

# Q3 2016 Results presentation



**telepizza**   
the secrets in the dough

7 November, 2016

# Disclaimer

This presentation (the "Presentation") has been prepared and is issued by, and is the sole responsibility of Telepizza Group, S.A. ("Telepizza" or "the Company"). For the purposes hereof, the Presentation shall mean and include the slides that follow, any prospective oral presentations of such slides by the Company, as well as any question-and-answer session that may follow that oral presentation and any materials distributed at, or in connection with, any of the above.

The information contained in the Presentation has not been independently verified and some of the information is in summary form. No representation or warranty, express or implied, is made by the Company or its affiliates, nor by their directors, officers, employees, representatives or agents as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions expressed herein. None of Telepizza, nor their respective directors, officers, employees, representatives or agents shall have any liability whatsoever (in negligence or otherwise) for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of the Presentation or its contents or otherwise arising in connection with the Presentation, save with respect to any liability for fraud, and expressly disclaim any and all liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in connection with the accuracy or completeness of the information or for any of the opinions contained herein or for any errors, omissions or misstatements contained in the Presentation.

Telepizza cautions that this Presentation contains forward looking statements with respect to the business, financial condition, results of operations, strategy, plans and objectives of the Company. The words "believe", "expect", "anticipate", "intends", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements. Other forward-looking statements can be identified from the context in which they are made. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors, including those published in our past and future filings and reports, including those with the Spanish Securities and Exchange Commission ("CNMV") and available to the public both in Telepizza's website ([www.telepizza.com](http://www.telepizza.com)) and in the CNMV's website ([www.cnmv.es](http://www.cnmv.es)), as well as other risk factors currently unknown or not foreseeable, which may be beyond Telepizza's control, could adversely affect our business and financial performance and cause actual developments and results to differ materially from those implied in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

The information contained in the Presentation, including but not limited to forward-looking statements, is provided as of the date hereof and is not intended to give any assurances as to future results. No person is under any obligation to update, complete, revise or keep current the information contained in the Presentation, whether as a result of new information, future events or results or otherwise. The information contained in the Presentation may be subject to change without notice and must not be relied upon for any purpose.

This Presentation contains financial information derived from Telepizza's audited consolidated financial statements for the twelve-month periods ended December 31, 2015 and 2014. In addition, the Presentation contains Telepizza's unaudited quarterly financial information for 2014, 2015 and 2016 prepared according to internal Telepizza's criteria. Financial information by business segments is prepared according to internal Telepizza's criteria as a result of which each segment reflects the true nature of its business. These criteria do not follow any particular regulation and can include internal estimates and subjective valuations which could be subject to substantial change should a different methodology be applied.

In addition, the Presentation contains certain annual and quarterly alternative performance measures which have not been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, nor in accordance with any accounting standards, such as "chain sales", "like-for-like chain sales growth", "underlying EBITDA" and "digital sales". These measures have not been audited or reviewed by our auditors nor by independent experts, should not be considered in isolation, do not represent our revenues, margins, results of operations or cash flows for the periods indicated and should not be regarded as alternatives to revenues, cash flows or net income as indicators of operational performance or liquidity.

Market and competitive position data in the Presentation have generally been obtained from industry publications and surveys or studies conducted by third-party sources. There are limitations with respect to the availability, accuracy, completeness and comparability of such data. Telepizza has not independently verified such data and can provide no assurance of its accuracy or completeness. Certain statements in the Presentation regarding the market and competitive position data are based on the internal analyses of Telepizza, which involve certain assumptions and estimates. These internal analyses have not been verified by any independent source and there can be no assurance that the assumptions or estimates are accurate. Accordingly, no undue reliance should be placed on any of the industry, market or Telepizza's competitive position data contained in the Presentation.

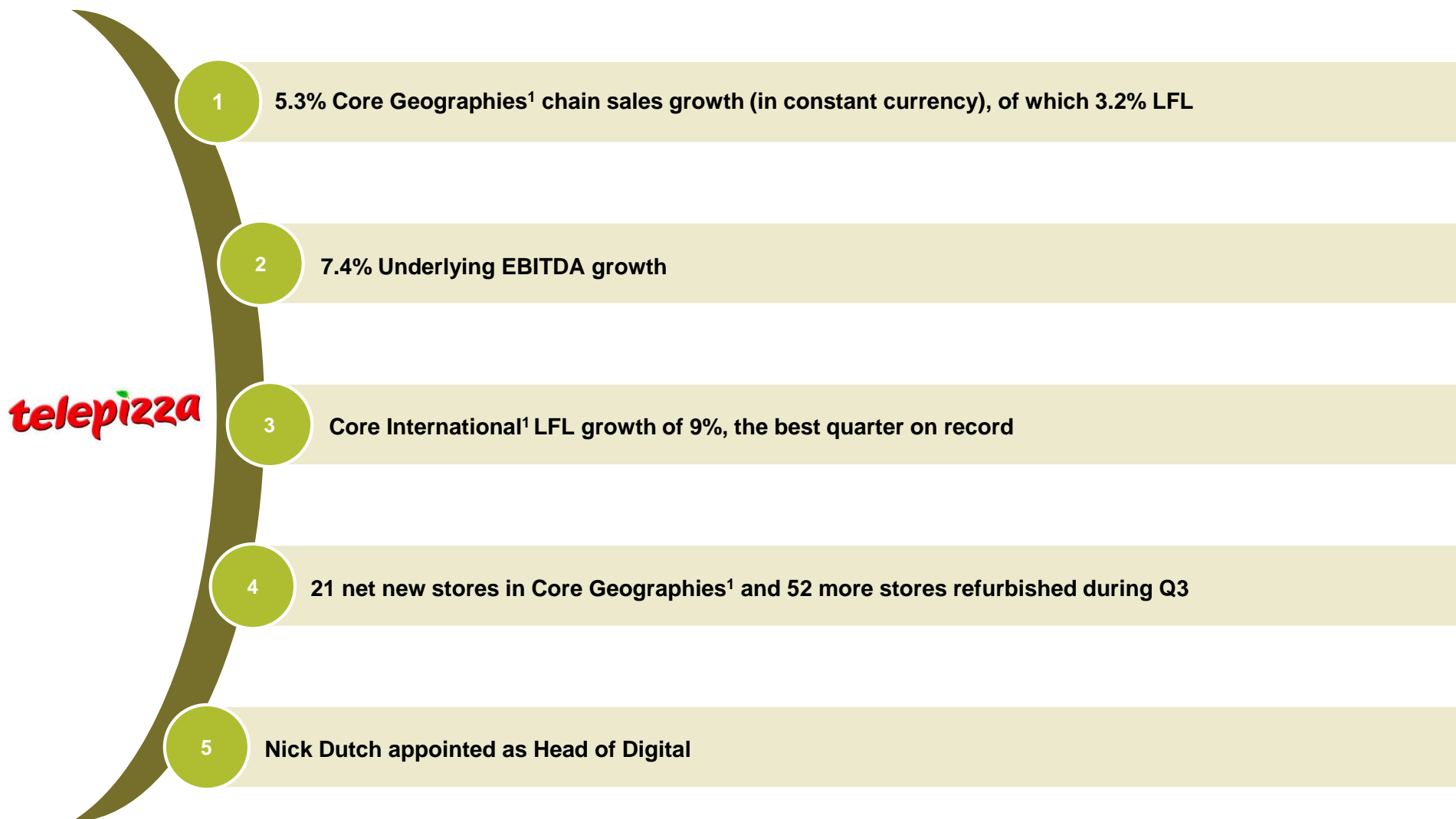
You may wish to seek independent and professional advice and conduct your own independent investigation and analysis of the information contained in this Presentation and of the business, operations, financial condition, prospects, status and affairs of Telepizza. The Company is not nor can it be held responsible for the use, valuations, opinions, expectations or decisions which might be adopted by third parties following the publication of this Presentation.

No one should purchase or subscribe for any securities in the Company on the basis of this Presentation. This Presentation does not constitute or form part of, and should not be construed as, (i) an offer, solicitation or invitation to subscribe for, sell or issue, underwrite or otherwise acquire any securities, nor shall it, or the fact of its communication, form the basis of, or be relied upon in connection with, or act as any inducement to enter into any contract or commitment whatsoever with respect to any securities; or (ii) any form of financial opinion, recommendation or investment advice with respect to any securities.

The distribution of this Presentation in certain jurisdictions may be restricted by law. Recipients of this Presentation should inform themselves about and observe such restrictions. Telepizza disclaims any liability for the distribution of this Presentation by any of its recipients.

By receiving or accessing to this Presentation you accept and agree to be bound by the foregoing terms, conditions and restrictions.

# Q3 2016 highlights



**Note:**

1. Excluding Master Franchises

# Q3 2016: International underpinning robust growth

Core Geographies<sup>1</sup> chain sales growth of 5.3% in Q3 2016, driven by an acceleration in International. Group EBITDA growth of 12.4% for the 9 months ended September 2016

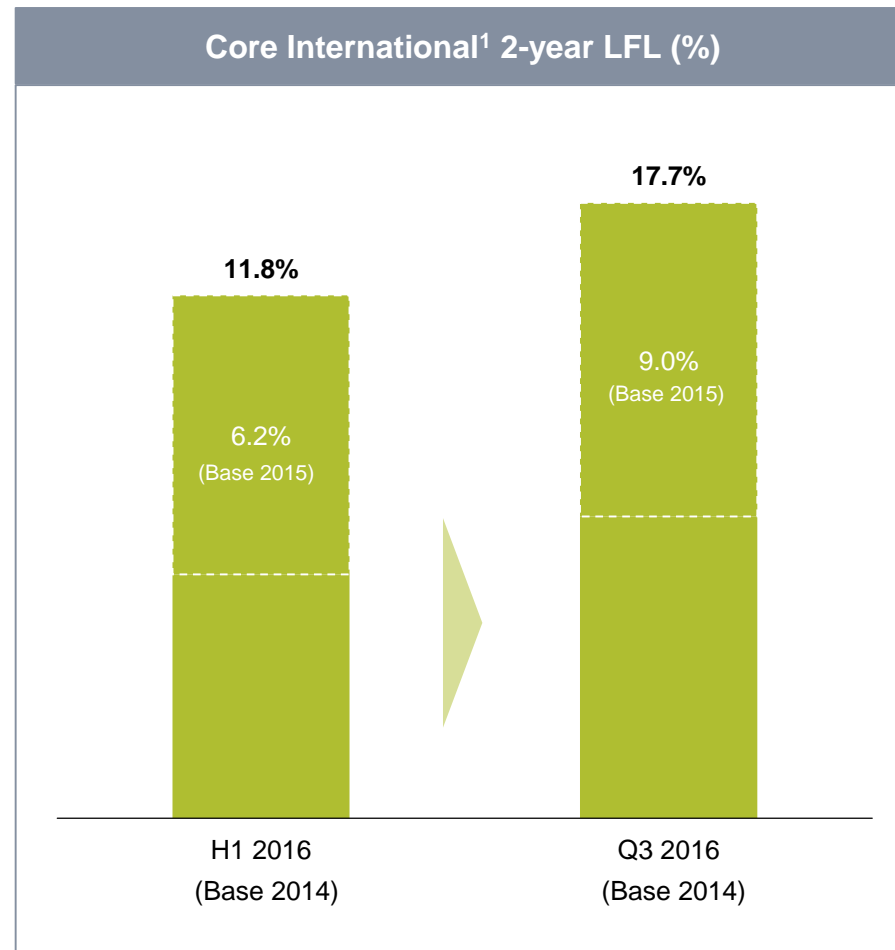
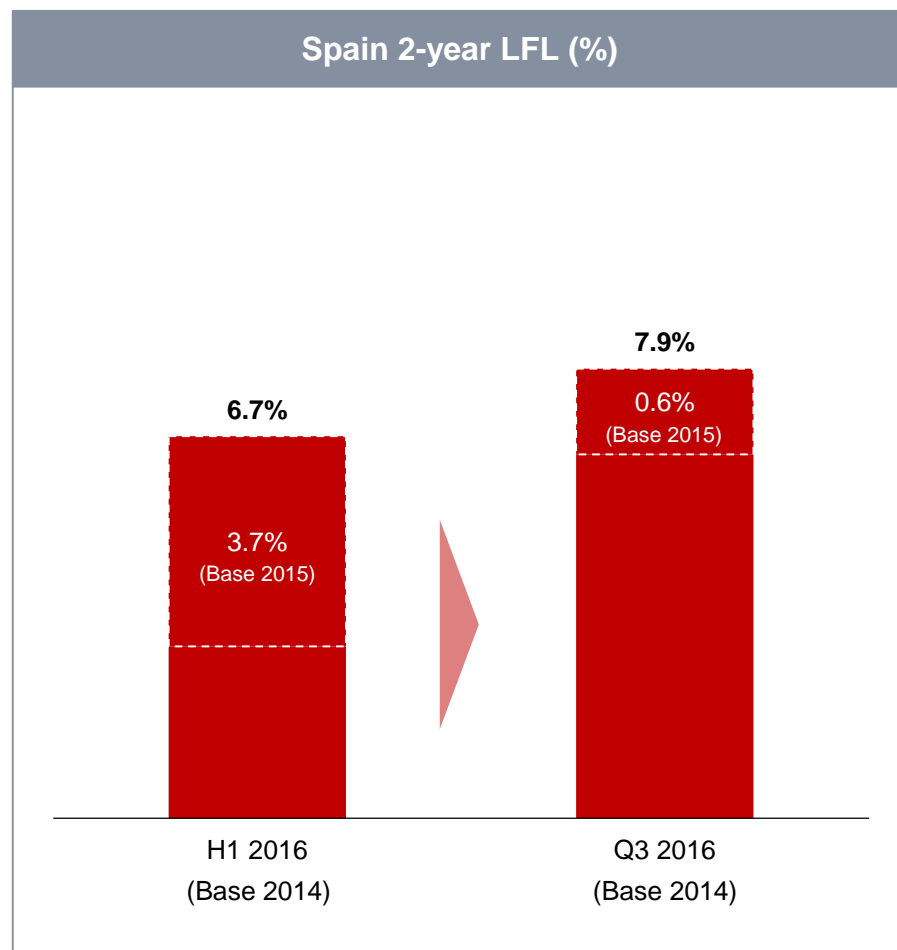
€m (unless otherwise stated)	Q3 2016	Q3 2015	% change	9M 2016	9M 2015	% change
Group chain sales	126.3	121.0	4.4%	378.5	364.2	3.9%
Core Geographies <sup>1</sup> chain sales	119.0	113.1	5.2%	356.0	340.8	4.5%
<b>Core Geographies<sup>1</sup> constant currency sales growth (%)</b>			<b>5.3%</b>			<b>6.1%</b>
Core Geographies <sup>1</sup> LFL sales growth (%)			<u>3.2%</u>			<u>4.0%</u>
<b>Spain chain sales</b>	<b>80.1</b>	<b>78.0</b>	<b>2.6%</b>	<b>246.1</b>	<b>236.1</b>	<b>4.3%</b>
LfL sales growth (%)			<u>0.6%</u>			<u>2.7%</u>
International chain sales	46.2	42.9	7.5%	132.4	128.1	3.3%
Core International <sup>1</sup> chain sales	39.0	35.1	11.1%	109.9	104.8	4.9%
<b>Core International<sup>1</sup> constant currency sales growth (%)</b>			<b>11.4%</b>			<b>10.3%</b>
Core International <sup>1</sup> LFL sales growth (%)			<u>9.0%</u>			<u>7.2%</u>
<b>Group Underlying EBITDA<sup>2</sup></b>	<b>15.1</b>	<b>14.1</b>	<b>7.4%</b>	<b>51.1</b>	<b>45.5</b>	<b>12.4%</b>

**Notes:**

1. Excluding Master Franchises
2. 9M 2016 adjusted for €32m of IPO related costs

# Q3 performance: 2-year view

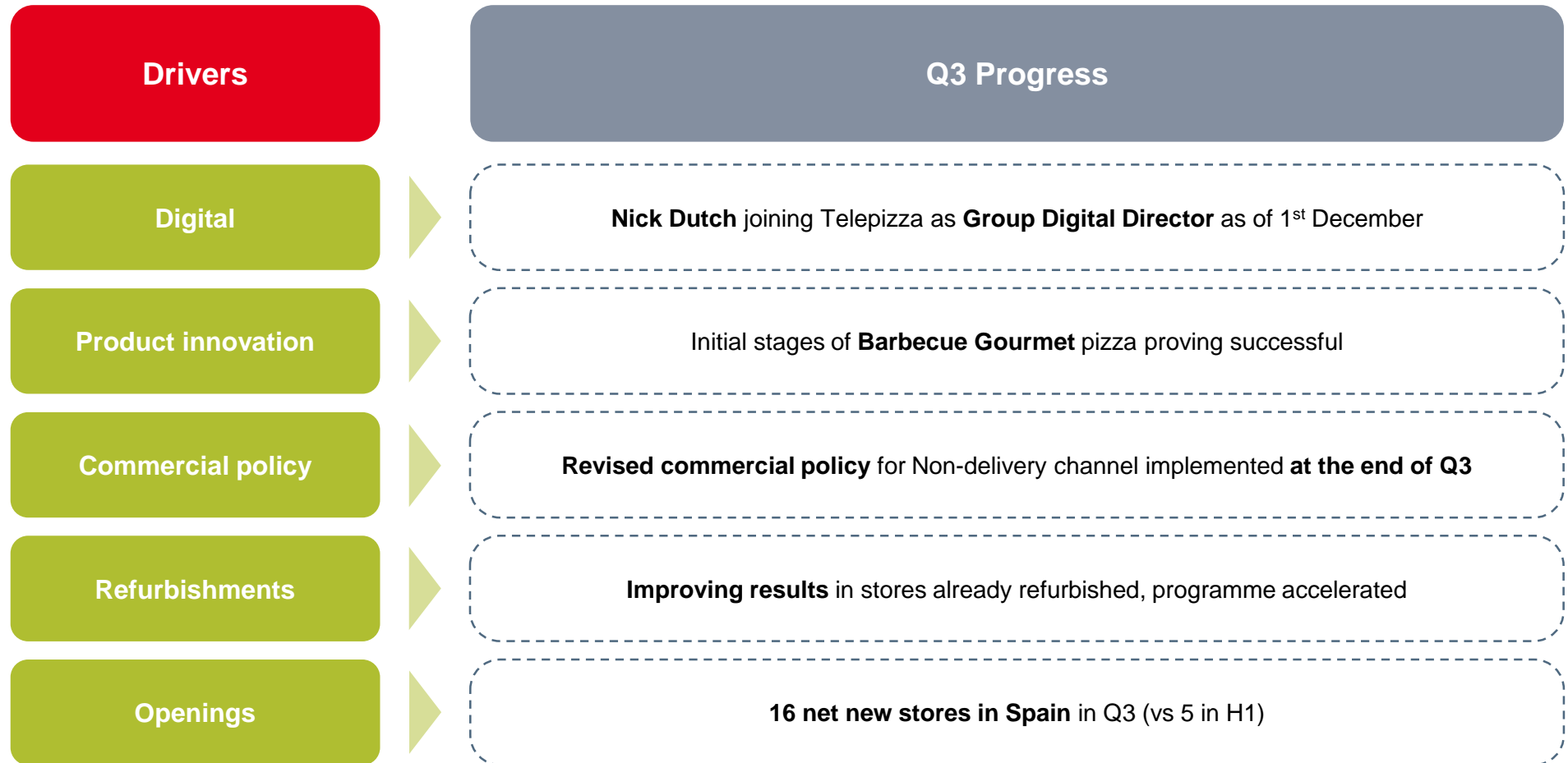
Spain Q3 LFL impacted by high comparable year-on-year. International delivering incremental LFL growth in Q3 vs H1 and FY 2015



**Note:**

1. Excluding Master Franchises

# Continued focus on key growth drivers



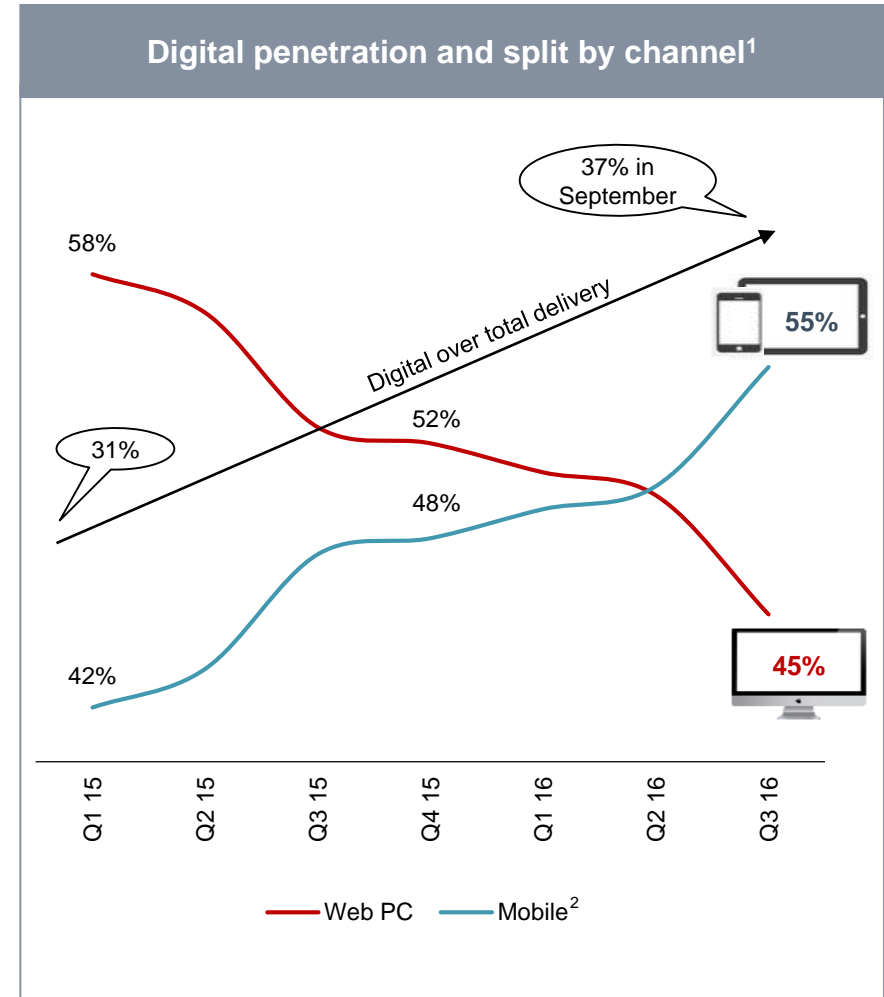
# Digital: Taking our platform to a new level

## ■ Digital leading the growth in the Delivery channel

- c. 55% of digital orders placed through mobile platform in Q3
- **37% digital penetration reached in September**

## ■ Appointment: **Nick Dutch**, new **Group Digital Director**

- Previously, Head of Digital of Domino's Pizza UK
- Focus areas: New App, Digital marketing, CRM strategy, Social customer care
- 14 years experience pushing transformational digital thinking into organisations



**Notes:**

1. Data for Spain based on number of orders
2. Includes App and web responsive



# Repositioning in the Non-delivery channel

## New commercial policy

- Adapted to local market conditions
- Value products: Pizza of the month
- €7 range
- Supported by targeted communication

## Refurbishments

- Strengthening the brand image
- Open kitchens

## Product innovation

- Premium launches: Barbecue Gourmet pizza in October



Improving trend in October



# Refurbishments: Strengthening Telepizza's brand image

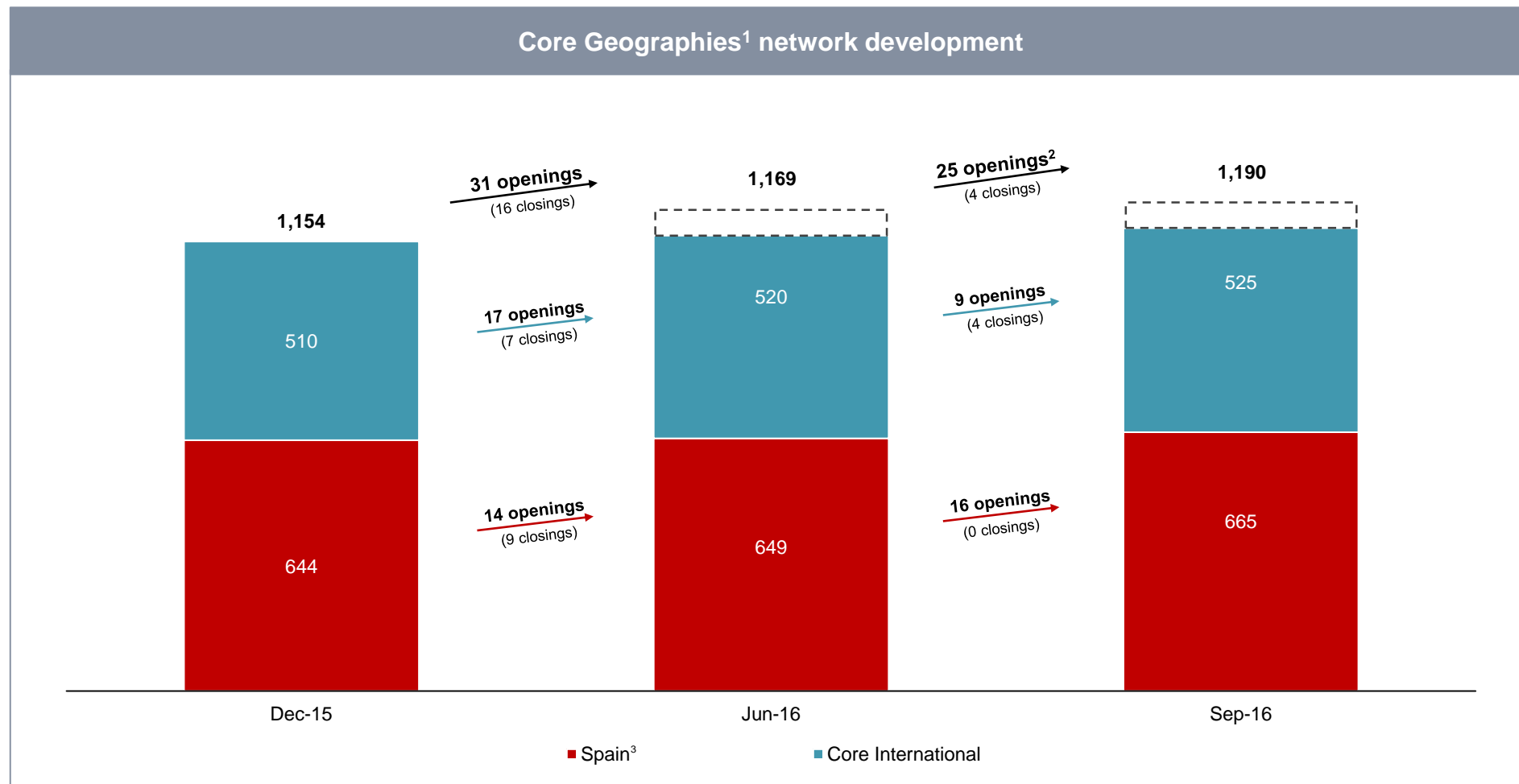


104 stores refurbished in  
2016 until the end of  
September



# Unit expansion: Increasing rate of openings in Q3

25 gross / 21 net new stores in Core Geographies during Q3



Notes:

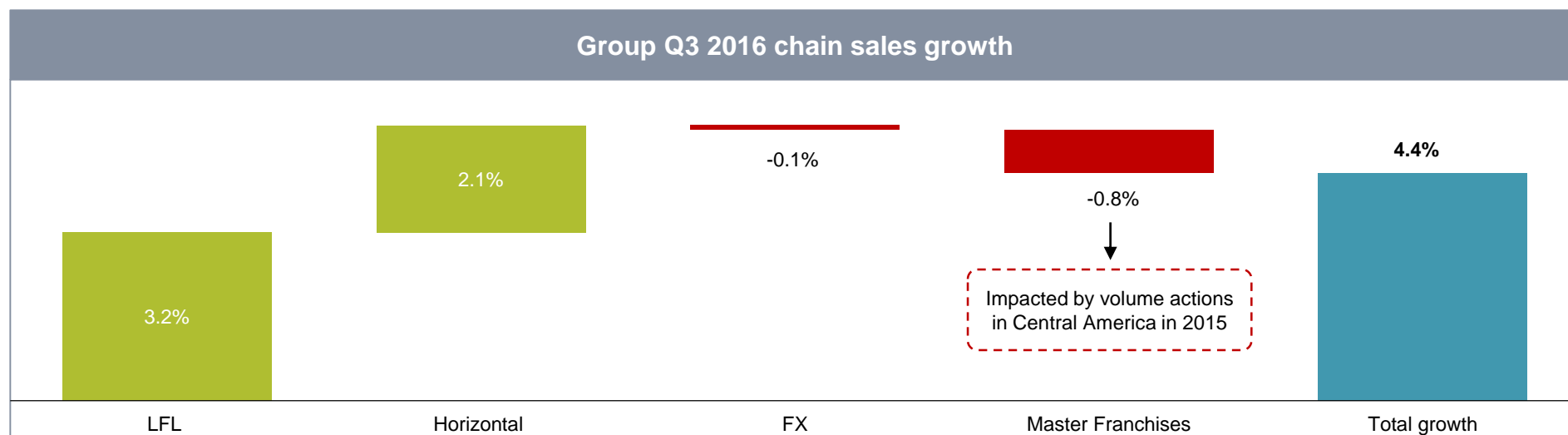
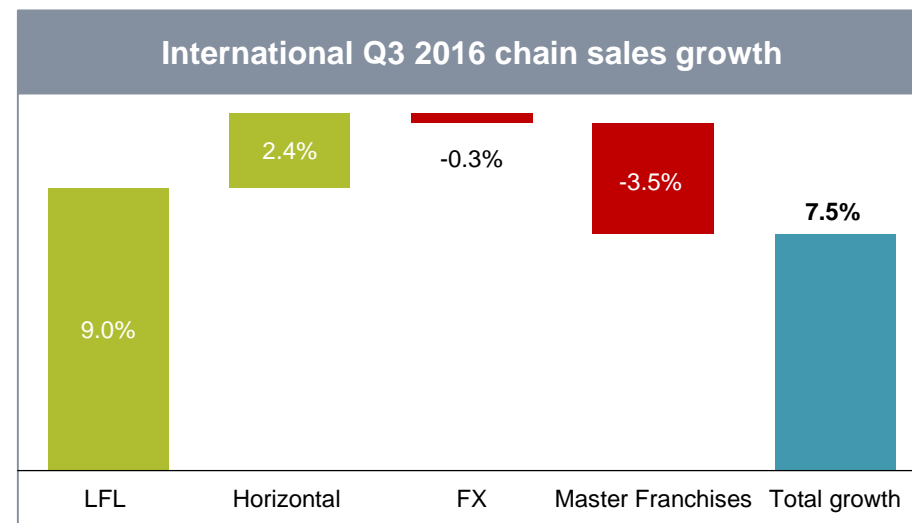
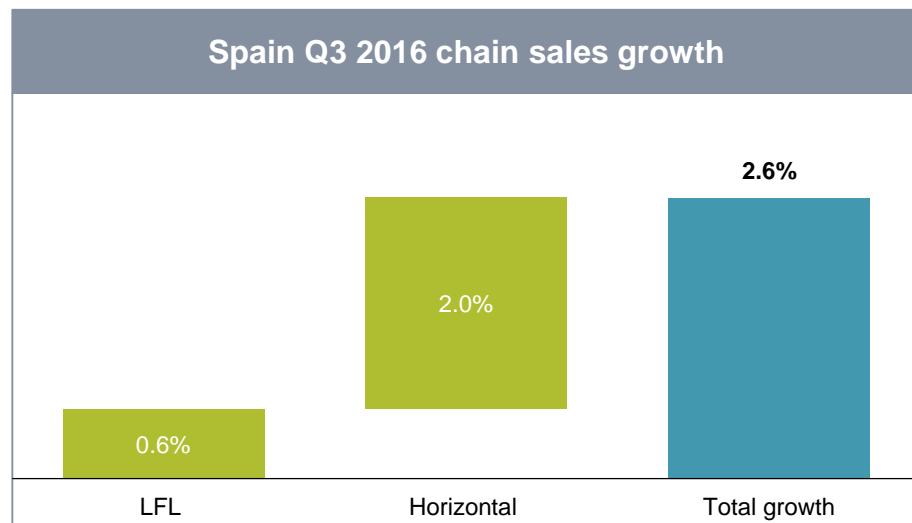
1. Excluding Master Franchises
2. Including 2 stores in Panama, previously operated as MF, operated directly by Telepizza since Q3
3. Including 2 stores in Morocco

Financial information



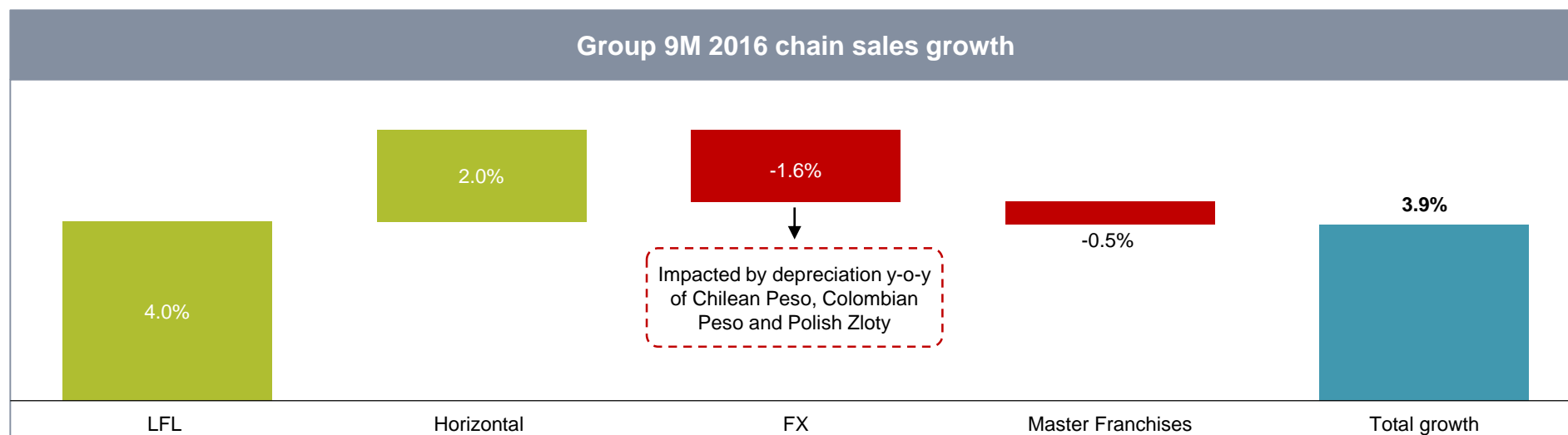
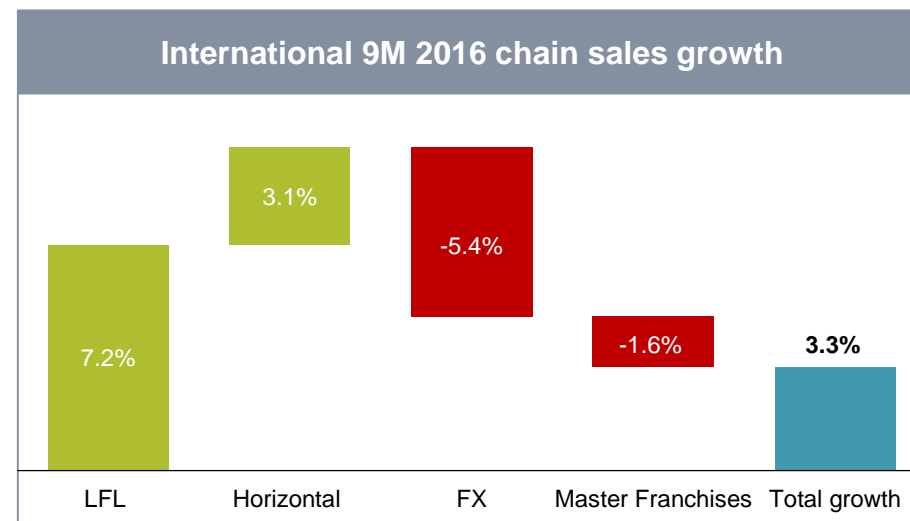
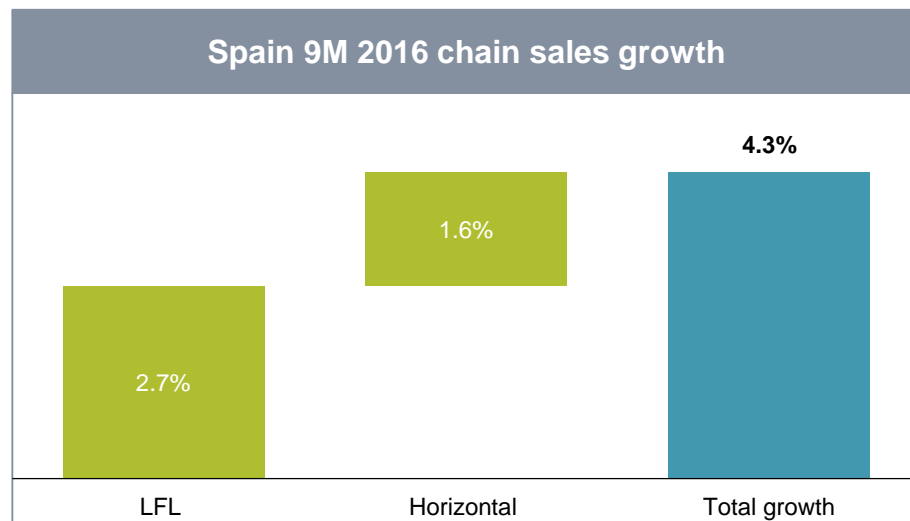
# Q3 reported chain sales bridge

## Negative contribution of Master Franchises in Q3



# 9M reported chain sales bridge

Significant impact of FX during H1

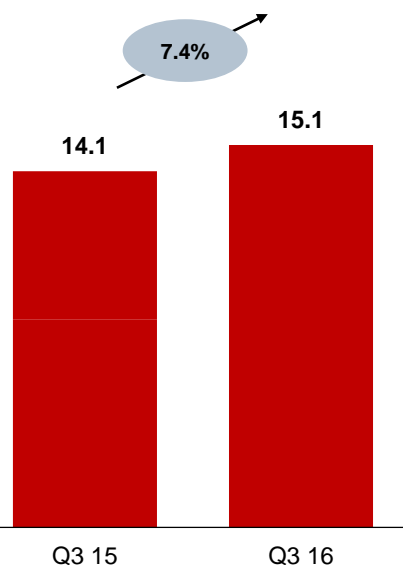


# Underlying EBITDA

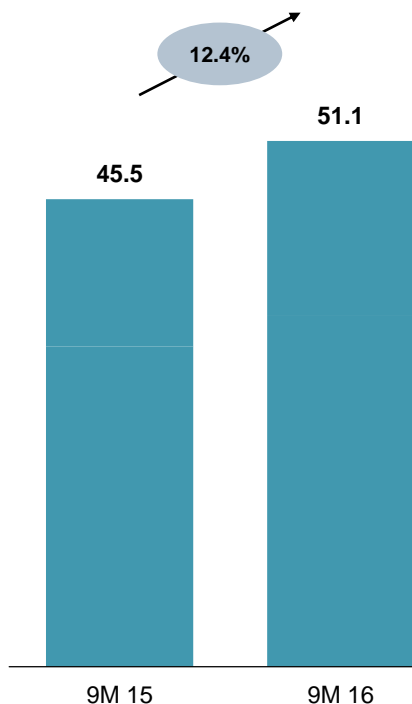
7.4% Underlying EBITDA growth in Q3, with LTM margin increasing +130bp vs FY 2015

## Underlying EBITDA<sup>1</sup> growth evolution (€m)

### Q3 2016 vs. Q3 2015



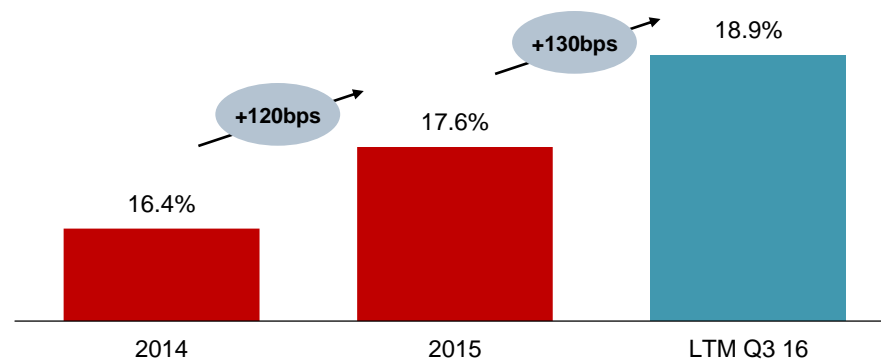
### 9M 2016 vs. 9M 2015



## Key Underlying EBITDA<sup>1</sup> growth drivers in Q3 2016

- Like-for-like growth internationally
- Average ticket increases in Spain
- Operating leverage, partially offset by increased levels of service

### Underlying EBITDA margin (%)



Notes:

1. 9M 2016 adjusted for €32.0m of IPO related costs

# FY 2016 outlook



Spain total chain sales growth: 4-5%



Core International total chain sales growth: 9-11%

FY estimates towards  
upper end of the range



Double digit Underlying EBITDA growth



c.80 net new stores in Core Geographies

Downside risk



€20-25 million capex



Q&A



# Appendix



# Summary income statement

€m (unless otherwise stated)	Q3 2016	Q3 2015	% change	9M 2016	9M 2015	% change	LTM Q3 2016
<b>Total revenues</b>	<b>83.1</b>	<b>78.2</b>	<b>6.2%</b>	<b>248.7</b>	<b>242.2</b>	<b>2.7%</b>	<b>335.3</b>
<i>Constant currency revenue growth (%)</i>			6.3%				
<b>Underlying EBITDA</b>	<b>15.1</b>	<b>14.1</b>	<b>7.4%</b>	<b>51.1</b>	<b>45.5</b>	<b>12.4%</b>	<b>63.4</b>
<i>Underlying EBITDA margin (%)</i>	<b>18.2%</b>	<b>18.0%</b>	<b>0.2%</b>	<b>20.6%</b>	<b>18.8%</b>	<b>1.8%</b>	<b>18.9%</b>
Depreciation and amortisation (excl. PPA amortisation)	(2.8)	(2.8)	0.6%	(8.7)	(7.9)	10.0%	(11.6)
<b>Underlying EBIT</b>	<b>12.3</b>	<b>11.3</b>	<b>9.0%</b>	<b>42.4</b>	<b>37.5</b>	<b>13.0%</b>	<b>51.8</b>
<b>IPO costs</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>(32.0)</b>	<b>-</b>	<b>-</b>	<b>(32.0)</b>
PPA amortisation	(1.5)	(1.5)	n.m.	(4.4)	(4.4)	n.m.	(5.8)
Net financial income / (expense)	(2.2)	(8.6)	(74.0%)	(19.1)	(27.0)	(29.1%)	(27.6)
Other <sup>1</sup>	(0.1)	(0.2)	n.m.	(0.2)	(2.0)	n.m.	(1.9)
<b>Profit before tax on continued operations</b>	<b>8.7</b>	<b>1.0</b>	<b>n.m.</b>	<b>(13.4)</b>	<b>4.2</b>	<b>n.m.</b>	<b>(15.5)</b>
Income tax	(1.8)	(2.3)	n.m.	1.0	(6.4)	n.m.	4.6
<b>Results for the period</b>	<b>6.9</b>	<b>(1.3)</b>	<b>n.m.</b>	<b>(12.4)</b>	<b>(2.2)</b>	<b>n.m.</b>	<b>(10.9)</b>

**Note:**

1. Includes impairment losses and losses on sale of PP&E

# Store Count

Number of Stores	September 2016			2015			2014			2013		
	Own stores	Franchised stores	Total stores	Own stores	Franchised stores	Total stores	Own stores	Franchised stores	Total stores	Own stores	Franchised stores	Total stores
<b>Spain</b>	170	495	665	183	461	644	191	439	630	235	386	621
<b>International</b>	286	391	677	278	389	667	273	365	638	266	343	609
<b>Rest of Europe</b>	71	157	228	73	153	226	74	149	223	79	146	225
Portugal	42	67	109	44	61	105	44	64	108	45	65	110
Poland	29	90	119	29	92	121	30	85	115	34	81	115
<b>Latin America</b>	215	82	297	205	79	284	199	75	274	187	66	253
Chile	93	49	142	89	49	138	85	52	137	67	58	125
Colombia	63	29	92	64	27	91	82	20	102	94	7	101
Peru	38	1	39	35	1	36	22	1	23	20	1	21
Ecuador	19	3	22	17	2	19	10	2	12	6	0	6
Panama <sup>1</sup>	2	0	2	0	0	0	0	0	0	0	0	0
<b>Master Franchises &amp; Others</b>	0	152	152	0	157	157	0	141	141	0	131	131
Guatemala	0	84	84	0	83	83	0	83	83	0	81	81
El Salvador	0	44	44	0	47	47	0	49	49	0	46	46
Russia	0	13	13	0	14	14	0	2	2	0	0	0
Angola	0	5	5	0	5	5	0	1	1	0	0	0
Bolivia	0	4	4	0	4	4	0	2	2	0	1	1
Saudi Arabia	0	2	2	0	0	0	0	0	0	0	0	0
Panama <sup>1</sup>	0	0	0	0	3	3	0	3	3	0	2	2
United Arab Emirates	0	0	0	0	1	1	0	1	1	0	1	1
<b>Total Group</b>	456	886	1342	461	850	1311	464	804	1268	501	729	1230

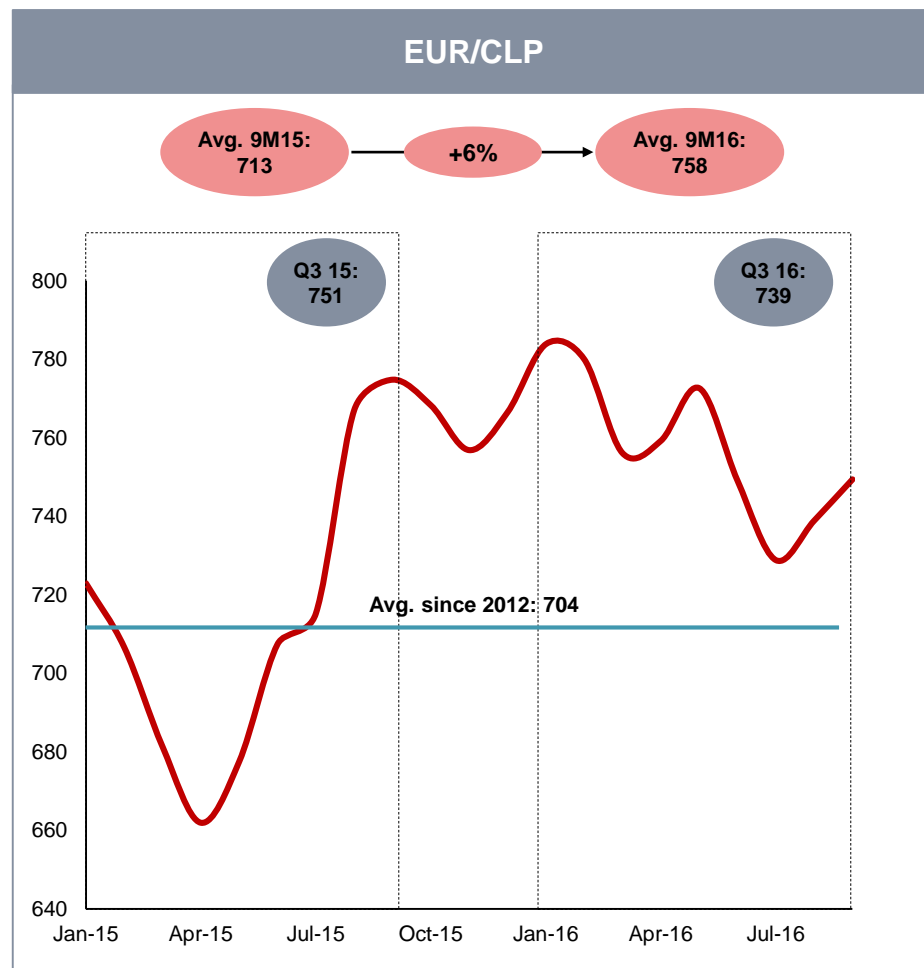
**Note:**

1. Panama, previously operated as MF, operated directly by Telepizza since Q3 2016

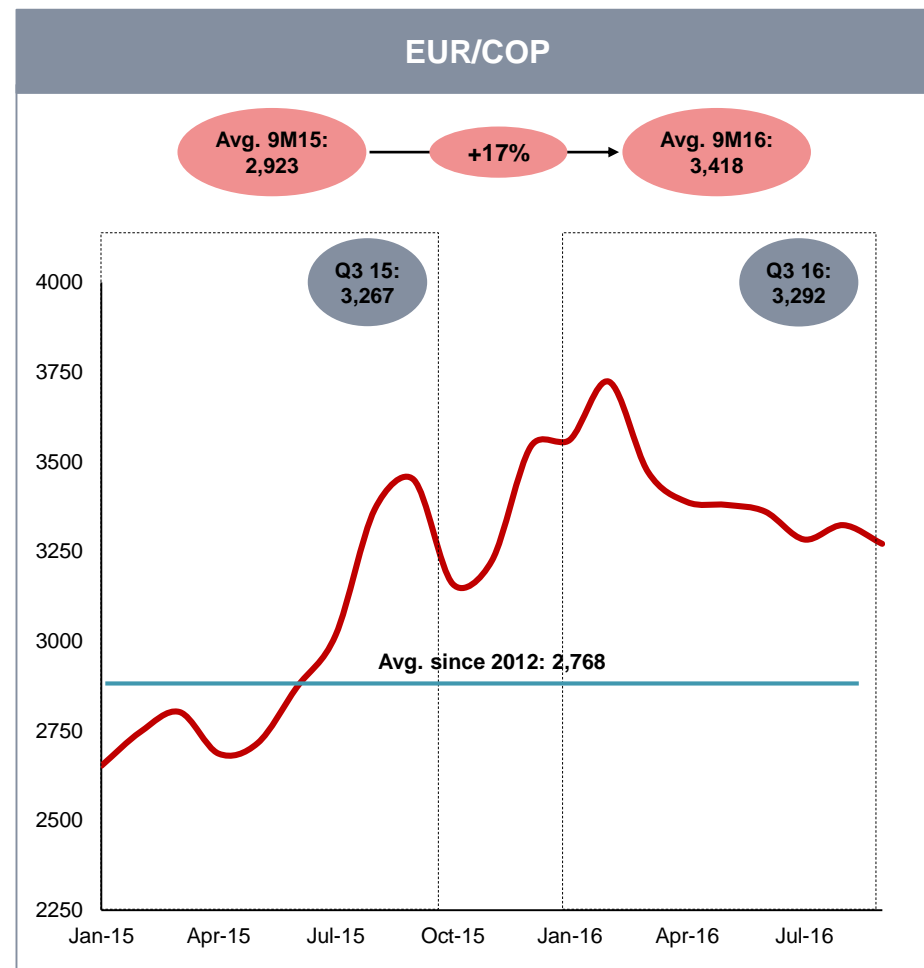
# Chain sales breakdown

€m (unless otherwise stated)	Q3 2016	Q3 2015	% change	9M 2016	9M 2015	% change	LTM Q3 2016
<b>Total chain sales</b>	<b>126.3</b>	<b>121.0</b>	<b>4.4%</b>	<b>378.5</b>	<b>364.2</b>	<b>3.9%</b>	<b>506.2</b>
Own store sales	46.7	48.5	(3.6%)	144.3	149.4	(3.4%)	195.2
Franchised and master franchised stores	79.6	72.5	9.7%	234.2	214.8	9.0%	311.0
<i>LfL sales growth (%)</i>			2.7%			3.6%	
<i>Horizontal (%)</i>			2.0%			2.2%	
<i>Exchange rate adjustment (%)</i>			(0.3%)			(1.8%)	
<b>Spain chain sales</b>	<b>80.1</b>	<b>78.0</b>	<b>2.6%</b>	<b>246.1</b>	<b>236.1</b>	<b>4.3%</b>	<b>328.6</b>
<i>LfL sales growth (%)</i>			0.6%			2.7%	
<i>Horizontal (%)</i>			2.0%			1.6%	
<b>International chain sales</b>	<b>46.2</b>	<b>42.9</b>	<b>7.5%</b>	<b>132.4</b>	<b>128.1</b>	<b>3.3%</b>	<b>177.6</b>
<i>LfL sales growth (%)</i>			6.5%			5.3%	
<i>Horizontal (%)</i>			2.0%			3.4%	
<i>Exchange rate adjustment (%)</i>			(1.0%)			(5.3%)	

# FX impact – Chilean and Colombian Peso vs Euro



Source: Bank of Spain



# Glossary

- **Chain sales:** Chain sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees
- **LfL chain sales growth:** LfL chain sales growth is chain 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 chain 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 chain sales excluded in each of such periods (“excluded chain sales”) because they were obtained in operating months that were not operating months in the comparable period, by (ii) the prior period’s chain sales as adjusted to deduct the excluded chain sales of such period (the “adjusted chain sales”). In this way, we can see the actual changes in chain sales between operating stores, removing the impact of changes between the periods that are due to store openings and closings; and
  - Euro exchange rate adjustment. We calculate LfL chain 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 operating costs associated with our refinancing operation in FY2014 and IPO related costs in 9M 2016
- **Digital delivery chain sales:** Digital delivery chain sales are the delivery chain sales made through digital channels (PC, web responsive and Telepizza application), expressed in percentage terms. Digital delivery chain 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