2016 Half Year Results Announcement

5 September 2016

Telepizza Group, S.A. ("Telepizza" or "the Group"), the leading pizza delivery in Iberia and Latin America, today announces the results for the six-month period ended 30 June 2016. This announcement should be read alongside the Interim Consolidated Financial Statements for the First Half of 2016.

Financial Highlights

€m (unless otherwise stated)	6 months ended 30 June 2016	6 months ended 30 June 2015	% change	LTM[1] to 30 June 2016
Group chain sales[2]	*252.3*	*243.2*	*3.7%*	*500.9*
Core[3] Geographies chain sales	*237.0*	*227.7*	*4.1%*	*469.0*
Core Geographies constant currency sales growth (%)			**6.4%**	
Core Geographies LFL[4] sales growth (%)			***4.4%***	
Revenues[5]	*165.6*	*164.0*	*1.0%*	*330.5*
Constant currency revenue growth (%)			**3.6%**	
Group Underlying EBITDA[6]	**36.0**	**31.4**	**14.7%**	**62.3**
Adjusted net debt[7]	**150.5**	**252.6**	**(40.4%)**	

[1] Last twelve months to 30 June 2016.

[2] Chain sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees.

[3] Excluding Master Franchised sales.

[4] LFL growth is chain sales growth after adjustment for the effects of changes in store openings and closures and the effects of changes in the euro exchange.

[5] Reported revenues represent revenues directly attributable to Telepizza derived from own store sales, franchisee related revenues (supply sales, royalties and marketing) and other revenues.

[6] EBITDA excluding €32.2m of IPO related costs in Q2 2016.

[7] Net debt adjusting cash position for pending payments in connection with our recent Initial Public Offering ("IPO") as of 30 June 2016; and excluding subordinated loan outstanding as of 30 June 2015.

Highlights

- 6.4% Core Geographies chain sales growth (in constant currency), of which 4.4% LFL
- c.15% Underlying EBITDA growth
- Delivery in Spain increased by 9.5% yoy, boosted by Digital (+22% growth)
- 50 new stores opened and 98 stores refurbished in 2016 until the end of August
- Laid the foundations to open the first master franchised stores in Saudi Arabia and the UK in 2016
- Net financial leverage of 2.4x and c.€220 million of tax assets, as of 30th June 2016

Commenting of the results, Pablo Juantegui, Chairman and Chief Executive Officer of Telepizza, said:

"We have had a solid first half of the year, driven by both our Spanish and International operations, recording constant currency chain sales growth in excess of 6%, translating into Underlying EBITDA growth close to 15% for the period.

Delivery continues to be the engine of Telepizza's growth, boosted by Digital sales, which have been growing above 20% in the first half of the year. Mobile sales have outperformed desktop sales for the first time in the second quarter, a period during which orders through our App increased by almost 50%.

We have opened 50 new stores and refurbished 98 stores in the first eight months of this year and have accelerated both the rate of openings and refurbishments in the Summer, as we see tangible benefits from our renewal plan and significant opportunity for expansion across all our core markets.

Despite the higher comparators in the second half, we are confident in our ability to continue to grow profitably in our current geographies and are excited by the incremental opportunity that our new master franchised regions bring to the Group."

Telepizza Group:

We are the largest non-U.S.-based pizza delivery company in the world by number of stores. Headquartered in Madrid, Spain, Telepizza operates in more than 15 countries through a network of own stores, franchisees and master franchisees, with 1,325 stores globally, including 454 own stores (34%) and 871 franchised and master franchised stores (66%) as of June 30, 2016.

Including our U.S.-based competitors, we are the fourth largest global player in pizza delivery in terms of number of stores. We are the market leader in our core markets by number of stores (number one in Spain, Portugal, Chile and Colombia and number two in Poland).

The total sales within our network, including own stores, franchisees and master franchisees, are recorded as chain sales, which amounted to €501 million in the twelve months ended 30 June 2016, with an underlying EBITDA of €62 million over the same period.

Telepizza listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges with its shares starting trading on 27 April 2015. The total number of shares is 100,720,679.

ISIN: ES0105128005
Symbol: TPZ

Webcast

There will be a webcast and conference call presentation on these results today at 14.00 PM Central European Summer Time (13:00 GTM). To access the webcast, use the link:

http://event.onlineseminarsolutions.com/r.htm?e=1256224&s=1&k=D794E9A2FC8463EDDDBD4DA9D5CFBB18

To listen by telephone, dial one of the numbers below:

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HALF YEAR REPORT 2016

€m (unless otherwise stated)	6 months ended 30 June 2016	6 months ended 30 June 2015	% change
Group chain sales[1]	*252.3*	*243.2*	*3.7%*
Core[2] *Geographies chain sales*	*237.0*	*227.7*	*4.1%*
Core Geographies constant currency sales growth (%)			**6.4%**
Core Geographies LFL[3] *sales growth (%)*			***4.4%***
Spain chain sales	**166.0**	**158.0**	**5.1%**
LFL sales growth (%)			***3.7%***
International chain sales	*86.2*	*85.2*	*1.2%*
Core International chain sales	*70.9*	*69.7*	*1.8%*
Core International constant currency growth (%)			**9.8%**
Core International LFL sales growth (%)			***6.2%***
Group Underlying EBITDA[4]	**36.0**	**31.4**	**14.7%**

In the first six months of 2016 ("H1" or the "Period"), the Group has reported 3.7% chain sales growth, to €252.3m, driven by a 6.4% growth in constant currency in our Core Geographies (excluding Master Franchises) and a negative impact of foreign exchange over the period.

This has resulted in a 14.7% increase in Underlying EBITDA for the Period, to €36.0m (excluding €32.2m of IPO related costs incurred in Q2), driven by an improvement in gross margin and operating leverage.

At the end of the Period, Adjusted net debt (adjusted for pending payments related to our recent IPO) stood at €150.5m, implying a net financial leverage of 2.4x over Underlying EBITDA for the twelve months ended 30 June 2016.

[1] Chain sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees.

[2] Excluding Master Franchised chain sales.

[3] LFL growth is chain sales growth after adjustment for the effects of changes in store openings and closures and the effects of changes in the euro exchange.

[4] EBITDA excluding €32.2m of IPO related costs in Q2 2016.

Spain

Spain chain sales grew 5.1% in H1, to €166.0m, driven by a like-for-like growth of 3.7% and 1.4% horizontal growth.

Second quarter ("Q2") like-for-like growth was 2.1%, compared to 5.2% growth in the first quarter ("Q1"), driven by calendar impacts year-on-year –Q1 sales had been favoured by the timing of Easter and other bank holidays in 2016, whereas the calendar effects for Q2 went the opposite direction–, but also by a slowdown in the Non-delivery channel from the second part of Q2.

Delivery, which accounted for 59% of Spain chain sales in the Period, remains strong, with 9.5% increase year-on-year and Telepizza continuing to gain market share, boosted by Digital sales, which grew at a 22% rate year-on-year, and already account for 34.7% of Delivery sales in Spain.

The Digital channel is not only the key engine of growth, but also produces incremental benefits for Telepizza, our franchisees and our customers:

- Digital customers order more frequently than phone customers, resulting in higher average expenditure per digital customer (+35% vs phone customers).
- Improved order accuracy and reduced time on the phone for Telepizza employees, allowing them to focus on improving service.
- Enhanced brand image, increased brand awareness and higher penetration of innovation.
- High engagement rate with customers through active social media presence.

Mobile sales continue to grow faster than Desktop sales, with Mobile representing a higher share of our sales vs Desktop for the first time in Q2, driven by a 49% growth in sales through our App during H1.

The Non-delivery (Take Away and Eat-in) channel, accounted for 41% of Spain chain sales in H1, is lower growth than Delivery and its customers more sensitive to promotions, which has been particularly evident in light of the aggressive pricing strategy from Telepizza competitors in this channel from the second half of Q2.

Other than continued innovation and selective promotions, Telepizza is addressing the competitive pressures in the Non-delivery channel with an acceleration of its Refurbishment and Relocation plan, which is yielding incremental sales of c.5% vs non-refurbished mirror stores.

In H1 2016, 52 stores were refurbished across the Group, increasing to 98 by the end of August, and the full year objective for 2016 is to double the number of refurbishments done in 2015 (86 stores were refurbished in 2015).

International

Core International (excluding Master Franchises) chain sales grew 1.8% in H1 (9.8% in constant currency), to €70.9m, driven by a like-for-like growth of 6.2%, 3.5% horizontal growth and negative FX impact of 8.0%.

Core International (excluding Master Franchises) Q2 like-for-like growth was 5.8%, compared to 6.7% growth in Q1, reflecting an in-line performance in both quarters across all geographies, except Poland, which reflected an impact of discontinuing certain volume actions, but with negligible impact at EBITDA level. The small gap in like-for-like growth in both quarters was compensated by an increase in horizontal growth internationally in Q2 vs Q1.

In H1, Portugal was the strongest performing geography of the Group, with close to double digit like-for-like growth, evidencing strong recovery from the downturn, and with growth supported into the rest of the year by a reduction in applicable VAT to consumers from 1st of July.

All geographies in LatAm presented healthy growth and the highest horizontal expansion within the Group, resulting in +9.8% total growth in constant currency in H1 2016 in the Region. Increases in average ticket in Chile and scale benefits in other LatAm geographies have also driven significant margin improvement

Given the steep depreciation of LatAm currencies, the Chilean and Colombian Peso in particular, from Summer 2015 (€ appreciated by 11% and 27% respectively vs the CLP and COP respectively year-on-year in the Period), there is a significant negative reported chain sales FX impact in H1, which is expected to reduce into the second part of the year.

Master franchised chain sales declined by 1.3% in H1, to €15.3m, negatively impacted by FX, but also by the removal in H1 of low margin promotional actions in Central America (which represents more than 80% of the current master franchised store count of the Group) that had been implemented in the previous year.

In H1, a Master Franchise agreement was signed with an experienced QSR operator in the UK to open stores in three out of thirty-tree zones in the Country. Also, during the Period, we laid the foundations to open the first master franchised stores in Saudi Arabia, having now adapted the Telepizza product and image to local tastes and regulatory requirements, established the supply chain for the Country, and trained the operational staff.

Unit expansion

As of 30 June, the Group store count was 1,325 (of which 649 in Spain and 676 International), which compares to 1,311 stores as of 31 December. 66% of the stores were franchised at the end of H1 2016, which compares to 64% in H1 2015 (+2pp).

In the first six months of 2016, Telepizza opened 31 new stores across the Group and closed 17 stores (mainly in Spain and Colombia), as part of our network restructuring programme. By the end of August, the number of openings has increased to 50, with only 2 additional closures, resulting in a store count of 1,342 (+31 vs December 2015).

The Group continues to see incremental unit expansion potential in Spain, particularly in the franchised mini-store and mall formats, where Telepizza penetration is small still, as compared to other geographies of the Group, particularly Chile.

Internationally, there is a significant expansion opportunity in our Core LatAm geographies with favourable long-term macro dynamics, demographics and still low pizza delivery penetration, in particular in Colombia and Peru.

Financial performance

€m (unless otherwise stated)	6 months ended 30 June 2016	6 months ended 30 June 2016	% change	LTM[1] to 30 June 2016
Group chain sales[2]	**252.3**	**243.2**	**3.7%**	**500.9**
Own store sales	97.6	100.9	(3.2%)	
Franchised sales	139.3	126.8	9.9%	
Master Franchised sales	15.3	15.5	(1.3%)	
Total revenues	**165.6**	**164.0**	**1.0%**	**330.5**
Own store sales	97.6	100.9	(3.2%)	196.9
Supply sales, royalties and marketing	57.9	52.4	10.4%	114.4
Other	10.1	10.7	(5.8%)	19.3
Total costs	**(129.6)**	**(132.6)**	**(2.3)%**	**(268.2)**
Cost of goods sold	(38.4)	(43.4)	(11.5%)	(86.3)
Personnel expenses	(45.5)	(45.7)	(0.5%)	(90.9)
Other costs	(45.7)	(43.4)	5.1%	(91.0)
Underlying EBITDA[3]	**36.0**	**31.4**	**14.7%**	**62.3**
Underlying EBITDA margin (%)	21.7%	19.1%	13.6%	18.9%
Depreciation and amortisation (excl. PPA amortization)	(5.9)	(5.1)	15.0%	(11.6)
Underlying EBIT[4]	**30.1**	**26.2**	**14.6%**	**50.8**
IPO costs	**(32.2)**	**-**	**-**	**(32.2)**
PPA amortisation	(2.9)	(2.9)	n.m.	(5.8)
Net financial income / (expense)	(16.9)	(18.4)	(8.0%)	(33.9)
Other	(0.2)	(1.7)	n.m.	(2.4)
Profit before tax	**(22.1)**	**3.2**	**n.m.**	**(23.6)**
Income tax	2.8	(4.1)	n.m.	4.1
Results for the period	**(19.3)**	**(0.9)**	**n.m.**	**(19.5)**

Chain sales increased by 3.7% to €252.3 million in H1. Revenue increased by 1.0% (3.6% at constant currency) to €165.6 million over the Period.

[1] Last twelve months to 30 June 2016.
[2] Chain sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees.
[3] EBITDA excluding €32.2m of IPO related costs in Q2 2016.
[4] EBIT excluding €32.2m of IPO related costs in Q2 2016 and PPA amortization.

Chain sales conversion to revenue was mainly impacted by the change in the ownership mix, with an increase of franchise sales over total:

- Own store sales declined by 3.2% to €97.6m, given the lower number of stores owned in H1 2016 vs H1 2015.
- Franchised chain sales increased by 9.9% to €139.3m; and Supply sales, Royalties and marketing revenues increased in a similar proportion (+10.4%, to €57.9 million).
- Other revenues declined by 5.8%, to €10.1m, due to the lower level of store transfers in H1 2016 vs the prior year.

Total costs declined by 2.3% year-on-year, reflecting higher gross margins in H1 and an increase in the number of franchised stores over the Period:

- COGS decreased by 11.5% to €38.4m, driven by the reduction of milk prices since the second half of 2015 and increases in the average sale ticket in H1 2016.
- Personnel expenses remained flat, at €45.5m, as the higher number of franchised stores was partially offset by the increase in delivery and overall service levels.
- Other costs increased by 5.1%, to €45.7m, driven by incremental investments in brand and higher presence in media in 2016.

Underlying EBITDA increased by 14.7% to €36.0 million in the first half of the year compared to the same period in the prior year. LTM Underlying EBITDA margin increased vs 2015 by 130bp to 18.9%, reflecting the operating leverage in the Group.

H1 financials include €32.2m of non-recurring IPO related costs, fully financed through the capital raised at IPO, mainly related to IPO services and Management incentive plans.

The net financial expense of €16.9 million in H1 includes financing charges related to the pre-IPO capital structure, which will reduce materially for the second half of the year, as the financial leverage of the group has reduced significantly post IPO. Net debt, adjusted for pending IPO payments, as of 30 June was €150.5m, implying a leverage ratio of 2.4x over LTM Underlying EBITDA (of €62.3m).

Capital expenditure was €10.0 million in the Period, of which c.75% was related to expansion projects (such as store openings, refurbishments and digital). The rate of investments is expected to increase in the second half, as the store opening and refurbishment plans are accelerated.

As of 30 June 2016, the Group had NOLs of €52m and €169m of interest carried forward, deductible up to 30% of annual EBITDA in Spain, which are expected to materially reduce the effective cash tax rate for the Group in coming years.

Outlook

As we face tougher comparators for the second half of the year, we expect to deliver total growth of 4% to 5% in Spain, through a combination of like-for-like and horizontal growth.

Internationally, we expect to grow close to double digit in constant currency, with a strong contribution from horizontal expansion.

We expect double digit EBITDA growth for the Group in 2016, but with more demanding year-on-year comparables in the second half and a lower benefit from raw materials prices for the second part of the year.

By the end of the year, we expect to have opened approximately 80 net new stores in our Core Geographies. And, in the Master Franchised area, to have the first store openings in Saudi Arabia and the UK.