

H1 2018 RESULTS PRESENTATION

03.09.2018



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H1 2018: reassurance on 2 fronts

Focus on base
business

+15.8%¹

Group system
sales growth

&

Anticipation of Pizza Hut
Alliance closure

Reduction of
execution risks

H1 2018 highlights – base business



15.8%
Group system sales growth, commercial activity on track



3.3% Spain system sales growth in H1, versus a strong comparable and negative calendar effect in H1



43.2% Core International system sales growth, underpinned by the contribution of Apache Pizza



Comparable EBITDA of €35.3m in H1 **1.7%** growth, excluding impact from Pizza Hut agreement build-up costs



Adjusted cash flow of **€13.6m**, adjusted by treasury stock acquisition and extraordinary expenses



Net new stores: **+20** in H1, reflecting adjusted store plan following the Pizza Hut agreement

H1 2018 highlights – Pizza Hut alliance

Organisation capability improvements

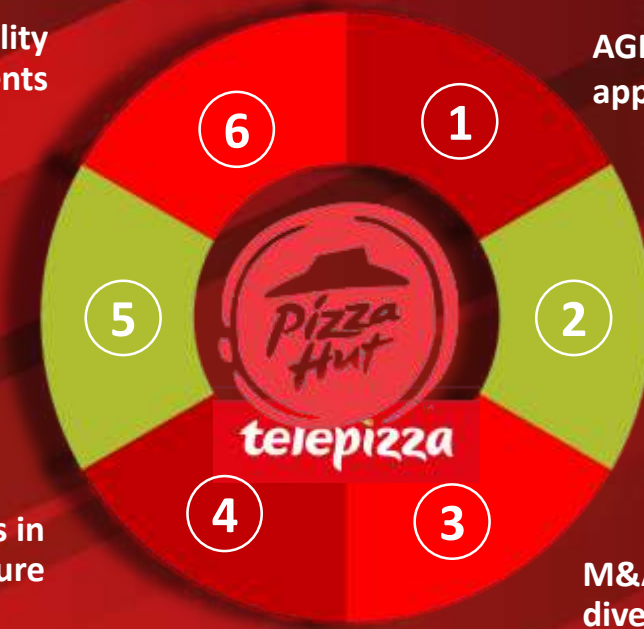
AGM: 100% shareholder approval

Confirmation of value creation assumptions

Anti-trust filing: EU and LatAm in process, Colombia clearance

Adjustment on 2018 business plans in anticipation of deal closure

M&A projects on track, divestitures initiated





Commercial activity update

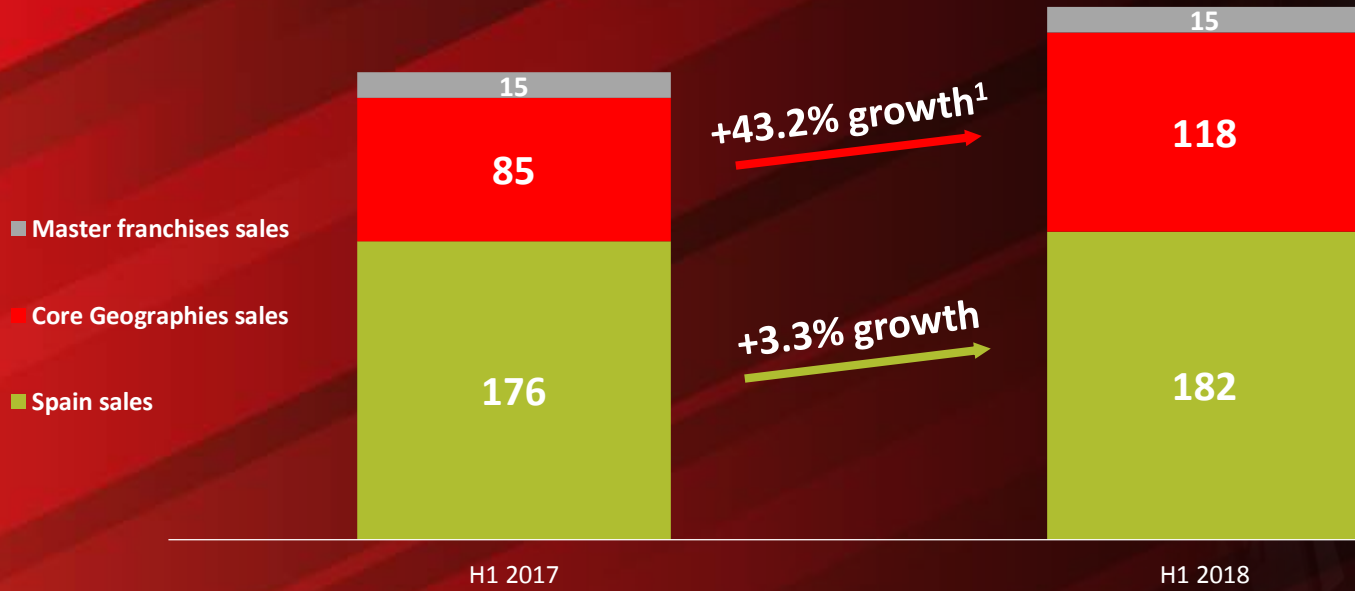
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H1 2018: Commercial activity on track

Group system sales growth



H1 2017
€277m
 H1 2018
€315m
+15.8%¹

Spain performance - During H1 2018

Growth in Spain achieved versus strong comparable and negative calendar effect



- **Growth on track:** Positive expansion performance, LFL growth impacted by strong comparable Q2 2017 (+7.1%) and negative calendar effect



- **Innovation:** New product launches, Pizza Nestlé Caja Roja and Pizza Bacon Crispy Gourmet



- **Digital:** App developments driving growth

SYSTEM SALES

Spain system sales (%)	3.3%
LFL growth (%)	0.9%
Expansion (%)	2.4%
Calendar impact	Q1: neutral / Q2: negative [c.4% adjusted total system sales in H1]

Core International performance - During H1 2018

Expansion driven by Apache Pizza acquisition with positive LFL growth across geographies



Rest of Europe

- **Portugal:** Strong performance with double digit LFL growth
 - **Others:** Solid expansion in Ireland
- Poland business divested in July



Latin America

- Strong growth in Peru and positive LFL growth across the region

SYSTEM SALES

Core International system sales (%)¹

43.2%²

LFL growth (%)

6.2%

Expansion (%)

37.0%

Notes:

1. Constant currency growth
2. Excluding the impact of Apache Pizza, Core International system sales growth would be 10.0%

Innovation and Digital in H1 2018

New product launches and additional features in the App



Product INNOVATION

Innovation sales **+5%**
in H1 2018 vs H1 2017¹

16% of innovation
sales over total sales¹

New Pizza Sweet: Nestlé
Caja Roja



Pizza Bacon Crispy
Gourmet

App developments

+41% App sales growth¹

30% of our digital sales¹



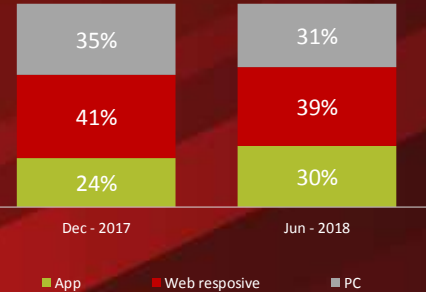
Geolocation to position
the customer for delivery



Delivery tracker, with
driver GPS location



Tokenized payment to
facilitate orders

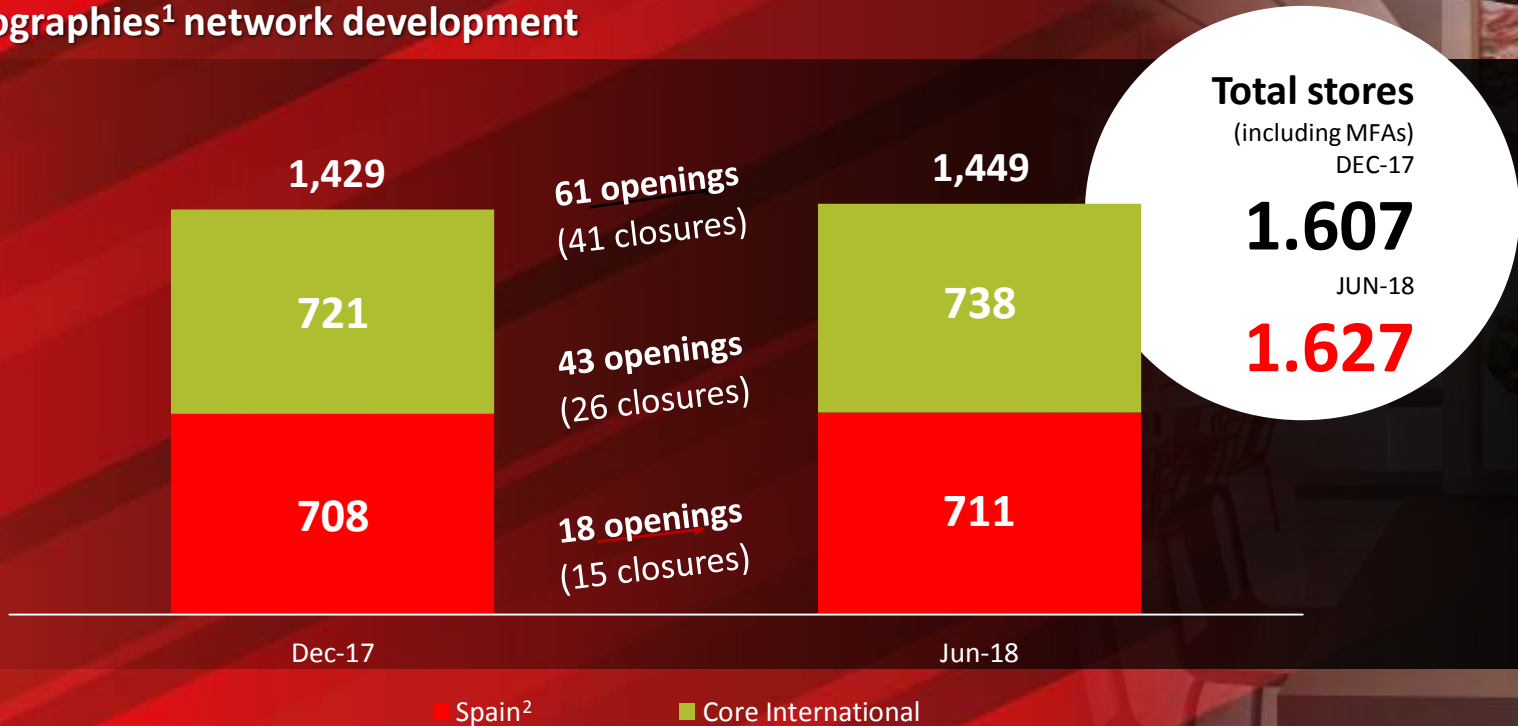




Unit expansion, +20 net new stores

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

Core Geographies¹ network development





**PizzaHut Strategic
Partnership:
Expanding the growth opportunity
for Telepizza**



Telepizza Transformation Office

Telepizza has reinforced its corporate structure with the new Transformation Office, an integrated platform to develop our strategic plan



Structured around **workstreams**, including the main value creation drivers of the Pizza Hut alliance



OPERATIONS

LFL growth

Store network expansion

SUPPLY CHAIN

Supply chain expansion and synergies

M&A OPPORTUNITIES EXECUTION

Acquisition, divestitures

Supported by

Countries operations teams

Finance

Legal

IT & Digital

Brand & communication

Organization & talent

PizzaHut strategic partnership: value creation



Adjusted 2018 capex spending plans

- Refurbishment plans have been **scaled down** for stores that will be **converted to the Pizza Hut Brand in the coming years** in order to optimize capital allocation
- **CAPEX being reviewed in non-core geographies** for the Telepizza Group



Mapping of expansion opportunities

- An **expansion plan** for both the Telepizza and Pizza Hut brands is being designed for each **key geography** and **store openings have already been planned for the 3 years following the closing of the deal**



Confirmation of synergy potential

- **Synergy sizing in line with expectations :**
 - Pizza Hut **brand in LATAM is well positioned**
 - Prepared to implement best practices in **procurement and supply chain**
 - Teams focused on capturing **synergies** across the studied geographies



M&A opportunities ahead of target

- **Potential M&A targets** in different geographies have **finalized a due diligence process**
- **Divestitures of non-core markets** have been **identified** and the **sale of Poland** has already been **signed**



Organisation reinforcement

- **Reinforcement** of the **organization in key areas**, such as **Marketing & Digital, Supply Chain** or the **Transformation Office**
- A **new organizational structure** and **governance model** has been designed and is currently being implemented to accelerate value capture



Deal closing readiness

- **Successful homologation** of Telepizza's **manufacturing facilities, distribution centers** and **logistics suppliers** by **Pizza Hut** in main geographies
- **Telepizza's core suppliers** undergoing **audits** by **Pizza Hut**

Financial information

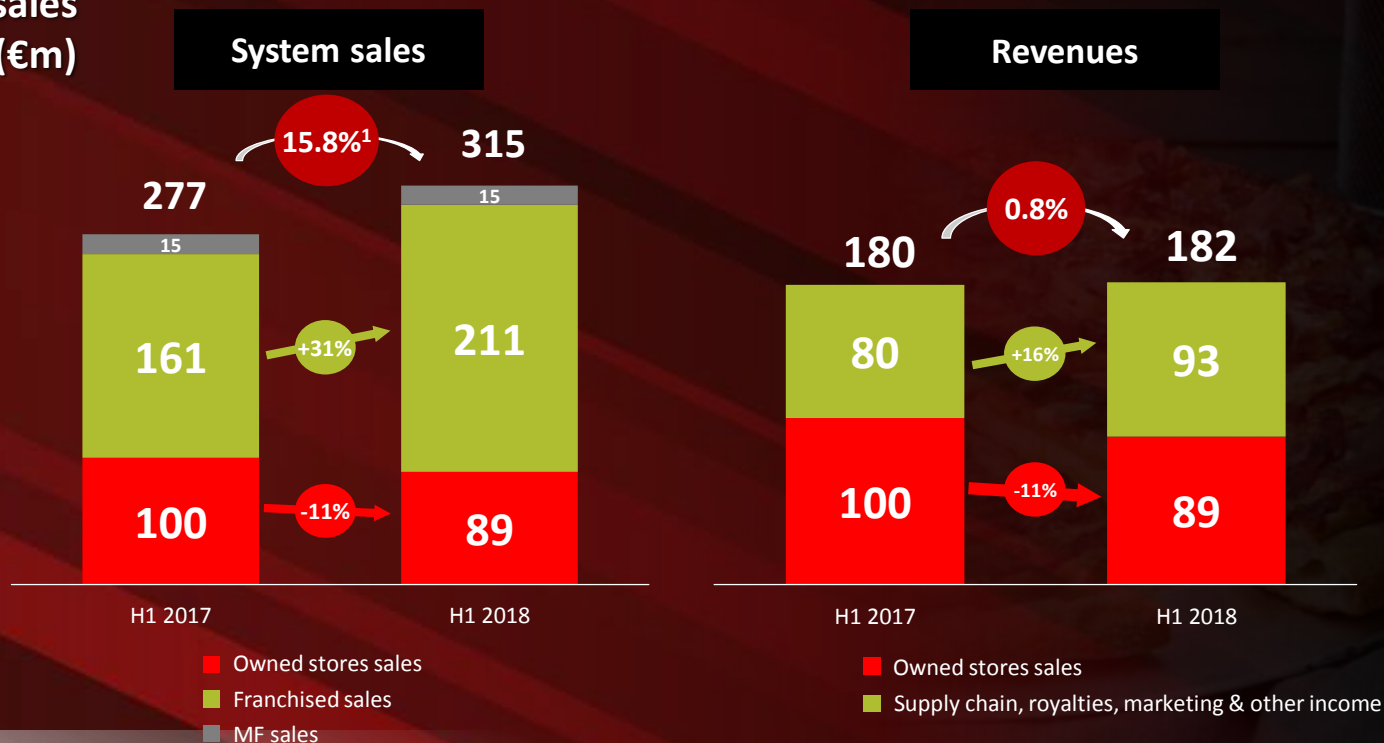
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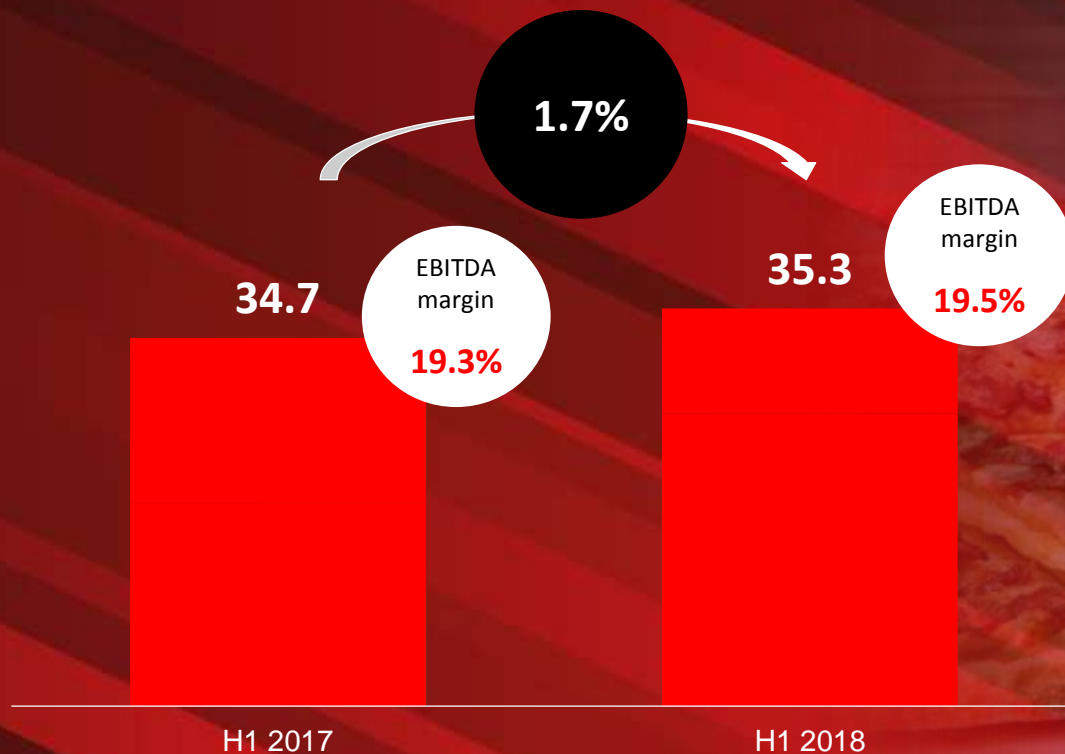
System sales and Revenues

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

Group system sales and Revenues (€m)



Comparable EBITDA growth¹ (€m)



H1 2017

H1 2018

Note:

1. Adjusted for €0.3 million of build-up costs related to Pizza Hut deal

Income statement

€m (unless otherwise stated)	H1 2018	H1 2017	% change
Total revenues	181.5	180.0	0.8%
COGS	-49.2	-48.8	0.8%
Gross margin	132.4	131.2	0.9%
<i>% of revenues</i>	72.9%	72.9%	n.m.
Other Opex	-97.0	-96.5	-0.6%
Comparable EBITDA	35.3	34.7	1.7%
<i>% of revenues</i>	19.5%	19.3%	+0.2pp
Build-up costs related to Pizza Hut deal	-0.3	-	n.m.
Underlying EBITDA	35.0	34.7	0.9%
Pizza Hut deal extraordinary costs	-9.0	-	n.m.
Reported EBITDA	26.0	34.7	-25.1%
Depreciation (excl. PPA amortisation)	-6.3	-6.0	-4.7%
Underlying EBITA	28.8	28.7	0.1%
PPA amortisation	-2.1	-2.9	-26.2%
Net financial income / (expense)	-3.9	-4.0	-1.8%
Exchange differences	0.8	0.0	n.m.
Other ¹	-0.4	-0.4	n.m.
Income tax	-4.2	-6.0	-28.9%
Minority interest	-0.4	0.0	n.m.
Results for the period	9.4	15.4	-38.8%
Results for the period (adjusted by extraordinary items)²	16.2	15.4	5.0%

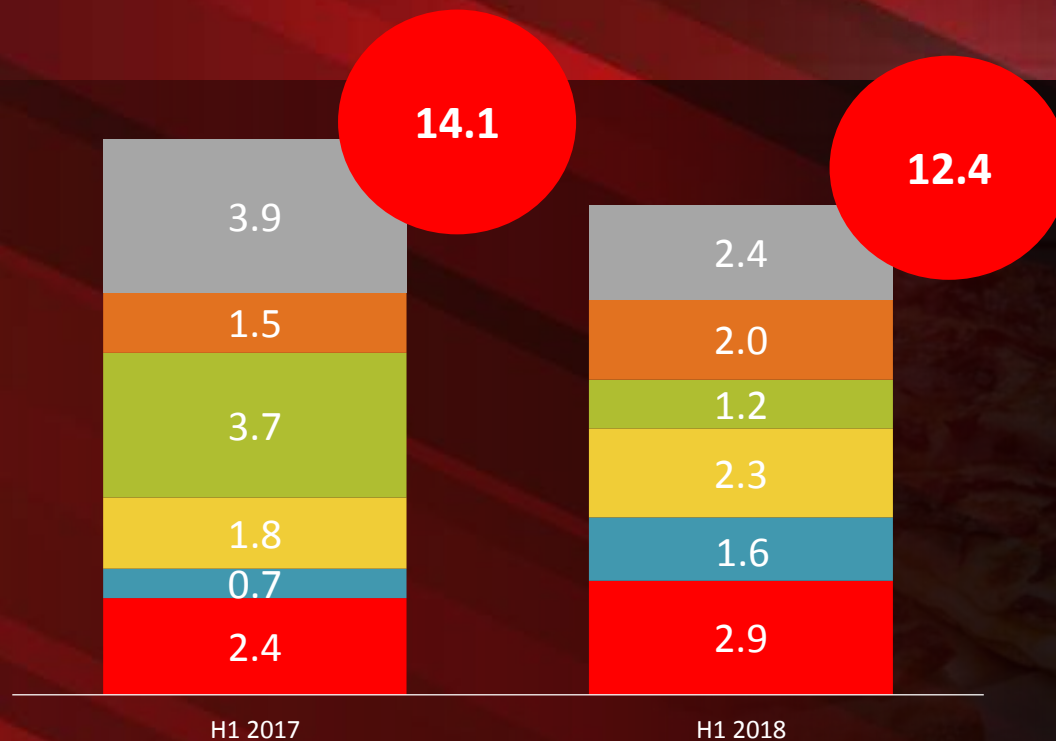
Note:

1. Includes impairments and losses on sale of PP&E
2. Adjusted by net effect of €9.0 million of extraordinary costs related to Pizza Hut deal and the fiscal impact of the cost

Capital expenditure

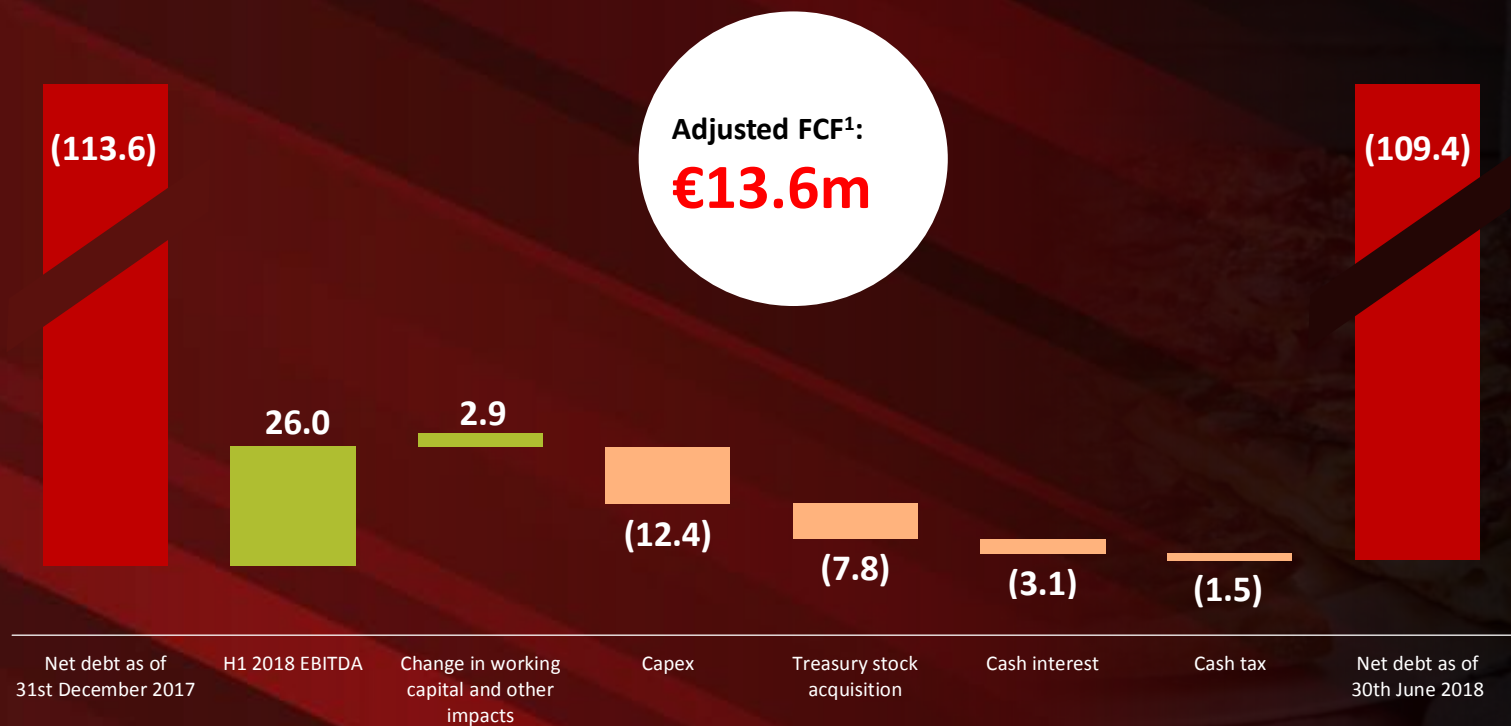
Total capex (€m)

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



Cash Flow bridge

H1 2018 Cash Flow bridge year-on-year (€m)



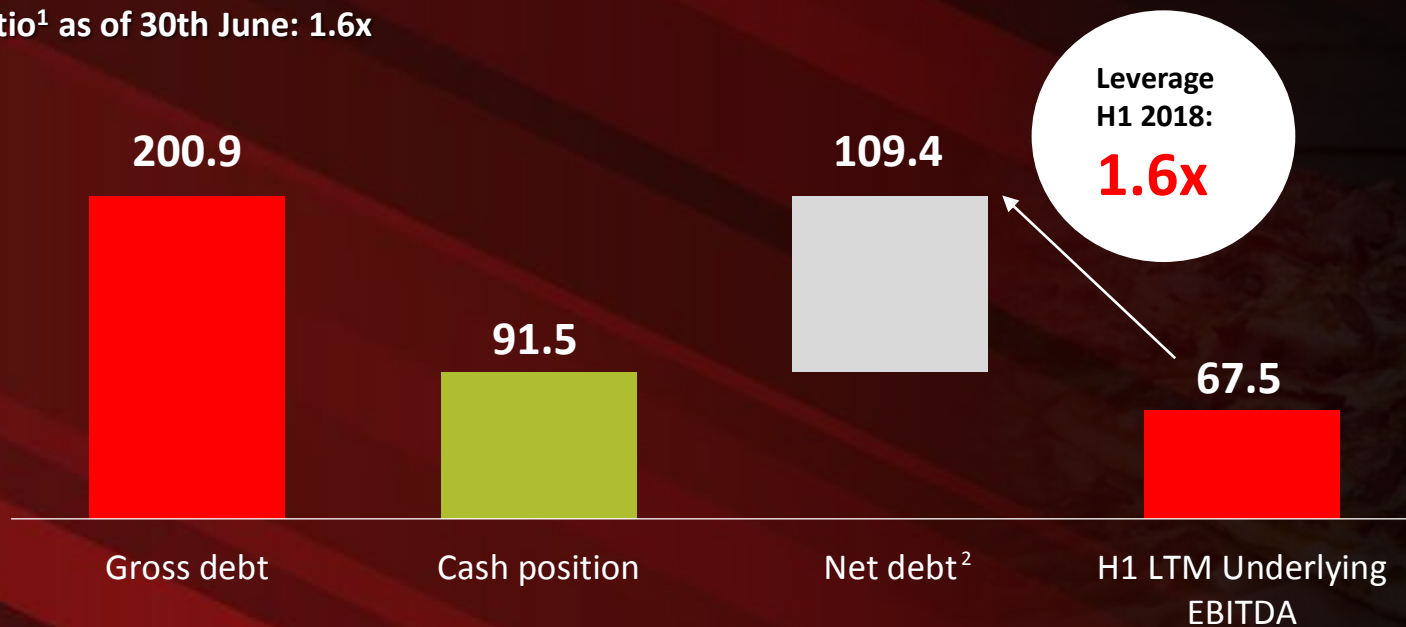
Note:

- Adjusted by +€7.8m of treasury stock acquisition and +€1.6m payment of extraordinary Pizza Hut deal costs

Net debt and leverage

Deleveraging on track, leverage decreased from 2.1x in H1 2017

Leverage ratio¹ as of 30th June: 1.6x



Note:

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



FY 18 & Strategic Outlook

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FY 2018 outlook

Adjusted for Pizza Hut deal impact

	<p>Spain total system sales growth: c.4%</p>	<p>Core International total system sales growth: double digit</p>	<p>Comparable EBITDA growth: Low single digit</p>	<p>Net new stores in Core Geographies: 20 to 30 (c.70 gross openings)</p>	<p>Capex: c.€25 million (excluding larger acquisitions)</p>	<p>Dividend for year-end 2018, with payout ratio in the 15% to 20% range</p>
Former guidance	4% to 5%	Unchanged	Low to mid-single digit	60 to 70	Unchanged	Unchanged

Path to 2021 - Financial targets confirmed

2017A1		At Signing	2019	2020	2021
1,607	Stores ²	~ 2,560	2,600-2,650	2,650-2,700	2,750-2,800
€562m	System Sales	~€1.1bn	~ €1.2bn	~ €1.3bn	~ €1.5bn
€67.2m	Underlying EBITDA ³		€75m - €80m	€80m - €90m	~€100m
€27.8m ⁴	Capex		~€40m average capex per year ⁵		
1.7x	Leverage		<0.7x ND/EBITDA by 2021		
20% payout in 2017	Dividend		Maintain current dividend policy		

Notes:

1. Based on FY2017 results
2. Excluding potential divestments, overlaps and leakages
3. Excluding extraordinary costs
4. Excluding acquisition of Ireland
5. Excludes impact of acquisitions and divestments over the period

Closing remarks



Q&A

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APPENDIX

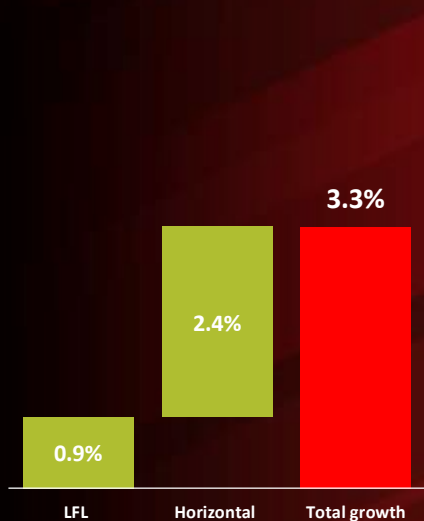


Commercial activity summary

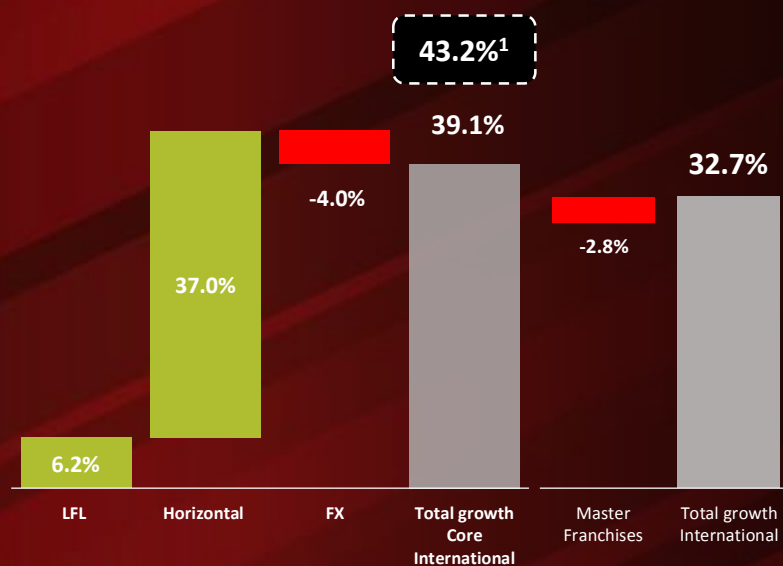
€m (unless otherwise stated)	H1 2018	H1 2017	% change
Group system sales	314.9	276.5	13.9%
Group system sales constant currency sales growth (%)			15.8%
Core Geographies ¹ system sales	300.0	261.1	14.9%
Core Geographies¹ constant currency sales growth (%)			15.9%
Core Geographies¹ LFL sales growth (%)			2.5%
Spain system sales	182.2	176.5	3.3%
LfL sales growth (%)			0.9%
International system sales	132.7	100.0	32.7%
Core International ¹ system sales	117.7	84.6	39.1%
Core International¹ constant currency sales growth (%)			43.2%
Core International¹ LFL sales growth (%)			6.2%
Revenues	181.5	180.0	0.8%
Constant currency revenue growth (%)			1.9%

System sales bridge

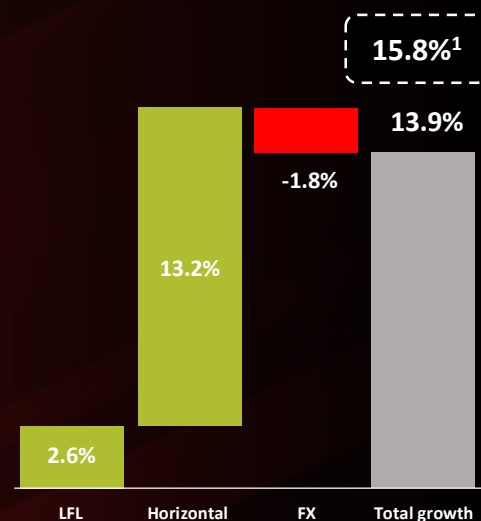
Spain H1 2018 system sales growth



International H1 2018 system sales growth



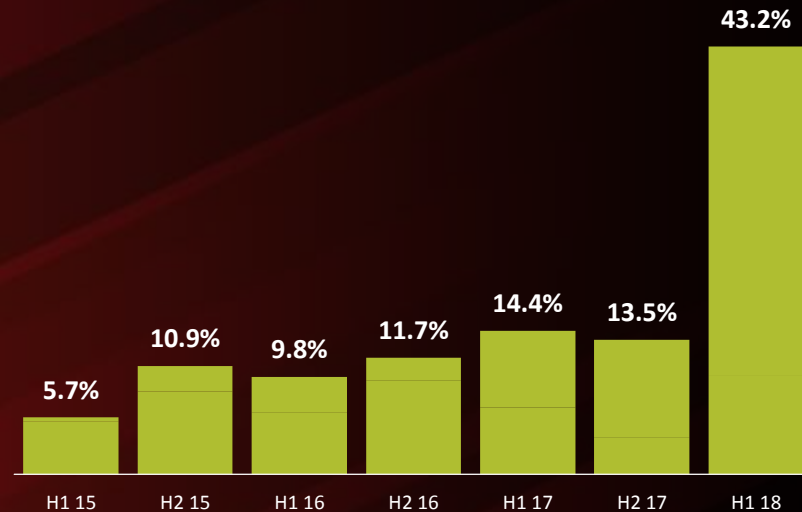
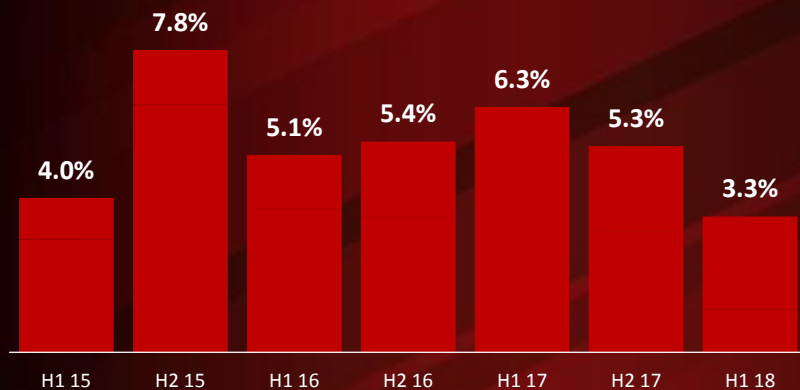
Group H1 2018 system sales growth



System sales growth

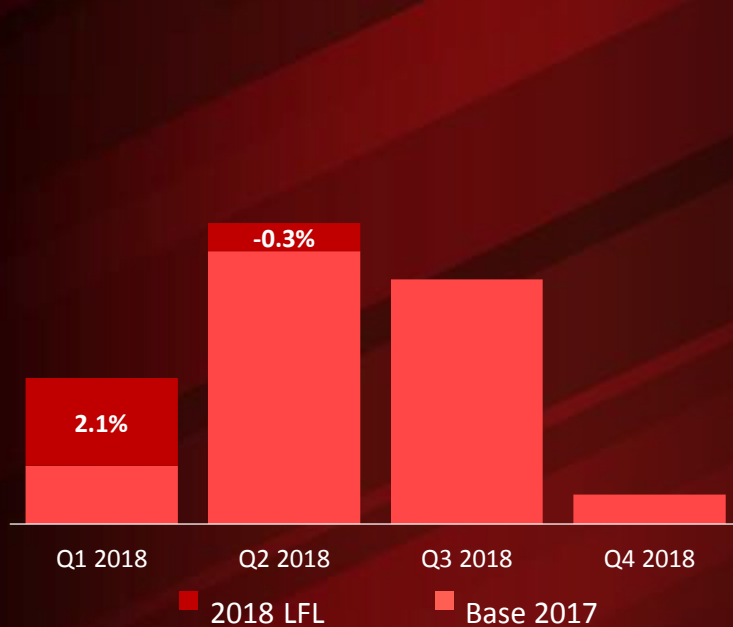
Spain sales growth

Core International¹ sales growth

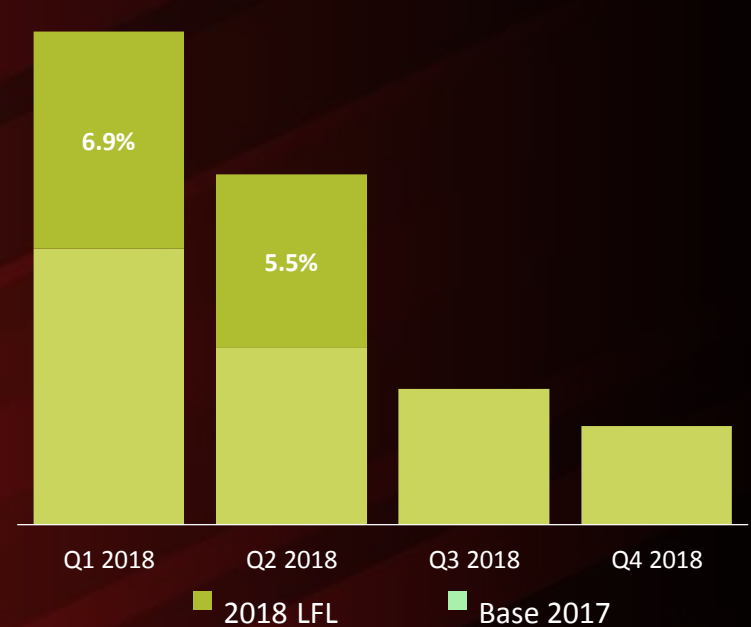


LFL performance: 2-year view

Spain 2-year LFL (%)



Core International¹ 2-year LFL (%)



Store Count

NUMBER OF STORES	H1 2018			2017			2016		
	OWN STORES	FRANCHISED STORES	TOTAL STORES	OWN STORES	FRANCHISED STORES	TOTAL STORES	OWN STORES	FRANCHISED STORES	TOTAL STORES
Core Geographies	415	1,034	1,449	441	988	1,429	454	771	1,225
Spain	126	585	711	137	571	708	164	511	675
Core International	289	449	738	304	417	721	290	260	550
Rest of Europe	93	316	409	91	296	387	73	167	240
Ireland	0	159	159	0	133	133	0	0	0
Portugal	48	74	122	43	73	116	41	68	109
Poland	37	75	112	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	196	133	329	213	121	334	217	93	310
Chile	90	76	166	92	68	160	91	52	143
Colombia	38	47	85	45	45	90	61	34	95
Peru	42	6	48	45	4	49	43	4	47
Ecuador	20	4	24	23	4	27	20	3	23
Paraguay	5	0	5	6	0	6	0	0	0
Panama	1	0	1	2	0	2	2	0	2
Master Franchises	0	178	178	0	178	178	0	164	164
Guatemala	0	93	93	0	93	93	0	88	88
El Salvador	0	48	48	0	48	48	0	49	49
Russia	0	14	14	0	14	14	0	13	13
Iran	0	7	7	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	415	1,212	1,627	441	1,166	1,607	454	935	1,389

Note:

1. Includes stores in Morocco and France.

Balance sheet

€m (unless otherwise stated)	31 st June 2018	31 st December 2017
Non current assets	837.8	835.8
Property, plant and equipment	50.1	50.5
Goodwill	392.9	392.5
Other intangible assets	325.3	326.9
Other non-current assets	69.4	65.9
Current assets	150.4	145.3
Subtotal current assets	149.9	145.3
Inventories	10.4	10.9
Receivables and other current assets	48.0	47.1
Cash and cash equivalents	91.5	87.3
Assets classified as discontinued operations	0.5	0.1
Total assets	988.1	981.2

	31 st June 2018	31 st December 2017
Equity	628.2	635.4
Non-current liabilities	293.2	290.2
Borrowings	197.2	196.7
Other non-current liabilities	96.0	93.5
Current liabilities	66.7	55.5
Trade and other payables	63.3	51.7
Other current liabilities	3.4	3.8
Liabilities classified as discontinued operations	0.0	0.1
Total equity and liabilities	988.1	981.2

GLOSSARY

- **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
- **EBITDA:** EBITDA is operating profit plus asset depreciation and amortization
- **Underlying EBITDA:** Underlying EBITDA is EBITDA excluding the extraordinary costs related to the Pizza Hut deal
- **Comparable EBITDA:** Comparable EBITDA is EBITDA excluding the extraordinary costs and build-up costs related to the Pizza Hut deal
- **Digital delivery system sales:** Digital delivery system sales are the delivery system sales made through digital channels (PC, web responsive and Telepizza application), expressed in percentage terms. Digital delivery 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
- **Pizza Hut MFA countries:** Countries included in the Master Franchise Agreement with Pizza Hut

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