

FY 2018 RESULTS PRESENTATION

28.02.2019

— GRUPO —

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Vertical start into our new chapter

**Strengthen base business
and secure baseline amidst distraction**

Double digit
growth¹, in line
with expectations

&

**Anticipate alliance
to mitigate execution risk**

Progress
ahead of
commitments

FY 2018 highlights – base business



14.5% Group system sales growth, commercial activity on track



4.2% Spain system sales growth, accelerating in Q4



38.3% Core International system sales growth, underpinned by the contribution of Apache Pizza and Ecuador Pizza Hut business



Comparable EBITDA of **€65.2m**, -2.9% decline, excluding impact from extraordinary and unusual items



Adjusted cash flow of **€22.3m**, adjusted by treasury stock acquisition and extraordinary expenses



Net new stores: **+44**, reflecting adjusted store plan following the Pizza Hut agreement

Highlights - Pizza Hut alliance



Net result

**Healthy
business base**

**Pizza Hut deal
related impacts**

**Non-cash
accounting
adjustments**

**Negative
net result**



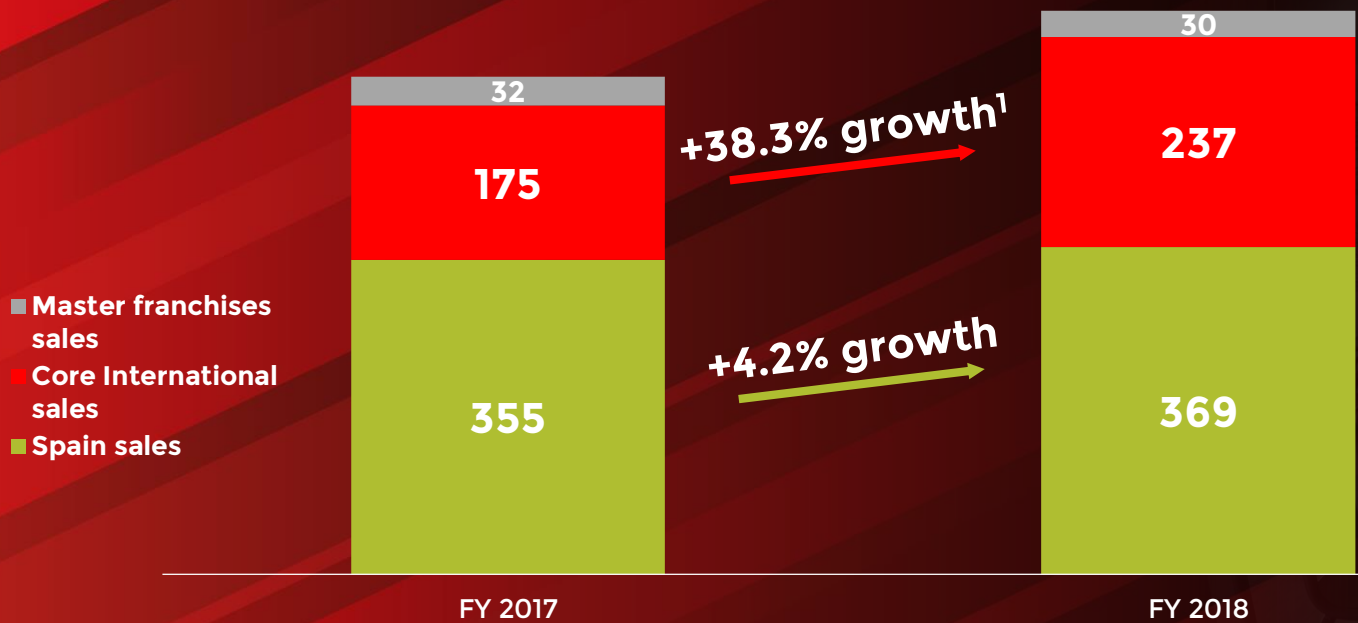
Commercial activity update

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FY 2018: Commercial activity on track

Group system sales growth



FY 2017
€562m

FY 2018
€636m

+14.5%¹

- Master franchises sales
- Core International sales
- Spain sales

Spain performance – FY 2018

Growth in Spain achieved versus strong comparable in H1, accelerating in H2



- **Growth on track:** Positive expansion performance, accelerating towards Q4



- **Innovation:** Consistent new product launch program



- **Digital:** Moving towards a whole new way to interact with digital customers

	H1	H2	FY
Spain system sales (%)	3.3%	5.0%	4.2%
LFL growth (%)	0.9%	1.8%	1.4%
Expansion (%)	2.4%	3.2%	2.8%
Calendar impact	–	=	n.m.

Core International performance – FY 2018

Performance negatively impacted by adjustments to accommodate Pizza Hut perimeter, expansion contribution from Ireland and Ecuador



Rest of Europe

- **Portugal:** Top performance with healthy LFL growth
- **Others:** Solid expansion in Ireland
 - Poland disposal in process



Latin America

- **Latam** negatively impacted by adjustments to accommodate Pizza Hut perimeter and weaker market environment in Chile in H2
- Positive contribution of Pizza Hut Ecuador acquisition
- Chile acquisition in process

	H1	H2	FY
Core International system sales (%)¹	43.2%	33.7%	38.3%²
LFL growth (%)	6.2%	0.8%	3.4%
Expansion (%)	37.0%	32.9%	34.9%

Notes:

1. Constant currency growth
2. Excluding the impact of Apache Pizza and Pizza Hut Ecuador, Core International system sales growth would be 5.5%

Innovation and Digital: accelerating our digital strategy

New product launches

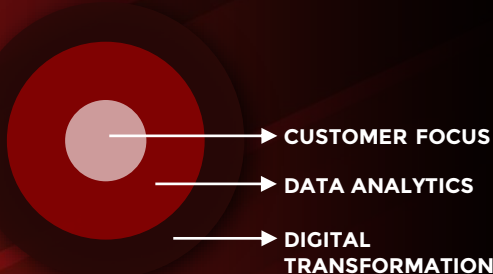


Innovation sales
+6% in Spain,
FY 2018 vs FY 2017

15% of innovation
sales over total sales
in Spain

New digital initiatives

Working in a digital environment to create a new approach to digital customers



Digital sales **+10%** in Spain,
FY 2018 vs FY 2017

35% of digital sales through app in
December



Foster customer loyalty and engagement



Increase order frequency and average ticket



Strengthening long-term brand value in a digital environment



Telepicoín
First stage of our digital loyalty program

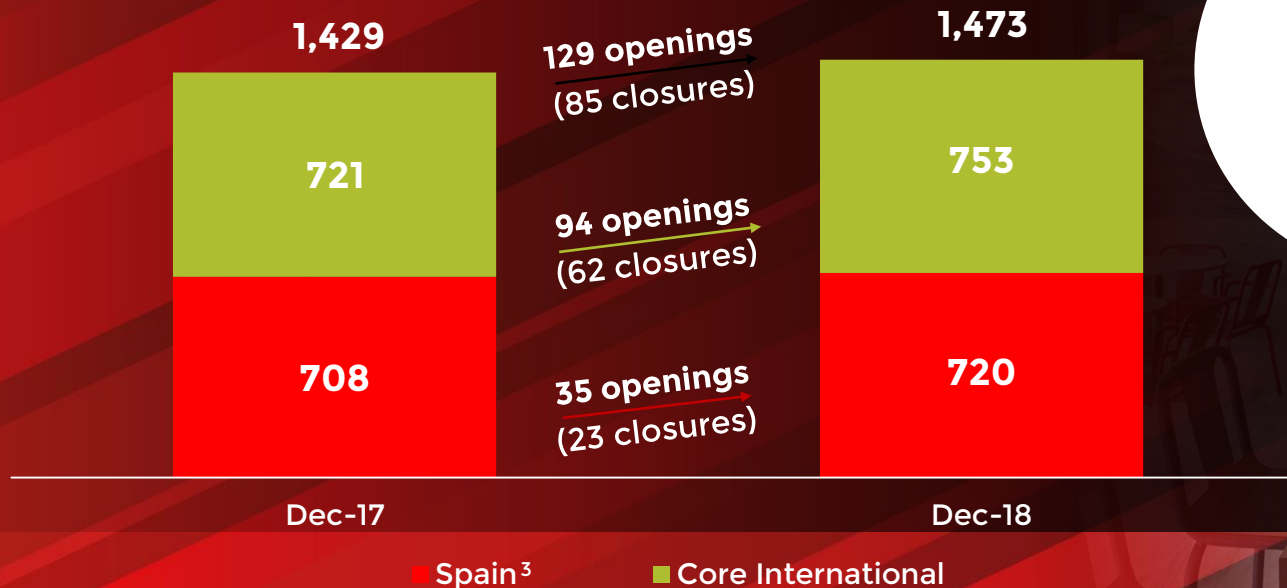
amazon alexa

Addressing every available digital channel

Unit expansion, +44 net new stores¹

Adjusted store expansion and closure plan in anticipation of closing Pizza Hut agreement

Core Geographies² network development



Total stores
(including MFAs)
DEC-17

1,607

DEC-18

1,658¹

■ Spain³

■ Core International

Notes:

1. Including Ecuador acquisition
2. Excluding Master Franchises
3. Includes stores in Morocco and France



PizzaHut Strategic Partnership: Expanding the growth opportunity for Telepizza



PizzaHut strategic partnership: actions during 2018



Adjusted 2018 capex spending plans

- **CAPEX reviewed** across **geographies** for the Telepizza Group
- Investment projects reoriented towards **integration of Pizza Hut** business



Mapping of expansion opportunities

- An **expansion plan** for both the Telepizza and Pizza Hut brands **completed in all countries** (locations identified and construction projects ready for execution)



Confirmation of synergy potential

- We have developed **+700 initiatives identified to capture the value** of the Partnership, with the different teams in “implementation mode”
- Early data obtained from **Ecuador revealed confirmation of potential synergies** ahead of plan



M&A opportunities ahead of target

- Initiating **integration** of the acquired operations of Pizza Hut in **Ecuador**
- **Chile** potential acquisition and **Poland** disposal **announced**
- Other potential M&A deals identified, aiming at **shareholder value creation**



Organisation reinforcement

- Started to **reinforce the organization** to implement the plan, especially in **Supply Chain**, also with **key personnel to launch a Digital Transformation**
- Taking advantage of M&A, **retaining key personnel to enrich our teams**



Deal closing readiness

- **Successful homologation** of Telepizza's **manufacturing facilities, distribution centers and logistics suppliers** by Pizza Hut in main geographies
- **Product tests** in the different geographies to **accelerate store conversions** after closing

PizzaHut strategic partnership: ahead of commitments in 2019



LFL growth

- Definition of dual brand strategy for Pizza Hut and Telepizza has been defined in Iberia to maximize value proposition thanks to a differentiated product offer and experience for the customer
- Constant improving in digital channel and progressive plug-in of Pizza Hut stores



Expansion

- The layouts for 53 conversions to Pizza Hut and 34 openings are being prepared
- Currently, 17 stores are being converted to Pizza Hut and 7 store openings are in process
- Development of Pizza Hut store base in Spain, with 7 own stores, mostly from small acquisitions
- Increasing interest of Spain franchise base in Pizza Hut operation, franchised stores openings in progress



Supply chain

- After a price benchmarking exercise of Telepizza and Pizza Hut suppliers, we have moved c.50% of our supply volume in LatAm to Yum!'s Purchasing Centre suppliers, generating tangible efficiencies thanks to our significant presence across the region in contrast with small franchised operations
- Our factories in Spain, Colombia, Ecuador and Chile have been approved to produce Pizza Hut dough recipe



M&A progress

- Completed integration of Pizza Hut operation in Ecuador already achieving synergies thanks to supply and operations reorganization
- Small acquisitions of Pizza Hut franchisees in Spain and Colombia, integrating the operations into existing value chain and creating a stronger Pizza Hut store base to boost future growth

Financial information

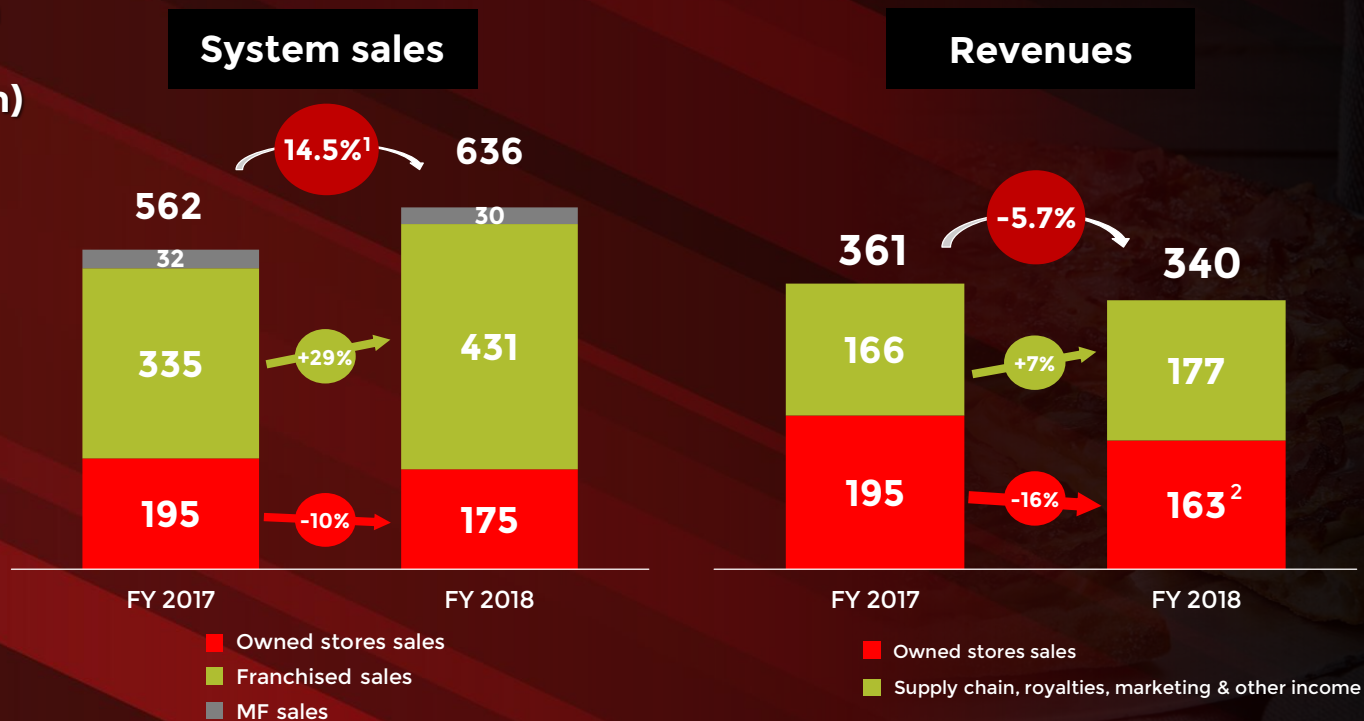
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System sales and Revenues

Evolution reflecting the change in the mix of owned vs franchised stores

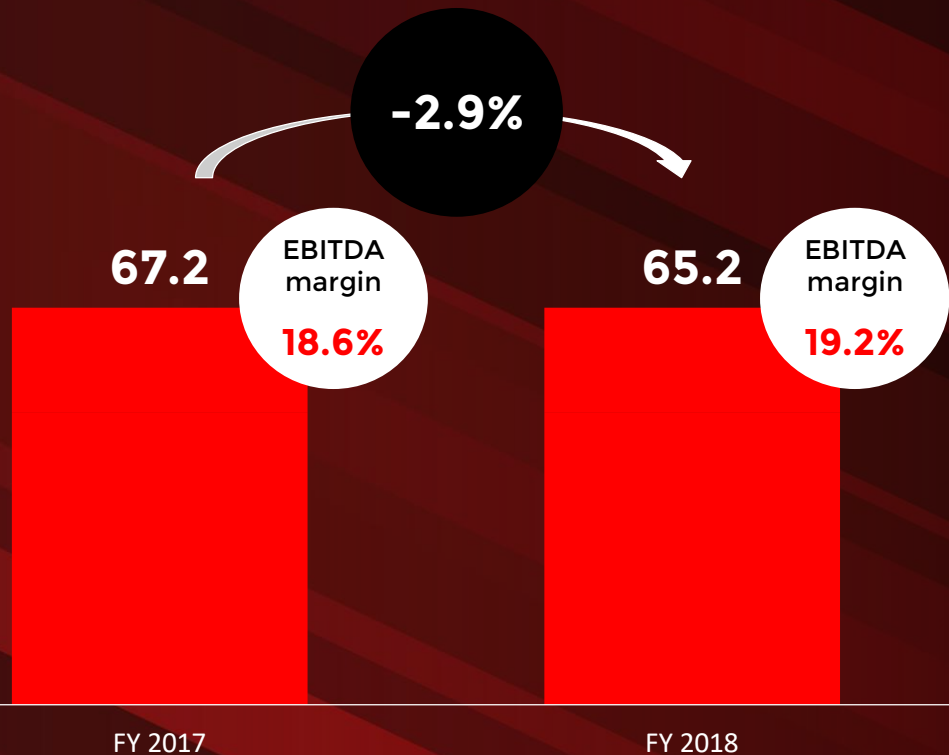
Group system sales and Revenues (€m)



Note:

1. Constant currency growth
2. Owned stores sales revenue difference vs system sales due to assets reclassification as available for sale

Comparable EBITDA growth¹ (€m)



- Low amount of refurbishments and relocations in preparation for the Pizza Hut alliance
- Weak commercial activity in LatAm (mainly Chile) in H2

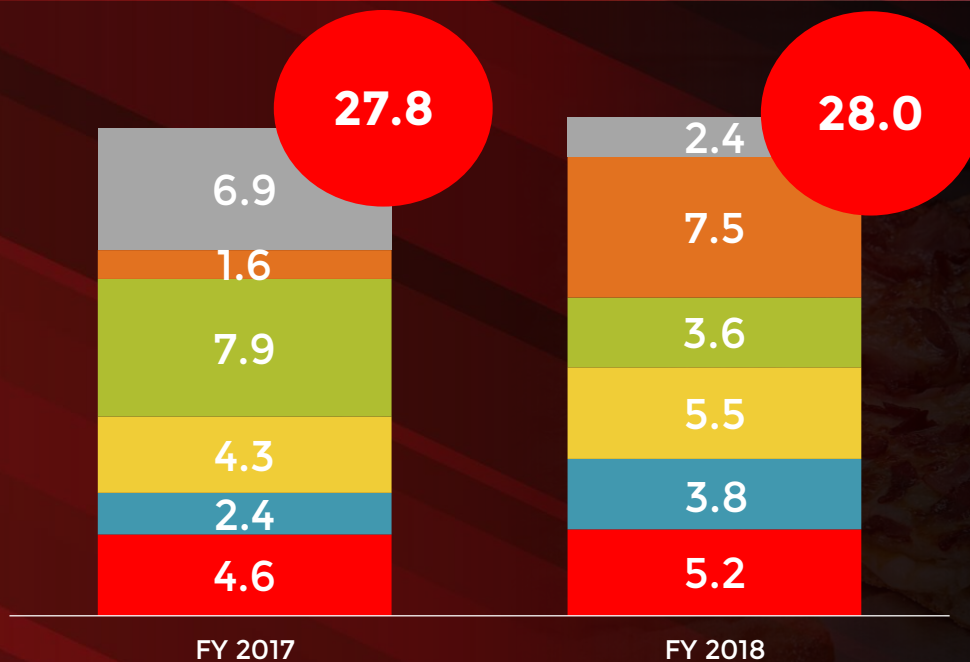
Note:

1. Adjusted for one off items and build-up costs

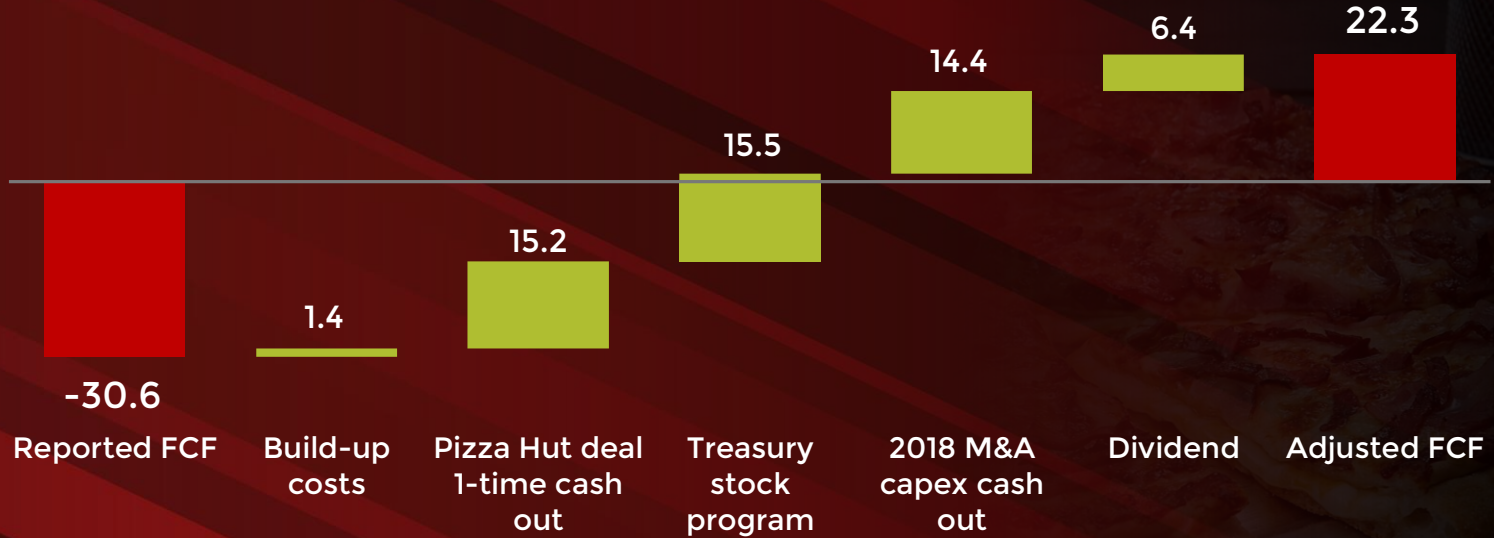
Capital expenditure

Total recurrent capex (€m)

- Store openings
- Store buybacks
- Refurbishments and relocations
- Digital & IT¹
- Efficiency and supply chain
- Maintenance



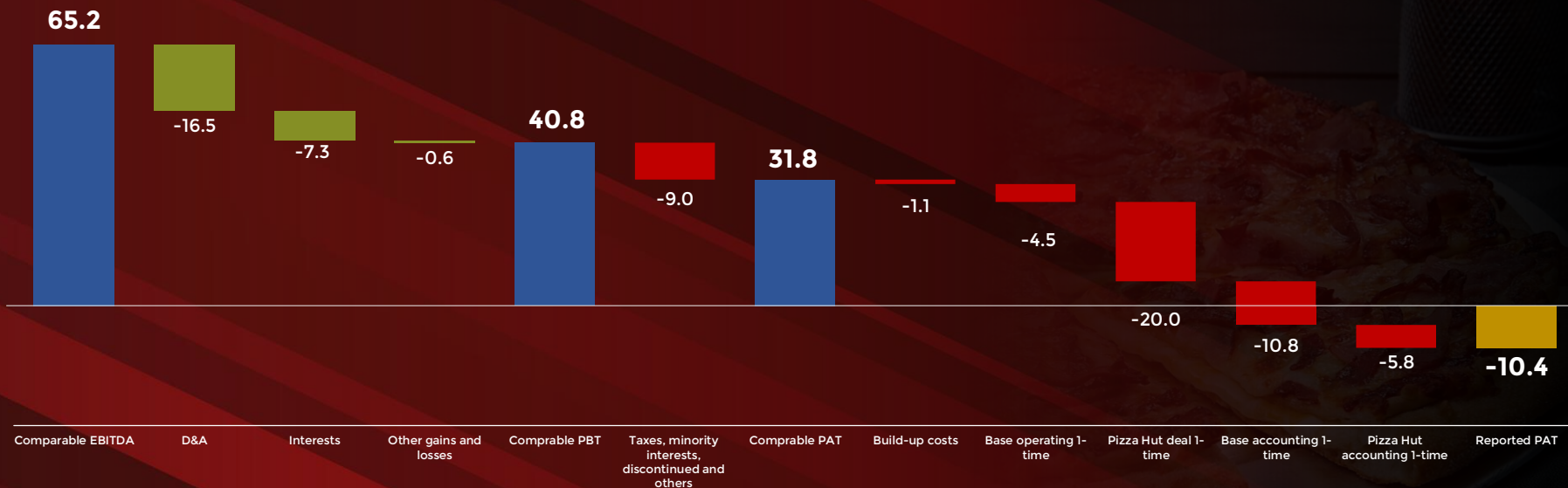
Adjusted Free Cash Flow bridge (€m)



Financial summary

€m (unless otherwise stated)	FY 2018	FY 2017	% change
Comparable EBITDA	65.2	67.2	-2.9%
Comparable profit before tax	40.8	38.8	5.2%
Comparable profit after tax	31.8	32.4	-1.9%

Adjustments (€m)



Capital expenditure

Extraordinary capex in 2018: €35.8m

- Apache Pizza earn-out
- Pizza Hut masterfranchise fee
- Acquisition of Pizza Hut Ecuador



FY 2018

Net debt and leverage

Leverage impacted by extraordinary items in 2018, dividend distribution and share repurchase program

Leverage ratio¹ as of 31th December: 2.2x



Note:

1. Measured as Net Debt / Underlying EBITDA
2. Net debt measured as gross debt - cash position



Strategic Outlook

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Path to 2021 - Financial targets announced in May 2018

	2019	2020	2021
Stores ¹	2,600-2,650	2,650-2,700	2,750-2,800
System Sales	~ €1.2bn	~ €1.3bn	~ €1.5bn
Comparable EBITDA ²	€75m - €80m	€80m - €90m	~€100m
Capex	~€40m average capex per year ³		
Leverage	<0.7x ND/EBITDA by 2021		
Dividend	Maintain current dividend policy		

Notes:

1. Excluding potential divestments, overlaps and leakages
2. Excluding extraordinary costs
3. Excludes impact of acquisitions and divestments over the period

Narrowing 2019 targets after FY 2018 results



Stores:
c. 2,700



System sales¹:
c. €1.2bn

EBITDA

**Comparable
EBITDA:**
€75m - €80m

CAPEX

Capex²:
€40m - €45m

Notes:

1. Excludes impact of acquisitions and divestments over the period



Closing remarks

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DESDE 1987

¡Porque está en la masa

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la pizza está en la masa

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APPENDIX

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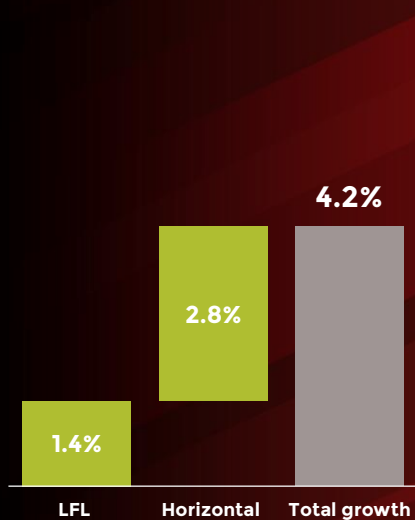
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Commercial activity summary

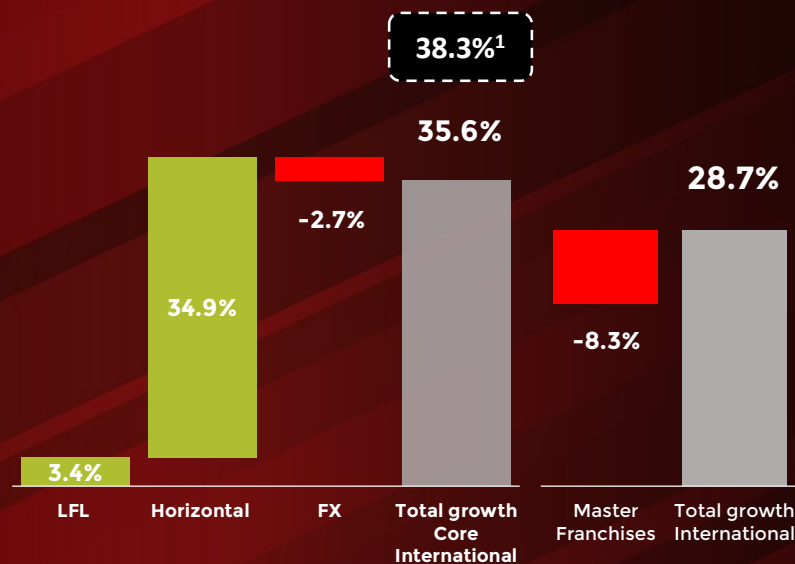
€m (unless otherwise stated)	FY 2017	FY 2018	% change
Group system sales	561.6	635.7	13.2%
Group system sales constant currency sales growth (%)			14.5%
Core Geographies ¹ system sales	529.3	606.1	14.5%
Core Geographies¹ constant currency sales growth (%)			15.3%
Core Geographies¹ LFL sales growth (%)			2.0%
Spain system sales	354.7	369.4	4.2%
LfL sales growth (%)			1.4%
International system sales	206.9	266.3	28.7%
Core International ¹ system sales	174.6	236.7	35.6%
Core International¹ constant currency sales growth (%)			38.3%
Core International¹ LFL sales growth (%)			3.4%
Revenues	361.0	340.3	-5.7%

System sales bridge

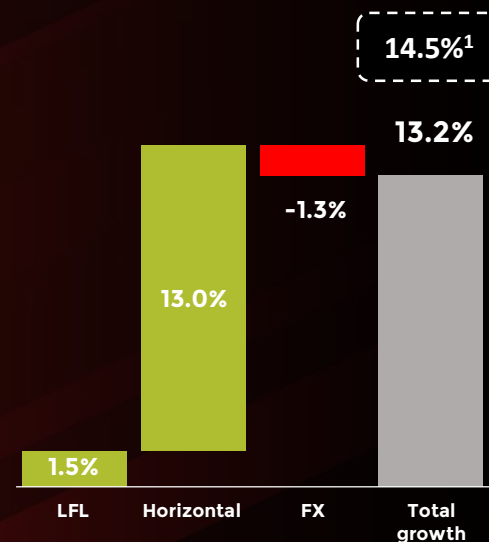
Spain FY 2018 system sales growth



International FY 2018 system sales growth

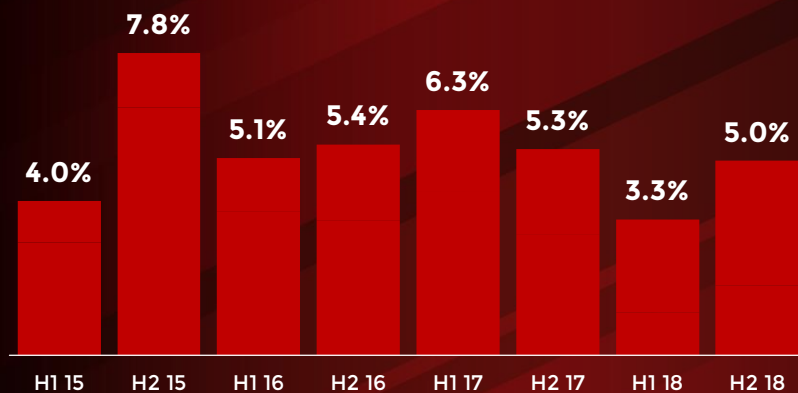


Group FY 2018 system sales growth

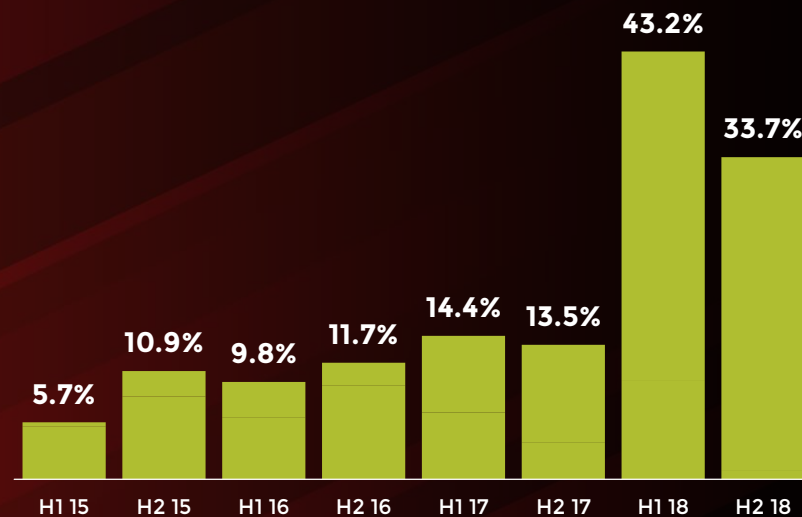


System sales growth

Spain sales growth

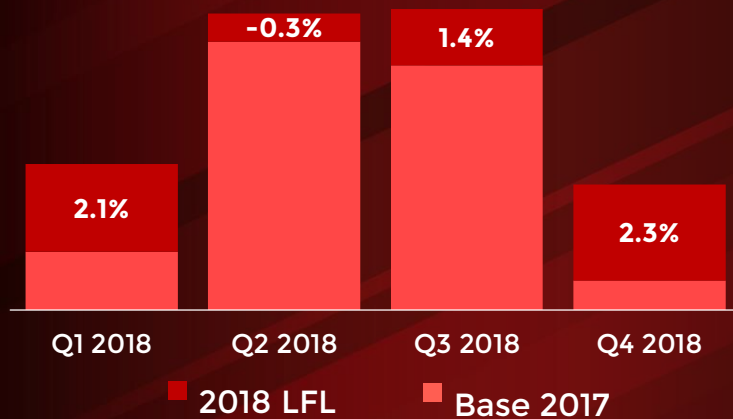


Core International¹ sales growth

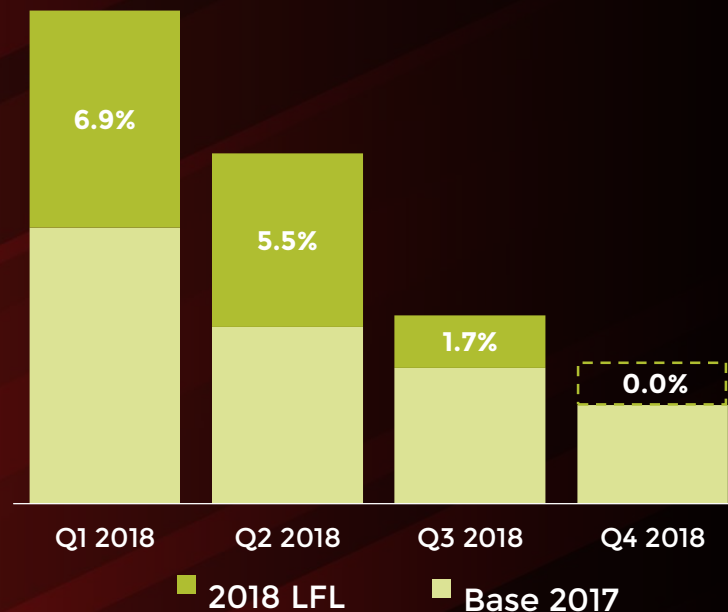


LFL performance: 2-year view

Spain 2-year LFL (%)



Core International¹ 2-year LFL (%)



Store Count

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NUMBER OF STORES	2018			2017			2016		
	OWN STORES	FRANCHISED STORES	TOTAL STORES	OWN STORES	FRANCHISED STORES	TOTAL STORES	OWN STORES	FRANCHISED STORES	TOTAL STORES
Core Geographies	386	1,049	1,435	441	988	1,429	454	771	1,225
Spain¹	113	607	720	137	571	708	164	511	675
Core International	273	442	715	304	417	721	290	260	550
Rest of Europe	88	306	394	91	296	387	73	167	240
Ireland	0	159	159	0	133	133	0	0	0
Portugal	47	78	125	43	73	116	41	68	109
Poland	33	61	94	38	81	119	32	88	120
Switzerland	0	8	8	0	9	9	0	11	11
Czech Republic	8	0	8	10	0	10	0	0	0
Latin America	185	136	321	213	121	334	217	93	310
Chile	80	85	165	92	68	160	91	52	143
Colombia	41	42	83	45	45	90	61	34	95
Peru	41	6	47	45	4	49	43	4	47
Ecuador	18	3	21	23	4	27	20	3	23
Paraguay	5	0	5	6	0	6	0	0	0
Panama	0	0	0	2	0	2	2	0	2
Master Franchises	0	185	185	0	178	178	0	164	164
Guatemala	0	96	96	0	93	93	0	88	88
El Salvador	0	49	49	0	48	48	0	49	49
Russia	0	15	15	0	14	14	0	13	13
Iran	0	9	9	0	7	7	0	0	0
Bolivia	0	7	7	0	7	7	0	5	5
Angola	0	5	5	0	5	5	0	5	5
UK	0	3	3	0	2	2	0	0	0
Saudi Arabia	0	0	0	0	2	2	0	4	4
Malta	0	1	1	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0
Total Group	386	1,234	1,620	441	1,166	1,607	454	935	1,389

Note:

1. Includes stores in Morocco and France

Store Count



NUMBER OF STORES	2018		
	OWN STORES	FRANCHISED STORES	TOTAL STORES
Iberia	0	121	121
Portugal	0	93	93
Spain ¹	0	28	28
LatAm	38	852	890
Mexico	0	248	248
Peru	0	90	90
Costa Rica	0	59	59
Puerto Rico	0	58	58
Chile	0	58	58
El Salvador	0	58	58
Honduras	0	54	54
Guatemala	0	52	52
Caribbean	0	47	47
Panama	0	44	44
Ecuador	38	0	38
Dominican Republic	0	29	29
Paraguay	0	19	19
Nicaragua	0	17	17
Colombia	0	10	10
Venezuela	0	9	9
Total	0	973	1011

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Note:

1. Includes one store in Gibraltar

Income statement

€m (unless otherwise stated)	FY 2017	FY 2018	% change
Total revenues	361.0	340.3	-5.7%
COGS	-100.0	-93.0	-7.0%
Gross margin	261.0	247.3	-5.3%
<i>% of revenues</i>	<i>72.3%</i>	<i>72.7%</i>	<i>+0.4pp</i>
Other Opex	-193.8	-182.1	-6.1%
Comparable EBITDA	67.2	65.2	-2.9%
<i>% of revenues</i>	<i>18.6%</i>	<i>19.2%</i>	<i>+0.6pp</i>
D&A (including PPA amortisation)	-18.9	-16.5	-12.7%
Net financial income / (expense)	-9.4	-7.3	-22.4%
Other ¹	0.0	-0.6	n.m.
Comparable Profit Before Tax	38.8	40.8	5.2%
Income tax	-6.6	-8.4	27.7%
Comparable Profit After Tax before Minority interest	32.2	32.4	0.7%
Minority interest	0.2	-0.7	n.m.
Comparable Profit After Tax	32.4	31.8	-1.9%
Build-up costs	-	-1.1	n.m.
Base operating 1-time	-	-4.5	n.m.
Pizza Hut deal 1-time	-0.5	-20.0	n.m.
Base accounting 1-time	-	-10.8	n.m.
Pizza Hut accounting 1-time	-	-5.8	n.m.
Reported net results	31.8	-10.4	n.m.

GLOSSARY 1/2

- **System sales:** System sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees
- **LfL system sales growth:** LfL system sales growth is system sales growth after adjustment for the effects of changes in scope and the effects of changes in the euro exchange rate as explained below
 - **Scope adjustment.** If a store has been open for the full month, we consider that an “operating month” for the store in question; if not, that month is not an “operating month” for that store. LfL system sales growth takes into account only variation in a store’s sales for a given month if that month was an “operating month” for the store in both of the periods being compared. The scope adjustment is the percentage variation between two periods resulting from dividing (i) the variation between the system sales excluded in each of such periods (“excluded system sales”) because they were obtained in operating months that were not operating months in the comparable period, by (ii) the prior period’s system sales as adjusted to deduct the excluded system sales of such period (the “adjusted system sales”). In this way, we can see the actual changes in system sales between operating stores, removing the impact of changes between the periods that are due to store openings and closures; and
 - **Euro exchange rate adjustment.** We calculate LfL system sales growth on a constant currency basis in order to remove the impact of changes between the euro and the currencies in certain countries where the Group operates. To make this adjustment, we apply the monthly average euro exchange rate of the operating month in the most recent period to the comparable operating month of the prior period
- **Digital system sales:** Digital system sales are the system sales made through digital channels (PC, web responsive and Telepizza application), expressed in percentage terms. Digital system sales (both own and franchised) are recorded automatically in the Company’s SAGA store information system when the online order is placed by the customer
- **EBITDA:** EBITDA is operating profit plus asset depreciation and amortization
- **Comparable EBITDA:** Comparable EBITDA is EBITDA excluding the Pizza Hut alliance build-up costs and extraordinary items, facilitating comparison to 2017 results

GLOSSARY 2/2

- **Comparable Profit Before Tax:** Comparable Profit Before is Profit Before Tax excluding the Pizza Hut alliance build-up costs and extraordinary items, facilitating comparison to 2017 results
- **Comparable Profit After Tax:** Comparable After Before is Profit After Tax excluding the Pizza Hut alliance build-up costs and extraordinary items, facilitating comparison to 2017 results
- **Base operating 1-time:** Base business operative adjustment to reported results with a clear 1-time nature. They have no comparability to 2017 and they have no relevance for projecting forward into 2019.
- **Pizza Hut deal 1-time:** Pizza Hut related adjustments to reported results with a clear 1-time nature. They have no relevance for projecting forward into 2019.
- **Base accounting 1-time:** 1-time adjustments to reported results due to application of accounting rules on exceptional or unusual base business items.
- **Pizza Hut accounting 1-time:** 1-time accounting adjustments to reported results due to the effective closure of the Pizza Hut alliance on December 30th, 2018.
- **Build-up costs:** Costs incurred in 2018 for anticipating the Pizza Hut alliance effective date, and that are included in the 2019 guidance given
- **Adjusted free cash flow:** Adjusted free cash flow is free cash flow excluding the impact of extraordinary items

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