

To:

BURSA DE VALORI BUCUREȘTI S.A.
AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ

CURRENT REPORT 39/2022

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	30.08.2022
Name of the Company	Sphera Franchise Group SA
Registered Office	Bucharest, Romania
Address	Calea Dorobanților nr. 239, 2 nd 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	581,990,100 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: 2022 consolidated results guidance

Following the meeting of the Board of Directors of Sphera Franchise Group SA ("the Company") on August 29th, 2022, the management of the Company would like to inform the shareholders about the updated guidance of the 2022 consolidated results.

The 2022 Consolidated Revenue and Expenditure Budget was approved in the Ordinary General Meeting of the Shareholders on April 28th, 2022. The budget considered the effects of the COVID-19 pandemic, that RON will continue to depreciate slightly against EUR, an overall inflation of 10% in 2022 and the minimum wage increase starting with January 2022. When preparing the 2022 Budget, the management considered the analysts' consensus on inflation and used it to assess the estimated impact on the restaurant expenses. The budget included 3 price increases throughout the year in order to cover the increase in these costs.

Nonetheless, the evolution of the inflation in all three markets of activity and the spike in the food and material costs have already significantly exceeded all the estimates used in preparing the 2022 budget. This is due to the increase in all material costs categories with the greatest impact seen in: chicken, shortening, vegetables, mozzarella, beef, cheese, and flour prices as well as in energy, affecting various operating restaurant cost lines.

Consequently, to provide the market with a more up-to-date view of the estimated evolution of the business, the management of Sphera Franchise Group decided to inform the market about the new estimate for the consolidated 2022 results:

Indicator	2022 Updated Guidance		2022 Approved Budget		2022 Updated Guidance vs 2022 Approved Budget		2021 Actual		2022 Updated Guidance vs 2021 Actual		2022 Approved Budget vs 2021 Actual	
	RON millions	% Sales	RON millions	% Sales	%		RON millions	% Sales	%		%	
	← [Range] →	[Range Average]			← [Range] →				← [Range] →			
Restaurant Sales	1250.0	1350.0	100.0%	1330.7	100.0%	-6.1%	1.4%	1000.3	100.0%	25.0%	35.0%	33.0%
Other income	1.2	1.2	0.0%	-			2.6					
Food and Material	442.7	478.2	35.4%	440.4	33.1%	0.5%	8.6%	327.6	32.8%	35.1%	45.9%	34.4%
Restaurant Gross Margin	808.4	873.0	64.6%	890.4	66.9%	-9.2%	-2.0%	675.3	67.5%	19.7%	29.3%	31.9%
Restaurant Operational Expenses	686.2	740.8	54.9%	738.4	55.5%	-7.1%	0.3%	554.6	55.4%	23.7%	33.6%	33.2%
Restaurant Operating Profit	122.2	132.2	9.8%	152.0	11.4%	-19.6%	-13.0%	120.7	12.1%	1.2%	9.5%	25.9%
G&A Expenses	52.2	52.2	4.0%	55.9	4.2%	-6.6%	-6.6%	47.2	4.7%	10.5%	10.5%	18.3%
EBITDA (normalized, excluding IFRS 16 impact)	70.0	80.0	5.8%	96.1	7.2%	-27.1%	-16.7%	73.5	7.3%	-4.7%	8.9%	30.7%

The management considers that overall sales will register versus Approved Budget a variance between -6.1% and 1.4%, taking into consideration the positive effects of the continued investments in growing the Company's restaurant network.

The main adjustment is in the food and material costs, the weight of these costs in sales estimated to increase with 2.3pp compared to the Approved Budget due to the reasons enumerated above. This increase will result in a restaurant gross margin between RON 808-873 million. To mitigate the negative effect of the increase in the food and material costs, the management will focus on tighter cost-control and will consequently target lowering restaurant operating expenses share in net sales with 0.6pp compared to the Approved Budget and lowering G&A expenses by 6.6%. As a result, the consolidated EBITDA for 2022 is estimated to be between RON 70-80 million, lower by 16.7-27.1% compared to the 2022 Approved Budget.

The Company will continue to maintain a robust financial profile and liquidity control. As of June 30th, 2022, the consolidated cash and cash equivalents of the Group totalled RON 79.3 million.

CHIEF EXECUTIVE OFFICER

Calin Ionescu

CHIEF FINANCIAL OFFICER

Valentin Budes