

To:

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

CURRENT REPORT 60/2023

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	15.11.2023
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: Q3 2023 Results

Q3 2023 brought another quarter of topline increases and historical sales for Sphera Franchise Group, as the Group reported the best quarter in history in terms of overall sales, registering revenues of RON 379.2 million, a 9.1% year-on-year increase versus RON 347.6 generated in Q3 2022. It is important to underline that, as previously reported, as of Q2 2023, Sphera registers more moderate, single digit YoY growth rates. These rates are reflective of pre-pandemic levels and indicate the consolidation of the Group's network across the three markets.

Romania contributed RON 324.3 million to the Q3 2023 turnover, bringing in 85.5% of the total sales as the revenues registered a 9.1% YoY increase. Italy brought RON 49.7 million, 13.1% of total revenues, with sales registering a 9.2% YoY increase, while the Republic of Moldova contributed RON 5.2 million, amounting to 1.4% of revenues and an 8.9% appreciation in sales. At the level of the brands, in Q3 2023, KFC saw a 10.4% increase in sales, generating RON 330.2 million, while Taco Bell grew 19.1% to RON 21.3 million. Pizza Hut sales declined 9.8% to RON 27.7 million. A restaurant network reorganization program formally began in Q3 2023 with the aim to optimize costs, increase the agility of the brand and improve profitability indicators.

The gross profit for the quarter of RON 21.3 million registered a 4% YoY decline, and the net profit for the period of RON 16.4 million decreased 32.6% YoY. Excluding the impact of the one-offs, the normalized gross profit for the period amounted to RON 28.3 million, a 28.2% YoY increase, while the normalized EBITDA was RON 42.4 million, a 14.4% YoY increase.

The continued strong performance in Q3 2023 contributed to all indicators reported for the first nine months of 2023. Consequently, the revenues overpassed, for the first time, the milestone of RON 1 billion in sales generated within the first three quarters of the year. This milestone was supported by a 12.7% increase in restaurant sales, from RON 953.6 million generated in 9M 2022 to RON 1,074.7 million in 9M 2023. The restaurant expenses increased at a slower pace than sales, growing 9.5% from RON 889.9 million to RON 974.1 million, also reducing their weight in sales with almost 3pp, reaching 90.6% of sales in 9M 2023 versus 93.3% in 9M 2022.

All cost categories saw small to moderate increases, with food and material expenses of RON 355.1 million increasing 6.1%, lower than the inflation rate for food products registered at a national level. The weight of food and material costs in total sales decreased by 2pp, down to 33%. On the other hand, payroll and employee benefits increased 14.4%, to RON 243.1 million, mirroring the labor market evolution.

Attributable to an effective pricing strategy and higher sales volumes, the Group reported a restaurant operating profit of RON 100.6 million for 9M 2023, reflecting a 55% YoY increase. The G&A increased 16.4% to RON 46.4 million but maintained a comparable weight in sales of 4.3% (vs. 4.2% in 9M 2022). Consequently, the operating profit for the period was RON 54.2 million, a 116.1% YoY increase compared to RON 25.1 million generated in 9M 2022.

The net finance costs decreased 22.6% to RON 7.8 million for 9M 2023 vs. RON 10 million for 9M 2022. Consequently, the gross profit for 9M 2023 amounted to RON 46.4 million, more than triple versus RON 15 million registered in 9M 2022. As the income tax expense amounted to RON 10.6 million, the bottom-line ended at RON 35.8 million for 9M 2023, versus RON 15.6 million in 9M 2022, reflecting a 129.3% increase. Excluding the impact of one-offs related primarily to the closing costs for the selected Pizza Hut units under the network reorganization plan and related thereto impairment, the normalized net profit for the 9M 2023 amounted to RON 42.9 million, a 175% YoY increase, while the normalized EBITDA was RON 94.7 million, a 62.5% YoY increase.

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

Investor Call

The conference call for presenting the financial results as of September 30th, 2023, will take place on November 15th, 2023, 16:00 local time (EET). 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 Q3 2023 Results Call in English

15.11.2023, 16:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 346 376 306 382 | Passcode: Qg82rR | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

Report Availability

The Group's interim condensed consolidated financial statements for the nine-month period ended September 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