

To:

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

CURRENT REPORT 11/2023

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 | 27.03.2023 |
| 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: 2023 Revenue and Expense budget estimates

Sphera Franchise Group S.A. (the “Group”) informs the market, about the availability of the Revenue and Expense Budget for fiscal year 2023. The budget was approved by the Board of Directors of the Group and will be subject to approval in the annual Ordinary General Meeting of Shareholders, which will take place on 27.04.2023.

Revenue and Expense Budget for 2023

| Indicator | Budget 2023 | | 2022 | | Budget 2023 vs 2022 |
|--|----------------|---------------|----------------|---------------|------------------------|
| | RON mn | % Sales | RON mn | % Sales | |
| RON millions (mn) | | | | | |
| Restaurant Sales (*) | 1,600.3 | 100.0% | 1,322.8 | 100.0% | 21.0% |
| Other Income | - | - | 1.2 | - | - |
| Food and Material | 526.2 | 32.9% | 457.1 | 34.6% | 15.1% |
| Restaurant Gross Margin | 1,074.0 | 67.1% | 866.9 | 65.5% | 23.9% |
| Restaurant Operational Expenses | 850.3 | 53.1% | 712.1 | 53.8% | 19.4% |
| Restaurant Operating Profit | 223.8 | 14.0% | 154.8 | 11.7% | 44.5% |
| G&A expenses | 61.2 | 3.8% | 52.2 | 3.9% | 17.2% |
| EBITDA (normalized, excluding IFRS 16 impact) (*) | 162.6 | 10.2% | 102.7 | 7.8% | 58.4% |
| Normalized Profit for the year (*) | 83.4 | 5.2% | 44.3 | 3.3% | 88.3% |
| Free Cash Flow (*) | 71.1 | | 55.6 | | 27.8% |

(*) Financial indicators included in Sphera Franchise Group S.A. Remuneration Policy.

The Group estimates the cash position available at the end of 2023 to be around RON 90 million, while the bank debt is estimated to be around RON 190 million with a net bank debt of RON 100 million.

The budget proposal above is based on information available at the moment of the publishing this report, under presumption of a normal course of business and considering that the overall inflation will be around 10% in 2023. The budget also takes into consideration the increase of the minimum wage starting with January 2023.

Regarding the restaurant sales, the Group estimates that the sales will increase with 21% compared to 2022, due to a combined effect of same stores sales growth and new stores sales. In 2023, the traditional channels will have an increased weight versus previous year. Consequently, the delivery channel will represent around 18% of sales. In respect to restaurant operational expenses, the assumed tempered increase of food and material costs in 2023 will contribute to the improvement of the gross margin of 1.6pp versus previous year. The costs of labor will be calibrated to match the ramp-up of the sales throughout the year. Energy cost is assumed to be predictable and in line with the regulations introduced last year, in 2022. The weight of the normalized G&A expenses in total sales in 2023 shall be lower than in 2022, due to inelasticity of these costs in relation with activity volume increase. The company aims to achieve a normalized net profit higher with 88% than the one realized in 2022, significantly above the estimated increase in sales (+21%).

In terms of development, the Group plans to open 10 restaurants (8 KFCs in Romania and 2 Taco Bells), with an estimated CAPEX of approximately EUR 6.8 million. Store remodeling and the implementation of digital solutions are assumed around EUR 3.8 million.

Taking into consideration all the aspects mentioned above, the Group estimates an increase in free cash flow of 28% versus the result from 2022.

CHIEF EXECUTIVE OFFICER

Calin Ionescu

CHIEF FINANCIAL OFFICER

Valentin Budes