

Grupo Telepizza grows by 15.8% in the first half of the year and accelerates the application of the agreement with Pizza Hut

- Grupo Telepizza's sales system came to €315 million in the first half of the year.
- Adjusted net profit came to €16.2 million, up 5% on the same period in 2017.
- The company continues planning the application of the agreement and strengthening its corporate model to take on the new challenges arising from the partnership.
- The Telepizza app registered 41% growth in sales in the first half of 2018 and now accounts for 30% of all digital sales.

Madrid, Monday, September 3 2018. – Telepizza ended the first half of the year with €315 million in sales system, up 15.8%¹ on the same period in 2017. Sales system in Spain came to €182.2 million, a 3.3% increase on the first half of 2017. The positive sales performance from the core international system operated directly by Telepizza (excluding master franchises) is especially noteworthy, up 43.2% on the previous year, mainly due to positive results from the Apache Pizza chain in Ireland; double-digit sales growth in Portugal; and operations in Latin America.

These factors led to a comparable EBITDA of more than €35 million at the end of H1, which is 1.7% more than in the same period in 2017. Reported EBITDA, which was affected by the costs from the Pizza Hut deal, stood at €26 million. Meanwhile, the group's total revenues came to €181.5 million, up 0.8% on the same figure a year ago, and net profit, adjusted by extraordinary items during the half-year period, came to €16.2 million, which is 5% more than in the first half of 2017.

Grupo Telepizza achieved all the goals set for the business in the first half of the year and far exceeded the challenge of maintaining growth while also implementing the strategic agreement with Pizza Hut announced in May. This agreement will completely transform the company once approvals are granted by the corresponding bodies during the last quarter of the year. The operation will double the company's size, making it the biggest master franchise in the pizza sector worldwide.

"Grupo Telepizza continues to strengthen the path of growth pursued in recent years and the company has worked hard to consolidate the business in recent months, allowing us to maintain the target of reaching an EBITDA of more than €100 million by 2021. This places us in an optimal position to successfully tackle all the opportunities offered by the Pizza Hut agreement, making Grupo Telepizza a leading global operator," says Pablo Juantegui, CEO and Executive President of Grupo Telepizza

¹ Exchange rate adjustment.

Four months after signing the alliance with Pizza Hut, all milestones set out in the implementation schedule are being fulfilled. On June 28th, Telepizza's General Shareholders' Meeting unanimously approved the agreement and it is expected that all necessary approvals will be obtained in the fourth quarter of the year, including the community competition regulator.

The company has been implementing the necessary corporate changes since May to ensure the proper application of the agreement. The management model has been strengthened so it can tackle the immediate and important challenges presented by the deal, which includes the responsibility of managing almost a thousand of the North American chain establishments and a commitment to opening 1,300 new establishments over the next 10 years.

During that time, Grupo Telepizza has made progress in defining the business plans required for applying the terms of the agreement. Growth opportunities have been identified and the necessary investments have been stipulated. The blueprint for the synergies offered by the agreement has also been specified, with a detailed study of the benefits offered by both the Pizza Hut system and the Telepizza system throughout the partnership's applicable geographies.

As announced to analysts, the agreement with Pizza Hut, which places the growth focus on markets in Iberia and Latin America, was very well received. For this reason and in order to encourage the application of the agreement, Grupo Telepizza has activated the different authorization processes with the corresponding competition bodies. In this regard, the competition regulator in Colombia already approved the operation.

Grupo Telepizza's net openings registered 20 new stores in the first half of the year, reaching a total of 1,627 establishments in more than 20 markets.

A strong six months of innovation

Constant innovation is one of the key drivers in the company's sustained growth strategy. That is why Grupo Telepizza bolstered its innovation-related efforts in all aspects of its commercial proposition during the first six months of 2018. And this is not only shown through the addition of new varieties of telepizzas, but also in the company's commitment to digitization, with the launch of the new app that is now operating at full capacity. In the first half of 2018, sales via the Telepizza app climbed 41% and the tool now represents 30% of all digital sales. This shows how the efficiency of these kinds of digital tools is allowing for constant improvement in both the company's commercial offering and its efficiency in handling orders and product traceability.

| €m | H1 2018 | H1 2017 | % change |
|--|--------------|--------------|--------------|
| Group system sales ² | 314.9 | 276.5 | 13.9% |
| Core Geographies' system sales ³ | 300.0 | 261.1 | 14.9% |
| Core Geographies constant currency sales growth | | | 15.8% |
| Core Geographies LFL sales growth ⁴ (%) | | | 2.5% |
| Spain system sales | 182.2 | 176.5 | 3.3% |
| LFL sales growth in Spain (%) | | | 0.9% |
| International system sales | 132.7 | 100.0 | 32.7% |
| Core International system sales | 117.7 | 84.6 | 39.1% |
| Core International constant currency sales growth (%) | | | 43.2% |
| Core International LFL sales growth (%) | | | 6.2% |
| Revenues | 181.5 | 180.0 | 0.8% |
| Constant currency revenue growth (%) | | | 1.9% |

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² System sales are own store sales plus franchised and master franchised store sales.

³ Excluding master franchise sales.

⁴ LfL system sales growth is system sales growth after adjustments for store openings and closures and the effects of the euro exchange rate.