

To:

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

CURRENT REPORT 44/2023

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	30.08.2023
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: H1 2023 Results

In Q2 2023, Sphera Franchise Group reported growth in all its markets and for every brand in its portfolio. Historically, the company sees a sales uptick from one quarter to the next throughout the year, with the final quarter typically registering the highest performance. This trend is anticipated to continue in 2023. It's worth noting that Q2 2023 is the first quarter where results are compared to post-pandemic figures from Q2 2022. As a result, moving forward, the company expects its year-on-year growth rates to be more moderate, mirroring pre-pandemic levels and consistent with this year's projections.

Sphera Franchise Group generated sales of RON 360.5 million in the Q2 2023, a 10.1% increase vs Q2 2022, when the Group saw revenues of RON 327.4 million. Sales in Romania contributed to the total revenues with RON 311.3 million, registering a 9.4% increase in Q2 2023 vs Q2 2022, Italy with RON 44.4 million, a 14.4% increase, while the Republic of Moldova contributed with RON 4.9 million, a 19.7% increase. The contribution to the total performance remained largely consistent to the previous quarter, with Romania contributing 86.3% to total sales, Italy – 12.3% and the Republic of Moldova - 1.4%

In Q2 2023, Sphera Franchise Group experienced robust performance across all its markets, leading to favorable overall results. Specifically, the Group achieved an EBITDA of RON 28.8 million in Q2 2023, a substantial 65% increase compared to Q2 2022. Furthermore, the net profit soared to RON 12.1 million, representing a remarkable 453.2% growth year-on-year and a 64.3% increase from the previous quarter.

Sphera Franchise Group showcased remarkable top-line and bottom-line results in the second quarter, culminating with the most profitable first half of the year in the Group's history. In the first six months of 2023, the Group registered revenues of RON 695.6 million, a 14.8% increase vs H1 2022. Most of the revenues were generated in H1 2023 in Romania – RON 600.5 million (86.3% of total sales), followed by Italy – RON 85.3 million (12.3%) and the Republic of Moldova – RON 9.8 million (1.4%). Analyzing performance per brand, sales of KFC appreciated 15.4% in H1 2023 vs H1 2022, delivering RON 595.9 million in revenues, Pizza Hut increased 1.7%, contributing RON 59 million, while Taco Bell grew 29.1%,

registering revenues of RON 40.7 million in the first six months of 2023. Similar to the geographical split, brand contributions to the total sales remained consistent with H1 2022 figures. Specifically, KFC accounted for 85.7%, Pizza Hut at 8.5%, and Taco Bell rounded up with 5.8%.

After a challenging 2022, restaurant expenses weight in sales decreased with almost 5pp, reaching 91.3% of sales in H1 2023 vs 96% in H1 2022. This was due to the 14.8% increase in restaurant revenues, which grew faster than the restaurant expenses, which only increased 9.2% in H1 2023 YoY. All the cost categories saw moderate increases, with the food and material costs rising 7.2% YoY to RON 232.8 million, lower than the inflation rate for food products registered at national level.

Company's efforts to motivate and secure its employee base are reflected in the 15.2% increase in payroll and employee benefits in H1 2023 vs H1 2022, reaching RON 163.3 million, mirroring the labor market evolution. Complementary, the number of employees increased with 4%, from 5,204 as of June 30th, 2022, to 5,388 as of June 30th, 2023, sustaining the continuing network evolution. The rent increased 13.2% YoY in H1 2023 to RON 50.5 million due to a larger restaurant footprint and reflecting the rent contract variable structure in line with the sales increase. Royalties increased in line with the sales, reaching RON 41.7 million, a 14.5% increase, while advertising increased by 8% to RON 35 million. Other operating expenses amounted to RON 91.7 million, a moderate 3.1% increase, 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 11.1% in H1 2023 due to a lower share of sales for delivery compared to H1 2022 (RON 22.7 million in H1 2023 vs RON 25.5 million in H1 2022).

Due to the correct pricing strategy and increasing sales volumes, the group ended H1 2023 with a restaurant operating profit of RON 60.6 million, a 136.3% increase compared to H1 2022. The weight in sales of the G&A expenses remained constant, amounting to 4.4%, as the costs reached RON 30.3 million in H1 2023, a 14.5% YoY increase. The operating result in H1 2023 was RON 30.3 million vs the operating loss of RON 0.8 million registered in H1 2022. The EBITDA amounted to RON 52.4 million in H1 2023, a 146.5% YoY increase.

The net finance costs decreased 18.4% YoY, reaching RON 5.2 million in H1 2023 vs RON 6.4 million in H1 2022. The profit before tax for H1 2023 amounted RON 25.2 million vs a gross loss of RON 7.2 million in H1 2022. The tax expense amounted to RON 5.7 million in H1 2023 vs RON 1.6 million in H1 2022 due the change in tax regime applicable for HORECA companies starting January 1st, 2023. Consequently, the Group ended H1 2023 with a net profit of RON 19.4 million, vs a net loss of RON 8.7 million registered in H1 2022.

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

Investor Call

The conference call for presenting the financial results as of June 30th, 2023, will take place on August 30th, 2023. The Group will organize two calls – one in English, at 14:00 local time (13:00 CET | 12:00 UK), and another one in Romanian, at 15:00 local time. The calls are open to all the stakeholders. The conference call will take place on [Microsoft Teams](#), and the call log-in details are provided below:

SFG H1 2023 Results Call in English

30.08.2023, 14:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 382 506 665 941 | Passcode: rpDUjo | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

SFG H1 2023 Results Call in Romanian

30.08.2023, 15:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 397 590 544 166 | Passcode: sA9GKJ | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

Report Availability

The Group's interim condensed consolidated financial statements and the interim condensed separate financial statements for the six-month period ended June 30th, 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