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

## CURRENT REPORT 29/2021

**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	<b>31.08.2021</b>
Name of the Company	<b>Sphera Franchise Group SA</b>
Registered Office	<b>Bucharest, Romania</b>
Address	<b>Calea Dorobanților nr. 239, 2<sup>nd</sup> floor, Bucharest sector 1</b>
Phone / Fax	<b>+40 21 201 17 57 / +40 21 201 17 59</b>
Email	<b>investor.relations@spheragroup.com</b>
Registration nr. with Trade Registry	<b>J40/7126/2017</b>
Fiscal Code	<b>RO 37586457</b>
Subscribed and paid share capital	<b>581,990,100 RON</b>
Total number of shares	<b>38,799,340</b>
Symbol	<b>SFG</b>
Market where securities are traded	<b>Bucharest Stock Exchange, Main Segment, Premium Category</b>

### **Important events to be reported:** H1 2021 Report Availability

After a long period of instability caused by the novel coronavirus pandemic, Sphera Franchise Group closed Q2 2021 with record-high results and the best second quarter in the company's history, registering RON 233.1 million in consolidated sales on all three markets of activity, a surge of 119% compared to the same period of last year. Despite ongoing lockdowns and limitations on the indoor dining, KFC stores present in Romania, Italy and Republic of Moldova as well as Taco Bell in Romania thrived between April and June 2021, registering the best sales for that period of the year. Combined with a strong first quarter of the year, Sphera Franchise Group closed H1 2021 with consolidated sales of RON 444.5 million, a 46% increase compared with H1 2020, normalized EBITDA of RON 30.7 million (+1,867%) and a net profit of RON 5.2 million (+123%).

In the first six months of 2021, restaurant expenses grew at a slower pace than the topline, reaching RON 408.7 million, a 37% increase compared to H1 2020. Food and material costs grew by 42%, reaching RON 143.5 million; the increase that was primarily volume driven. Moreover, the Group registered a 43% increase in payroll and employee benefits, mainly due to the uptake in store activity in Q2 2021 as compared to Q2 2020 and limited state aid measures. Rent costs registered a tempered increase of 16%, reaching RON 34 million as the Group continued renegotiations in Italy, Republic of Moldova as well as for Pizza Hut locations in Romania. Royalties, directly related to the topline, grew 48% reaching RON 26.5 million while advertising increased by 39%, up to RON 20.1 million. Depreciation and amortization, reaching RON 18 million was in line with H1 2020. Other operating expenses increased by 39%, reaching RON 64.4 million, driven by a 63% increase in third-party expenses (mainly due to increase in aggregators volume, resulting in a 148% cost increase YOY, representing 58% of third-party expenses in H1 2021, a 20pp increase compared to a share of 38% registered in H1 2020), 50% increase in maintenance and repairs and 14% increase in utilities costs.

In the first six months of 2021, the restaurants of the Group registered operating profit of RON 35.8 million, a 437% increase compared to the same period of last year. The G&A expenses grew by 4% in H1 2021, mainly due to cost optimization measures that focused on decreasing costs related to third-

party services, transportation, and other expenses. These declines offset a 4% increase in payroll and employee benefits (driven primarily by increased activity volume), a 105% increase in depreciation and amortization as well as a 50% increase in banking changes. Overall, the share of G&A expenses in the consolidated sales decreased in the analyzed period, reaching 6%, down from 8% registered in H1 2020.

Consequently, the Group recorded a 159% increase in operating profit, reaching RON 10.4 million. EBITDA grew a staggering 3,785% to RON 30 million, with EBITDA margin increasing with more than 6pp, reaching 7%. Normalized EBITDA reached RON 30.7 million, with normalized EBITDA margin of 7%. Finance costs increased by 22% (mainly due to postponement of principal repayment for bank loans), therefore the Group posted gross profit of RON 6.9 million (+134% YOY). The Group closed H1 2021 with a net profit of RON 5.2 million, a 123% increase compared to H1 2020.

In terms of individual performance, USFN Romania (KFC Romania) and USFN Moldova (KFC Moldova) closed H1 2021 profitable, registering EBITDA of RON 38.4 million and RON 0.8 million, respectively, and net profit of RON 26.8 million and RON 0.5 million, respectively. CFF (Taco Bell Romania) closed H1 2021 with restaurant operating profit of RON 0.4 million, but the G&A expenses, finance costs and tax expenses dragged the bottom line to a net loss of RON 1.8 million. USFN Italy (KFC Italy) and ARS (Pizza Hut Romania) ended the first six months with a net loss of RON 13.5 million and RON 5.9 million, respectively. KFC Italy's performance continued to be impacted by the evolution of COVID-19 in the country and the prevailing restrictions that limited the reopening of the stores and thus negatively impacted the topline. Pizza Hut on the other hand continued to improve its bottom-line performance, registering another period of QOQ increases. The continuous improvement in ARS performance was driven as well by the decision of the Group to close the non-performing Pizza Hut locations in 2020.

All the brands except Pizza Hut registered the highest all store sales ever recorded in the second quarter of the year (including pre-pandemic levels). In Q2 2021, the like-for-like sales across all Sphera brands skyrocketed, registering increases starting with 85% increase for USFN Italy, 99% increase for USFN Romania, 108% increase for ARS, 179% increase for USFN Moldova and 188% for CFF. Overall, the same stores performance across Sphera brands improved by 103% while all store performance for all the brands grew by 119%. Compared to same period of last year when Sphera operated 153 restaurants, at the end of H1 2021, the number of restaurants grew with 8 net new stores, reaching 161 locations on all three markets of activity.

Q2 2021 was the best quarter for the Group on the Romanian market since the onset of the pandemic in terms of restaurant sales, as the revenues increased 119% YOY and 9% QOQ. Sales in Italy grew 114% YOY, registering a significant uptake compared to the previous two quarters as the restrictions started being lifted close to the end of Q2 2021. Republic of Moldova managed to increase sales 180% in Q2 2021 compared to same quarter of last year, the second highest turnover generated since the onset of the pandemic.

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

#### **Investor Call**

The conference call for presenting the financial results as of June 30<sup>th</sup>, 2021 will take place on August 31<sup>st</sup>, 2021 at 15:00 local time / 14:00 CET / 13:00 UK / 08:00AM US (EST). Attached to this report is the presentation for the Conference Call.

#### **Report Availability**

The Group's interim condensed consolidated financial statements and the interim condensed separate financial statements for the six-month period ended June 30<sup>th</sup>, 2021 (unaudited), accompanied by the Director's Report, are available on the company's website, [www.spheragroup.com](http://www.spheragroup.com), in the Investor Relations section, on the website of the Bucharest Stock Exchange, [www.bvb.ro](http://www.bvb.ro), as well as are attached to this Report.

**CHIEF EXECUTIVE OFFICER**

Calin Ionescu

**CHIEF FINANCIAL OFFICER**

Valentin Budes

