



To:

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

CURRENT REPORT 24/2022

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	13.05.2022
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: Availability of Q1 2022 Results

In the first quarter of 2022, Sphera Franchise Group continued to grow its performance, registering a 31.8% increase in the sales compared to Q1 2021, reaching RON 278.6 million. Sales in Romania contributed to the total revenues with RON 241.6 million, registering a 28% increase in Q1 2022 compared to Q1 2021, Italy with RON 33.5 million, 70% increase, while Republic of Moldova contributed with RON 3.4 million, 23% increase vs. Q1 2021. The excellent sale performance of KFC Italy, which registered the second-best quarter in history, increased the share in the total sales generated in Italy from 9.3% in Q1 2021, to 12% in Q1 2022.

Analyzing performance per brand, sales of KFC appreciated 29% in Q1 2022 vs. Q1 2021, delivering RON 236.2 million in revenues, Pizza Hut increased 55% contributing with RON 28.4 million while Taco Bell grew 48% vs. Q1 2021, registering revenues of RON 14.1 million in the first three months of 2022, in March 2022 registering the highest sales in its history on same store. The improved performance of Pizza Hut in Romania driven also by the opening of the new units, including the Fast Casual Delivery concept, increased the share of the revenues generated by Pizza Hut in total sales from 8.6% in Q1 2021 to 10.2% in Q1 2022.

Restaurant expenses grew faster than sales in Q1 2022, registering a 39% increase compared to Q1 2021 driven first and foremost by pressure from food and material costs, which grew 40.7% reaching RON 97.8 million (increase of RON 28.3 million). The increase in the food and material costs was driven by a significant increase in chicken prices due to the spike in costs of poultry rearing, growing energy costs, the minimum wage increase, as well as due to the general inflationary environment. Especially in the context of the lingering war in Ukraine, feed grain prices are expected to raise and consequently to further increase raw material prices. Part of these costs were transferred to the consumers through a price hike in March 2022, but it was nonetheless smaller than the overall increase in costs registered



in Q1 2022. Historically, the Group has always increased prices in several stages, as a result further successive price increases are envisaged.

In the context of scarce and a more demanding labor market the Group focused on motivating and securing its employee base by implementing wage increases (22% average), a new bonus scheme and raised benefits (meal tickets increase) during 2021. Consequently, payroll cost grew 40% in Q1 2022 vs Q1 2021, reaching RON 66.9 million (increase of RON 19.1 million).

Due to the rapid increase in restaurant expenses, the group ended Q1 2022 with a restaurant operating profit of RON 6.5 million, a 58.4% decrease compared to Q1 2021. The G&A expenses increased 7.6% reaching RON 13.6 million thus leading to the operating loss for the period of RON 7.1 million, vs. the operating profit of RON 3.1 million registered in Q1 2021. The EBITDA amounted to RON 3.8 million in Q1 2022, 70.5% decline compared to Q1 2021.

The finance costs increased 42.5%, reaching RON 2.9 million while the financial income increased from RON 2K in Q1 2021 to RON 152K in Q1 2022. With the negative financial result, the EBT for the first three months of 2022 was a loss of RON 9.9 million. The tax expense amounted to RON 1 million in Q1 2022 (vs. RON 0.5 million in Q1 2021). Consequently, the Group ended Q1 2022 with a net loss of RON 10.9 million, vs. a net profit of RON 0.5 million in Q1 2021.

The G&A expenses increased 7.6% in Q1 2022, mainly due to a 13.3% increase in payroll and employee benefits, which amounted to RON 9.1 million, 29.4% increase in third-party services which reached RON 1.7 million, a 19.1% increase in depreciation and amortization which reached RON 0.9 million as well as 73.8% increase in the transportation charges, which reached RON 0.3 million. Nonetheless, the increase in the G&A costs was slower than the increase in revenues, as the share of G&A expenses in the consolidated sales decreased by 1.1pp in the analyzed period.

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

Investor Call

The conference call for presenting the financial results as of March 31st, 2022, will take place on May 13th, at 13:00 local time / 12:00PM CET / 11:00AM UK. Attached to this report is the presentation for the Conference Call.

Report Availability

The Group's interim condensed consolidated financial statements for the three-month period ended March 31st, 2022 (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