First Quarter 2019 report

May 14th, 2019

Company perspective following the closing of the PizzaHut agreement

This quarter marks the first time that the 'new' Grupo Telepizza is reporting its results since the closing of the Pizza Hut Alliance on December 30th, 2018. The importance of our new perimeter is reflected in and increase in system sales 92.9% vs Q1 2018, from 158.6 Mn€ to 305.8 Mn€, and also in our number of stores, increasing by 62.5% vs Q1 2018, from 1,614 to 2,622 units.

Business update

As we communicated all through 2018, in our preparation for the Pizza Hut alliance our focus was in 2 areas: protecting our base business in key markets from disruption, and building business plans that would allow us to limit implementation risk in the first quarters of the new Grupo Telepizza. We are happy to report solid progress in both areas.

1. Protecting our base business in main markets

In Spain, by far our most important market, we have returned to healthy LfL growth of 2.9% (in spite of the negative calendar effect of Easter) in Telepizza, after a year 2018 that was affected by business disruption in anticipation of the Pizza Hut alliance. LfL growth is driven by both number of tickets and average ticket.

Our Portuguese TP business continued to show a robust LfL growth of 3.2%, and this despite a base of 16.4% in Q1 of 2018.

In contrast, Chile has still not recovered from the economic downturn in summer 2018, with sales down by mid-single digit LfL still at a negative. We have put in place specific recovery plans and expect to get back to positive LfL numbers in the balance of the year.

2. Value creation through business transformation

With a strong focus on value creation, the fact that we anticipated the closing of the Pizza Hut Alliance during 2018 is now bearing fruit.

First, thanks to the efforts made all along 2018, and as already communicated earlier this year, we were able to open our first Spanish Pizza Hut store on the same evening of the formal closing of the Alliance on December 30th. Also in Spain, we have started reorganizing trade zones to capture maximum sales with our dual brand approach. First results show the dual brand strategy to have upside potential vs our previous 1-brand strategy.

In Latin America, where we mainly follow a Telepizza to Pizza Hut conversions strategy, we have started to convert stores with positive results, after which we decided to accelerate conversions in those markets where results are clearly reflecting the strength of the Pizza Hut brand name.

All along 2018, we expect to remain ahead of our committed opening and conversion targets.

Our second area of value creation lies within our Supply Chain, both through renegotiation supplier contracts and through injecting our vertically integrated supply chain model into the Pizza Hut perimeter. After the efforts accelerating homologation of our supply chain systems during 2018, in Q1 we continued with the adaptation of our production and logistics processes. As a result, we were able to fully integrate the acquired Spanish Pizza Hut business into our vertically integrated supply chain. In Latin America, we are in the process of upgrading plant capacity and capability in order to integrate both the acquired Pizza Hut businesses and the world of Pizza Hut franchisees.

Completing selected M&A deal was a third pillar of value creation behind the Pizza Hut Alliance. In this respect, we keep advancing in the acquisition of the Chilean Pizza Hut business, as previously announced. On the other hand, the anticipated acquisition of the Ecuador Pizza Hut business back in October 2018 is exceeding expectations. Not only did it provide Telepizza with a learning platform ahead of the global close, but the business is generating a higher than expected result and both base businesses is strong and synergies have started kicking in.

3. Financial information

Total revenues increased by 10.2% compared to Q1 2018, from 85.3 Mn€ to 94.0 Mn€, mainly as a result of the royalties received from the new Pizza Hut perimeter.

EBITDA increased by 6.0% vs Q1 2018, from 17.0 Mn€ to 18.1 Mn€. The comparison to 2018 is affected by the adoption of IFRS-16, the Q1 effects of the PizzaHut alliance, and seasonal effects.

Net result decreased by -33.8% vs Q1 2018, from 8.2 Mn€ to 5.4 Mn€. Again, this number includes the adoption of IFRS-16, the Q1 effects of the Pizza Hut alliance, and seasonal effects.

Results are broadly in line with expectations, and hence the company maintains the guidance given for full year 2019, as provided in our announcement of the Strategic Alliance with Pizza Hut in 2018.

Profit and loss statement

	Q1 2019	Q1 2018[1]	%
Total revenues	**94.0**	**85.3**	**10.2%**
Cost of goods sold	**(24.0)**	**(22.5)**	**6.9%**
Gross profit	**70.0**	**62.8**	**11.4%**
Personnel costs	(23.5)	(20.9)	12.2%
Other operating expenses	(28.0)	(24.5)	14.3%
Other gains and losses	(0.4)	(0.3)	20.6%
Reported EBITDA	**18.1**	**17.0**	**6.0%**
Amortisation and depreciation	(8.6)	(4.0)	116.9%
EBIT	**9.4**	**13.0**	**-27.8%**
Net financial income / (expense)	**(2.0)**	**(1.6)**	**22.1%**
Losses from Right of use assets	(0.5)	-	n.m.
Results before tax on continued operations	**7.0**	**11.4**	**-38.9%**
Income tax	(1.2)	(2.8)	-56.9%
Net results on continued operations	**5.8**	**8.7**	**-33.2%**
Post-tax results on discont.operations	(0.2)	(0.4)	-47.4%
Net results	**5.6**	**8.3**	**-32.6%**
Minority interest	(0.2)	(0.1)	44.4%
Net income	**5.4**	**8.2**	**-33.8%**

[1] 2018 Q1 restated with Poland and Czech Republic considered as discontinued

Alternative performance measures

- **Chain sales:** Chain sales are the retail sales of our own stores, plus those of the franchised stores and master franchisees.

- **Digital sales:** Digital sales are chain sales made through digital channels (PC, mobile website and app), expressed in percentage terms. Digital sales (by both own stores and franchisees) are automatically recorded in the SAGA information system when the customer places an online order.

- **LFL sales growth:** LFL growth is chain sales growth after adjustments for openings and closures and the Euro exchange rate impact.

  - Adjustment. If a store has been open for the entire month, we consider it to be an "operating month" for the store in question; if not, that month is not an "operating month" for that store. LFL sales growth only takes into account the change in a store's sales for a given month if that month was an "operating month" for the store in the two periods being compared. The scope adjustment is the percentage variation between two periods resulting from dividing (i) the variation between system sales excluded in each of these periods ("chain sales excluded") because they were obtained in operating months that were not operating months in the comparable period by (ii) the chain sales for the prior period as adjusted to deduct chain sales excluded from such period ("adjusted chain sales"). This gives the actual changes in chain sales between operating stores, eliminating the impact of changes between periods due to store openings and closings.
  - Exchange rate with respect to the Euro. We calculate the system's LFL sales growth on a constant currency basis to eliminate the impact of changes between the Euro and the currencies in certain countries where the Group operates. To make this adjustment, we apply the average monthly exchange rate in Euros for the most recent operating month in the period to the comparable operating month of the previous period.

- **EBITDA:** EBITDA is earnings before interest, tax, depreciation and amortization.

- **EBIT:** EBIT is earnings before interest and tax.

Telepizza Group

Telepizza Group operates in 39 markets through a network of own stores, franchisees and master franchisees, with 2,622 stores globally as of 31 March, 2018.

Telepizza is listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges with its shares starting trading on 27 April 2016. The total number of shares is 100,720,679.

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www.telepizza.com