AmRest

AmRest Q3 2014 Financial Results

Delicious food, fantastic results

Wrocław, Poland, Nov 7th 2014, AmRest (WSE: EAT), the largest publicly listed restaurant group in CE, today reports financial results for the third quarter of 2014.

Key highlights:

- 21 new stores opened in Q3 2014, total number of restaurants as of Nov 7th, 2014 amounted to 781,
- Total revenues increased by 9.9% to PLN 765.3m (€ 183.3m),
- Adjusted EBITDA increased by 23.3% to PLN 108.1m[1] (€ 25.9m),
- EBITDA increased by 29.1% to PLN 100.4m (€ 24.0m),
- Adjusted EBITDA margin at 14.1%, EBITDA margin at 13.1%,
- Net profit increased by 415.3% to PLN 31.6m[2] (€ 7.5m),
- Declining leverage – net debt/EBITDA at 2.47.

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

'We are pleased to present another quarter of fantastic results of AmRest. Sales revenue grew by 9.9% in Q3 2014 to PLN 765m while EBITDA was 30% higher than year ago and for the first time broke the barrier of PLN 100m for a quarter![3] Extremely good overall margin performance was supported by positive trends in comparable sales (LFL) observed in each division and dynamic pace of new openings. We expect the current trends to continue and have much confidence in further improvement of results in following quarters.

Our largest division Central Europe (CE) highly contributed to fantastic results of the Group by generating PLN 64m of EBITDA and record margins of 14.4%, which was the strongest quarter in their history. Main factors driving margin improvement were LFL growth observed in each of the brands, reduction in food cost pressure, actions taken on labor management, rent renegotiations and continued leveraging of G&A. For the second consecutive quarter Burger King reported positive EBITDA profit. In addition, our largest brand in portfolio – KFC – maintained its historically high profitability.

[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

3 Excluding Q4 2012, where extraordinary profit on sale of Applebee's business was reported

Situation in Russia remained stable despite unfavorable political conditions. Double-digit LFL growth along with new openings supported 10.3% increase of revenues in Q3 2014. A number of costs saving initiatives resulted in further efficiency improvement especially in cost of labor and occupancy costs while growing pressure on food costs was partially mitigated through the actions around supply chain management. EBITDA for Russian division in Q3 2014 was impacted by increased startup costs as the number of new openings in 2014 doubled compared to LY.

Spanish market maintained its momentum with EBITDA margin in Q3 2014 reaching 21.5%, which is the highest in our portfolio. Both La Tagliatella and KFC reported further improvement of results versus previous quarters. Stable LFL growth combined with outstanding performance of new restaurants were the key drivers of this growth. Economic revival and improving consumer sentiments observed in Spanish market, along with high returns on the capital invested in recent openings bode well for the future development of this division. With the improvement of the Spanish market we plan to increase our level of new openings for both brands in the future.

Strategy for New Markets is focused on two areas – development of highly profitable Blue Frog brand and significant reduction of losses in La Tagliatella International. Continued double-digit LFL growth in Blue Frog along with successful new openings outside Shanghai and Beijing and growing EBITDA has reinforced our belief in Blue Frog as an important source of value creation to AmRest's shareholders. In Q3 2014 we managed to reduce significantly the loss in La Tagliatella International mainly due to reductions in G&A and closure of low performing stores. As a result total EBITDA loss in New Markets amounted to PLN 4m in Q3 2014, which was 65% lower than year ago.

In September we successfully replaced our 2009 bond issue at attractive pricing which will enable us to decrease debt servicing charges. Additionally, we have been successful in continuing to reduce our leverage which reached 2.47x at the end of Q3 2014.

Strong results reported during the first 9 months of the year confirm that our core business is healthy and is a great foundation for our Company to build future growth upon. We strongly believe that this long-term approach will be the source of additional value creation for our shareholders."

Outlook

With 3 strong quarters in a row and continued good momentum in recent weeks we remain optimistic about the rest of the year. This optimism is supported not only by strong sales and profitability trends but also solid delivery of our development plan. As previously indicated we expect to conclude 2014 with almost 90 new openings.

Despite the room for accelerated development in Russia, we plan to keep the same pace of new openings, given the current political situation. In addition, more Capex from development of La Tagliatella International will be shifted towards core business. Our CE division also reached an important milestone with the opening of their 300th KFC restaurant. Development of this brand remains one of the pillars of AmRest's growth.

Further development of La Tagliatella International in countries other than France has been put on hold. Optimistic signals flowing from the French market seem to confirm that this country is on the right track to repeat the Spanish success. In the meantime, significant savings achieved up to date in New Markets give us a good indication for the full year EBITDA loss not to exceed communicated PLN 40-45m. Further loss reductions are expected in 2015.

Next year we expect to maintain current pace of development, given the ample white space in each of our four divisions.

Further information

The full Q3 2014 results can be found on www.amrest.eu
The teleconference with investors will be held on Nov 7th, 2014 at 2:30pm CET, to attend the conference and for any other enquiries please contact:

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