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**KFC**



**TACO BELL**

# Sphera Franchise Group

## Investor & Analyst Call

**Q3 2023 Results**

**15.11.2023**



# Agenda for today's call

- 1 9M 2023 Highlights**
- 2 Business updates from Q3 2023**
- 3 Brand Performance**
- 4 Q&A session**
- 5 Annex: Key 9M 2023 Financials**



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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.



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# Welcome to SFG's Q3 2023 Results Call



**Calin Ionescu**  
**CEO**



**Valentin Budes**  
**CFO**



**Monica Eftimie**  
**CMO**



**Zuzanna Kurek**  
**IR**

Sphera Franchise Group's unaudited Q3 2023 results are available for download on our website: [www.spheragroup.com](http://www.spheragroup.com).

The recording of this conference call will be available on our website shortly.

For any questions related to Sphera Franchise Group's activity on the Bucharest Stock Exchange, please contact our IR team at: [investor.relations@spheragroup.com](mailto:investor.relations@spheragroup.com).



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# 9M 2023 Highlights



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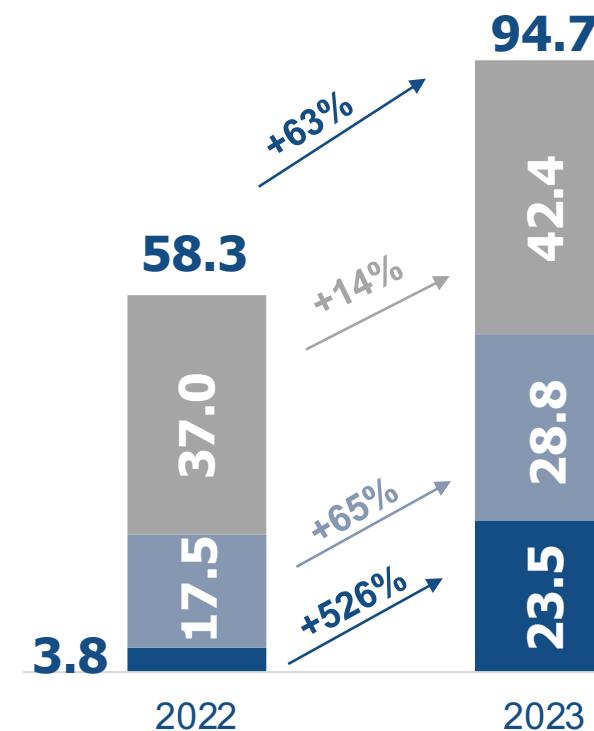
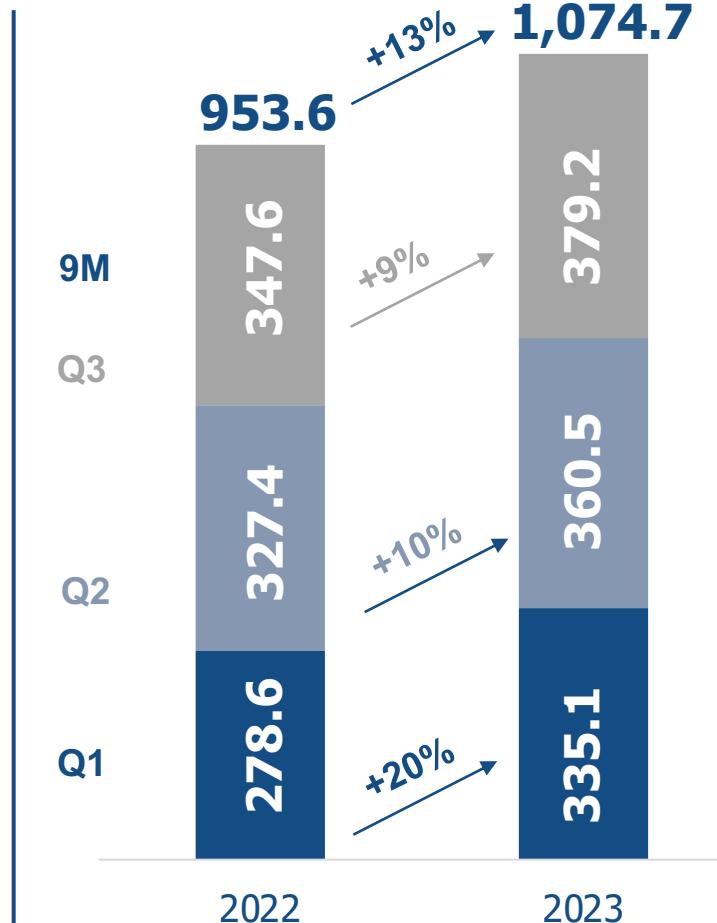
# SFG Performance in 9M 2023

Data in RON'000	9M-23	9M-22	Y/Y %
<b>Restaurant sales</b>	<b>1,074,736</b>	<b>953,594</b>	<b>12.7%</b>
<b>Other restaurant income</b>	<b>-</b>	<b>1,172</b>	<b>-100.0%</b>
Restaurant expenses	974,145	889,856	9.5%
<b>Restaurant operating profit</b>	<b>100,591</b>	<b>64,910</b>	<b>55.0%</b>
General & Admin expenses	46,370	39,824	16.4%
EBITDA	92,072	58,272	58.0%
<b>Normalized* EBITDA</b>	<b>94,704</b>	<b>58,272</b>	<b>62.5%</b>
Operating Profit	54,221	25,086	116.1%
<b>Normalized* operating profit</b>	<b>61,351</b>	<b>25,086</b>	<b>144.6%</b>
Finance costs	9,001	10,459	-13.9%
Finance income	1,191	368	223.8%
Profit before tax	46,411	14,995	209.5%
<b>Normalized* profit before tax</b>	<b>53,541</b>	<b>14,995</b>	<b>257.1%</b>
Income tax expense	10,611	(2,530)	-
Specific Tax	-	1,914	-100.0%
Profit for the period	35,800	15,610	129.3%
<b>Normalized* profit for the period</b>	<b>42,929</b>	<b>15,610</b>	<b>175.0%</b>

- Strong performance:** 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 953.6m generated in 9M 2022 to RON 1,074.7m in 9M 2023.
- Restaurant expenses increased at a slower pace than sales:** Restaurant expenses grew 9.5% from RON 889.9m to RON 974.1m, also reducing their weight in sales with almost 3pp, reaching 90.6% of sales in 9M 2023 versus 93.3% in 9M 2022.
- More than doubling of the normalized operating profit:** Attributable to an effective pricing strategy and higher sales volumes, the Group reported a normalized operating profit of RON 61.4m for 9M 2023, reflecting a 144.6% YoY increase.
- EBITDA positive evolution:** The normalized EBITDA increased from RON 58.3m in 9M 2022 to RON 94.7m in 9M 2023, a 62.5% increase. This improvement can be mainly attributed to effective cost-control measures taken across the Group.
- Almost tripling of profitability in 9M:** The normalized net profit reached RON 42.9m for 9M 2023, versus RON 15.6m in 9M 2022, reflecting a 175% increase.
- Boost in EBITDA margin:** USFN Moldova saw the highest margin of 16.9%, followed by USFN Romania: 10.5%, USFN Italy: 9%, and CFF: 5.6%.

**\*Normalized indicators:** Exclude the impact of one-offs related primarily to the impairment of closing 13 PH units according to reorganization plan (RON 4.1m), closing cost for the selected Pizza Hut units (RON 2.3m), impairment for temporary closing of a KFC Romana and Paul Romana due to building restoration (RON 0.4m), and other provisions (RON 0.3m).

# SFG 9M 2023 Performance



**Restaurant Sales**

in RON m

**Expenses (Restaurant + G&A)**

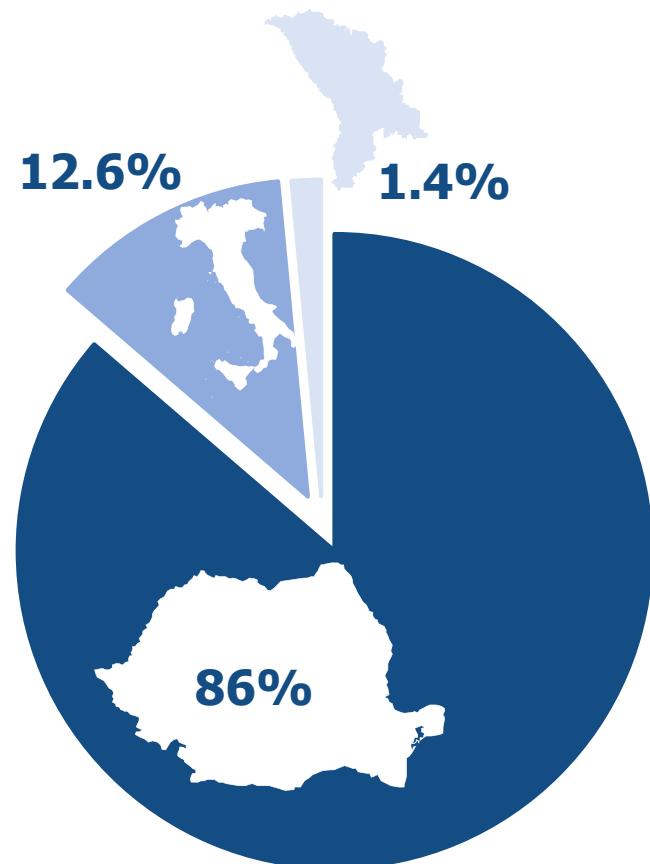
in RON m, excl. IFRS16

**Normalized EBITDA**

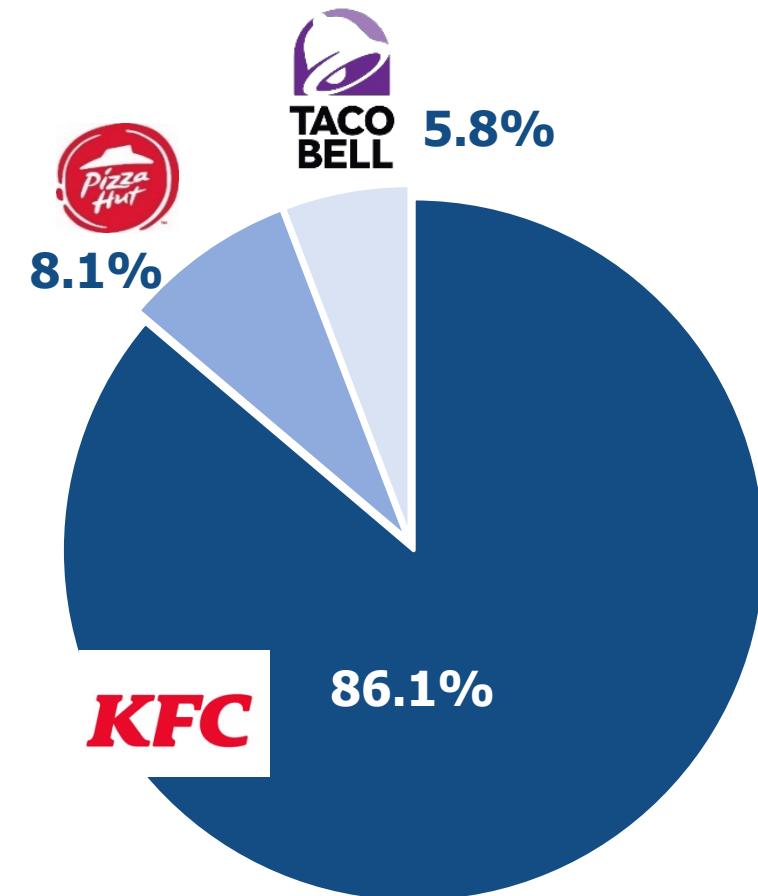
in RON m, excl. IFRS16

# SFG 9M 2023 Performance breakdown

## Contribution to 9M 2023 turnover



Per market



Per brand

# Business updates from Q3 2023



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# Development updates

## Number of stores

- **178 restaurants operated:** Out of which 101 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 40 Pizza Hut restaurants, 15 Taco Bell restaurants, 1 PHD subfranchise and 1 Paul restaurant as of 30.09.2023
- **Network evolution in Q3'23:** 1 new KFC opened in Romania in Alba Iulia, in Carolina Mall. 2 Pizza Hut Delivery restaurants in Cluj Centre and Mures Mall in Targu Mures were closed in Q3'23.
- **Continued network streamlining in Q4'23:** In October 2023, the Group opened 2 new KFC restaurants in Romania and closed 1 KFC, 5 Pizza Hut restaurants and 1 Paul restaurant in Romania, having at 31.10.2023, 173 restaurants. The closing of 1 KFC and 1 Paul restaurant is due to external factors (building restoration).

## American Restaurant System Restaurant network reorganization

- **Reorganization process:** As of 25.09.2023, the Group begun the process of reorganizing the restaurant network of American Restaurant System, operator of Pizza Hut® and Pizza Hut Delivery® brands in Romania. The process aims to optimize costs, increase agility in the face of high competition, and improve customer experience, which will reflect in improved profitability indicators.
- **Closing units:** The process includes closing of 13 Pizza Hut restaurants over a period of approximately 6 months, particularly units serving areas with a high degree of overlap resulting from the consolidation under one brand and the alignment of Pizza Hut and Pizza Hut Delivery operations.
- **Employees:** The Company aims for the process of efficiency increase to have as little impact as possible on employees, who will be relocated within the Sphera Group network, while the customers will benefit from the same products and services in the nearby Pizza Hut restaurants.
- **New General Manager:** As of September 1st, 2023, the position of General Manager of American Restaurant System S.A. is held by Mr. Costică Mișaca, for an initial mandate of 2 years, valid until 31.08.2025.

# Staff & fiscal updates

## Staff

- **Employees:** As of 30.09.2023, the Group had 5,143 employees, of which 4,670 were in Romania, 400 in Italy and 73 in the Republic of Moldova.
- **Continuing the digitalization to simplify the sales process:** In Q3 2023, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process, as well as carried on with the project of hiring employees from abroad. Sphera has over 250 employees from Sri Lanka, most of them currently working for USFN Romania.

## Fiscal updates

- **Fiscal changes:** Recent fiscal changes are brought by the Law 296/26.10.2023, the increase of income tax for microenterprises from 1% to 3% is applicable for one company within the Group, US Food Network Romania, all other Romanian companies of the Group being corporate income taxpayers. This fiscal change will probably determine the switch from tax on income (1%) to corporate income tax (16%) for USFN Romania, starting Jan 1st, 2024, therefore, all Romanian entities of the Group will apply the same tax regime. The introduction of a new minimum tax of 1% on a taxable basis (detailed in the law) for companies with a turnover higher than EUR 50 million will not be applicable for our Group, as the only company meeting the turnover criteria (USFN Romania) is generating more tax on profit than 1% tax on income.
- **VAT:** Regarding VAT, all non-alcoholic drinks with added sugar (included in NC code 2202) and food products with added sugar whose total sugar content is at least 10 g/100 g product that are currently subject to a 9% VAT will be subject to a 19% VAT starting Jan 1st, 2024.

# Capital markets updates

## SFG evolution on BVB

- **SFG outperforms reference indices in 9M 2023:** In 9M 2023, SFG shares appreciated 47.9%, while the BET index grew 22.9%. The Total Return on SFG shares in 9M 2023, including the dividend paid on March 31st, 2023, was 51.5%, versus 29.3% increase for the BET-TR index registered in the same period. In Q3'23, SFG shares increased 14.7%, in line with BET index (+14.9%).

## Share buyback conclusion

- **Buyback of 104,100 shares for SOP was concluded:** On 03.07.2023 Sphera initiated the share buyback programme for the purpose of implementing SOP. The buyback programme was completed on 04.09.2023. The group bought back 104,100 shares at an average buyback price of RON 19.5715 per share, with the full price paid for the buyback shares repurchased amounting to RON 2,037,392.50.

## Dividend distribution

- **Dividend distribution of RON 1.16 per share:** The OGSM from 04.09.2023 approved the dividend distribution of RON 45,007,234.40 from the undistributed net profit of financial years 2020-2022. The ex-date was 18.09.2023, record date – 19.09.2023, and payment date – 10.10.2023.

# Marketing updates

## KFC: Increase transactions and maximize relevance

- Over the summer KFC focused on building innovation and created new occasions for our customers to visit. We successfully launched Hot Bites and reinforced our taste superiority.
- With the aim of growing sales through transactions, value with a spin of product innovation was communicated for the back-to-school period by launching PuiBurger and maintaining the strong sales trend the brand enjoyed in Q2.
- We continued our effort to reinforce the “value for money” perception by communicating disruptive value through our iconic Tuesday Bucket campaign and everyday value through our well-known CEVA platform. Both initiatives drove traffic in the stores and had positive same-store transaction numbers.
- Winning on taste is a strategic pillar for KFC so we launched a campaign to reinforce that real chicken sourced from local producers is cooked by hand daily in our stores. Since consumers could be skeptical, we offered a natural-intelligence platform called chat KFC where real people answered real questions about real chicken in real time.
- We launched a new recruitment campaign to add more passionate employees to our restaurant teams who will continue to offer our customers memorable experiences.

# Marketing updates

## Pizza Hut: Build sales and increase distinctiveness

- To stay relevant to our clients and unlock new pizza territories, over the summer Pizza Hut introduced a new pizza innovation, Crown pizza, with the aim of attracting both new and lapsed users.
- With the objective of improving transaction levels, the brand communicated Family Deals for the back-to-school period, offering any medium pizza at an affordable price which increased trial.
- As a secondary layer, Pizza Hut focused on communicating disruptive value through its early-week special offers and everyday value through the launch of My Box, initiatives which attracted price-conscious consumers without cannibalizing sales.

## Taco Bell: Drive trial and build brand

- Taco Bell concentrated its communication in Q3 on value for core products by launching LIL Burrito and LIL Crunchwrap, both fan favorites, with the aim of increasing consideration and creating differentiation from local competitors. Both campaigns resulted in double-digit same-store sales and transactions growth.
- With the aim of continuing to build a cult brand and to deliver strong sales Taco Bell re-launched this year its “nothing ordinary” brand campaign which communicated its distinctiveness of the experience and products offered to its customers.

# Marketing updates

## The digital normal

- Focusing on ease of access for our consumers who expect frictionless experiences, we continued our digital journey and communicated through digital media our “click & collect” services and ecommerce platforms, with the objective of expanding our user base and gaining repeat visits from existing users.

## Make good easy

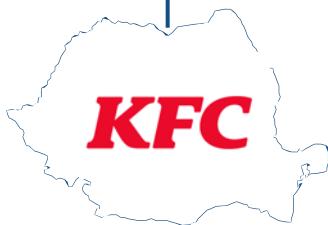
- As part of our on-going commitment to our local communities we expanded “Tomorrow’s meal” by adding a new partner, to address the nutritional and educational needs of disadvantaged children and youth.

# Brand performance



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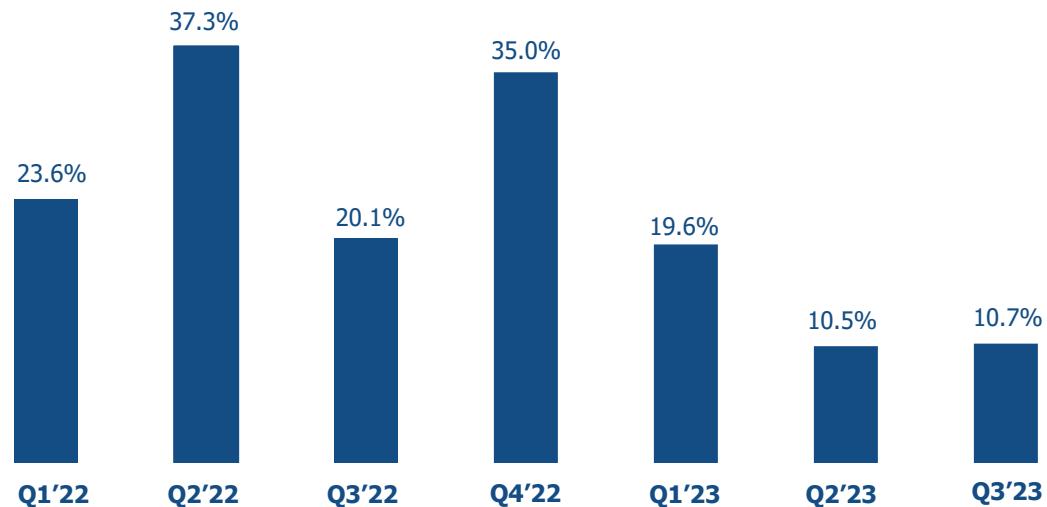




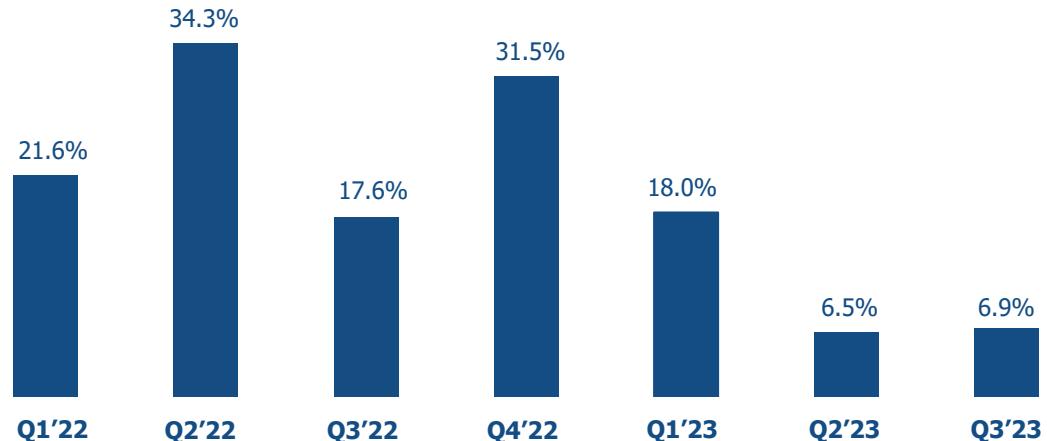
## KFC Romania

- Q3'23 was another strong quarter of consolidation for KFC Romania as all store performance improved 10.7% YoY due to solid same store results (+6.9%).
- The sales for delivery in Q3'23 amounted to 16%, stable evolution QoQ.
- In 9M'23, KFC Romania increased EBITDA by 28.7% YoY to RON 81.7m, with EBITDA margin of 10.5% and normalized net profit of RON 51.3m (+29.3%).

### All Store Performance



### Same Store Performance

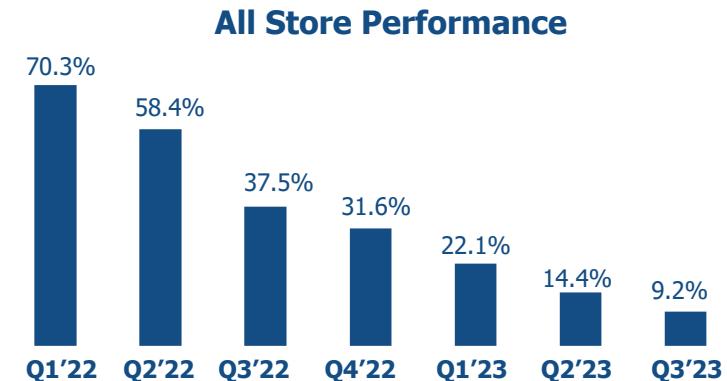




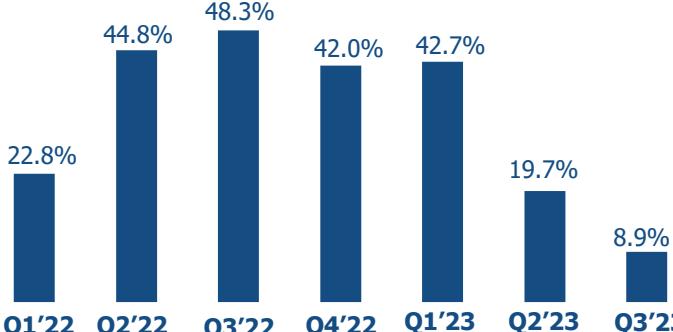
# KFC Italy & KFC Republic of Moldova

## KFC Italy

- All-stores recorded 9.2% sales increase in Q3'23 vs. Q3'22.
- 6% of all orders in Q3'23 were for delivery, 1pp QoQ decrease.
- USFN Italy took EBITDA from negative, as reported in 9M'22, to positive territory in 9M'23. EBITDA amounted to RON 12.2m for 9M'23 (vs negative EBITDA of RON 2m in 9M'22), with EBITDA margin at 9% for 9M'23.
- USFN Italy registered a RON 1.2m net profit in 9M'23 (vs. RON 9.6m net loss in 9M'22).



## All Store Performance



## KFC Moldova

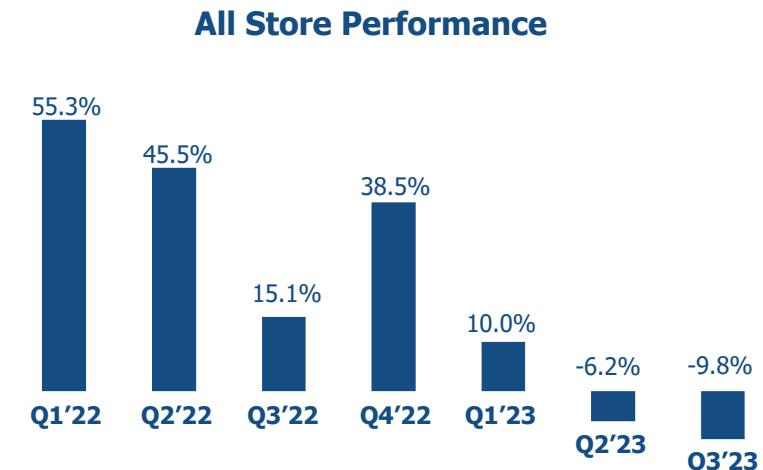
- The two stores located in Chisinau continued accelerated sales increases, with all store performance increasing 8.9%.
- Sales for delivery remained constant QoQ, standing at 30% of total sales.
- KFC Moldova closed 9M'23 with EBITDA of RON 2.5m (+28.1%), with a margin of 16.9%, and net profit of RON 1.9m (+33%).



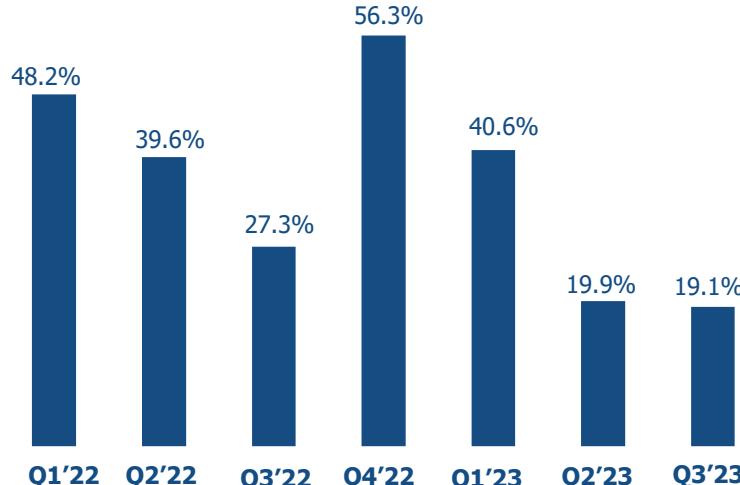
# Pizza Hut & Taco Bell

## Pizza Hut

- The YoY all store performance registered a 9.8% decrease while the same store sales decreased 9.5%.
- 35% of all orders were made for delivery in Q2'23, a 1pp increase QoQ.
- Pizza Hut closed 9M'23 with a negative normalized EBITDA of -4.6m, and a normalized net loss of RON 9.3m. The normalized effect excludes the impairment and closing costs from Q3'23 related to the restructuring of the network.



## All Store Performance



## Taco Bell

- Taco Bell's all store performance in Q3'23 registered a 19.1% increase YoY while same store performance appreciated 14.6%. Between Q4'22 and Q3'23, 1 new Taco Bell was opened.
- 23% of all orders in Q2'23 were for delivery, a 5pp QoQ decrease.
- Taco Bell closed 9M'23 with EBITDA of RON 3.5m (+121.8% vs 9M'22), a 5.6% margin, and a net loss of RON 0.7m (vs. a net loss RON 2.5m for 9M'22).

# Q&A Session



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## Annex: Key 9M 2023 Financials



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# Summary of Q3 2023 Consolidated FS

## Summary of interim Consolidated Financial Statements for Q3 (excluding IFRS 16 Impact):

Data in RON'000	Q3-23	Q3-22	Y/Y %	% of Sales			
				Q3-23/ Q3-22	Q3-23	Q3-22	Δ%
<b>Restaurant sales</b>	<b>379,156</b>	<b>347,570</b>	<b>9.1%</b>				
<b>Restaurant expenses</b>	<b>339,175</b>	<b>308,314</b>	<b>10.0%</b>	<b>89.5%</b>	<b>88.7%</b>	<b>0.7%</b>	
Food and material	122,225	117,457	4.1%	32.2%	33.8%	-1.6%	
Payroll and employee benefits	79,755	70,695	12.8%	21.0%	20.3%	0.7%	
Rent	27,560	24,350	13.2%	7.3%	7.0%	0.3%	
Royalties	24,996	20,544	21.7%	6.6%	5.9%	0.7%	
Advertising	20,995	16,266	29%	5.5%	4.7%	0.9%	
Other operating expenses	49,006	48,768	0.5%	12.9%	14.0%	-1.1%	
Depreciation and amortization	14,638	10,235	43.0%	3.9%	2.9%	0.9%	
<b>Restaurant operating profit</b>	<b>39,981</b>	<b>39,256</b>	<b>1.8%</b>	<b>10.5%</b>	<b>11.3%</b>	<b>-0.7%</b>	
General & Admin expenses	16,109	13,384	20.4%	4.2%	3.9%	0.4%	
Operating profit	23,872	25,872	-7.7%	6.3%	7.4%	-1.1%	
<b>Normalized operating profit<sup>1</sup></b>	<b>31,001</b>	<b>25,872</b>	<b>19.8%</b>	<b>8.2%</b>	<b>7.4%</b>	<b>0.8%</b>	
Finance costs	2,769	3,735	-25.9%	0.7%	1.1%	-0.3%	
Finance income	155	12	1202.5%	0.0%	0.0%	0.0%	
Profit before tax	21,258	22,149	-4.0%	5.6%	6.4%	-0.8%	
<b>Normalized profit before tax<sup>1</sup></b>	<b>28,387</b>	<b>22,149</b>	<b>28.2%</b>	<b>7.5%</b>	<b>6.4%</b>	<b>1.1%</b>	
Income tax expense/(credit)	4,871	(2,806)	-	1.3%	-0.8%	2.1%	
Specific Tax	-	639	-100.0%	0.0%	0.2%	-0.2%	
Profit for the period	16,387	24,316	-32.6%	4.3%	7.0%	-2.7%	
<b>Normalized profit for the period<sup>1</sup></b>	<b>23,516</b>	<b>24,316</b>	<b>-3.3%</b>	<b>6.2%</b>	<b>7.0%</b>	<b>-0.8%</b>	
EBITDA	39,721	37,038	7.2%	10.5%	10.7%	-0.2%	
<b>Normalized EBITDA<sup>2</sup></b>	<b>42,353</b>	<b>37,038</b>	<b>14.4%</b>	<b>11.2%</b>	<b>10.7%</b>	<b>0.5%</b>	

<sup>1</sup> Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

<sup>2</sup> EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

# Summary of 9M 2023 Consolidated FS

## Summary of interim Consolidated Financial Statements for 9M (excluding IFRS 16 Impact):

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<b>Restaurant sales</b>	<b>1,074,736</b>	<b>953,594</b>	<b>12.7%</b>				
<b>Other restaurant income</b>	<b>-</b>	<b>1,172</b>	<b>-100.0%</b>				
<b>Restaurant expenses</b>	<b>974,145</b>	<b>889,856</b>	<b>9.5%</b>	<b>90.6%</b>	<b>93.3%</b>	<b>-2.7%</b>	
Food and material	355,068	334,743	6.1%	33.0%	35.1%	-2.1%	
Payroll and employee benefits	243,059	212,475	14.4%	22.6%	22.3%	0.3%	
Rent	78,065	68,954	13.2%	7.3%	7.2%	0.0%	
Royalties	66,679	56,950	17.1%	6.2%	6.0%	0.2%	
Advertising	55,982	48,580	15%	5.2%	5.1%	0.1%	
Other operating expenses	140,690	137,677	2.2%	13.1%	14.4%	-1.3%	
Depreciation and amortization	34,603	30,476	13.5%	3.2%	3.2%	0.0%	
<b>Restaurant operating profit</b>	<b>100,591</b>	<b>64,910</b>	<b>55.0%</b>	<b>9.4%</b>	<b>6.8%</b>	<b>2.6%</b>	
General & Admin expenses	46,370	39,824	16.4%	4.3%	4.2%	0.1%	
Operating profit	54,221	25,086	116.1%	5.0%	2.6%	2.4%	
<b>Normalized operating profit<sup>1</sup></b>	<b>61,351</b>	<b>25,086</b>	<b>144.6%</b>	<b>5.7%</b>	<b>2.6%</b>	<b>3.1%</b>	
Finance costs	9,001	10,459	-13.9%	0.8%	1.1%	-0.3%	
Finance income	1,191	368	223.8%	0.1%	0.0%	0.1%	
Profit before tax	46,411	14,995	209.5%	4.3%	1.6%	2.7%	
<b>Normalized profit before tax<sup>1</sup></b>	<b>53,541</b>	<b>14,995</b>	<b>257.1%</b>	<b>5.0%</b>	<b>1.6%</b>	<b>3.4%</b>	
Income tax expense/ (credit)	10,611	(2,530)	-	1.0%	-0.3%	1.3%	
Specific Tax	-	1,914	-100.0%	0.0%	0.2%	-0.2%	
Profit for the period	35,800	15,610	129.3%	3.3%	1.6%	1.7%	
<b>Normalized profit for the period<sup>1</sup></b>	<b>42,929</b>	<b>15,610</b>	<b>175.0%</b>	<b>4.0%</b>	<b>1.6%</b>	<b>2.4%</b>	
EBITDA	92,072	58,272	58.0%	8.6%	6.1%	2.5%	
<b>Normalized EBITDA<sup>2</sup></b>	<b>94,704</b>	<b>58,272</b>	<b>62.5%</b>	<b>8.8%</b>	<b>6.1%</b>	<b>2.7%</b>	

<sup>1</sup> Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

<sup>2</sup> EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

# Summary of 9M Consolidated FS

(with and without IFRS 16 impact)

**Summary of interim Consolidated Financial Statements for 9M – results and evolution presented with and without IFRS 16 impact**

Data in RON'000	9M-23	9M-23	9M-22	9M-22	Change (%)	
	1	2	1	2	9M-23/ 9M-22 (1)	9M-23/ 9M-22 (2)
<b>Restaurant sales</b>	<b>1,074,736</b>	<b>1,074,736</b>	<b>953,594</b>	<b>953,594</b>	<b>12.7%</b>	<b>12.7%</b>
<b>Other restaurant income</b>	<b>-</b>	<b>-</b>	<b>1,172</b>	<b>1,172</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Restaurant expenses</b>	<b>966,241</b>	<b>974,145</b>	<b>884,818</b>	<b>889,856</b>	<b>9.2%</b>	<b>9.5%</b>
Food and material	355,068	355,068	334,743	334,743	6.1%	6.1%
Payroll and employee benefits	243,059	243,059	212,475	212,475	14.4%	14.4%
Rent	25,468	78,065	22,471	68,954	13.3%	13.2%
Royalties	66,679	66,679	56,950	56,950	17.1%	17.1%
Advertising	55,982	55,982	48,580	48,580	15.2%	15.2%
Other operating expenses	140,460	140,690	137,677	137,677	2.0%	2.2%
Depreciation and amortization	79,525	34,603	71,921	30,476	10.6%	13.5%
<b>Restaurant operating profit</b>	<b>108,496</b>	<b>100,591</b>	<b>69,948</b>	<b>64,910</b>	<b>55.1%</b>	<b>55.0%</b>
General & Admin expenses	45,767	46,370	38,987	39,824	17.4%	16.4%
Operating profit	62,728	54,221	30,960	25,086	102.6%	116.1%
<b>Normalized operating profit<sup>1</sup></b>	<b>69,857</b>	<b>61,351</b>	<b>30,960</b>	<b>25,086</b>	<b>125.6%</b>	<b>144.6%</b>
Finance costs	20,245	9,001	16,830	10,459	20.3%	-13.9%
Finance income	1,191	1,191	368	368	223.8%	223.8%
Profit before tax	43,674	46,411	14,498	14,995	201.2%	209.5%
<b>Normalized profit before tax<sup>1</sup></b>	<b>50,803</b>	<b>53,541</b>	<b>14,498</b>	<b>14,995</b>	<b>250.4%</b>	<b>257.1%</b>
Income tax expense/ (credit)	10,582	10,611	(2,596)	(2,530)	-	-
Specific Tax	-	-	1,914	1,914	-100.0%	-100.0%
Profit for the period	33,092	35,800	15,180	15,610	118.0%	129.3%
<b>Normalized profit for the period<sup>1</sup></b>	<b>40,222</b>	<b>42,929</b>	<b>15,180</b>	<b>15,610</b>	<b>165.0%</b>	<b>175.0%</b>
EBITDA	147,930	92,072	107,521	58,272	37.6%	58.0%
<b>Normalized EBITDA<sup>2</sup></b>	<b>150,562</b>	<b>94,704</b>	<b>107,521</b>	<b>58,272</b>	<b>40.0%</b>	<b>62.5%</b>

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

<sup>1</sup> Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

<sup>2</sup> EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

# Breakdown of 9M 2023 results by entity

## Breakdown of consolidated results by Group companies – 9M 2023 (excluding IFRS 16 Impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons, Adj,	SFG Cons
<b>Restaurant sales</b>	<b>776,130</b>	<b>86,657</b>	<b>14,960</b>	<b>135,023</b>	<b>61,972</b>	<b>29,807</b>	<b>(29,813)</b>	<b>1,074,736</b>
<b>Dividends revenue</b>	-	-	-	-	-	<b>73,003</b>	<b>(73,003)</b>	-
<b>Restaurant expenses</b>	<b>686,445</b>	<b>95,429</b>	<b>12,372</b>	<b>121,735</b>	<b>58,502</b>		<b>(338)</b>	<b>974,145</b>
Food and material	266,282	23,868	6,068	37,014	21,832	-	3	355,068
Payroll and employee benefits	171,878	24,586	2,238	30,689	13,668	-	-	243,059
Rent	52,758	8,793	805	11,138	4,572	-	-	78,065
Royalties	46,640	7,312	897	8,086	3,744	-	-	66,679
Advertising	39,829	4,575	582	8,323	2,992	-	(319)	55,982
Other operating expenses	91,385	18,988	1,537	19,682	9,104	-	(6)	140,690
Depreciation	17,672	7,308	244	6,803	2,590	-	(15)	34,603
<b>Restaurant operating profit/(loss)</b>	<b>89,685</b>	<b>(8,771)</b>	<b>2,587</b>	<b>13,289</b>	<b>3,470</b>	<b>102,809</b>	<b>(102,478)</b>	<b>100,591</b>
G&A expenses	27,424	6,227	330	7,976	2,757	31,019	(29,364)	46,370
Operating profit/(loss)	62,261	(14,999)	2,257	5,312	713	71,790	(73,113)	54,221
<b>Normalized operating profit/(loss)<sup>1</sup></b>	<b>62,621</b>	<b>(8,535)</b>	<b>2,257</b>	<b>5,312</b>	<b>712</b>	<b>72,095</b>	<b>(73,113)</b>	<b>61,351</b>
Finance costs	6,383	785	41	2,339	1,244	2,806	(4,598)	9,001
Finance income	3,686	10	-	1	-	2,091	(4,598)	1,191
Profit/(Loss) before tax	59,564	(15,774)	2,216	2,974	(531)	71,074	(73,113)	46,411
<b>Normalized profit/ (loss) before tax<sup>1</sup></b>	<b>59,924</b>	<b>(9,310)</b>	<b>2,216</b>	<b>2,974</b>	<b>(531)</b>	<b>71,380</b>	<b>(73,113)</b>	<b>53,541</b>
Income tax expense/ (credit)	8,619	(33)	301	1,771	125	(173)	-	10,611
Profit/(Loss) for the period	50,945	(15,741)	1,914	1,203	(656)	71,247	(73,113)	35,800
<b>Normalized profit/ (loss) for the period<sup>1</sup></b>	<b>51,305</b>	<b>(9,277)</b>	<b>1,914</b>	<b>1,203</b>	<b>(656)</b>	<b>71,552</b>	<b>(73,113)</b>	<b>42,929</b>
EBITDA	81,678	(6,961)	2,528	12,192	3,458	72,310	(73,134)	92,072
<b>Normalized EBITDA<sup>2</sup></b>	<b>81,678</b>	<b>(4,634)</b>	<b>2,528</b>	<b>12,192</b>	<b>3,458</b>	<b>72,616</b>	<b>(73,134)</b>	<b>94,704</b>

<sup>1</sup> Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

<sup>2</sup> EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

# Overview of the 9M 2023 G&A expenses

(with and without IFRS 16 impact)

	Data in RON '000				Percentage of sales					
	9M-23	9M-23	9M-22	9M-22	Change (%)	9M-23	9M-23	9M-22	9M-22	
	(1)	(2)	(1)	(2)	2023/ 2022 (1)	2023/ 2022 (2)	(1)	(2)	(1)	(2)
<b>General and administration (G&amp;A) expenses</b>	<b>45,767</b>	<b>46,370</b>	<b>38,987</b>	<b>39,824</b>	<b>17.4%</b>	<b>16.4%</b>	<b>6.6%</b>	<b>4.3%</b>	<b>6.4%</b>	<b>4.2%</b>
Payroll and employee benefits	31,406	31,406	25,992	25,992	20.8%	20.8%				
Third-party services	5,112	5,112	5,162	5,162	-1.0%	-1.0%				
Depreciation and amortization	5,677	3,248	4,640	2,710	22.3%	19.9%				
Rent	174	3,205	212	2,978	-17.9%	7.6%				
Banking charges	561	561	536	536	4.7%	4.7%				
Transport	989	989	840	840	17.6%	17.6%				
Other*	1,849	1,849	1,605	1,605	15.2%	15.2%				

*Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.*

*\*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.*

# Thank you for joining us!

Sphera Franchise Group's unaudited Q3 2023 are available for download on our website: [www.spheragroup.com](http://www.spheragroup.com).

The recording of this conference call will be available on our website shortly.

For any questions related to Sphera Franchise Group's activity on the Bucharest Stock Exchange, please contact our IR team at: [investor.relations@spheragroup.com](mailto:investor.relations@spheragroup.com).



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