

To:

**BURSA DE VALORI BUCUREŞTI S.A.
AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ**

CURRENT REPORT 05/2021

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	26.02.2021
Name of the Company	Sphera Franchise Group SA
Registered Office	Bucharest, Romania
Address	Calea Dorobanților nr. 239, 2nd 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: Availability of 2020 Preliminary Results

2020 was a challenging year for the HoReCa sector across the world, yet the results from Q4 2020 show signs of continued recovery. Despite the ongoing challenges brought by the COVID-19 pandemic and restrictions on indoor dining, Sphera Franchised Group recorded RON 208.4 million turnover in Q4 2020, seeing a 5.3% increase QOQ. The Group managed to improve the sales even in the context of more prevalent restrictions on indoor dining as well as colder months that made outdoor dining challenging for the customers. The strong performance in Q4 2020 helped offset the negative effect of weak first half of the year. Consequently, the Group closed 2020 with consolidated sales for a full year of RON 710.8 million, a decrease of 25.6% compared to the performance in 2019. The result is well-above the revised estimate, as communicated in the current report published on October 22nd, 2020 and is determined by right business decisions that helped maximize the sales of the Group in the second half of the year. Other income of RON 0.7 million represents the state aid received by the Italian subsidiary for the turnover reduction due to the COVID-19 business disruption.

The restaurant expenses decreased 20.3% year-on-year, with most significant declines registered on food and material (-27.2%, representing RON 86.7 million), payroll and employee benefits (-30.4%, representing RON 65.6 million), advertising (-33.1%, representing RON 16.3 million), royalties (-26.3%, representing RON 14.8 million) and rent (-13.7%, representing RON 9.3 million). On the other hand, other operating expenses grew 17.3% in 2020, reaching RON 110 million, driven by the higher share of aggregator commissions as these grew 1,136% in 2020, reaching a total of RON 26.7 million. The increase in depreciation and amortization costs by 28.8% was the result of opening 9 new restaurants in 2020.

The Group ended 2020 with restaurant operating profit of RON 49.3 million, 60.4% lower than the year before. G&A expenses amounted to RON 50.9 million in 2020, an increase of 0.8% compared to 2019. However, for like for like comparison, excluding the normalized items for both FY 2019 and FY 2020, the G&A expenses are lower by 20.5% (RON 12 million). The Group ended 2020 with a normalized EBITDA of RON 44.1 million, operating loss of RON 1.6 million and a loss for the period of RON 2.3 million.

In Q4 2020, the revenues picked up QOQ. As almost all the restaurants across all 3 markets of activity were operational throughout the quarter, the restaurants expenses increased by RON 24.8 million (+14.7%) QOQ. This was primarily caused by a surge in payroll expenses, which increased by 27.1% (RON 9.4 million) QOQ, reaching 21.2% of the total sales (vs 17.5% in Q3 2020) as a result of decrease in the state aid accessed. In Q4 2020, the Group received state aid in the total amount of RON 1.6 million, lower 79.4% QOQ, The Group also succeeded to receive rent discounts in amount of RON 2.9 million, 32.7% lower QOQ.

Other operating expenses increased 26.6% QOQ as a result of 43.3% surge in aggregator fees, which reached RON 10.5 million in Q4 2020. Aggregator fees contributed to 29.5% of other operating fees in Q4 2020. The rest of the expenses in the period grew relatively proportional to the increase in turnover and were comparable to result from the preceding quarter. Similar to evolution in preceding quarter, in Q4 2020 expenses related to depreciation and amortization grew as a result of continued development of the restaurant plan.

The Group ended Q4 with a restaurant operating profit of RON 14.5 million and a net profit of RON 2.4 million – a good result considering that almost all restaurants were operational while the Group registered decrease in state aid and had limited opportunities to renegotiate rent costs.

At the level individual results, in 2020, USFN Romania (KFC Romania), managed to reach normalized EBITDA margin of 12.5% (vs 13.7% margin in 2019), USFN Moldova (KFC Moldova) had 13.8% EBITDA margin (vs 17.2% in 2019), while CFF (Taco Bell) had 0.75% EBITDA margin (vs 1.6% margin in 2019). USFN Romania and USFN Moldova closed full year 2020 profitable, registering together RON 67.3 million in normalized EBITDA. ARS and USFN Italy ended the year with a negative EBITDA.

Throughout the second half of the year, the Group registered a gradual, month by month, increase in sales on all three markets of activity. The performance in Q4 2020 improved QOQ in Romania as well as in the Republic of Moldova but registered a decline in Italy where the sales shrank by RON 6.6 million compared to previous quarter, and RON 21.9 million y-o-y. Y-o-y, sales in Romania decreased by 26%, from RON 845 million in 2019 to RON 625.5 million in 2020, in Italy by 22.3%, to RON 76.5 million and by 23.4% in the Republic of Moldova, reaching RON 8.7 million.

Sales through own delivery channels and delivery through food aggregating platforms increased QOQ across all brands in Q4 2020 as 31% of all orders on the 3 markets of activity were made for delivery. The increase in orders for delivery was dictated by colder weather and the lack of indoor dining option in majority of restaurants because of COVID-19 restrictions and the expansion of the delivery options.

In 2020, the net number of stores increased by 3, reaching 158 restaurants on December 31st, 2020. Out of 158 stores, 138 were based in Romania, 18 in Italy and 2 in Republic of Moldova. In the course of 2020, the Group inaugurated 5 new KFC restaurants in Romania (+1 relocation of a store based in Targu Mures), 3 new KFC stores in Italy and 1 new Taco Bell in Romania. At the same time, 6 stores in Romania identified as non-viable were closed.

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

Investor Call

The conference call for presenting the preliminary unaudited financial results as of December 31st, 2020 will take place on February 26th, 2021, 16:00 local time (EET) / 15:00 CET / 14:00 UK / 09:00AM US (EST). Attached to this report is the presentation for the Conference Call.

Report Availability

The unaudited Preliminary Condensed Consolidated Financial Statements for the period ended December 30th, 2020, 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

