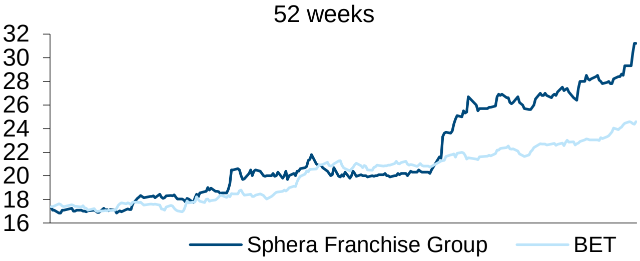
COMPANY REPORT

Sphera Franchise Group

Buy

RON mn	2022	2023	2024e	2025e
Net sales	1,322.8	1,469.1	1,617.2	1,818.2
EBITDA	161.8	212.1	237.0	270.0
EBIT	61.2	108.9	124.5	138.9
Net result after min.	37.8	71.7	86.0	95.9
EPS (RON)	0.97	1.85	2.22	2.47
CEPS (RON)	3.95	5.40	5.79	6.80
BVPS (RON)	3.00	3.68	4.42	5.12
Div./share (RON)	0.90	0.78	1.48	1.77
EV/EBITDA (x)	5.3	6.2	6.6	6.1
P/E (x)	14.4	13.9	14.1	12.6
P/CE (x)	3.5	4.8	5.4	4.6
Dividend Yield	6.4%	3.0%	4.7%	5.7%



Performance	12M	6M	3M	1M
in RON	79.3%	56.4%	20.9%	9.5%

Share price (RON) close as of 05/04/2024	31.2
Number of shares (mn)	38.8
Market capitalization (RON mn / EUR mn)	1,211 / 244
Enterprise value (RON mn / EUR mn)	1,573 / 317

Reuters	ROSFG.BX	Free float	34.0%
Bloomberg	SFG RO	Shareholders	Tatika Inv. Ltd (28.6%)
Div. Ex-date	16/05/24		Computerland Romania SRL (20.53%)
Target price	**38.1**	Homepage:	www.spheragroup.com

Analyst:
Caius Rapanu
+4 0373 510 441
caiusroa.rapanu@bcr.ro

Maintaining evolution on a positive path

With our latest cost of risk included, we are increasing our target price of RON 38.1/share and maintain or BUY recommendation on the stock.
The risk to our recommendation are not as much tied to internal company factors or management action (these have proven benign) but more from external factors influencing customer spending patterns – not likely over the medium term – and global disruptions that are as difficult for the management to overcame as they are for us to forecast

YE and 4Q23 results for Sphera Franchise Group (Sphera) registered along the recent trend of top-line and profitability increase. The company's management has maximized streamlining and margin consolidation efforts and the results came in accordingly. At the same time, marketing – an essential part of company success – continued modern and innovative. Consequently, our positive stance of Sphera since our initial coverage last year has been more than vindicated by a stock performance of above 80% since our initial buy recommendation. The basic tenets remain valid, with a combination of global brand strength, growing domestic market and management skill in marketing and cost control.

We have amended our model to incorporate the latest results and the impact of company streamlining program (restaurant closures) while remaining conservative in terms of same-store sales grow (below inflation) and expense increase (above inflation).

4Q23 results – still on the way up

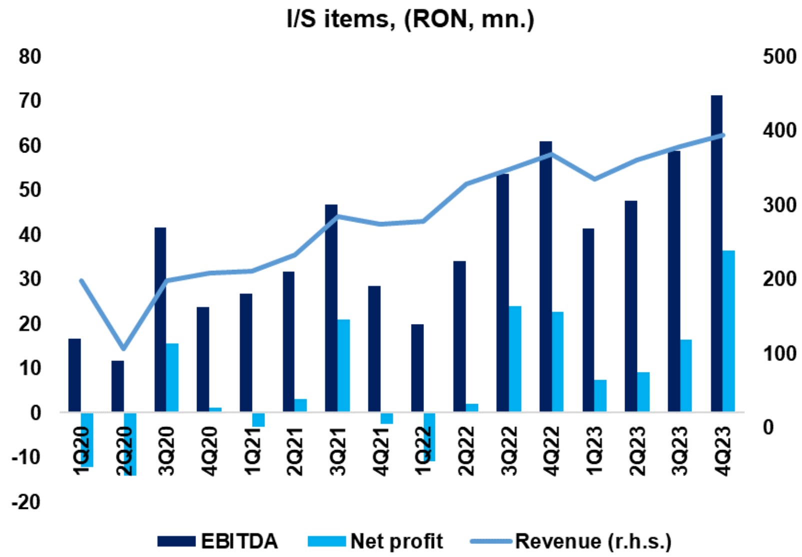
Sphera announced 2023 results showed double digit growth on the top and bottom lines, that indicated a year with a significantly better profitability compared to 2022 and marked by the continuation of the management's efforts to streamline operations. The results were impacted by one-off costs related to the streamline efforts' activities and – as we detail below – paint a better picture when normalized for the effect of these corporate actions.

Another record year… Top line advanced by 11% compared to 2022, reaching RON1,469mn, vs. RON1.324mn. IFRS 2023 total restaurant operating costs advanced less than revenues, growing only 7.8% y-o-y, amounting to RON1,301mn compared to the RON1,207mn of 2022. As a result, 2023 operating profits from restaurants increased 44% compared to the figures of the previous year. Net profit grew by 83% to RON70mn, vs RON38mn in 2022, and EBITDA increased by 30% to RON219mn, vs RON169mn. 2023 margins jumped as well, with net margin reaching 4.7% vs 2.9% during 2022, and EBITDA margin 14.9% vs. 12.8% during 2022.

(RON mn.)	4Q23	4Q22	change	3Q23	change	4Q21	change	2023	2022	change	2021	change
Revenues	**394**	**369**	**6.8%**	**379**	**4%**	**274**	**44%**	**1,469.2**	**1,324.0**	**11.0%**	**1,002.9**	**46%**
COGS	124	122	2%	122	2%	91	36%	479.4	457.1	5%	327.6	46%
Employee costs	82	75	10%	80	3%	64	29%	325.2	287.1	13%	225.9	44%
Rents	9	10	-5%	10	-5%	4	126%	34.6	32.1	8%	17.1	103%
Royalties	21	22	-3%	25	-15%	16	31%	87.9	78.8	12%	60.0	47%
Advertising	19	18	5%	21	-8%	18	10%	75.4	67.0	12%	52.9	42%
Other opex	52	47	11%	49	7%	42	23%	192.5	184.5	4%	141.7	36%
Depreciation	27	29	-7%	29	-9%	23	16%	106.0	100.6	5%	90.0	18%
Operating costs restaurants	**335**	**322**	**3.9%**	**336**	0%	**258**	**30%**	**1,301.1**	**1,207.1**	**7.8%**	**915.3**	**42%**
Operating profit restaurants	**60**	**47**	**27%**	**43**	**37%**	**16**	**270%**	**168.1**	**116.9**	**44%**	**87.7**	**92%**
SGA	16	17	-2%	16	2%	12	36%	62.0	55.6	12%	49.9	24%
Operating profit	**43**	**30**	**43%**	**28**	**57%**	**4**	**932%**	**106.1**	**61.4**	**73%**	**37.7**	**181%**
Financial costs	6	6	-5%	6	-7%	6	-2%	26.2	23.1	14%	20.5	28%
Financial revenues	0	0	31%	0	8%	0	572%	1.4	0.5	174%	0.2	806%
Financial result	**(6)**	**(6)**	**-6%**	**(6)**	**-7%**	**(6)**	**-5%**	**(24.8)**	**(22.6)**	**10%**	**(20.3)**	**22%**
PBT	**38**	**24**	**55%**	**21**	**76%**	**(2)**	**-2135%**	**81.3**	**38.8**	**110%**	**17.4**	**368%**
Taxes	1	2	-21%	5	-76%	1	95%	11.8	0.8	1304%	(1.3)	-1023%
Net Profit	**36**	**23**	**60%**	**16**	**122%**	**(2)**	**-1574%**	**69.5**	**38.0**	**83%**	**18.7**	**272%**
EBITDA	**71**	**61**	**17%**	**59**	**21%**	**29**	**149%**	**219.2**	**168.5**	**30%**	**133.9**	**64%**
Net margin	9.2%	6.2%		4.3%		-0.9%		4.7%	2.9%		1.9%	
EBITDA margin	18.1%	16.5%		15.5%		10.4%		14.9%	12.7%		13.4%	

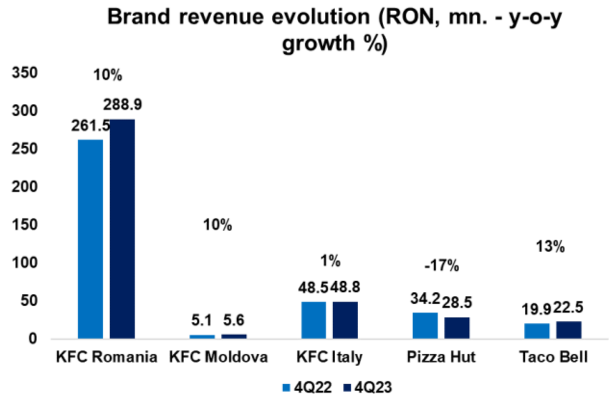
Source: Company data, Erste Group Research

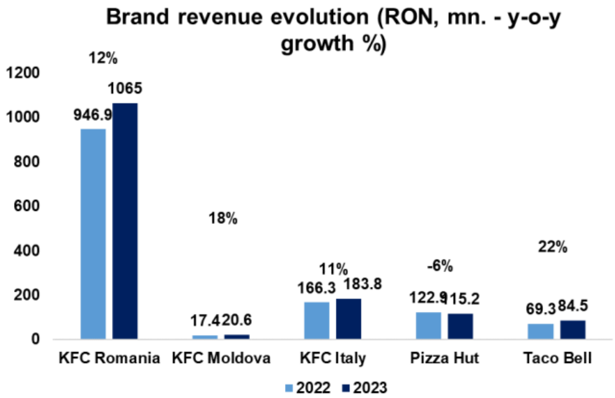
… finished by another record quarter. On a quarterly basis, revenues jumped by 7% y-o-y, with a similar increase in costs, leading to a whopping 27% increase in operating profits from restaurants. IFRS net profits jumped by 60% y-o-y and EBITDA grew 17% y-o-y. Profitability was higher with net margin reaching 9.2% vs 6.2% and EBITDA margin continued higher reaching 18.1% vs. 16.5% during 2022. Overall, 4Q23 was the company's best revenues, EBITDA and net profit in the firm's history.



Source: Company data, Erste Group Research

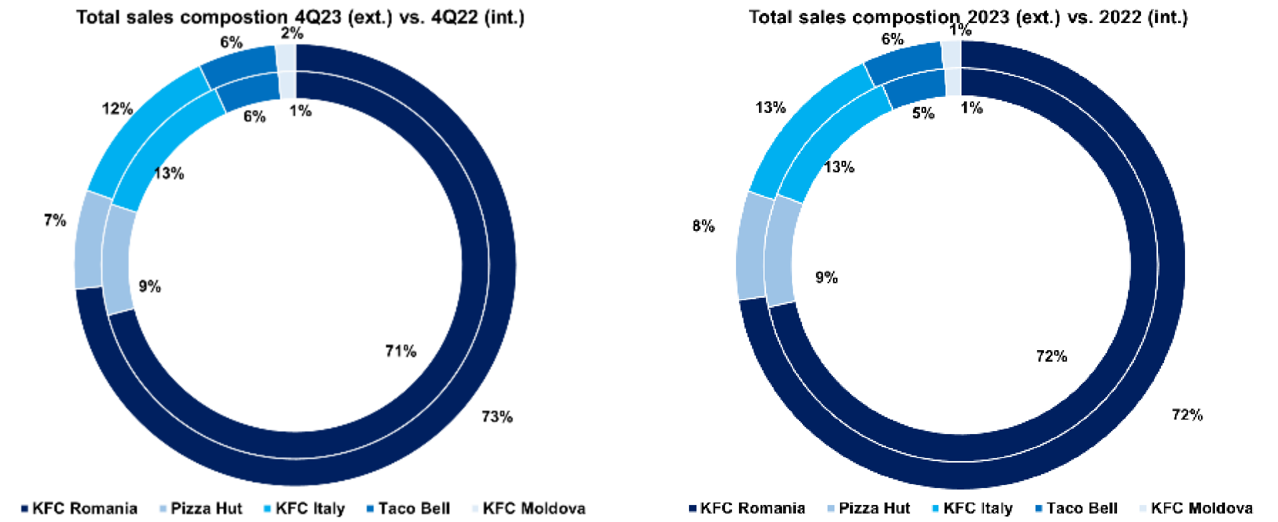
A positive quarterly trend endures. The positive evolution vs. the previous quarter follows the same trend as the previous four quarters. The latest dynamic has been even more auspicious than previously, with q-o-q revenues growing by 4%, costs in line, and an operating profit about 57% higher, a net profit more than double and an EBITDA about 21% higher.





Source: Company data, Erste Group Research

In terms of brand evolution, the largest contributor by far to the company's top line remains KFC Romania with about 72% of total sales, followed by KFC Italy, with about 13%, Pizza Hut and Taco Bell. During 2023, KFC Romania registered a 12% growth in revenues y-o-y, reaching RON1,065mn. With 11% growth in revenues KFC Italy contributed about RON184mn to the top line. Impressive growth rates in revenues were shown by Taco Bell, which grew revenues by 22% and KFC Moldova with an 18% growth, however both from much lower basis than the flagships of the group. On a quarterly basis it is notable the major decline in the contribution of Pizza Hut, as a result of closings, with a quarterly y-o-y decline in revenues of about 17%. Otherwise, the trends are similar to the yearly trend, just with a less sharp growth y-o-y.



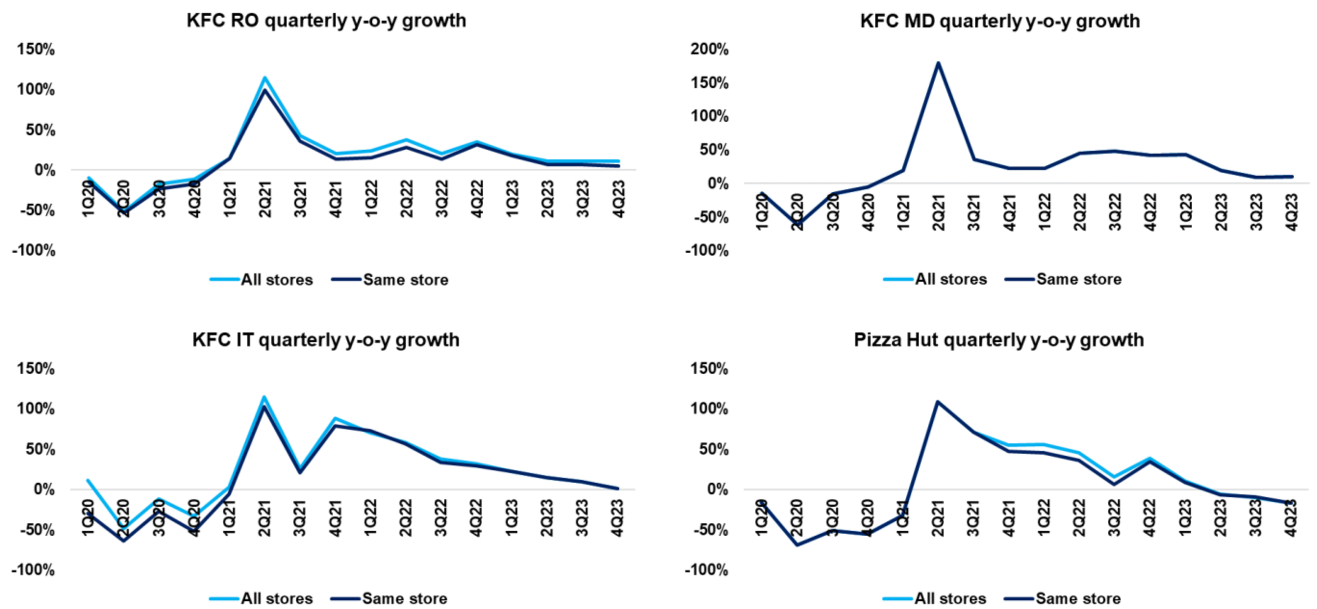
Source: Company data, Erste Group Research

Same store performance stays solid, but tapering vs high post-pandemic growth Same (l-f-l) store performance delivered by the brands in the group's portfolio were still solid overall however softened y-o-y after the high growth of 2022 vs the depressed 2021, due to basis effect and aligned better with the long-term potential of the company.

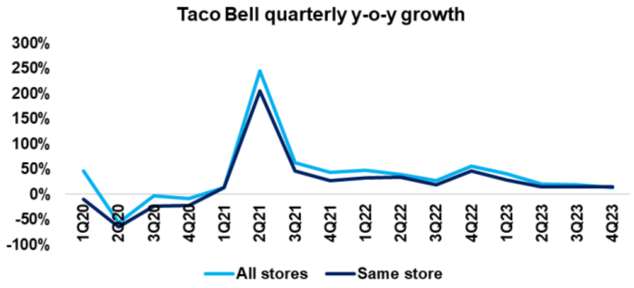
Overall, for the entire group the y-o-y same store growth was about 3% over 4Q23, starting from the extremely high basis of 4Q22 which grew more than 32% y-o-y (no nine months data available).

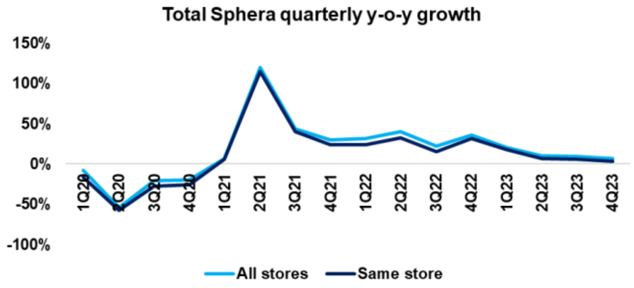
During 4Q23 KFC Romania delivered a y-o-y same store performance of 5.1%, better than the overall performance of the group and somewhat lower than the growth posted during the previous quarter, again due to the high base of the last quarter of 2022.

A much better result came from KFC Moldova, with a very solid 9.9% same store growth and a 14.8% increase in same store growth coming from Taco Bell. KFC Italy posted a lackluster 0.6% same store growth, while Pizza Hut registered a decrease in same store sales by about 17%.



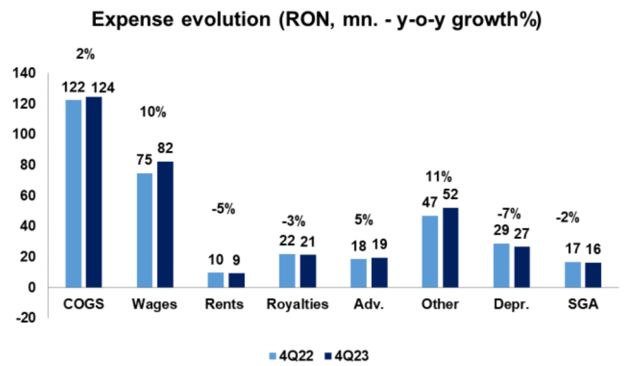
Source: Company data, Erste Group Research

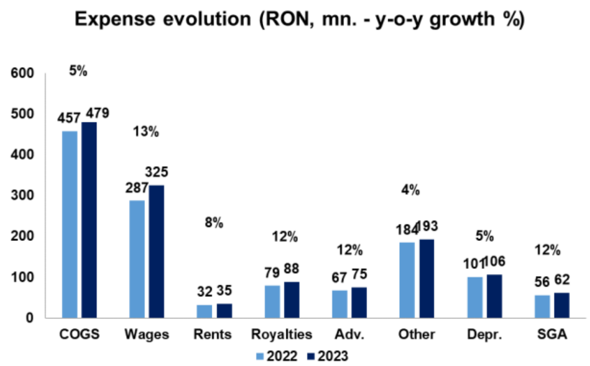




Source: Company data, Erste Group Research

Costs brought back under control… Total restaurant expenses grew in 2023 by 7.8% y-o-y, less than the 11% increase in revenues. The cost increases were mainly caused by the general inflationary environment and moderated by the management's effort to streamline operations and control expenses. The largest two items on the cost structure of the company remain the cost of food and personnel related costs. 2023 food costs grew only 5%, on the back of the purchasing policies of the company, while employee costs, grew slightly higher than revenues. General and administrative costs increased by 12% and other costs by only 4%.Rents grew only 8%, while royalties and advertising grew slightly higher than revenues, however from a significantly lower base compared to the main cost items. On a quarterly basis, the growth in food costs y-o-y was only 2%, and also grew 2% q-o-q, while employee costs increased vs. 4Q22 by 10%, and only inched up by 3% q-o-q. The impact of the other cost items, on the back of the softer inflation, was less significant, both y-o-y and q-o-q.

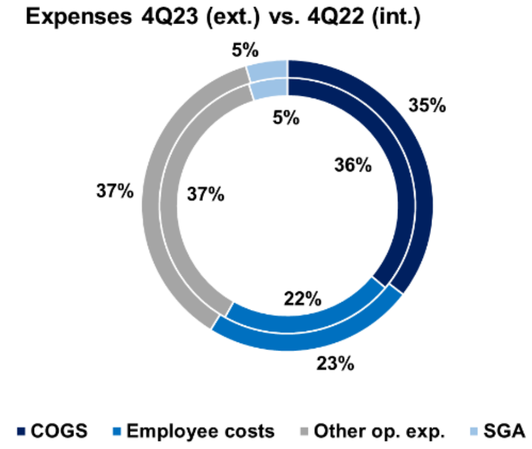


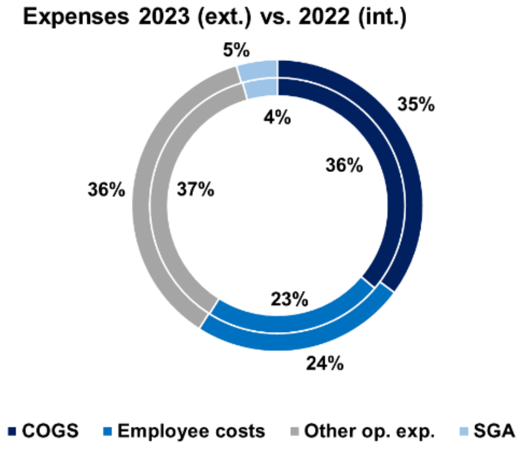


Source: Company data, Erste Group Research

… by concerted management action. The cost evolution represents – by any means a measure of success of the management's efforts to control expenses in a difficult, but tapering inflationary environment, especially on a comparison with 3Q23. Input inflation is a reality to cope with and largely beyond the control of management. Nevertheless, the management succeeded in optimizing delivery roots and made them more efficient leading to price controls.

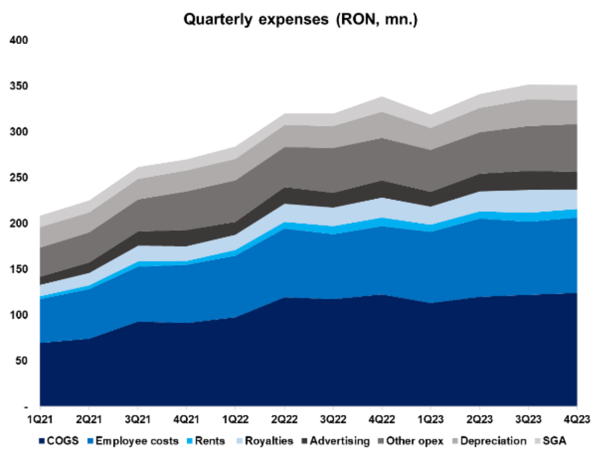
Unavoidable cost increases mitigated by strategy. Similarly, the cost of labor registered increases across the board and the efforts to retain personnel and attract new employees come at an increasing expense. The company provides training and increasingly attractive benefits and has been sourcing some labor from outside of Romania, however the growth in wages and benefits is an unavoidable reality. At the same time, the increase in minimum salary put additional pressure on personnel costs as did changes in tax regime. Similarly, SG&A costs, are influenced by the same trends and somewhat outside of possible management action have been kept under control and remained stable. In a similar manner, on the back the sustained and successful advertising campaigns, costs of advertising remained stable as a percentage of revenues.

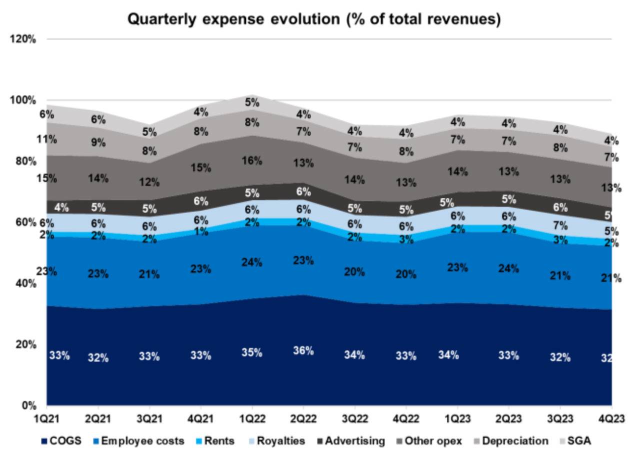




Source: Company data, Erste Group Research

Most importantly, the share of food in total costs has continued to decrease as a share of revenues from 33.1% during 4Q22 to 31.5% during 4Q23, one of the main engines of profitability increase, balancing the marginal relative increase in personnel costs from 20.2% of total revenues to 20.8% of total revenues. Other operating expenses have stayed mostly flat as a percentage of revenues, compared to previous quarter, on the back of the easing of energy costs, maintenance and consumables. Rents have declined, both y-o-y and q-o-q, and so did royalties and advertising.

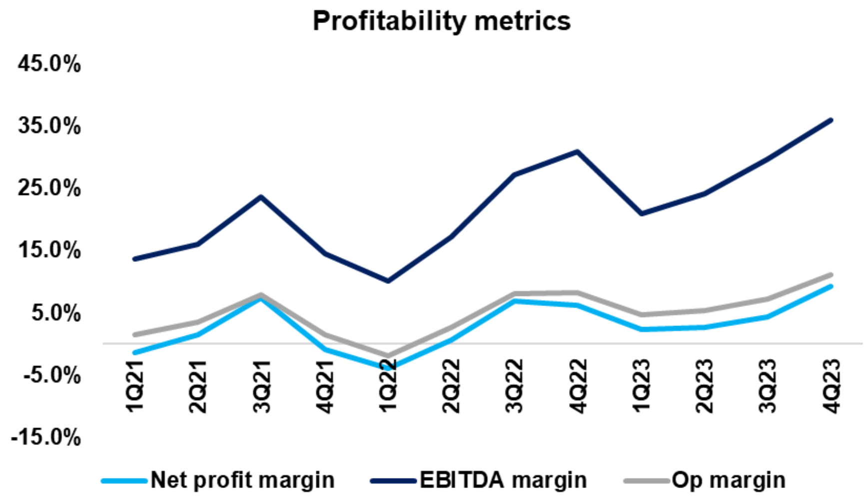




Source: Company data, Erste Group Research

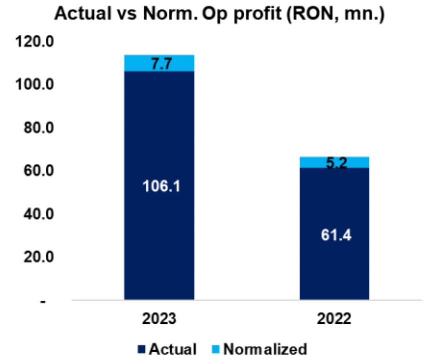
Highest ever EBITDA margin... In terms of profitability, the 36% EBITDA margin is the highest compared to the any quarter of the last five years on a better level compared to the pre-pandemic period. In terms of net margins, the 9.2% profit margin is only lower to the exceptional 3Q19, before the pandemic. This is a feat, helped by the tapering of the inflation and the pricing policy success in a highly competitive market. Moreover, in the past input inflation found its way in customer pricing with a delay that eroded profitability, however it can now come as a positive in a slightly disinflationary environment.

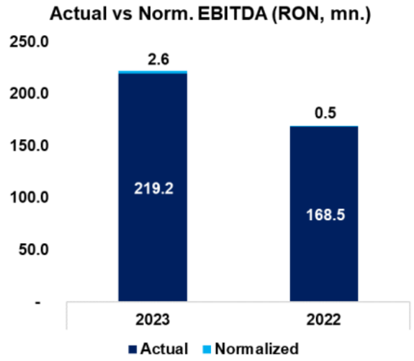
… tapering going forward. We are expecting the continuation of a improving profitability trend however it remains to be seen how much the marketing policy will translate into margin consolidation. Further price increases may be more difficult to implement, since consumer behavior has been influenced by the recent erosion in purchasing power and price increases would be more an expression of brand loyalty than of actual augmentation of disposable income.

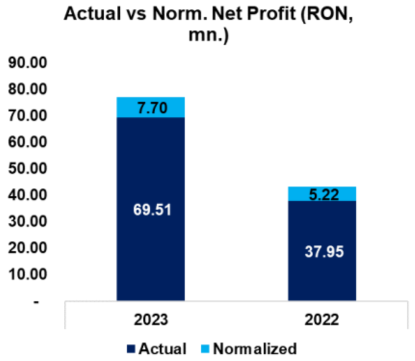


Source: Company data, Erste Group Research

Normalized figures look even better, again. The company also provided profitability figures normalized for one-off items such as the impairments and costs for the closing of 13 Pizza Hut units in line with the network reorganization plan amounting to RON4.1mn, to the impairment for the closing of KFC restaurants in Romania (RON0.9mn), and to the temporary closing of two restaurants in Romania due to restoration work and other one-offs and provisions.







Source: Company data, Erste Group Research

Balance sheet remains strong, showing marginal decline in net debt. The gearing of the company remains within manageable levels, with lower than 1.4x Net Debt/2023e EBITDA. The net debt remained largely unchanged since the beginning of the year to RON304mn, compared to the RON303mn at the end of 2022. Nevertheless, it declined compared to that of the previous three quarter of the year, and considering the expected growth in EBITDA, the gearing remains at a level marginally lower compared to the lowest of the last four years.

(RON, mn.)	2019	2020	2021	2022	1Q23	2Q23	3Q23	2023
LT Debt + leases	263.7	280.8	348.9	313.7	322.7	321.3	316.4	303.0
ST Debt + leases	79.6	114.3	120.7	117.8	113.1	101.7	108.8	98.9
Cash&Equivalents	57.3	122.0	146.1	128.1	107.6	83.9	118.2	98.2
Net Debt	286.0	273.1	323.5	303.4	328.2	339.1	307.0	303.7
Net Debt/EBITDA	**1.93**	**3.07**	**2.54**	**1.88**	**1.50**	**1.55**	**1.40**	**1.39**

Source: Company data, Erste Group Research

2023 profitability well above ours' and markets' expectations on lower costs of food... Compared to our forecasts for the year, the top line came in marginally lower by 1.5%, while overall restaurant costs were significantly better, by 3.7%. The main savings, compared to our expectations came in the food costs, that were almost 5% lower compared to our forecasts. We hadn't expected the management of the company to be as successful as they were in terms of managing supply chains in order to achieve this type of cost reduction.

(RON mn.)	2023A	2023E	diff
Revenues	**1469**	**1491**	***-1.5%***
COGS	479	503	*-4.7%*
Gross profit	990	988	*0.1%*
Employee costs	325	343	*-5.1%*
Rents	35	37	*-7.0%*
Royalties	88	93	*-5.6%*
Advertising	75	75	*-0.2%*
Other opex	193	194	*-0.6%*
Depreciation	106	106	*-0.4%*
Operating costs restaurants	1301	1352	*-3.7%*
Operating profit restaurants	**168**	**140**	***20.3%***
SGA	62	63	*-1.0%*
Operating profit	**106**	**77**	***37.5%***
Financial costs	26	23	*11.6%*
Financial revenues	1	0	*1068.4%*
Financial result	-25	-23	*6.3%*
PBT	**81**	**54**	***51.0%***
Taxes	12	9	*36.8%*
Net Profit	**70**	**45**	***53.6%***
EBITDA	**219**	**184**	***19.3%***
Gross margin	*67.4%*	*66.3%*	
COGS margin	*32.63%*	*33.72%*	
Op margin	*7.2%*	*5.2%*	
EBITDA margin	*14.9%*	*12.3%*	
Net margin	*4.7%*	*3.0%*	

Source: Company data, Erste Group Research

… and personnel... Moreover, compared to our previous forecasts, employee costs were also much lower, leading overall to an operating profit for restaurants that was significantly higher than our hopes. When considering also the lower SGA cost, the overall operating profit was much better than what we expected, by an order of magnitude of almost

… to better margins. Even if financial costs increased more than we expected, overall profit before tax was higher than our anticipation by 51% and net profit by 54%. Also, in terms of margins, the profitability the company showed was much more appealing than our anticipation with net margin at 4.7% vs our expected 3% and with EBITDA margin at 14.9% vs our 12.3% expectation.

Another dividend payment – a nice 3.3% kick on top of the growth proposition. The Board proposed a dividend payment of RON1.05/share to be approved by the GSM of 24 April. This is set as a distribution of retained earnings from 2020-2023 and has a proposed ex-date of 16 May. At current stock price, the yield would be about 3.3%. We consider this to be a relatively attractive bonus for a stock that is mainly a growth stock and not a yield stock.

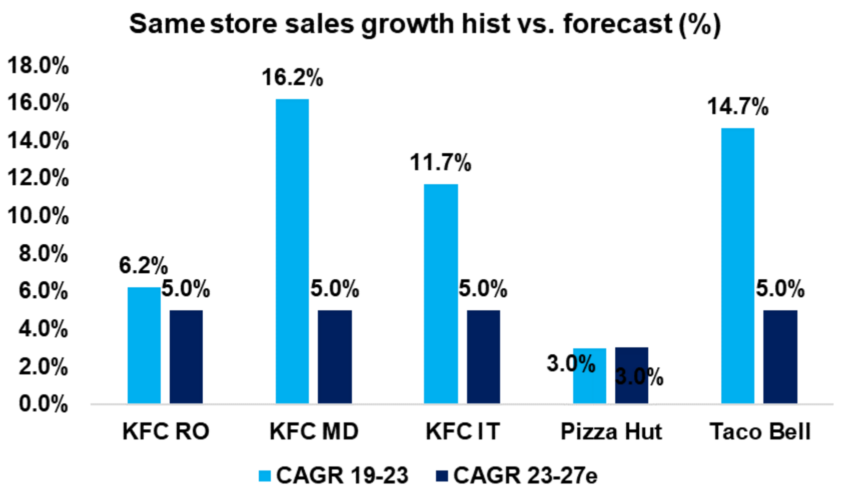
Corporate action: streamlining, expansion and digitalization... As of the end of 2023, the group operated 101KFC restaurants in Romania, 18 in Italy and two in Moldova. It operated 34 Pizza Hut restaurants, 15 Taco Bells and one PHD (Pizza Hut Delivery) sub-franchise. During 2023 the company opened 8 new KFC restaurants in Romania, and it closed 2 KFC restaurants in Italy, 3 in Romania, it also closed 8 Pizza hut Pizza Hut restaurants and one Paul unit in Romania. The reorganization process called for the closing of a total of 13 Pizza Hut restaurants over six months, with an additional 5 restaurants being closed in January. The company has outsourced part of deliveries, while the share of deliveries out of total orders has remained relatively constant over the year.

Innovation and digitalization, excellence in marketing campaigns. The company excels in marketing, combining modern innovative methods across all brands in order to drive brand and value perception. The marketing campaigns are set to increase brand relevance and frequency of purchases and employ both digital and traditional campaigns. Some of the most successful product innovation aspects were exemplified by the combination of fried chicken and shawarma in KFC, the introduction of melts in Pizza Hut and of Mexican pizza in Taco Bell.

… leading to unique value propositions. The company emphasized the locally sourced, hand cooked chicken in KFC by swapping company cooks with local influencers, used disruptive value in Pizza Hut by the “children eat free” campaign, and enhanced brand in Taco Bell via the Taco App. One of the more original campaigns was the usage of the Bucharest subway map to show the similarity between the circular line and the outline of a drumstick.

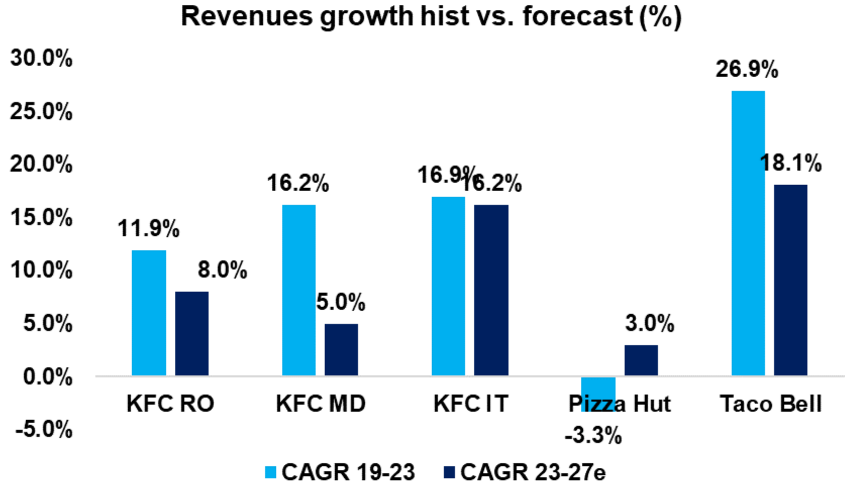
Looking forward

Beyond 2023: conservative same store sales… The company closed an additional 5 Pizza Hut restaurants in January 2024 and expects to continue to streamline the portfolio, weeding out the least profitable assets. In terms of same store sales our forecast continues to remain conservative when comparing in terms of 4yrs CAGR going forward compared to the period from before the beginning of the pandemic to last year. Indeed, all our same store sales are below the average of 2019-2023, despite the solid recent growth, and admittedly more conservative than recent quarters have shown. Moreover, in all segments, we remain much below average inflation, again, in the spirit of conservative forecasting, even if underestimating the potential for growth.



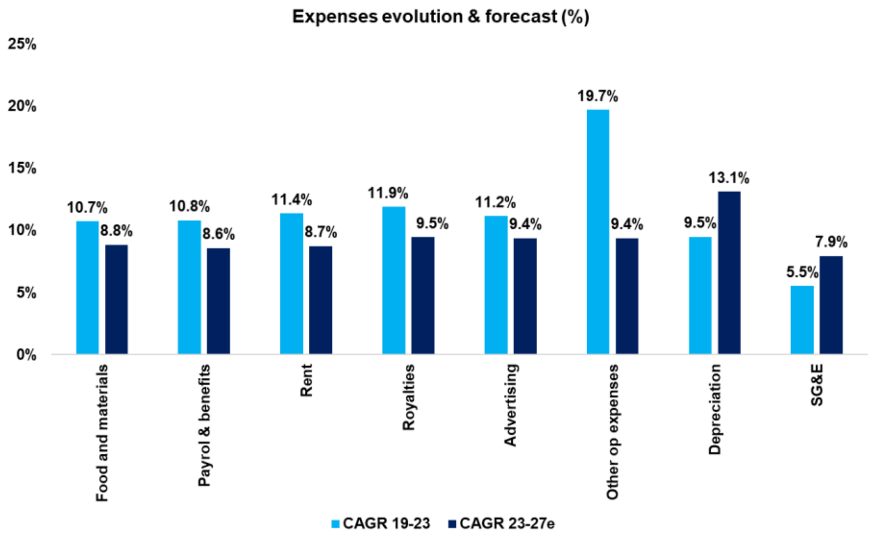
Source: Company data, Erste Group Research

… and revenues. Consequently, our revenues forecasts are also subdued, significantly below last years' averages, especially considering the potential expansion sustained by the company's plans for increasing footprint and streamlining existing operations.



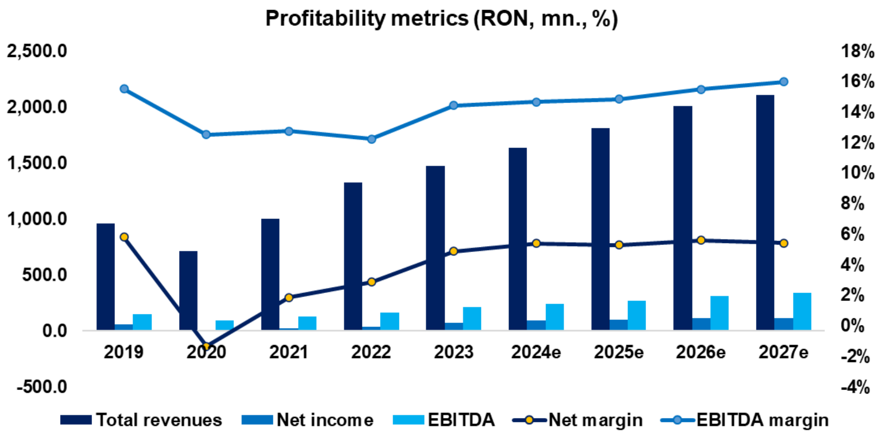
Source: Company data, Erste Group Research

Our expenses' forecast, sensibly higher than forecasted inflation. In terms of expenses, we generally forecast in a conservative manner. We anticipate some tapering of the costs of food, on the back of easing inflation and the successful efforts of the management at streamlining purchasing activities. We forecast a similar growth in personnel and SG&E expenses, as workforce shortages would prompt higher employee retention costs compared to inflation alone. However, these should be somewhat lower than what recent past that has witnessed: significant – ahead of elections – minimum wage increases. Higher advertising, on the back of recent trends, and lower "other expenses" as energy and consumables' costs decline vs the high figures of 2021-2023. Depreciation should grow on the back of new, more expensive investments.



Source: Company data, Erste Group Research

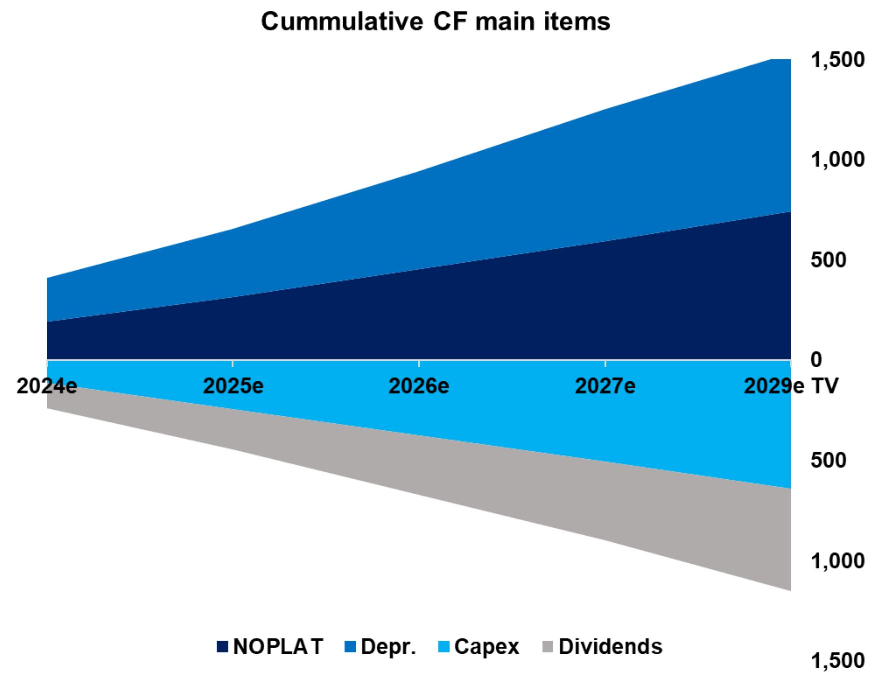
Higher profitability, getting back in line with pre-pandemic years. Our combination of revenues vs. costs forecasts yields a very marginal and gradual increase in profitability, however still below that of the pre-pandemic era, with EBITDA margin inching up to the level of 2019 and net profit margin still below that threshold, on the back of higher depreciation and financing costs.



Source: Company data, Erste Group Research

The assumptions of the DCF valuation are:

- Sales growth and margin levels as per our assumptions discussed above, sales growth in perpetuity is 3%, below inflation levels.
- Risk free rate of 7.45% till 2028 and 5% in perpetuity
- Equity risk premium of 7.45% during the next five years and 7% in perpetuity
- Debt premium of 1%
- 15% equity – at market price – of total liabilities and equity on the Balance Sheet – a level that we consider congruent with the characteristics of the company, at an optimum debt level and 40% in perpetuity.
- Terminal value growth at 3%, roughly half of forecasted inflation
- EBIT margin in perpetuity of 7%, lower than current levels (7.4% in 2023) and than forecasted levels (8.2% in 2026e, 8% in 2027e, 8.4% in 2028e)
- Organic CAPEX at levels congruent with the development plan stated by the company- We have assumed going forward a CAPEX yearly sum of around RON100mn – growing with inflation



Source: Company data, Erste Group Research

SFG DCF valuation

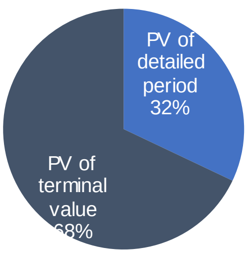
WACC calculation

	2024e	2025e	2026e	2027e	2028e	2029e TV
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	5.0%
Equity risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%
Beta	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	**14.9%**	**14.9%**	**14.9%**	**14.9%**	**14.9%**	**12.7%**
Cost of debt	7.7%	7.7%	7.7%	7.7%	7.7%	6.0%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**5.0%**
Equity w eight	15%	15%	15%	15%	15%	40%
WACC	**7.7%**	**7.7%**	**7.7%**	**7.73%**	**7.73%**	**8.1%**

DCF valuation

(RON mn)	2024e	2025e	2026e	2027e	2028e	2029e TV
Sales growth	*10.1%*	*12.4%*	*11.9%*	*4.9%*	*4.9%*	*3.0%*
EBIT	124	139	163	167	186	161
EBIT margin	*7.7%*	*7.6%*	*8.0%*	*7.8%*	*8.3%*	*7.0%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-19.9	-22.2	-26.1	-26.7	-29.7	-25.8
NOPLAT	**104.6**	**116.7**	**137.3**	**140.3**	**156.0**	**135.6**
+ Depreciation	113	131	152	174	194	132
Capital expenditures / Depreciation	*99.9%*	*97.2%*	*88.8%*	*75.6%*	*68.1%*	*100.0%*
+/- Change in w orking capital	-17	-24	-26	-12	-12	-52
Chg. working capital / chg. Sales	*-11.8%*	*-11.8%*	*-11.8%*	*-11.8%*	*-11.8%*	*-30.0%*
- Capital expenditures	-112.4	-127.4	-134.7	-131.4	-132.2	-132.2
Free cash flow to the firm	**87.2**	**96.6**	**128.6**	**170.9**	**205.6**	**84.1**
Terminal value growth						*3.0%*
Terminal value						1,697.5
Discounted free cash flow - December 31 2023	80.2	82.5	101.9	125.7	140.4	1,125.6
Enterprise value - December 31 2023	**1,656**					
Minorities	0					
Non-operating assets	0					
Net debt (incl. lease liabilities)	304					
Other adjustments	0					
Equity value - (RON bn) December 31 2023	**1,352.5**					
Number of shares outstanding (mn)	1					
Cost of equity	12.7%					
Fair value, RON mn	**1,479.4**					
Number of shares outstanding (mn)	38.8					
Fair value per share, RON	**38.13**					
Share price	31.2					
Upside/downside Official NAV (%)	*22.2%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

WACC	Terminal value EBIT margin 6.0%	6.5%	7.0%	7.5%	8.0%
7.1%	36.77	41.32	45.86	50.41	54.95
7.6%	33.47	37.52	41.58	45.63	49.68
8.1%	30.82	34.47	**38.13**	41.78	45.44
8.6%	28.64	31.97	35.30	38.63	41.96
9.1%	26.82	29.88	32.93	35.99	39.04

WACC	Terminal value growth 2.0%	2.5%	3.0%	3.5%	4.0%
7.1%	38.13	41.58	45.86	51.34	58.57
7.6%	35.30	38.13	41.58	45.86	51.34
8.1%	32.93	35.30	**38.13**	41.58	45.86
8.6%	30.92	32.93	35.30	38.13	41.58
9.1%	29.20	30.92	32.93	35.30	38.13

Source: Erste Group Research

Income Statement	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**
(IFRS, RON mn, 31/12)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Net sales	**710.80**	**1,000.30**	**1,322.80**	**1,469.10**	**1,617.18**	**1,818.17**
Invent. changes + capitalized costs	0.00	0.00	0.00	0.00	0.00	0.00
Total revenues	**710.80**	**1,000.30**	**1,322.80**	**1,469.10**	**1,617.18**	**1,818.17**
Other operating revenues	0.70	2.60	1.20	0.00	0.00	0.00
Material costs	-79.60	-130.10	-177.90	-197.90	-217.85	-243.92
Personnel costs	-150.10	-225.90	-287.10	-325.20	-357.98	-400.00
Other operating expenses	-109.50	-141.70	-184.50	-192.50	-211.90	-238.24
EBITDA	**88.90**	**127.60**	**161.80**	**212.10**	**237.04**	**269.98**
Depreciation/amortization	-85.90	-90.00	-100.60	-103.20	-112.56	-131.04
EBIT	**3.00**	**37.60**	**61.20**	**108.90**	**124.48**	**138.94**
Financial result	-17.10	-20.30	-22.60	-25.00	-22.16	-24.79
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	**-14.10**	**17.30**	**38.60**	**83.90**	**102.33**	**114.15**
Income taxes	4.50	1.30	-0.84	-12.25	-16.37	-18.26
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	0.00	0.00	0.00	0.00	0.00	0.00
Net result after minorities	**-9.60**	**18.60**	**37.76**	**71.65**	**85.95**	**95.89**

Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**
(IFRS, RON mn, 31/12)						
Intangible assets	291.70	292.20	275.50	297.70	336.09	380.15
Tangible assets	201.10	222.10	230.60	239.30	292.46	349.37
Financial assets	21.00	26.60	31.50	33.10	36.44	40.96
Total fixed assets	**513.80**	**540.90**	**537.60**	**570.10**	**664.98**	**770.48**
Inventories	11.10	13.40	15.90	15.00	16.51	18.56
Receivables and other current assets	20.50	33.90	24.30	18.10	19.92	22.40
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	122.00	146.10	128.10	98.10	85.23	78.86
Total current assets	**153.60**	**193.40**	**168.30**	**131.20**	**121.67**	**119.82**
TOTAL ASSETS	**667.40**	**734.30**	**705.90**	**701.30**	**786.65**	**890.31**
Shareholders'equity	**148.90**	**131.94**	**116.10**	**142.14**	**171.03**	**198.16**
Minorities	**0.25**	**0.18**	**0.30**	**0.49**	**0.59**	**0.68**
Hybrid capital and other reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Pension and other LT personnel accruals	**3.10**	**4.20**	**3.90**	**4.60**	**5.06**	**5.69**
LT provisions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Interest-bearing LT debts	280.80	348.90	313.70	303.30	333.87	375.37
Other LT liabilities	1.60	0.00	0.70	1.96	2.16	2.43
Total long-term liabilities	**282.40**	**348.90**	**314.40**	**305.26**	**336.03**	**377.79**
Interest-bearing ST debts	114.30	120.70	117.80	98.40	108.32	121.78
Other ST liabilities	118.40	128.40	153.40	150.45	165.62	186.20
Total short-term liabilities	**232.70**	**249.10**	**271.20**	**248.85**	**273.93**	**307.98**
TOTAL LIAB. , EQUITY	**667.35**	**734.32**	**705.90**	**701.34**	**786.65**	**890.31**

Cash Flow Statement	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**
(IFRS,RON mn, 31/12)						
Cash flow from operating activities	110.60	106.90	153.43	209.52	224.49	263.72
Cash flow from investing activities	-36.20	-60.45	-55.05	-57.56	-112.44	-127.38
Cash flow from financing activities	-9.70	-22.35	-111.85	-182.01	-124.92	-142.71
CHANGE IN CASH , CASH EQU.	**64.70**	**24.10**	**-13.47**	**-30.05**	**-12.87**	**-6.37**

Margins & Ratios	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**
Sales growth	-25.5%	40.7%	32.2%	11.1%	10.1%	12.4%
EBITDA margin	12.5%	12.8%	12.2%	14.4%	14.7%	14.8%
EBIT margin	0.4%	3.8%	4.6%	7.4%	7.7%	7.6%
Net profit margin	-1.4%	1.9%	2.9%	4.9%	5.3%	5.3%
ROE	-6.0%	13.2%	30.4%	55.5%	54.9%	51.9%
ROCE						
Equity ratio	22.3%	18.0%	16.5%	20.3%	21.8%	22.3%
Net debt	276.2	327.7	307.3	308.2	362.0	424.0
Working capital	-79.1	-55.7	-102.9	-117.7	-152.3	-188.2
Capital employed	427.0	459.8	424.4	452.8	535.8	625.2
Inventory turnover	20.5	26.7	31.2	31.0	33.5	33.8

Source: Company data, Erste Group estimates

Group Research

Head of Group Research
Friedrich Mostböck, CEFA®, CESGA® +43 (0)5 0100 11902

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356
Jakub Cery (Fixed income) +43 (0)5 0100 17384

Croatia/Serbia
Alen Kovac (Head) +385 72 37 1383
Mate Jelić +385 72 37 1443
Ivana Rogic +385 72 37 2419

Czech Republic
David Navratil (Head) +420 956 765 439
Jiri Polansky +420 956 765 192
Michal Skorepa +420 956 765 172

Hungary
Orsolya Nyeste +361 268 4428
János Nagy +361 272 5115

Romania
Ciprian Dascalu (Head) +40 3735 10108
Eugen Sinca +40 3735 10435
Dorina Ilasco +40 3735 10436
Vlad Nicolae Ionita +40 7867 15618

Slovakia
Maria Valachyova (Head) +421 2 4862 4185
Matej Hornak +421 902 213 591

Major Markets & Credit Research
Head: Gudrun Egger, CEFA® +43 (0)5 0100 11909
Ralf Burchert, CEFA® (Sub-Sovereigns & Agencies) +43 (0)5 0100 16314
Hans Engel (Global Equities) +43 (0)5 0100 19835
Margarita Grushanina (Austria, Quant Analyst) +43 (0)5 0100 11957
Peter Kaufmann, CFA® (Corporate Bonds) +43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds) +43 (0)5 0100 85509
Stephan Lingnau (Global Equities) +43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Financials & Covered Bonds) +43 (0)5 0100 19632
Rainer Singer (Euro, US) +43 (0)5 0100 17331
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds) +43 (0)5 0100 17203
Elena Statelov, CIIA® (Corporate Bonds) +43 (0)5 0100 19641
Gerald Walek, CFA® (Euro, CHF) +43 (0)5 0100 16360

CEE Equity Research
Head: Henning Eßkuchen +43 (0)5 0100 19634
Daniel Lion, CIIA® (Technology, Ind. Goods&Services) +43 (0)5 0100 17420
Michael Marschallinger, CFA® +43 (0)5 0100 17906
Nora Nagy (Telecom) +43 (0)5 0100 17416
Christoph Schultes, MBA, CIIA® (Real Estate) +43 (0)5 0100 11523
Thomas Unger, CFA® (Banks, Insurance) +43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343
Martina Valenta, MBA +43 (0)5 0100 11913

Croatia/Serbia
Mladen Dodig (Head) +381 11 22 09178
Boris Pevalek, CFA® +385 99 237 2201
Marko Plastic +385 99 237 5191
Matej Pretkovic +385 99 237 7519
Bruno Barbic +385 99 237 1041
Davor Spoljar, CFA® +385 72 37 2825
Magdalena Basic +385 99 237 1407

Czech Republic
Petr Bartek (Head, Utilities) +420 956 765 227
Jan Safranek +420 956 765 218

Hungary
József Miró (Head) +361 235 5131
András Nagy +361 235 5132
Tamás Pletser, CFA® (Oil & Gas) +361 235 5135

Poland
Cezary Bernatek (Head) +48 22 257 5751
Piotr Bogusz +48 22 257 5755
Łukasz Jańczak +48 22 257 5754
Krzysztof Kawa, CIIA® +48 22 257 5752
Jakub Szkopek +48 22 257 5753

Romania
Caius Rapanu +40 3735 10441

Group Institutional & Retail Sales

Group Institutional Equity Sales
Head: Michal Rizek +420 224 995 537

Cash Equity Sales
Werner Fuerst +43 (0)5 0100 83121
Viktoria Kubalcova +43 (0)5 0100 83124
Thomas Schneidhofer +43 (0)5 0100 83120
Oliver Schuster +43 (0)5 0100 83119

Institutional Equity Sales Croatia
Matija Tkalicanac +385 72 37 21 14

Institutional Equity Sales Czech Republic
Head: Michal Rizek +420 224 995 537
Pavel Krabicka +420 224 995 411
Martin Havlan +420 224 995 551
Jiri Feres +420 224 995 554

Institutional Equity Sales Hungary
Levente Nándori +361 235 5141
Balázs Zánkay +361 235 5156
Krisztián Kandik +361 235 5140

Institutional Equity Sales Poland
Jacek Jakub Langer (Head) +48 22 257 5711
Tomasz Galanciak +48 22 257 5715
Wojciech Wysocki +48 22 257 5714
Przemyslaw Nowosad +48 22 257 5712
Maciej Senderek +48 22 257 5713

Institutional Equity Sales Romania
Valerian Ionescu +40 3735 16541

Group Markets Retail and Agency Business
Head: Christian Reiss +43 (0)5 0100 84012

Markets Retail Sales AT
Head: Markus Kaller +43 (0)5 0100 84239

Group Markets Execution
Head: Kurt Gerhold +43 (0)5 0100 84232

Retail & Sparkassen Sales
Head: Uwe Kolar +43 (0)5 0100 83214

Corporate Treasury Prod. Distribution
Head: Martina Kranzl-Carvell +43 (0)5 0100 84147

Group Securities Markets
Head: Thomas Einramhof +43 (0)50100 84432

Institutional Distribution Core
Head: Jürgen Niemeier +49 (0)30 8105800 5503

Institutional Distribution DACH+
Head: Marc Friebertshäuser +49 (0)711 810400 5540
Bernd Bollhof +49 (0)30 8105800 5525
Andreas Goll +49 (0)711 810400 5561
Mathias Gindele +49 (0)711 810400 5562
Ulrich Inhofner +43 (0)5 0100 85544
Sven Kienzle +49 (0)711 810400 5541
Rene Klasen +49 (0)30 8105800 5521
Christopher Lampe-Traupe +49 (0)30 8105800 5523
Michael Schmotz +43 (0)5 0100 85542
Christoph Ungerböck +43 (0)5 0100 85558
Klaus Vosseler +49 (0)711 810400 5560

Slovakia
Šarlota Šipulová +421 2 4862 5619
Monika Směliková +421 2 4862 5629

Institutional Distribution CEE & Insti AM CZ
Head: Antun Burić +385 (0)7237 2439
Jaromir Malak +43 (0)5 0100 84254

Czech Republic
Head: Ondrej Čech +420 2 2499 5577
Milan Bartoš +420 2 2499 5562
Jan Porvich +420 2 2499 5566
Pavel Zdichynec +420 2 2499 5590

Croatia
Head: Antun Burić +385 (0)7237 2439
Zvonimir Tukač +385 (0)7237 1787
Natalija Zujic +385 (0)7237 1638

Hungary
Head: Peter Csizmadia +36 1 237 8211
Gábor Bálint +36 1 237 8205
Gergő Szabo +36 1 237 8209

Romania
Head: Octavian Florin Munteanu +40 746128914

Institutional Asset Management Czech Republic
Head: Petr Holeček +420 956 765 453
Petra Maděrová +420 956 765 178
Martin Peřina +420 956 765 106
David Petráček +420 956 765 809
Blanca Weinerová +420 956 765 317
Petr Valenta +420 956 765 140

Group Fixed Income Securities Markets
Head: Goran Hoblaj +43 (0)50100 84403

FISM Flow
Head: Gorjan Hoblaj +43 (0)5 0100 84403
Margit Hraschek +43 (0)5 0100 84117
Bernd Thaler +43 (0)5 0100 84119
Ciprian Mitu +43 (0)5 0100 85612
Christian Kienesberger +43 (0)5 0100 84323
Zsuzsanna Toth +36-1-237 8209

Poland
Pawel Kielek +48 22 538 6223
Michal Jarmakowicz +43 50100 85611

Company description

Sphera is the leading food operator in Romania, operating through subsidiaries in Italy and Moldova. It operates KFC, Pizza Hut and Pizza Hut Delivery, and Taco Bell branded restaurants under master franchisee agreements

Disclaimer

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies. The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time. It only serves for the purpose of providing non-binding information and does not constitute investment advice or marketing communication . This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any financial or connected financial instrument, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a financial or connected financial instrument in a trading strategy. The document is also not a prospectus in the sense of the Prospectus Regulation, the Austrian Capital Market Act 2019 or comparable legal provisions. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the financial instrument or connected financial instruments. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any financial instrument has a different risk level. Performance charts and example calculations do not provide any indication for future performance of a financial instrument resp. connected financial instruments. Information about past performance does not necessarily guarantee a positive development in the future and investments in financial instruments incl. connected financial instruments can be of risk and speculative nature. All projections, forecasts and price targets are clearly and prominently labelled as such, and the material assumptions made in producing or using them are indicated. Forecasts of future developments are based purely on estimates and assumptions. Actual future developments may differ from the forecast. Forecasts are therefore not a reliable indicator of future results and developments. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Neither this document nor any of its components form the basis of any contract or commitment whatsoever. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – an intended transaction of a financial or connected financial instrument is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are referred, for instance, to the suitability test according to the Austrian Securities Supervision Act 2018 and are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. The performance of an investment is reduced by commissions, fees and other charges that depend on the individual circumstances of the investor. As a result of currency fluctuations, the investment result may increase or decrease. Investment research is produced by Erste Group Research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed company resp. issuer, Erste Group, one of its companies, or any other person. Care is taken, that all substantially material sources of information are clearly and prominently indicated. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Facts are clearly distinguished in the document from interpretations, estimates, opinions, and other types of non-factual information. Neither Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document.

Erste Group as well as representatives and employees principally may, to the extent permitted by law, have a position in stated financial instruments resp. connected financial instruments and may provide trading support or otherwise engage in transactions involving these financial instruments and/or connected financial instruments. Further, Erste Group as well as representatives and employees may principally offer investment banking services or advice to, or may take over management function in a company or issuer referred to in this Document. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial instruments resp. connected financial instruments described herein are restricted or interdicted in certain jurisdictions. This, inter alia, applies to the United States, Canada, Switzerland, Australia, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. The document may not be reproduced or redistributed to other persons without the consent of Erste Group. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material. Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all. Misprints and printing errors reserved.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses.

Important Disclosures

THIS DOCUMENT MAY NOT BE BROUGHT INTO THE UNITED STATES OF AMERICA, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN, TO ANY PERSON WHO IS A CITIZEN OF THOSE STATES, OR SENT OR DISTRIBUTED TO ANY MEDIA IN ANY OF THOSE STATES.

General disclosures

All recommendations given by Erste Group Research are independent, objective and are based on the latest company, industry and other general information publicly available which Erste Group Research considers being reliable; however, Erste Group does not represent or assume any liability for the completeness of accuracy of such information or its recommendation. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal departments of Erste Group. Each research drawn up by an analyst is reviewed by a senior research executive or agreed with a senior analyst/deputy (4-eyes-principle). Erste Group has implemented extensive Compliance Rules on personal account dealings of analysts (please see "Conflicts of Interest"). Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. No part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. Erste Group may engage in transactions with financial instruments, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Erste Group, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Conflicts of interest

Erste Group Bank AG ensures with internal policies that conflicts of interest are managed in a fair and reasonable manner. The policy „Managing Conflict of Interest in Connection with Investment Research" is provided under the following link:
https://www.erstegroup.com/legal/Managing_Conflicts_of_Interest_-_Umgang_mit_IK.pdf

Disclosures of potential conflicts of interest relating to Erste Group Bank AG and affiliated companies as well as relevant employees and representatives with respect to the issuer(s) resp. financial instruments are updated daily. An overview of conflicts of interest for all analysed companies by Erste Group Research is provided under the following link:
Disclosure | Erste Group Bank AG.

.If this financial analysis is sponsored research by the company or the issuer, this is disclosed as conflict of interest point number 4. If this financial analysis is sponsored research financed by third parties, this is disclosed as conflict of interest point number 5. In principle, analysts are prohibited from holding stocks in shares they analyse. Nevertheless, should the exceptional case arise that an analyst and/or another natural person involved in the production of the financial analysis holds a position in the issued share capital of the issuer to which the financial analysis refers, this is disclosed via conflict of interest point number 8.

The distribution of all recommendations and the distribution of recommendations in relation to which investment services have been provided is available under the following link:
https://www.erstegroup.com/legal/Recommendations_Distribution.pdf

Erste Group rating definitions

Buy	> +20% from target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% from target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

A history of all recommendations within the last 12 months is provided under the following link:
Research Disclaimer | Erste Group Bank AG

Explanation of valuation parameters and risk assessment
Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.
All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:
https://www.erstegroup.com/legal/Bewertungsmethoden_and_Valuations.pdf

Planned frequency of updates
Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

If a recommendation change has been made in this publication, please see the following link for a detailed overview of the previous recommendation(s):
https://www.erstegroup.com/en/research/research-legal

Links

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

Additional notes to readers in the following countries:

Austria: Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnemannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

Germany: Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United Kingdom (UK): Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

Czech Republic: Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

Croatia: Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

Hungary: Erste Bank Hungary ZRT. And Erste Investment Hungary Ltd. Are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

Serbia: Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

Romania: Banka Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

Poland: Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

Slovakia: Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

Switzerland: This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

Hong Kong: This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com