

To:

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

CURRENT REPORT 46/2022

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	14.11.2022
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	581,990,100 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: Availability of Q3 2022 Results

Q3 2022 continued the positive trend of quarter-on-quarter increases, with Sphera Franchise Group closing the period with record-high results, registering RON 347.6 million in consolidated all store sales, a 22% increase compared to Q3 2021. Same stores sales increased by 15.6% during Q3 2022 derived from the calibration of higher transactions and pricing. Sales generated in Q3 2022 in Romania contributed with RON 297.3 million, Italy with RON 45.5 million while Republic of Moldova reached historic heights with turnover of RON 4.8 million. In terms of split per brand, in Q3 2022, KFC brought revenues in the total amount of RON 299 million, Pizza Hut – RON 30.7 million and Taco Bell RON 17.9 million.

Restaurant expenses grew marginally faster than the sales in Q3 2022, reaching RON 308.3 million, a 24% increase compared to Q3 2021. The increase was primarily driven by the costs of food and material, which increased 27%, up to RON 117.5 million, driven by the general inflationary environment and further accelerated by the growing energy costs. Nonetheless, from a cost of food and material perspective the increase has tempered compared to the first half of the year.

In terms of the bottom line, Sphera registered a positive evolution in Q3 2022 by increasing 6% compared to Q3 2021 due to the increased customer presence in stores (this leading to the increase in transactions overall), contribution of the stores opened in the preceding 12 months, price adjustments paired with the highest rate of delivery sales through own channels, since the onset of the pandemic. In Q3 2022, 85% of the sales were generated either instore or through the Group's own delivery channels.

The excellent topline performance and positive bottom line in Q3 2022 helped recover the losses that the Group registered in Q1 2022. Consequently, for the first nine months of 2022, the Group recorded RON 953.6 million in consolidated revenue, a 31% increase compared to 9M 2021, normalized EBITDA of RON 58.3 million, a slight decrease of 4% decrease compared to normalized EBITDA for 9M 2021,

and a net profit of RON 15.6 million, a 44% decrease. Sales generated in Romania contributed to 86% of this result, amounting to RON 823.5 million, followed by Italy bringing in the contribution of 12% amid sales of RON 117.8 million while the Republic of Moldova generated 1% of total sales, in the amount of RON 12.3 million.

The restaurant expenses in the first nine months of 2022 amounted to RON 889.9 million, a 35% YoY increase, the gap in the pace of growth of the sales versus expenses narrowing compared to the situation as of H1 2022. The most significant increase was recorded for the food and material costs, which amounted to RON 334.7 million in 9M 2022, a 42% increase compared to 9M 2021, an improvement compared to the previous increase of 52% registered in H1 2022 vs H1 2021.

The solid performance in Q3 2022 contributed to the YTD RON 64.9 million restaurant operating profit, an 8% decline compared to 9M 2021, a significant improvement compared to previous 2022 reporting periods. The weight of G&A in sales decreased 1pp in 9M 2022 vs. 9M 2021, reaching RON 39.8 million, a moderate 3.5% increase. This led to an operating profit for the 9M 2022 of RON 25.1 million, a 22% decline compared to 9M 2021.

The finance costs increased 88%, reaching RON 10.5 million due to negative FX evolution and the growing costs of financing since the beginning of 2022. With the negative financial result, the profit before tax for 9M 2022 was RON 15 million, versus RON 26.9 million registered for 9M 2021, resulting in a bottom line of RON 15.6 million generated by the Group in the first nine months of 2022, versus RON 28.1 million in 9M 2021.

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

Investor Call

The conference call for presenting the financial results as of September 30th, 2022, will take place on November 14th, at 14:00 local time / 13:00 CET / 12:00 PM UK. Attached to this report is the presentation for the Conference Call.

Report Availability

The Group's interim condensed consolidated financial statements for the nine-month period ended September 30th, 2022 (unaudited), 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