

To:

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

CURRENT REPORT 23/2024

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	15.05.2024
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: Q1 2024 Results

Sphera Franchise Group S.A. (hereinafter referred to as the "Group"), started 2024 strong, with a 9.2% year-on-year (YoY) turnover increase in Q1 2024, as the Group registered RON 365.9 million in sales. Sales in Romania contributed to the total revenues with RON 317.1 million, registering a 9.6% YoY increase, Italy with RON 43.3 million, a 5.7% YoY increase, while the Republic of Moldova contributed with RON 5.5 million, a 12.4% YoY increase. The contribution to the total performance remained comparable to the same period of 2023, with Romania contributing 86.7% to total sales, Italy – 11.8% and the Republic of Moldova - 1.5%. The continued sustained growth of the Group comes in a context when Q1 is usually a slow period for the food service industry due to the post-holiday season slowdown, therefore setting good premises for a strong 2024.

Analyzing performance per brand, sales of KFC appreciated 11.8% in Q1 2024 vs. Q1 2023, delivering RON 317.6 million in revenues, the positive performance being recorded both on same stores and new openings in Romania. Pizza Hut sales decreased 12% due to the streamlining of the restaurant network, contributing RON 27.4 million to total turnover in Q1 2024. Taco Bell grew 5.4%, registering revenues of RON 20.9 million in the first three months of 2024. Similar to the geographical split, the contribution to the total turnover by individual brands remained comparable in Q1 2024 to Q1 2023, with KFC bringing 86.8% of sales, Pizza Hut – 7.5% and Taco Bell – 5.7%. The increase brought by KFC in the group total turnover was 2pp higher than in Q1 2023.

In Q1 2024, the Group registered RON 0.8 million in other restaurant income, representing sale of recycled oil, sub-franchise fees, sundry income.

Restaurant expenses increased at a significantly smaller pace than sales, growing 4.7% YoY. Consequently, the weight in the total sales decreased by almost 4pp, from 91.8% in Q1 2023, to 88% in Q1 2024. As usual, the biggest contribution to the expenses were food and material costs, which increased 2.8%, lower than the inflation for food products at national level, to RON 116.2 million, accounting for 31.8% of sales (-2pp vs. Q1 2023).

Due to a good topline growth and only a moderate increase across all costs categories, the restaurant operating profit increased 63.1%, from RON 27.4 million to RON 44.6 million. The weight of G&A expenses decreased 0.2pp, to 4.3%, amounting to RON 15.8 million in Q1 2024 following the larger scale of operations. The operating profit increased 133.3% to RON 28.9 million. The EBITDA amounted to RON 39.8 million in Q1 2024, a 69.1% increase compared to Q1 2023.

The net finance costs increased 22.5%, from RON 2.1 million in Q1 2023, to RON 2.6 million in Q1 2024 mainly due to the repayment of loans during 2023. The profit before tax for Q1 2024 amounted RON 26.3 million, a 156.1% increase vs. RON 10.3 million registered in Q1 2023, while the net profit soared 192.1%, to RON 21.4 million in Q1 2024.

G&A expenses increased by 5.1% YoY in Q1 2024, lower than the inflation rate. However, as a percentage of sales, G&A expenses decreased from 4.5% in Q1 2023 to 4.3% in Q1 2024.

EBITDA has followed a positive evolution, increasing from RON 23.5 million in Q1 2023 to RON 39.8 million in Q1 2024, a solid growth of 69.1%. This improvement can be mainly attributed to effective cost-control measures taken across the Group, leading to an increase in operating profit.

The almost tripling of the net profit for the Group can be attributed to strong performance across all portfolio in terms of topline evolution, but also the effective cost-control measures implemented across the whole Group. The biggest contributor to the net result in Q1 2024 was USFN Romania, which generated a profit of RON 23.9 million (+105.6% vs. Q1 2023), USFN Moldova with RON 1.1 million (+132.3% vs. Q1 2023), CFF with RON 0.4 million (vs. a net loss of RON 0.9 million), while USFN Italy saw improvement of 44.5%, with a loss of RON 0.7 million in Q1 2024 (vs. a net loss of RON 1.3 million in Q1 2023) and ARS performance was comparable, generating a net loss of RON 2.3 million since the network is in a turnaround process.

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, 2024, will take place on May 15th, 2024, at 14:00 local time (13:00 CET | 12:00 UK). The call will be held in English, and it is open to all the stakeholders. The conference call will take place on [Microsoft Teams](#), and the call log-in details are provided below:

SFG Q1 2024 Results Call in English

15.05.2024, 14:00 hrs EEST | [Click here to join the meeting](#)

Meeting ID: 354 317 408 31 | Passcode: UzyjBk | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

Report Availability

The Group's interim condensed consolidated financial statements for the three-month period ended March 31st, 2024 (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

CHIEF FINANCIAL OFFICER

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