The Telepizza Group grows 15.2% in the first nine months and advances the expected terms in the operation with Pizza Hut with the implementation of important milestones

- The company earned 22 million euro[1] in the first nine months of the year, with Group sales amounting to 473 million euro.

- The company has accelerated the preparation of the alliance with Pizza Hut with the acquisition of the Pizza Hut operation in Ecuador and the request for approval of the potential acquisition of several Pizza Hut restaurants in Chile and boosting the value creation potential of the agreement.

- During the period, the company launched different digital initiatives to create a new customer relationship model.

Madrid, Monday, 12 November 2018. - The results of Telepizza Group in the first nine months of the year are aligned with their business objectives, maintaining their growth forecasts for the full year. The company closed this period with sales in its store network of 473 million euro, which represents growth of 15.2%[2] over 2017. The growth in sales in the international network --excluding master franchises--, which exceed 177 million euro, stands out with growth of 40.8% over the year-earlier period, underpinned by the strong expansion of operations in Ireland after the acquisition of the Apache Pizza chain. Chain sales in Spain have exceeded 272 million euro, 3.8% more than in the first nine months of 2017.

Comparable EBITDA, excluding the extraordinary costs associated with the implementation of the strategic agreement with Pizza Hut, reached 50.1 million euro, in line with the same period of 2017. Reported EBITDA, which includes costs derived from the operation, was 36.2 million euro.

The group's total revenues have reached 262 million euro, 2.2% less than a year ago, mainly due to changes in the distribution between own and franchised stores. Net profit adjusted for extraordinary costs and the associated tax impact would reach 22 million euro[2], 1.7% more than in the first nine months of 2017. Reported net profit reached 12 million euro due to the aforementioned effects.

Gross openings of Telepizza Group stores to September totalled 76, reaching 1,629 stores in more than 20 markets. In parallel, the company carried out a process of rationalisation of its store network before the final closure of the alliance, closing a total of 56 stores.

[1] Adjusted for the extraordinary costs and the associated tax impact of the alliance with Pizza Hut

[2] Adjusted for constant exchange rates

Acceleration in the preparation of the alliance with Pizza Hut

Telepizza Group has continued advancing in the materialisation of the strategic agreement with Pizza Hut signed in May of this year, which will double its size and turning Telepizza into the largest pizza franchise master in the world. The company anticipates that the effective closing of the agreement, subject to final approval by the European competition authorities, will be carried out immediately in the coming weeks.

In this sense, the company has already launched several initiatives, anticipating the planned deadlines and boosting the value creation potential of the agreement. On the one hand, the acquisition of the Pizza Hut operation in Ecuador, a business with solid performance that allows the Telepizza Group to begin operating in advance the Pizza Hut model before the closing of the global agreement and to confirm the estimations of value creation thanks to industrial synergies and business growth. On the other hand, a decision by the competition authorities in Chile is expected before the end of the year on the request for approval for the potential acquisition of Pizza Hut operations in this country.

The Telepizza Group has created all the teams needed for the implementation and management of the alliance in each of the new markets and they are focusing specifically on the identification and exploitation of all the synergies that the agreement allows, with special focus on industrial synergies. Likewise, disinvestments in non-core markets have been identified and reclassified as available for sale. As reported last July, there is an agreement for the sale of the operations in Poland.

"The results at the end of the third quarter are in line with our business objectives and will allow us to reach our forecasts for the year end, in a context of business acceleration towards the end of the year," said Javier Van Engelen, Executive VP Finance, Legal & Systems of the Telepizza Group. "*We are on a clear path of growth that will increase significantly when our strategic agreement with Pizza Hut is fully operational. We have hit the accelerator for its full implementation. Our transformation office works at full capacity and is developing country-by-country specific plans on how to intensify value creation opportunities from the first day of application*", he declared.

Driving digital capabilities

Telepizza Group continues to drive innovation not only through the launch of new products, but also by accelerating digital initiatives to create a new model for customer relations. Among them, Telepizza's agreement with Amazon in the launch of Alexa in Spain and Telepicoin, the first step for the launch of a new digital customer loyalty programme that will increase both the customer experience and, ultimately, the long-term value of the brand in the digital environment.

€m	9M 2018	9M 2017	% Change
Group[3] chain sales	472.7	415.5	13.8%
Chain sales in Core Areas[4]	450.7	392.2	14.9%
Growth in constant currency sales in Core Areas			**15.2%**
Growth LFL[5] sales in Core areas (%)			2.2%
Chain sales in Spain	**273.4**	**263.4**	**3.8%**
LFL sales growth Spain (%)			1.0%
International Chain Sales	199.4	152.1	31.1%
International Chain Sales in Core Areas	177.3	128.7	37.8%
Growth in constant currency international sales in Core Areas (%)			**40.8%**
Sales growth LFL International sales in Core Areas (%)			4.6%
Net turnover	262.0	267.8	-2.2%
Growth of turnover in constant currency (%)			**-1.5%**

[3] Chain sales are sales of own stores plus sales of franchisees and master franchisees

[4] Excluding sales of master franchisees.

[5] Like-for-like growth corresponds to the growth of the chain sales after adjustments for store openings and closures and the impact of the exchange rate with respect to the euro.

€m (unless otherwise stated)	9M 2018	9M 2017	% change
Total revenues	**262.0**	**267.8**	***-2.2%***
COGS	-69.9	-72.7	*-3.8%*
Gross margin	**192.0**	**195.1**	***-1.6%***
% of revenues	*73.3%*	*72.9%*	*0.5pp*
Other Opex	-142.0	-144.8	*-2.0%*
Comparable EBITDA	**50.1**	**50.3**	***-0.5%***
% of revenues	*19.1%*	*18.8%*	*0.3pp*
Build-up costs related to Pizza Hut deal	-0.6		
Underlying EBITDA	**49.4**	**50.3**	***-1.7%***
Pizza Hut deal extraordinary costs	-13.2		
Reported EBITDA	**36.2**	**50.3**	***-28.0%***
Depreciation (excl. PPA amortisation)	-9.3	-9.1	*1.4%*
Underlying EBITA	**40.2**	**41.2**	***-2.4%***
PPA amortisation	-3.2	-4.4	*-26.2%*
Net financial income / (expense)	-5.6	-6.0	*-6.3%*
Exchange differences	0.4	-0.3	*n.m.*
Other[6]	-0.7	-0.6	*8.8%*
Income tax	-5.0	-8.5	*-41.3%*
Minority interest	-0.5	0.1	*n.m.*
Post-tax results on discontinued operations[7]	-0.4	0.0	*n.m.*
Results for the period	12.0	21.6	*-44.3%*
Results for the period (adjusted by extraordinary items)[8]	**21.9**	**21.6**	***1.7%***

[6] Includes impairments and losses on sale of PP&E

[7] Reclassification of assets as available for sale

[8] Adjusted by net effect of €13.2 million of extraordinary costs related to Pizza Hut deal and the fiscal impact of the cost

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