

To:

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

CURRENT REPORT 25/2023

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	15.05.2023
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: Q1 2023 Results

Q1 is usually a slow period for the food service industry due to the post-holiday season slowdown. Despite the usual business cyclicality and the more challenging economic context of high inflation, Sphera Franchise Group started 2023 strong, with the consolidated sales in Q1 2023 reaching RON 335.1, a 20.3% increase vs Q1 2022 when the Group saw revenues of RON 278.6 million. Sales in Romania contributed to the total revenues with RON 289.2 million, registering a 19.7% increase in Q1 2023 vs Q1 2022, Italy with RON 40.9 million, a 22.1% increase, while the Republic of Moldova contributed with RON 4.9 million, a 42.7% increase. The contribution to the total performance remained comparable to the same period of 2022, with Romania contributing 86.3% to total sales, Italy – 12.2% and the Republic of Moldova - 1.5%

Analyzing performance per brand, sales of KFC appreciated 20.3% in Q1 2023 vs Q1 2022, delivering RON 284.1 million in revenues, Pizza Hut increased 10%, contributing RON 31.2 million, while Taco Bell grew 40.6%, registering revenues of RON 19.8 million in the first three months of 2023. Similar to the geographical split, the contribution to the total turnover by individual brands remained comparable in Q1 2023 to Q1 2022, with KFC bringing 84.8% of sales, Pizza Hut – 9.3% and Taco Bell – 5.9%.

After a challenging 2022, restaurant expenses weight in sales decreased with 6pp reaching 91.8% in Q1 2023 vs 97.6% in Q1 2022. In Q1 2023, the increase of 13.1% YoY in the restaurant expenses was lower than the increase in restaurant sales of 20.3%. The food and material costs rose 15.6% YoY to RON 113 million, lower than the inflation for food products at national level.

Company's efforts to motivate and secure its employee base are reflected in the 16.5% increase in Payroll and employee benefits in Q1 2023 vs Q1 2022, reaching RON 77.9 million, mirroring the labor market evolution. Complementary, the number of employees increased from 5,184 (as of March 31st, 2022) to 5,467 (March 31st, 2023) sustaining the continuing network evolution. The rent increased 14.5% YoY in Q1 2023 to RON 24.6 million due to a larger restaurant footprint, reflecting the rent

contract variable structure in line with the sales increase; however, the weight in sales decreased with 0.4 pp in Q1 2023 vs Q1 2022. Royalties increased in line with the sales, reaching RON 20 million, a 19.2% increase, while advertising increased by 15.1% to RON 15.9 million, again aligned with the topline growth. Other operating expenses amounted to RON 46.1 million, almost in line with the similar period of last year due to the stabilization of the third-party and utility costs, which are the biggest contributor to this category. This position also includes aggregator commissions, which decreased by 12.5% in Q1 2023 due to a lower share of sales for delivery compared to Q1 2022 (RON 11.5 million in Q1 2023 vs RON 13.2 million in Q1 2022).

Due to the correct price increase strategy rolled out throughout 2022, the group ended Q1 2023 with a restaurant operating profit of RON 27.4 million, a 317.8% increase compared to Q1 2022. The weight in sales of the G&A expenses decreased with 0.4 pp in Q1 2023 vs Q1 2022, reaching RON 15 million in Q1 2023. The operating result turned positive in Q1 2023 to RON 12.4 million vs the operating loss of RON 7.1 million registered in Q1 2022. The EBITDA amounted to RON 23.5 million in Q1 2023, a 525.6% increase compared to Q1 2022.

The net finance costs decreased by 24.6% in Q1 2023 v Q1 2022, reaching RON 2.1 million vs RON 2.8 million in Q1 2022. The profit before tax for Q1 2023 amounted RON 10.3 million vs a gross loss of RON 9.9 million in Q1 2022. The tax expense amounted to RON 2.9 million in Q1 2023 vs RON 1 million in Q1 2022, as a result of the change in tax regime applicable for HORECA companies starting January 1st, 2023. Consequently, the Group ended Q1 2023 with a net profit of RON 7.3 million, vs a net loss of RON 10.9 million registered in Q1 2022.

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

Investor Call

The conference call for presenting the financial results as of March 31st, 2023 will take place on May 15th, 2023. The call will be held in English, and it is open to all the stakeholders. The call will take place on [Microsoft Teams](#), and the call log-in details are provided below:

SFG Q1 2023 Results Call in English

15.05.2023, 14:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 383 082 676 714 | Passcode: PwcsvL | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

Report Availability

The Group's interim condensed consolidated financial statements for the three-month period ended March 31st, 2023 (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