

Dodo Brands Reports Second Quarter 2022 Results

Moscow, Russia - 7 September 2022 16:00 AM GMT - DP Global Group Limited ("Dodo Brands" or the "Company"), home of Dodo Pizza, the largest pizza chain in Russia and the fastest-growing pizza chain in the world, announces its financial results in accordance with International Financial Reporting Standards (IFRS) for the three months ended 30 June 2022.

Q2 2022 Key Financial Highlights

- Global system sales increased by 55% to RUB 14.7bn.
- Added 29 net new units in the second quarter 2022. Finished the quarter with 831 units in 16 countries.
- Eurasia comparable system sales in the second quarter 2022 increased by 39.7%; International Master Franchising comparable system sales decreased by 1.5% (in RUR terms).
- Adjusted EBITDA amounted to RUB 324.4 million for the second quarter 2022 vs RUB 118.6 million in the second quarter 2021.
- Free Cash Flow of RUB 379 million for the second quarter 2022 vs RUB 122 million for the second quarter 2021.
- RUB 460 million net cash (ex. IFRS 16) as of June 30, 2022.

Key Financial Metrics

RUB '000	Q2 2022	Q2 2021	change	1H 2022	1H 2021	change
Revenue and income	1,697,848	1,245,123	+36.4%	3,377,173	2,393,544	+41.1%
Royalties	619,255	414,448	+49.4%	1,173,918	800,755	+46.6%
Retail sales ¹	728,723	450,049	+61.9%	1,328,331	868,599	+52.9%
Marketing fee	132,461	195,000	(32.1%)	444,735	377,203	+17.9%
Other revenue and income	217,409	185,626	+17.1%	430,189	346,987	+24.0%
Adjusted EBITDA	324,369	118,629	+173.4%	390,268	275,557	+41.6%
EBITDA margin %	19.1%	9.5%	+958bps	11.6%	11.5%	+4bps
Free Cash Flow	378,650	122,213	+209.8%	356,896	241,628	n.a.
FCF margin %	22.3%	9.8%	+1,249bps	10.6%	10.1%	+47bps
Net Debt / (Cash) ex. IFRS 16	(460,403)	(358,051)	+28.6%	(460,403)	(358,051)	+28.6%

Store Count	30/06/2022	30/06/2021	change
Eurasia	772	673	+99
Corporate	35	31	+4
Franchised	737	642	+95
IMF	45	33	+12
Startups	14	8	+6
TOTAL	831	714	+117

¹ Starting from 1 January 2022 Corporate chain is not taxed for VAT, therefore the retail sales for 2022 is presented as a gross amount. Comparable period retail revenue presented net of VAT.

System Sales, RUB million	Q2 2022	Q2 2021	% change	1H 2022	1H 2021	% change
Eurasia	14,073	8,988	+56.6%	26,121	17,319	+50.8%
International Master Franchising	542	455	+19.1%	1,211	894	+35.5%
Startups	83	67	+23.9%	149	126	+18.3%
TOTAL	14,698	9,510	+54.6%	27,481	18,339	+49.9%

Comparable Sales Growth	Q2 2022	Q2 2021
Eurasia	+39.7%	+60.1%
International Master Franchising	(1.5%)	+57.3%
Startups	(28.4%)	(26.2%)
TOTAL	+37.3%	+59.0%

Notes

System sales are sales generated by the Company's corporate and franchised stores to external customers (including VAT) and do not represent revenue of the Group.

Comparable sales growth is a comparison of sales between two periods that compares system sales of existing system stores. The Company's system stores that are included in comparable sales calculation are those that have operated for at least 12 full calendar months preceding the beginning of the first month of the period used in the comparable sales for a certain reporting period, assuming the relevant system store has not subsequently closed.

Net debt, adjusted EBITDA and one-off income/expenses are not defined by IFRS. These items are determined by the principles defined by the Company's management. These items which are not defined by IFRS are disclosed by the Company management separately for a better understanding and measurement of the sustainable performance of the Company.

Eurasia business unit includes Dodo Pizza business in Russia, Kazakhstan and Belarus.

International Master Franchising business unit includes Dodo Pizza business in Romania, Lithuania, Estonia, Slovenia, Germany, Kyrgyzstan, Uzbekistan, Tajikistan, Nigeria, China, Poland and Vietnam.

Startups segment combines three business units - Dodo Pizza UK, Drink It and Doner 42.

Change in accounting policy for income from marketing fee

Management approved the retrospective change in accounting policy regarding the revenue from the marketing fee which did not cause a material effect on the Financial statements for the 2021 and 2020 FY.

Old policy: Revenue from marketing fee was calculated as a percentage of retail sales of each franchise-owned store with a monthly recognition. The amount of recognition was determined as a percentage of store-level retail revenue for each month.

Rationale: Due to the terms of advertising contracts with franchisees the marketing services are provided to franchised-owned stores on a quarterly basis. The amount of revenue is determined as actual amount of services allocated to each franchisee. According to IFRS 15 *Revenue from contracts with customers* the Group has to recognise revenue when a performance obligation is satisfied by transferring a promised service to a customer.

Adjusted policy: The income of the Group is based on actual amount of marketing services provided and allocated to each franchisee. The Group recognises revenue only when the service is provided to a partner.

Effect: In accordance with the terms of the old policy, the revenue recognised from marketing services and actually provided services had a time gap, which led to a discrepancy in PL amount of income and expense related to this income (satisfying of the performance obligation). This in turn led to the effect on the financial result, which was misleading for the user. Therefore the retrospective change in accounting policy helped to overcome this discrepancy and to improve the data in Financial Statements.

Appendix I: System Sales and Comparable Sales Growth by Channel

System Sales, RUB million	Q2 2022	Q2 2021	% change	1H 2022	1H 2021	% change
Delivery	9,139	5,904	+54.8%	17,917	11,971	+49.7%
<i>% delivery in total</i>	62.2%	62.1%		65.2%	65.3%	
In-store	5,559	3,606	+54.2%	9,564	6,368	+50.2%
TOTAL	14,698	9,510	+54.6%	27,481	18,339	+49.9%

	System orders, thsd			Average ticket, RUB		
	Q2 2022	Q2 2021	% change	Q2 2022	Q2 2021	% change
Delivery	8,576	5,903	+45.3%	1,066	1,000	+6.5%
In-store	11,967	9,114	+31.3%	465	396	+17.4%
TOTAL	20,543	15,017	+36.8%	715	633	+13.0%

Appendix II: Financial Statements Highlights and Reconciliations

Profit & Loss Statement Highlights

RUB '000	Q2 2022	Q2 2021	change	1H 2022	1H 2021	change
Revenue and income	1,697,848	1,245,123	+36.4%	3,377,173	2,393,544	+41.1%
Royalties	619,255	414,448	+49.4%	1,173,918	800,755	+46.6%
Retail sales	728,723	450,049	+61.9%	1,328,331	868,599	+52.9%
Marketing fee	132,461	195,000	(32.1%)	444,735	377,203	+17.9%
Other revenue and income	217,409	185,626	+17.1%	430,189	346,987	+24.0%
Operating Expenses	(1,405,047)	(1,172,253)	+19.9%	(3,120,498)	(2,203,845)	+41.6%
Raw materials and consumables	(301,243)	(174,573)	+72.6%	(551,049)	(340,821)	+61.7%
Employee benefits	(657,925)	(499,985)	+31.6%	(1,383,794)	(962,489)	+43.8%
Depreciation and amortization	(93,211)	(66,333)	+40.5%	(189,315)	(137,134)	+38.1%
Distribution and advertising	(156,884)	(237,897)	(34.1%)	(498,908)	(414,637)	+20.3%
Other operating expenses	(195,784)	(193,465)	+1.2%	(497,432)	(348,764)	+42.6%
Operating Profit / (Loss)	292,801	72,870	+301.8%	256,675	189,699	+35.3%
Finance Income	13,195	23,512	(43.9%)	18,761	16,094	+16.6%
Finance costs	(32,623)	(24,704)	+32.1%	(68,461)	(50,737)	+34.9%
Income on disposal of subsidiary	66,094	-	n.a.	66,094	-	n.a.
Profit / (Loss) Before Tax	339,467	71,678	+373.6%	273,069	155,056	+76.1%
Income tax expense	(56,253)	(24,818)	+126.7%	(79,761)	(45,943)	+73.6%
Net Income / (Loss)	283,214	46,860	+504.4%	193,308	109,113	+77.2%

Adjusted EBITDA Calculation

RUB '000	Q2 2022	Q2 2021	change	1H 2022	1H 2021	change
Operating Profit / (Loss)	292,801	72,870	+301.8%	256,675	189,699	+35.3%
<i>operating margin %</i>	<i>17.2%</i>	<i>5.9%</i>	<i>+1,139bps</i>	<i>7.6%</i>	<i>7.9%</i>	<i>(33bps)</i>
Add: Depreciation and amortization	93,211	66,333	+40.5%	189,315	137,134	+38.1%
Less: IFRS16 to IAS17 adjustment	(80,949)	(57,441)	+40.9%	(154,861)	(109,589)	+41.3%
Add: Share-based payments expense	23,968	23,307	+2.8%	70,816	50,804	+39.4%
Add: Derecognition and impairment of non-current assets	(1,748)	29,993	n.a.	35,803	36,525	(2.0%)
Less: income on government grants	(1,817)	(13,506)	(86.5%)	(3,800)	(26,863)	(85.9%)
Add: Other one-off expenses / (income)	(1,097)	(2,927)	(62.5%)	(3,680)	(2,153)	+70.9%
Adjusted EBITDA	324,369	118,629	+173.4%	390,268	275,557	+41.6%
<i>EBITDA margin %</i>	<i>19.1%</i>	<i>9.5%</i>	<i>+958bps</i>	<i>11.6%</i>	<i>11.5%</i>	<i>+4bps</i>

Cash Flow Statement Highlights

<i>RUB '000</i>	Q2 2022	Q2 2021	change	1H 2022	1H 2021	change
Net Income / (Loss) before tax	339,467	71,678	+373.6%	273,069	155,056	+76.1%
Add: Depreciation and amortization	93,211	66,333	+40.5%	189,315	137,134	+38.1%
Add: Share-based payments expense	23,968	23,307	+2.8%	70,816	50,804	+39.4%
Add: Derecognition and impairment of non-current assets	(1,748)	29,993	n.a.	35,803	36,525	(2.0%)
Less: Income on disposal of subsidiary	(66,094)	-	n.a.	(66,094)	-	n.a.
Change in working capital	111,455	54,817	+103.3%	137,692	52,671	+161.4%
Income Tax Paid	(44,424)	(36,335)	+22.3%	(68,550)	(48,488)	+41.4%
Net interest accrued less interest received	26,346	2,749	+858.4%	59,904	36,637	+63.5%
Other adjustments	3,037	(11,480)	n.a.	13,100	(20,693)	n.a.
Operating Cash Flow	485,218	201,062	+141.3%	645,055	399,646	+61.4%
Purchase of property and equipment	(21,485)	(17,348)	+23.8%	(122,880)	(40,114)	+206.3%
Purchase of intangible assets	(1,855)	(130)	n.a.	(5,547)	(131)	n.a.
Cash balance disposed as a part of subsidiary disposed	(20,221)	-	n.a.	(20,221)	-	n.a.
Other investing cash flows	889	2,981	(70.2%)	1,494	5,347	(72.1%)
Investing Cash Flow	(42,672)	(14,497)	+194.4%	(147,154)	(34,898)	+321.7%
Interest paid on loans received	(2,279)	(3,930)	(42.0%)	(4,871)	(8,184)	(40.5%)
Payment of lease liabilities and related interest	(81,434)	(57,801)	+40.9%	(155,831)	(110,434)	+41.1%
Net increase / (decrease) in financial debt	(64,180)	(67,870)	(5.4%)	(35,855)	(78,590)	(54.4%)
Financing Cash Flow	(147,893)	(129,601)	+14.1%	(196,557)	(197,208)	(0.3%)
Net change in cash and equivalents	294,653	56,964	+417.3%	301,344	167,540	+79.9%
Net foreign exchange difference and credit losses	(416)	(5,164)	(91.9%)	(3,404)	1,120	n.a.
Cash and equivalents beginning of period	313,437	420,458	(25.5%)	309,734	303,598	+2.0%
Cash and equivalents end of period	607,674	472,258	+28.7%	607,674	472,258	+28.7%

Free Cash Flow Calculation

<i>RUB '000</i>	Q2 2022	Q2 2021	change	1H 2022	1H 2021	change
Adjusted EBITDA	324,369	118,629	+173.4%	390,268	275,557	+41.6%
Purchase of property and equipment	(21,485)	(17,348)	+23.8%	(122,880)	(40,114)	+206.3%
Purchase of intangible assets	(1,855)	(130)	n.a.	(5,547)	(131)	n.a.
Change in Working Capital	111,455	54,817	+103.3%	137,692	52,671	+161.4%
Income from government grants	1,817	13,506	(86.5%)	3,800	26,863	(85.9%)
Income Tax Paid	(44,424)	(36,335)	+22.3%	(68,550)	(48,488)	+41.4%
Interest paid on loans received	(2,279)	(3,930)	(42.0%)	(4,871)	(8,184)	(40.5%)
Inventory loss (surplus)	12,929	8,303	+55.7%	31,832	14,935	+113.1%
Other adjustments	(1,877)	(15,299)	(87.7%)	(4,848)	(31,481)	(84.6%)
Free cash flow	378,650	122,213	+209.8%	356,896	241,628	+47.7%

Net Debt Calculation

RUB '000	Q2 2022	2021 YE	change
Interest-bearing loans and borrowings	147,271	178,322	(17.4%)
Current	127,271	128,322	(0.8%)
Non-current	20,000	50,000	(60.0%)
Cash and equivalents	(607,674)	(309,734)	+96.2%
Net debt / (cash) ex. IFRS 16	(460,403)	(131,412)	+250.4%