AmRest H1 2014 Financial Results

Another strong quarter

Wrocław, Poland, Aug 14th 2014, AmRest (WSE: EAT), the largest publicly listed restaurant group in CEE, today reports financial results for the first half of 2014.

Key highlights:

- 28 new stores opened in H1 2014, total number of restaurants as of Aug 14th, 2014 amounted to 759,
- Total revenues increased by 8.9% to PLN 1 387.8m (€ 332.3m),
- Adjusted EBITDA increased by 36.0% to PLN 164.2m[1] (€ 39.3m),
- EBITDA increased by 45.2% to PLN 155.1m (€ 37.2m),
- Adjusted EBITDA margin at 11.8%, EBITDA margin at 11.2%,
- Net profit increased to PLN 13.0m[2] (€ 3.1m).

Henry McGovern, Chairman of Supervisory Board of AmRest, commented:

'I am happy to announce that AmRest delivered another quarter of strong performance, with sales increasing 7.3% and EBITDA growing by 50% in Q2 2014! Our top line grew by 8.9% in H1 2014 reaching almost PLN 1,4bn and EBITDA amounted to PLN 155m vs PLN 107m in H1 2013, which is an amazing improvement. Having another quarter of great results behind us, we have confidence in our ability to continue having profitable growth being an important source of value creation for AmRest's shareholders.

Central Europe, our largest division, exceeded our own expectations by delivering strong margins and like-for-like (lfl) sales improvement. We also had several breakthrough achievements in Q2 2014 – Burger King in Poland turning EBITDA positive, KFC in Hungary reaching the highest EBITDA margin in its history and our biggest brand KFC in Poland achieving the highest EBITDA margin since 2012. Such results give us confidence that our core business is in great shape and positive trends in margins will be maintained.

Russia continued its strong performance defying the reality of political turmoil. Double-digit lfl growth in KFC (local currency) seems to confirm the strong demand for our products in this region. Additionally, number of cost savings initiatives started in 2013 resulted in significant improvement of EBITDA margin in our base business positively contributing to the profits of the whole Group. Regardless of the positive trends and great results of our

[1] EBITDA adjusted by costs of new stores openings, costs of mergers and acquisitions and corrections in indirect taxes
[2] Attributable to AmRest's shareholders

Russian division, we are monitoring recent geopolitical developments to ensure we can adapt to changing conditions and minimize our business risk.

Spain continues to show signs of economic recovery with GDP growth and both our brands pursuing the most consistent upward trend in LFL since 2007 when recession began. 20% EBITDA margin recorded in Q2 2014 was the highest across the whole Company, proving this division to be an important platform of value creation for our shareholders.

Parallel to that, in China our Blue Frog restaurants maintained strong performance with lfl being in double-digit territory (local currency) and promising start of new restaurants in a couple of new cities.

Relating to La Tagliatella International, we have started realizing cost savings driven by initiatives undertaken in 2013. On the other hand, taking a prudent approach we decided to close 3 underperforming restaurants resulting in PLN 8m write-off costs. For this reason, our commitment to reduce losses in New Markets needs to be revised and our current estimate for the total annual losses is around PLN 40-45m.

Strong core business and improving situation in incubators segment reflect our commitment to 80% capital going to proven business thus ensuring ROIC improvement. Given two quarters of fantastic results, I am convinced that even more good news is to come in the nearest future."

Outlook

We remain optimistic about the rest of the year. Historically our second half of the year has been better than the first one, thus unless we face some dramatic shifts in our business or in the macro environment, we expect to continue growing at high single digit in terms of sales and double-digit it terms of profitability. Based on our recent performance we see most of the markets continue their positive like-for-like trends with the exception of Poland where we have seen some softness across all our brands compared to the previous two quarters. This seems to coincide with decreased retail traffic reported by some shopping malls. We hope it is a temporary situation and we will return to strong like-for-like trends in Poland after the summer end.

We are optimistic regarding our margins driven by disciplined cost management across the entire P&L and reduced build costs. We have also commenced our cooperation with the new distributor in Poland with promising initial results.

The situation in Russia continues to be tense yet our strong performance there seems to defy the political reality. Based on the growing uncertainty we are cautious about our investment there limiting our development plan for next year to become fully self-sufficient in terms of not only supply, which we enjoy right now, but also in terms of cash needs.

Spain, which contributes almost 40% of AmRest EBITDA is having the best year since the recession started there in 2007. With lfl sales growing and new builds performing exceptionally well we are increasing our investment in new restaurants there.

Our 80/20 capital allocation approach will continue and having multiple growth opportunities, we will favor those providing us with highest returns and low risk profile in order to maximize our ROIC.

All things considered, we expect continued growth of top line and even faster pace of profitability improvement during the rest of the year.

Further information

The full H1 2014 results can be found on www.amrest.eu

The teleconference with investors will be held on Aug 14th, 2014 at 2:30pm CET, to attend the conference and for any other enquiries please contact:

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