-6.7%
Finance costs	3,973	4,822	-17.6%	0.8%	0.7%	0.1%
Finance income	182	121	51%	0.0%	0.0%	0.0%
Profit/(Loss) before tax	(4,202)	40,864	-110.3%	-0.8%	5.9%	-6.7%
Income tax expense	511	2,650	-80.7%	0.1%	0.4%	-0.3%
Profit/(Loss) for the period	(4,712)	38,214	-112.3%	-0.9%	5.5%	-6.4%
EBITDA	27,310	67,223	-59.4%	5.4%	9.7%	-4.3%
Normalized EBITDA*	28,417	67,223	-57.6%	5.7%	9.7%	-4.0%

(*) For the 9M period ended September 30th, 2020, EBITDA was normalized to exclude the accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods.

- Restaurant sales down 27.6% in 9M 2020 compared to 9M 2019; expenses down by 22.8%.
- Restaurant operating profit of RON 34.8 million in 9M 2020, 60.5% lower compared to 9M 2019.
- 17.4% decrease in General & Administrative expenses, helped achieve normalized EBITDA of RON 28.4 million, lower by 57.6%.
- Normalized EBITDA margin by 4pp lower compared to 9M 2019.
- Operating loss of RON 411K, lower 100.9% Y/Y.
- Net loss for the period equalled RON 4.7 million, significantly lower than the H1 2020 result of a loss of RON 22.4 million.



Statement of Comprehensive Income for Q3 (excluding IFRS 16 impact)

Data in RON'000	Q3-20	Q3-19	Y/Y %	% of Sales		Δ%
				Q3-20	Q3-19	
Restaurant sales	197,865	248,749	-20.5%			
Restaurant expenses	169,717	209,969	-19.2%	85.8%	84.4%	1.4%
Food and material	63,726	80,722	-21.1%	32.2%	32.5%	-0.3%
Payroll and employee benefits	34,696	52,077	-33.4%	17.5%	20.9%	-3.4%
Rent	13,859	17,481	-20.7%	7.0%	7.0%	0.0%
Royalties	11,555	14,705	-21.4%	5.8%	5.9%	-0.1%
Advertising	9,006	13,843	-34.9%	4.6%	5.6%	-1.0%
Other operating expenses, net	28,063	23,741	18.2%	14.2%	9.5%	4.7%
Depreciation and amortization	8,813	7,400	19.1%	4.5%	3.0%	1.5%
Restaurant operating profit	28,148	38,781	-27.4%	14.2%	15.6%	-1.4%
General & Admin expenses, net	10,788	16,012	-32.6%	5.5%	6.4%	-0.9%
Operating Profit/(Loss)	17,360	22,768	-23.8%	8.8%	9.2%	-0.4%
Finance costs	1,071	1,355	-20.9%	0.5%	0.5%	-0.0%
Finance income	94	58	63.5%	0.0%	0.0%	0.0%
Profit/(Loss) before tax	16,383	21,471	-23.7%	8.3%	8.6%	-0.3%
Income tax expense	(1,264)	1,354	-193.4%	-0.6%	0.5%	-1.1%
Profit/(Loss) for the period	17,647	20,118	-12.3%	8.9%	8.1%	0.8%
EBITDA	26,538	30,512	-13.0%	13.4%	12.3%	1.1%
Normalized EBITDA*	26,908	30,512	-11.8%	13.6%	12.3%	1.3%

(*) EBITDA normalized to exclude the accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods.

- 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.
- Restaurant sales down 20.5% in Q3 2020 compared to Q3 2019, with restaurant operating profit lower by 27.4%.
- Restaurant expenses lower by 19.2% while G&A expenses decreased by 32.6%.
- Normalized EBITDA margin higher by 1.3pp in Q3 2020 compared to same period of last year.
- Net profit of RON 17.6 million in Q3 2020, just 12.3% lower than same period of last year.
- The performance in Q3 2020 alone helped recover RON 26.9 million in EBITDA and lower the net loss registered as of 30.06.2020 by RON 17.6 million.



Restaurant Expenses lower by 27.6% in 9M 2020 vs 9M 2019 (excluding IFRS 16)

Data in RON'000	9M-20	9M-19	Y/Y % 9M-20/9M- 19	% of Sales		Δ%
				9M-20	9M-19	
Restaurant sales	502,445	694,317	-27.6%			
Restaurant expenses	467,620	606,107	-22.8%	93.1%	87.3%	5.8%
Food and material	164,520	235,421	-30.1%	32.7%	33.9%	-1.2%
Payroll and employee benefits	106,011	158,397	-33.1%	21.1%	22.8%	-1.7%
Rent	43,154	49,123	-12.2%	8.6%	7.1%	1.5%
Royalties	29,439	40,780	-27.8%	5.9%	5.9%	0.0%
Advertising	23,435	34,230	-31.5%	4.7%	4.9%	-0.2%
Other operating expenses, net	74,477	67,625	10.1%	14.8%	9.7%	5.1%
Depreciation and amortization	26,585	20,530	29.5%	5.3%	3.0%	2.3%
Restaurant operating profit	34,825	88,210	-60.5%	6.9%	12.7%	-5.8%

- Restaurant expenses in 9M 2020 decreased by 22.8% due to: lower cost of food & material by RON 70.9 million (-30.1% compared to 9M 2019 – mainly volume related), payroll expenses by RON 52.4 million (-33.1%), royalties by RON 11.3 million (-27.8%), advertising by RON 10.8 million (-31.5%) and rent by RON 6.0 million (-12.2%).
- The decrease in the costs related to payroll and employee benefits was fueled mainly by state aid measures, reduced working hours and a lower number of employees in the period.
- Only other operating expenses and expenses related to depreciation and amortization, have increased.
- The increase in “other operating expenses” was driven by the higher share of aggregator commissions, with the weight in this category growing from 2.1% (out of RON million 67.6) as of 30.09.2019, to 21.7% (out of RON 74.5 million) as of 30.09.2020.
- The increase in depreciation and amortization costs was the result of opening 13 new restaurants between 1.10.2019 and 30.09.2020 (16 restaurants including latest 3 openings in Q4)



Restaurant Expenses lower by 20.5% in Q3 2020 vs Q3 2019 (excluding IFRS 16)

Data in RON'000	Q3-20	Q3-19	Y/Y % Q3-20/Q3- 19	% of Sales		Δ%
				Q3-20	Q3-19	
Restaurant sales	197,865	248,749	-20.5%			
Restaurant expenses	169,717	209,969	-19.2%	85.8%	84.4%	1.4%
Food and material	63,726	80,722	-21.1%	32.2%	32.5%	-0.3%
Payroll and employee benefits	34,696	52,077	-33.4%	17.5%	20.9%	-3.4%
Rent	13,859	17,481	-20.7%	7.0%	7.0%	0.0%
Royalties	11,555	14,705	-21.4%	5.8%	5.9%	-0.1%
Advertising	9,006	13,843	-34.9%	4.6%	5.6%	-1.0%
Other operating expenses, net	28,063	23,741	18.2%	14.2%	9.5%	4.7%
Depreciation and amortization	8,813	7,400	19.1%	4.5%	3.0%	1.5%
Restaurant operating profit	28,148	38,781	-27.4%	14.2%	15.6%	-1.4%

- 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.
- Throughout Q3 2020, the Group benefitted from state aid from the Romanian government, which helped lower the payroll expenses by 33.4%, as well as successfully renegotiated with its lessors, which ended in 20.7% decrease in rent expenses.
- The advertising costs were lowered 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.
- Like the evolution at 9M 2020, only other expenses related to depreciation and amortization as well as other operating expenses have increased, with the latter being driven by the higher fees due to food aggregators.
- 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.



KFC Romania and Moldova ended Q3 2020 with a net profit (excluding IFRS 16 impact)

9M-20								
Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons.Adj.	SFG Cons
Restaurant sales	366,624	52,423	5,725	56,873	20,633	17,494	(17,327)	502,445
Restaurant expenses	316,823	57,847	5,085	68,332	20,579	484	(1,529)	467,620
Food and material	123,284	14,691	2,264	16,923	7,365	0	(7)	164,520
Payroll and employee benefits	67,891	15,076	1,076	17,886	4,082	0	0	106,011
Rent	29,230	5,200	244	6,815	1,665	0	0	43,154
Royalties	21,873	3,010	344	3,391	821	0	0	29,439
Advertising	15,817	3,763	204	3,521	1,142	484	(1,496)	23,435
Other operating expenses	44,313	12,203	702	13,511	3,775	0	(26)	74,477
Depreciation	14,416	3,904	251	6,285	1,729	0	0	26,585
Restaurant operating profit/(loss)	49,801	(5,424)	640	(11,459)	54	17,010	(15,797)	34,825
G&A expenses	17,906	4,984	198	6,022	1,670	20,180	(15,724)	35,235
Operating profit/(loss)	31,895	(10,408)	442	(17,481)	(1,616)	(3,170)	(73)	(411)
Finance costs	2,553	851	81	2,132	1,181	1,143	(3,968)	3,973
Finance income	2,653	17	0	1	0	1,479	(3,968)	182
Profit/(Loss) before tax	31,995	(11,242)	361	(19,613)	(2,796)	(2,833)	(73)	(4,202)
Income tax expense	1,672	559	24	(2,141)	108	288	0	511
Profit/(Loss) for the period	30,323	(11,801)	337	(17,472)	(2,904)	(3,121)	(73)	(4,712)
EBITDA	46,712	(6,370)	722	(11,178)	164	(2,667)	(73)	27,310
Normalized EBITDA*	46,712	(5,209)	722	(11,178)	164	(2,667)	(73)	28,417

- USFN Romania (KFC Romania), USFN Moldova (KFC Moldova) and CFF (Taco Bell) ended 9M 2020 with a positive normalized EBITDA.
- USFN Romania and USFN Moldova closed 9M 2020 profitable, registering together RON 30.7 million in net profit.
- Significant improvement on EBITDA margin in Q3 2020 compared to Q2 2020 and even Q3 2019:
 - KFC Romania EBITDA margin: 19.2%, improved from 9.9% for Q2 2020 / 15.9% in Q3 2019
 - KFC Moldova EBITDA margin: 21.2%, improved from -4.1% for Q2 2020 / 15.8% in Q3 2019
 - Taco Bell Romania EBITDA margin: 11.3%, improved from -6.7% for Q2 2020 / 9.7% in Q3 2019
 - KFC Italy EBITDA margin: -5.8%, improved from -54.4% in Q2 2020 / 5.3% in Q3 2019
 - Pizza Hut normalized EBITDA margin: -2.4%, improved from -22.7% in Q2 2020 / 4.6% in Q3 2019



G&A Expenses lower by 17.4% (excluding IFRS 16) in 9M 2020 vs. 9M 2019

	Data in RON '000				Change (%)		Percentage of sales			
	9M-20	9M-20	9M-19	9M-19			9M-20	9M-20	9M-19	9M-19
	(1)	(2)	(1)	(2)	2020/2019 (1)	2020/2019 (2)	(1)	(2)	(1)	(2)
General and administration (G&A) expenses, net	35,025	35,235	42,286	42,644	-17.2%	-17.4%	7.0%	7.0%	6.1%	6.1%
Payroll and employee benefits	21,972	21,972	25,731	25,727	-14.6%	-14.6%				
Third-party services	4,702	4,702	6,871	7,043	-31.6%	-33.2%				
Depreciation and amortization	3,391	1,136	3,199	1,128	6.0%	0.7%				
Rent	86	2,551	301	2,693	-71.4%	-5.3%				
Banking charges	2,090	2,090	2,382	2,276	-12.3%	-8.2%				
Transport	760	760	1,891	1,891	-59.8%	-59.8%				
Other*	2,025	2,025	1,910	1,886	6.0%	7.4%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.

- In 9M 2020, G&A expenses of the Group decreased by 17.4% compared to 9M 2019.
- Significant cost-saving measures taken in Q3 2020 alone as the Group lowered G&A costs by 32.6% compared to Q3 2019.
- Biggest cost-savings in 9M 2020 were on:
 - payroll and employee benefits (-14.6%, decrease of RON 3.8 million compared to 9M 2019);
 - third-party services (-33.2%, decrease of RON 2.3 million compared to 9M 2019);
 - transport (-59.8%, decrease of RON 1.1 million compared to 9M 2019).



As a result of IFRS 16 adoption, normalized EBITDA increased to RON 29.3m in H1 2020

Data in RON'000	9M-20	9M-20	Impact of IFRS16 adoption
	Including the impact of IFRS16	Excluding the impact of IFRS16	
Restaurant sales	502,445	502,445	0
Restaurant expenses	464,129	467,620	-3,491
Food and material	164,520	164,520	0
Payroll and employee benefits	106,011	106,011	0
Rent	3,085	43,154	-40,069
Royalties	29,439	29,439	0
Advertising	23,435	23,435	0
Other operating expenses, net	74,230	74,477	-247
Depreciation and amortization	63,410	26,585	36,825
Restaurant operating Profit / (Loss)	38,316	34,825	3,491
General & Admin expenses, net	35,025	35,235	-210
Operating Profit/(Loss)	3,292	(411)	3,703
Finance costs	13,953	3,973	9,980
Finance income	182	182	0
Profit/(Loss) before tax	(10,479)	(4,202)	-6,277
Income tax expense	218	511	-293
Profit/(Loss) for the period	(10,697)	(4,712)	-5,985
EBITDA	70,092	27,310	42,782
Normalized EBITDA*	71,253	28,417	42,836

- Starting 1 January 2019, Sphera applies IFRS 16 that sets out the principles for the recognition, measurement, presentation and disclosure of leases.
- At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset;
- At 9M 2020, as a result of adoption of IFRS 16, Sphera recognized additional depreciation expense of RON 36.8m and finance cost of RON 10.0m. At the same time, the rent expenses were reduced by RON 40.1m.
- As a result, normalized EBITDA increased to RON 71.3m while the net loss reached RON 10.7m.



Forecasted 2020 R&E Budget

Forecasted 2020 Performance



Indicator	Forecasted 2020 Budget		Initial 2020 Budget		2019 Results		Forecasted 2020 Budget vs. 2019 Results	Initial 2020 Budget vs. 2019 Results
	RON million	% Sales	RON million	% Sales	RON million	% Sales	%	%
Restaurant Sales	669.7	100.0%	537.0	100.0%	954.7	100.0%	-29.9%	-43.8%
Food and Material	221.6	33.1%	183.2	34.1%	319.1	33.4%	-30.5%	-42.6%
Restaurant Gross Margin	448.0	66.9%	353.8	65.9%	635.7	66.6%	-29.5%	-44.3%
Restaurant Operational Expenses	375.4	56.1%	319.5	59.5%	482.7	50.6%	-22.2%	-33.8%
Restaurant Operating Profit	72.7	10.9%	34.3	6.4%	152.9	16.0%	-52.5%	-77.6%
G&A Expenses	46.2	6.9%	45.6	8.5%	56.9	6.0%	-18.9%	-20.0%
EBITDA (normalized, excluding IFRS 16 impact)	26.5	4.0%	(11.3)	-2.1%	96.0	10.1%	-72.4%	-111.7%

- On 22.10.2020 the Group informed the market about the update to the forecasted budget for 2020. The new reflects the positive evolution of the Company since the lifting of the state of emergency in Romania, the primary market of the activity of Sphera Franchise Group, as well as in Italy.
- The quick reaction and adaptation of the business model to new realities, including the focus on delivery services, has helped the Group maximize its performance. As a result, the management expects all the key indicators to improve when compared with the budget presented and approved by the shareholders in the OGSM in May.
- As of 30.09.2020, the Group has realized 75% of forecasted restaurant sales, generated 47.9% of the operating profit and 107% of the normalized EBITDA (excluding the IFRS 16 impact).



Q&A



Thank you for your attention!