

# H1 2018 RESULTS PRESENTATION

03.09.2018



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# H1 2018: reassurance on 2 fronts

Focus on base  
business

**+15.8%<sup>1</sup>**

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



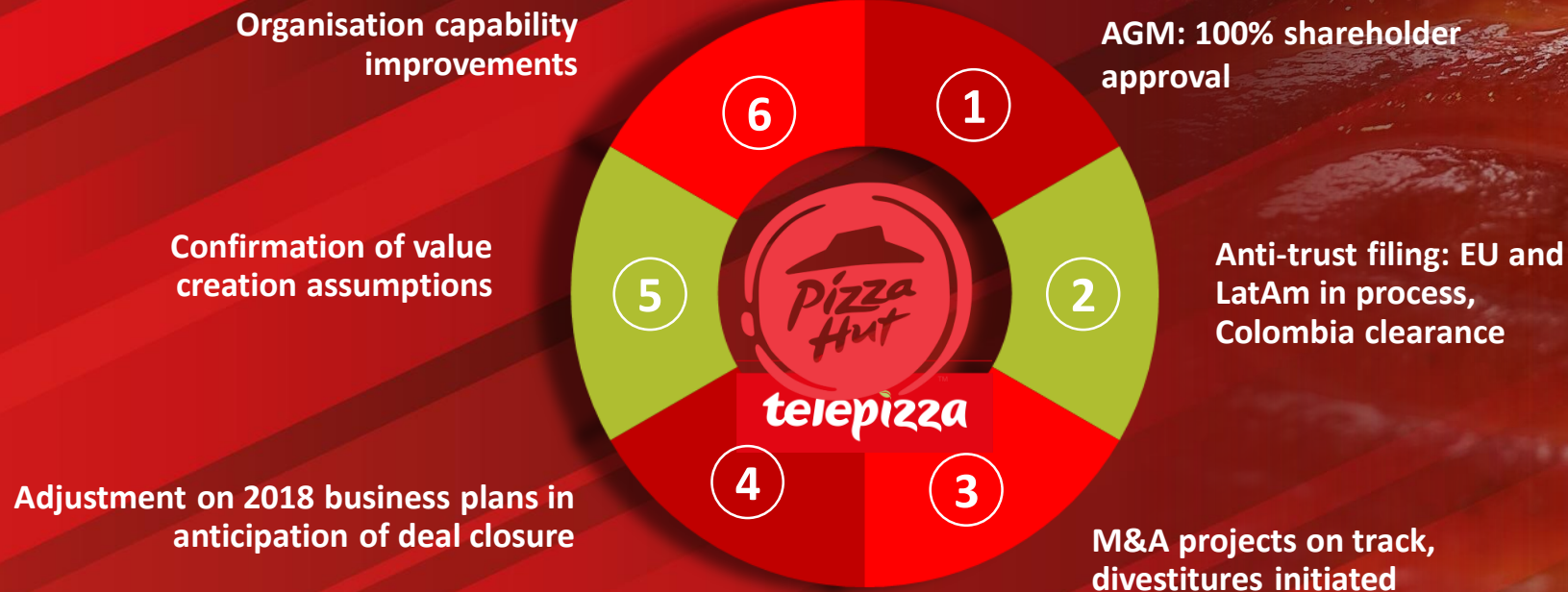
Adjusted cash  
flow of  
**€13.6m**,  
adjusted by  
treasury stock  
acquisition and  
extraordinary  
expenses



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



# H1 2018 highlights – Pizza Hut alliance





# Commercial activity update

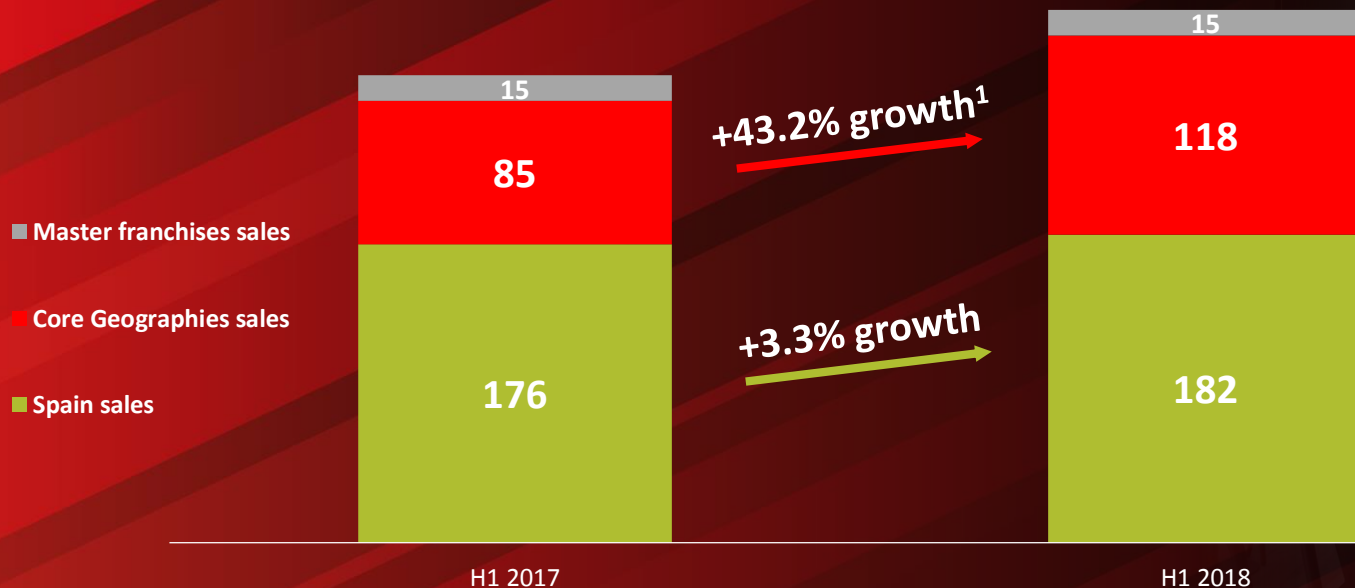
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# H1 2018: Commercial activity on track

## Group system sales growth



H1 2017

€277m

H1 2018

€315m

+15.8%<sup>1</sup>

■ Master franchises sales

■ Core Geographies sales

■ Spain sales

Note:

1. Constant currency growth

# 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 /<br>Q2: negative<br>[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 (%)<sup>1</sup>

**43.2%<sup>2</sup>**

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 2017<sup>1</sup>

**16%** of innovation  
sales over total sales<sup>1</sup>

New Pizza Sweet: Nestlé  
Caja Roja



Pizza Bacon Crispy  
Gourmet

### App developments

**+41%** App sales growth<sup>1</sup>

**30%** of our digital sales<sup>1</sup>



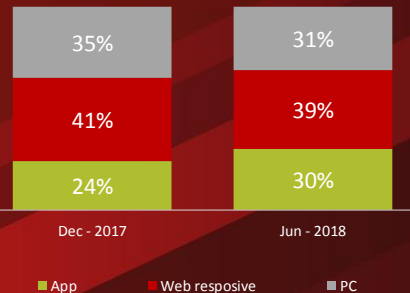
Geolocation to position  
the customer for delivery



Delivery tracker, with  
driver GPS location



Tokenized payment to  
facilitate orders

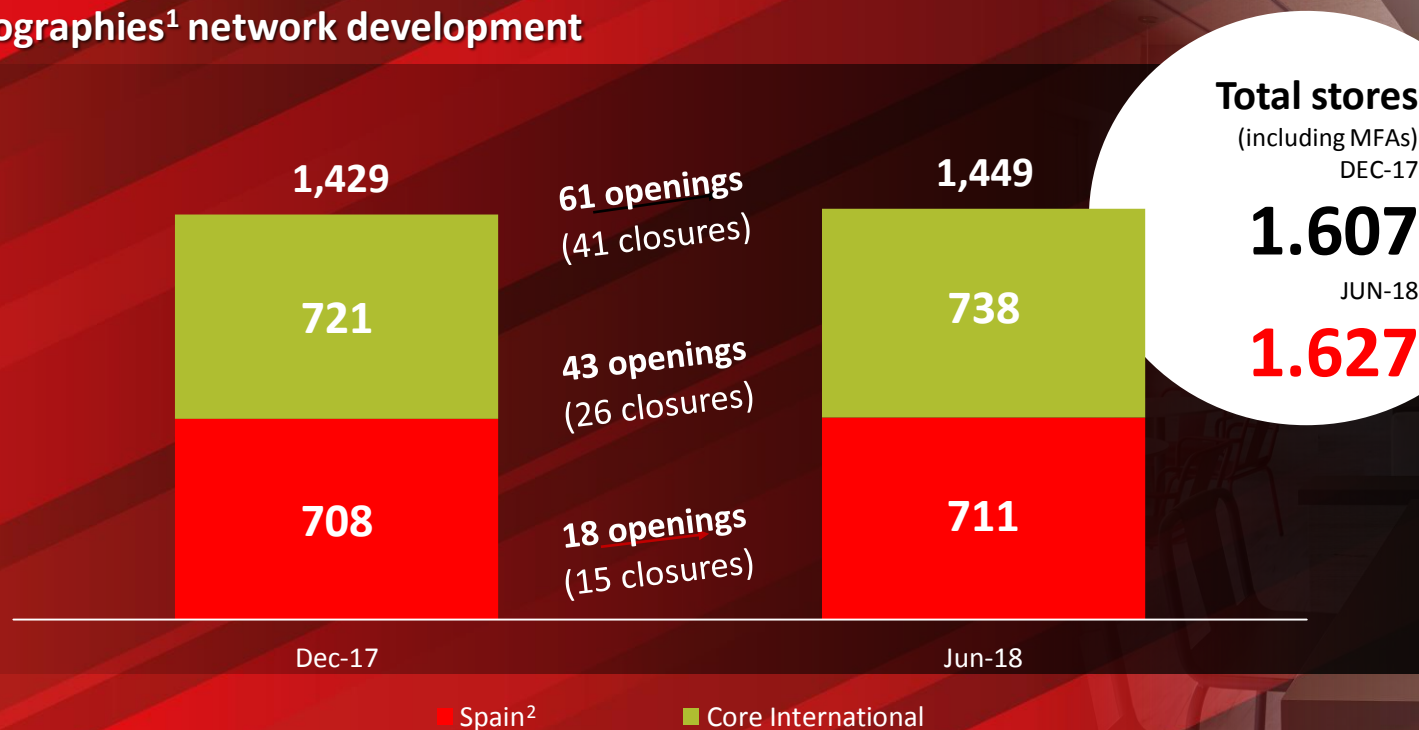




# Unit expansion, +20 net new stores

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

## Core Geographies<sup>1</sup> network development

**Notes:**

1. Excluding Master Franchises
2. Includes stores in Morocco and France



# PizzaHut Strategic Partnership: Expanding the growth opportunity for Telepizza

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# 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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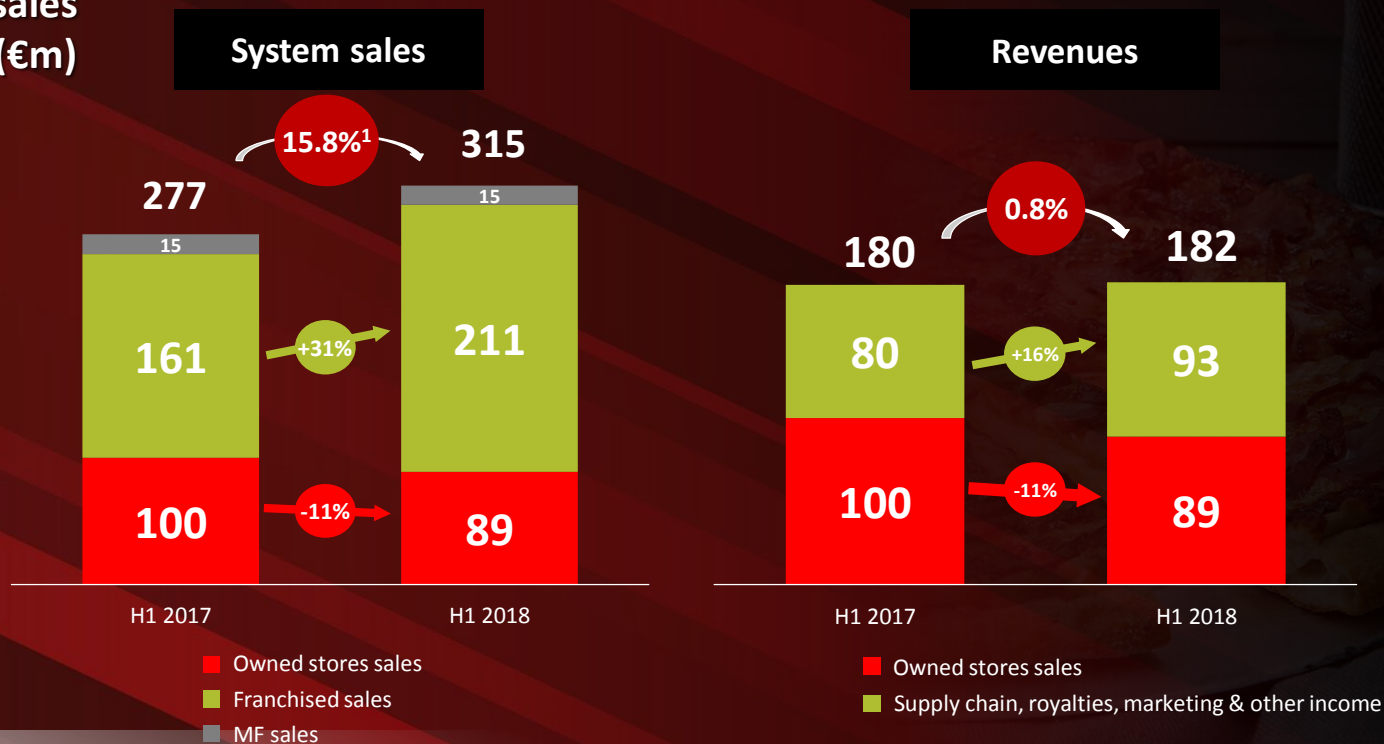
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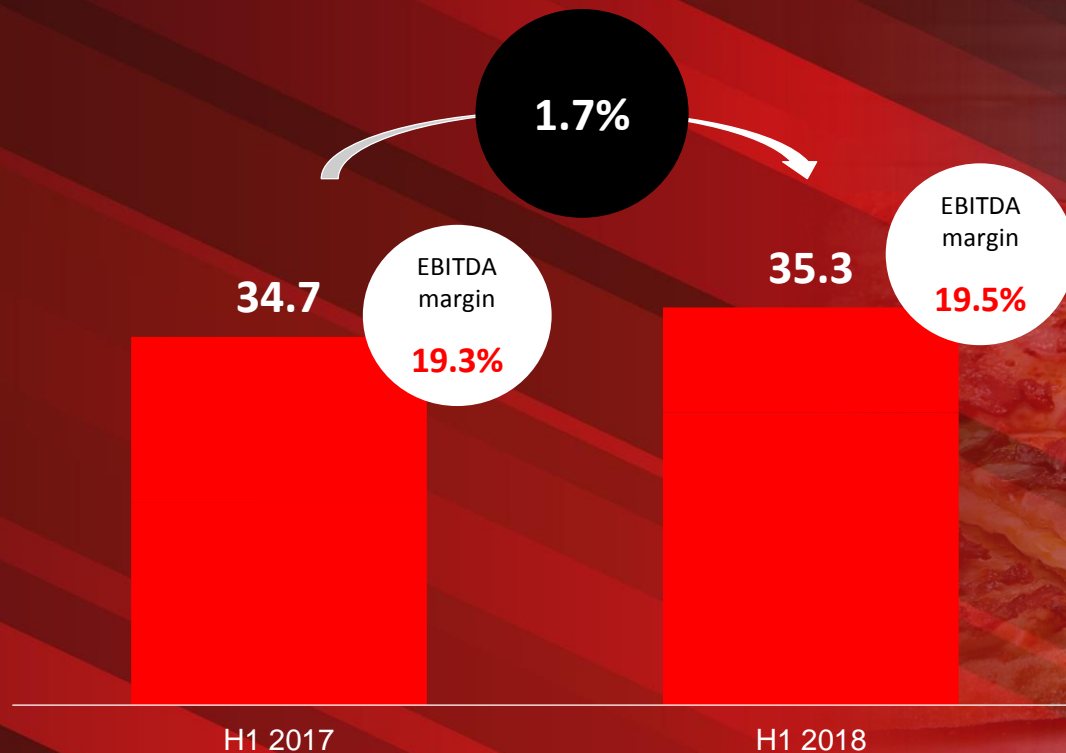
# System sales and Revenues

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

## Group system sales and Revenues (€m)



# Comparable EBITDA growth<sup>1</sup> (€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      |
|---|--------------|--------------|---------------|
| <b>Total revenues</b>   | <b>181.5</b> | <b>180.0</b> | <b>0.8%</b>   |
| COGS  | -49.2        | -48.8        | 0.8%          |
| <b>Gross margin</b>   | <b>132.4</b> | <b>131.2</b> | <b>0.9%</b>   |
| % of revenues   | 72.9%        | 72.9%        | n.m.          |
| Other Opex  | -97.0        | -96.5        | -0.6%         |
| <b>Comparable EBITDA</b>  | <b>35.3</b>  | <b>34.7</b>  | <b>1.7%</b>   |
| % of revenues   | 19.5%        | 19.3%        | +0.2pp        |
| Build-up costs related to Pizza Hut deal                                    | -0.3         | -            | n.m.          |
| <b>Underlying EBITDA</b>  | <b>35.0</b>  | <b>34.7</b>  | <b>0.9%</b>   |
| Pizza Hut deal extraordinary costs  | -9.0         | -            | n.m.          |
| <b>Reported EBITDA</b>  | <b>26.0</b>  | <b>34.7</b>  | <b>-25.1%</b> |
| Depreciation (excl. PPA amortisation)                                       | -6.3         | -6.0         | -4.7%         |
| <b>Underlying EBITA</b>   | <b>28.8</b>  | <b>28.7</b>  | <b>0.1%</b>   |
| 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 <sup>1</sup>  | -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  | <b>9.4</b>   | <b>15.4</b>  | <b>-38.8%</b> |
| <b>Results for the period (adjusted by extraordinary items)<sup>2</sup></b> | <b>16.2</b>  | <b>15.4</b>  | <b>5.0%</b>   |

**Note:**

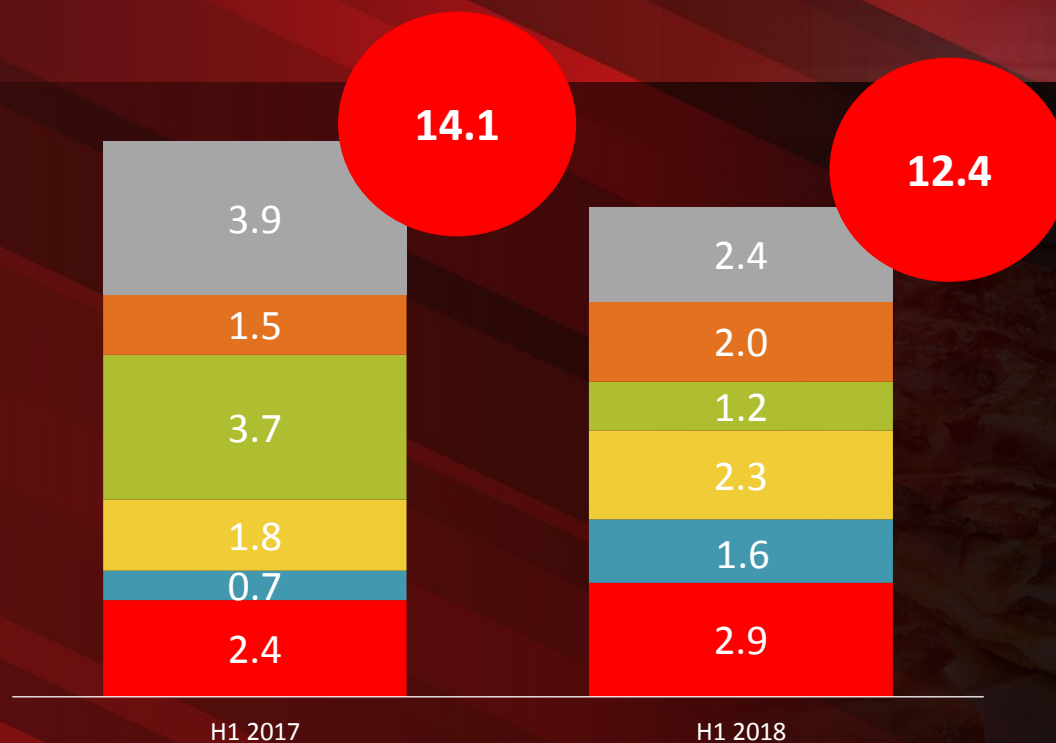
1. Includes impairments and losses on sale of PP&E
2. Adjusted by net effect of €9.0 million of extraordinary costs related to Pizza Hut deal and the fiscal impact of the cost



# Capital expenditure

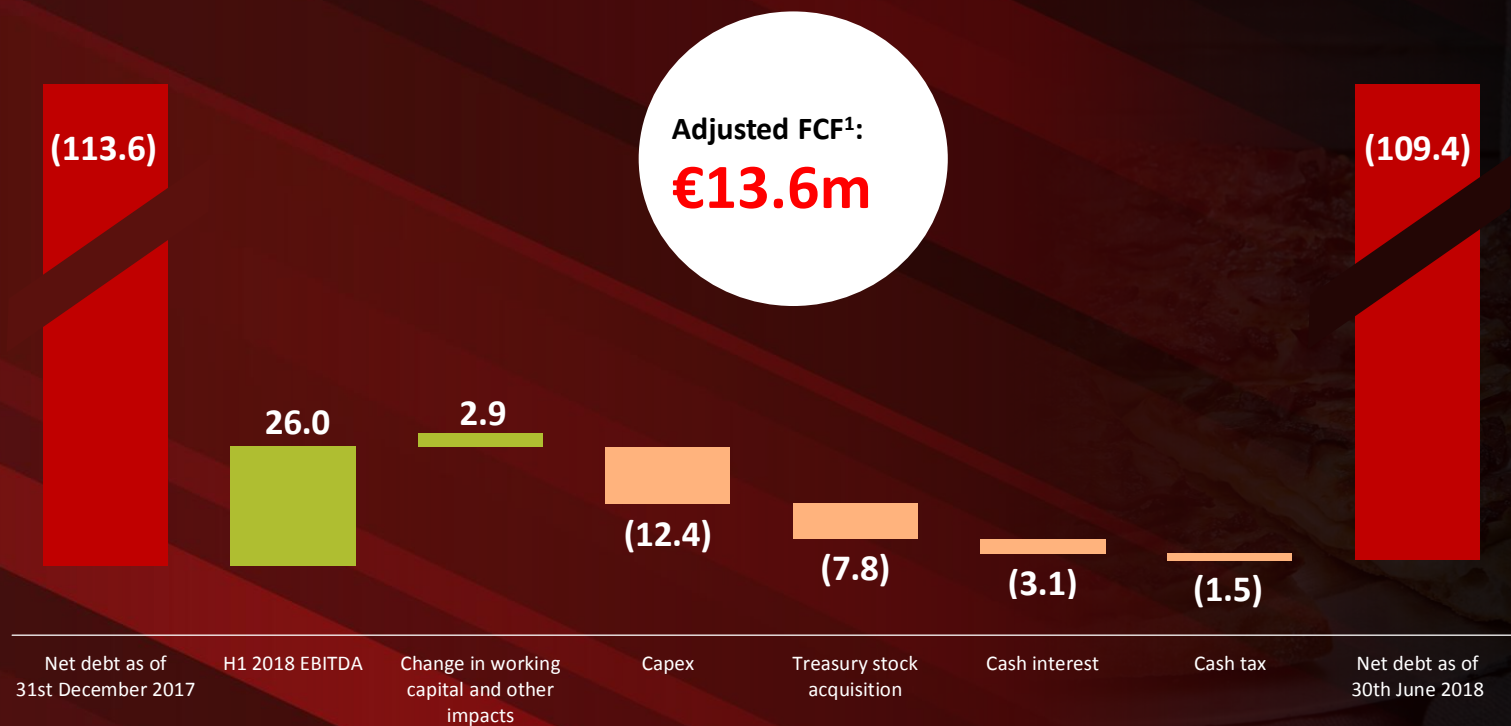
## Total capex (€m)

- Maintenance
- Efficiency and supply chain
- Digital & IT<sup>1</sup>
- Refurbishments and relocations
- Store buybacks
- Store openings



# Cash Flow bridge

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



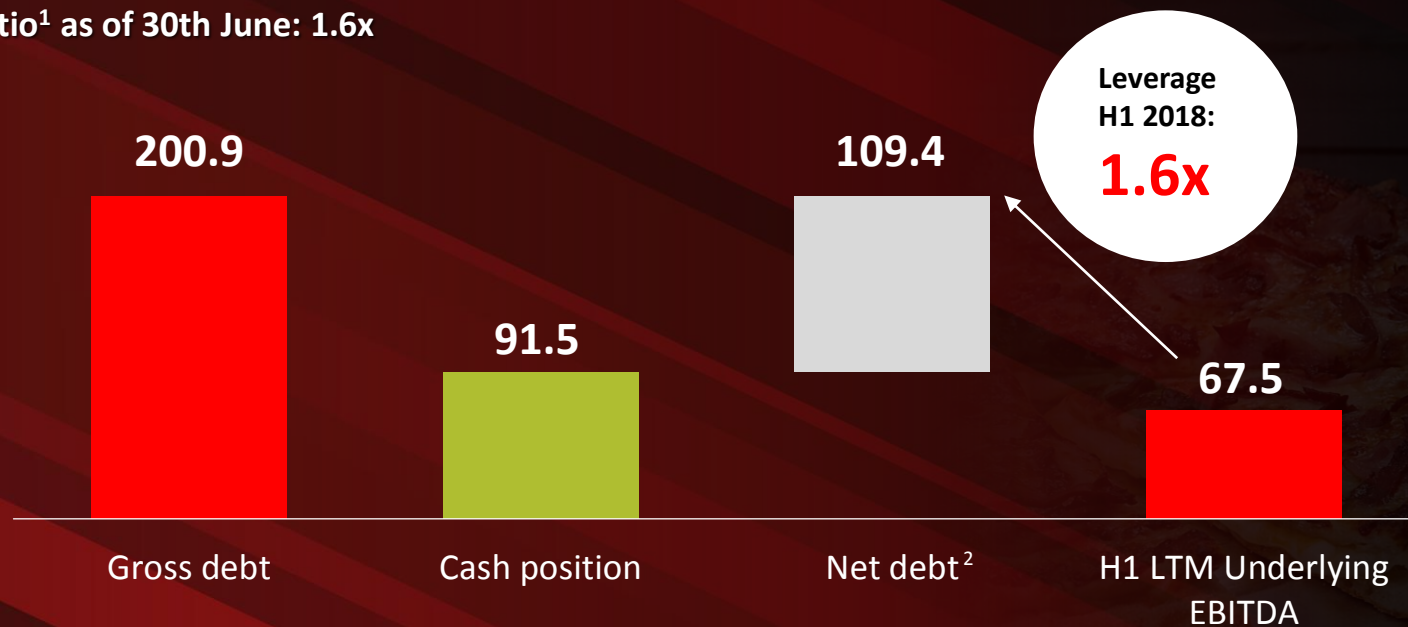
**Note:**

1. 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 ratio<sup>1</sup> 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

Spain total  
system sales  
growth: c.4%

4% to 5%

Core  
International  
total system  
sales growth:  
double digit

Unchanged

Comparable  
EBITDA  
growth: Low  
single digit

Low to mid-single  
digit

Net new stores  
in Core  
Geographies:  
20 to 30  
(c.70 gross  
openings)

60 to 70

Capex: c.€25  
million  
(excluding  
larger  
acquisitions)

Unchanged

Dividend for  
year-end 2018,  
with payout  
ratio in the  
15% to 20%  
range

Unchanged

Former  
guidance

# Path to 2021 - Financial targets confirmed

| 2017A1              |                                | At Signing | 2019                                      | 2020        | 2021        |
|---------------------|--------------------------------|------------|---|-------------|-------------|
| 1,607               | Stores <sup>2</sup>            | ~ 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 <sup>3</sup> |            | €75m - €80m                               | €80m - €90m | ~€100m      |
| €27.8m <sup>4</sup> | Capex                          |            | ~€40m average capex per year <sup>5</sup> |             |             |
| 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

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# Q&A

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# APPENDIX



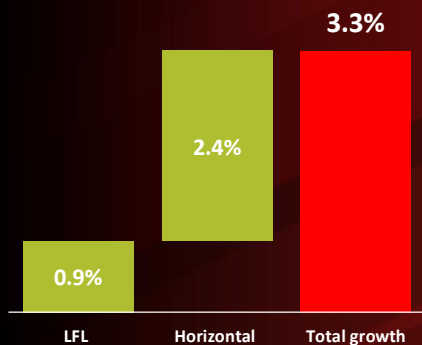


# Commercial activity summary

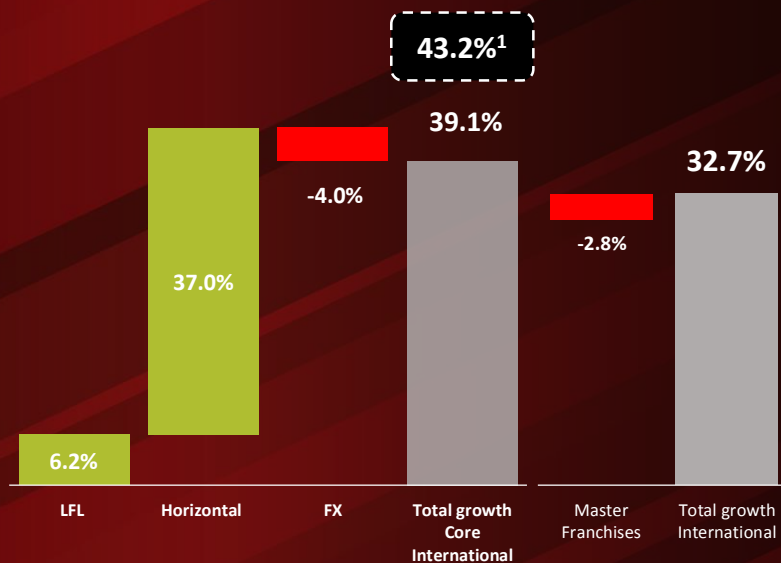
| €m (unless otherwise stated)   | H1 2018      | H1 2017      | % change     |
|--|--------------|--------------|--------------|
| Group system sales   | 314.9        | 276.5        | 13.9%        |
| <b>Group system sales constant currency sales growth (%)</b>             |              |         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

# System sales bridge

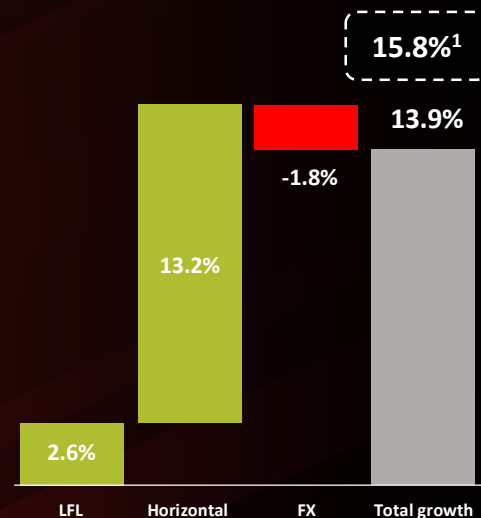
Spain H1 2018 system sales growth



International H1 2018 system sales growth

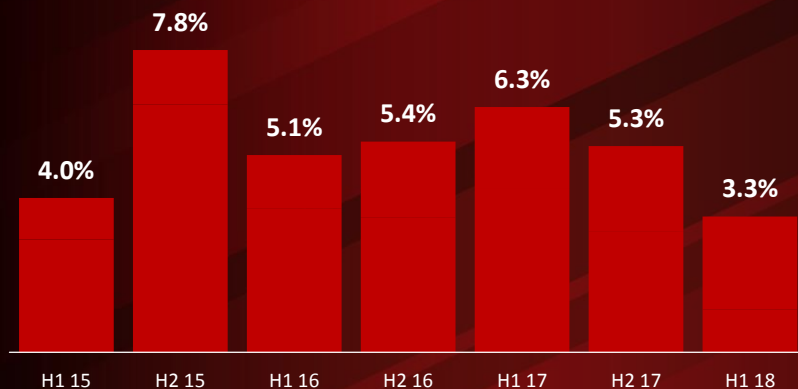


Group H1 2018 system sales growth

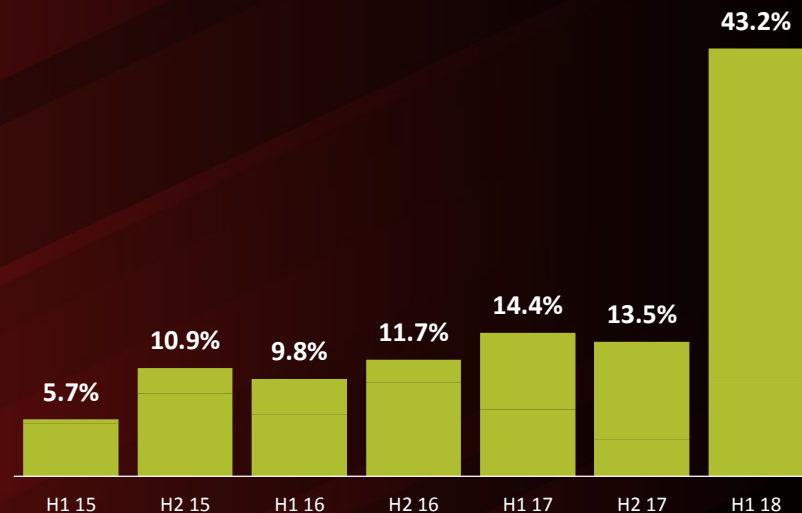


# System sales growth

Spain sales growth



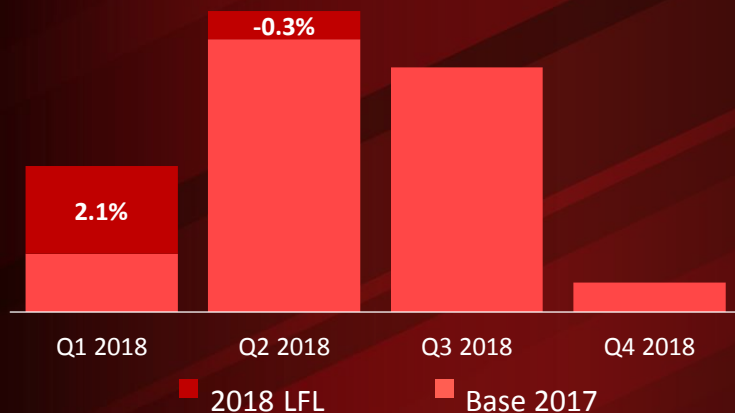
Core International<sup>1</sup> sales growth



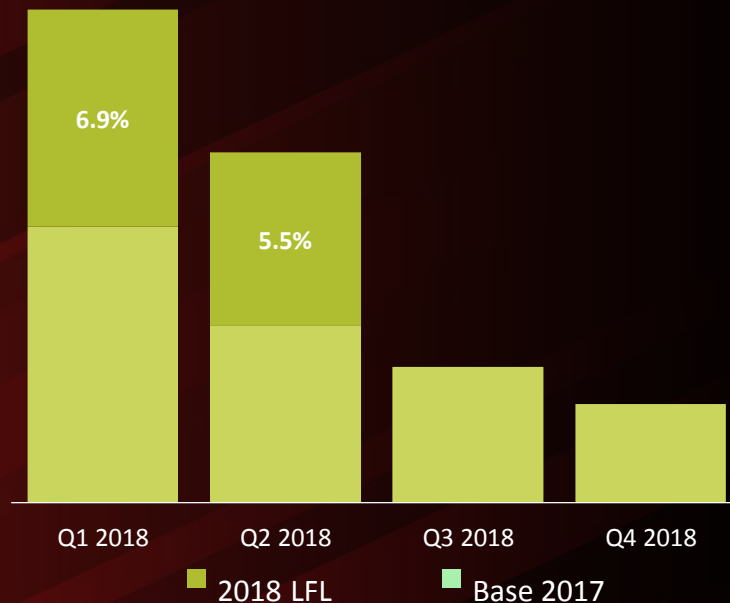


# LFL performance: 2-year view

Spain 2-year LFL (%)



Core International<sup>1</sup> 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 |
| <b>Core Geographies</b>   | <b>415</b> | <b>1,034</b>      | <b>1,449</b> | <b>441</b> | <b>988</b>        | <b>1,429</b> | <b>454</b> | <b>771</b>        | <b>1,225</b> |
| <b>Spain</b>              | <b>126</b> | <b>585</b>        | <b>711</b>   | <b>137</b> | <b>571</b>        | <b>708</b>   | <b>164</b> | <b>511</b>        | <b>675</b>   |
| <b>Core International</b> | <b>289</b> | <b>449</b>        | <b>738</b>   | <b>304</b> | <b>417</b>        | <b>721</b>   | <b>290</b> | <b>260</b>        | <b>550</b>   |
| <b>Rest of Europe</b>     | <b>93</b>  | <b>316</b>        | <b>409</b>   | <b>91</b>  | <b>296</b>        | <b>387</b>   | <b>73</b>  | <b>167</b>        | <b>240</b>   |
| 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            |
| <b>Latin America</b>      | <b>196</b> | <b>133</b>        | <b>329</b>   | <b>213</b> | <b>121</b>        | <b>334</b>   | <b>217</b> | <b>93</b>         | <b>310</b>   |
| 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            |
| <b>Master Franchises</b>  | <b>0</b>   | <b>178</b>        | <b>178</b>   | <b>0</b>   | <b>178</b>        | <b>178</b>   | <b>0</b>   | <b>164</b>        | <b>164</b>   |
| 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            |
| <b>Total Group</b>        | <b>415</b> | <b>1,212</b>      | <b>1,627</b> | <b>441</b> | <b>1,166</b>      | <b>1,607</b> | <b>454</b> | <b>935</b>        | <b>1,389</b> |

# Balance sheet

| €m (unless otherwise stated)                 | 31 <sup>st</sup> June 2018 | 31 <sup>st</sup> December 2017 |
|--|----------------------------|--------------------------------|
| <b>Non current assets</b>                    | <b>837.8</b>               | <b>835.8</b>                   |
| 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                           |
| <b>Current assets</b>                        | <b>150.4</b>               | <b>145.3</b>                   |
| <b>Subtotal current assets</b>               | <b>149.9</b>               | <b>145.3</b>                   |
| 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                            |
| <b>Total assets</b>                          | <b>988.1</b>               | <b>981.2</b>                   |

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



## 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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