

VAPIANO®

PASTA | PIZZA | BAR



Quarterly Statement 01-03 / 2019

BUSINESS DEVELOPMENT OF THE GROUP IN THE FIRST QUARTER OF 2019

The first quarter of 2019 was marked by the implementation of the new corporate strategy “Focus to Grow“. Our goal is to return Vapiano to a profitable growth path and to successfully place the Vapiano brand among consumers again.

Vapiano has already set the course for our long-term development by concluding financing negotiations with shareholders and creditors in order to focus on our new strategy. We are pursuing ambitious restructuring plans to reduce our costs in general, fill important management positions and make the future of the “Vapiano“ brand successful again in the long term.

We consciously slowed the pace of new store openings and began closing unprofitable branches, as well as significantly optimizing the management of our German business. With a new operating and business structure by region for the German core market, we are concentrating on improving both the quality of the customer experience and cost efficiency. Outside Germany, we have already closed our first store in Glasgow and are finalizing the transformation of our US business into a franchise business. We are also working intensively on our presence in China and Australia in order to develop profitable solutions in line with our new corporate strategy. As of 31.03.2019 Vapiano operated a total of 233 restaurants.

Nevertheless, we have a way ahead of us and thank our guests and shareholders for the trust they have placed in us in these turbulent times.

Executive Board of Vapiano SE

EFFECTS OF FIRST-TIME APPLICATION OF IFRS 16

With effect from January 1, 2019, Vapiano applies the new IFRS 16 standard for lease accounting for the first time. This stipulates an “on-balance“ accounting for all non-short-term or low-value rental and leasing agreements by the recognition of a fictitious credit-financed right of use for the leased objects.

In the course of initial application, rights of use, which mainly relate to rented restaurant locations, of EUR 284.8 million were recognized in the consolidated balance sheet under “Property, plant and equipment“. The rights of use recognized were offset against previously deferred liabilities for rent-free rental periods and provisions of EUR 11.1 million for impending losses from onerous rental agreements. On the liabilities side, additional financial liabilities of EUR 295.9 million were recognized.

The adjustment in the first quarter of the 2019 fiscal year resulted in scheduled depreciation of EUR 8.5 million on the reported rights of use and interest expenses of EUR 2.9 million. Compared to the accounting before application of IFRS 16, the rental and leasing expenses included in other operating expenses decreased by EUR 10.4 million.

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS

Significant changes in the result of operations

In the first quarter of the 2019 fiscal year, Group sales rose by 13.4% year-on-year to EUR 97.9 million. This was primarily due to the sales growth from the restaurants newly opened in the 2018 fiscal year. In addition, the acquisitions made in Australia and Darmstadt in the second and fourth quarters of the previous year contributed to sales growth.

On a like-for-like basis, sales were negative overall at -3.5% year-on-year.

In the first three months of 2019, adjusted EBITDA amounted to EUR 4.0 million (Q1 2018: EUR 9.3 million), taking into account the effect of the sale of the US business. Excluding the adjustment for the US business, adjusted EBITDA amounted to EUR 3.2 million. Effects from the first-time application of IFRS 16 were included in the adjustments.

This decline was mainly due to higher start-up losses from restaurants newly opened in the 2018 fiscal year compared to the previous year. The adjusted EBITDA margin decreased by 7.5 percentage points to 3.3% compared to the first quarter of the previous year.

Reported EBITDA before IFRS 16 adoption decreased from EUR 6.9 million in the first quarter of 2018 to EUR 1.0 million in the first quarter of 2019, a decrease of 85.5%.

Reported EBITDA after application of the new provisions of IFRS 16 amounted to EUR 11.4 million.

Sales and EBITDA developed as follows, broken down by segment:

Segment	Germany	Rest of Europe	Rest of World	Other	Total
Sales (in EUR million)	38.7	50.0	8.0	1.2	97.9
Sales performance (like-for-like)	-2.8%	-4.6%	-0.9%	-	-3,5%
Reported EBITDA (in EUR million)	4	2.8	0.5	-6.3	1.0

Note: Disclosures excl. IFRS 16

Significant changes in net assets and financial position

In the first quarter of 2019, the development of the Group's net assets was significantly influenced by the first-time application of lease accounting in accordance with IFRS 16, which led to a significant increase in property, plant and equipment. By contrast, the depreciation not attributable to the rights of use recognized for the first time in accordance with IFRS 16 in the first quarter was largely offset by additions from investments.

Further significant effects resulted from the amortization of the franchise rights (EUR -2.3 million) repurchased as part of company acquisitions, which are included in intangible assets. In addition, current other financial assets declined primarily because receivables from construction cost subsidies reported in the balance sheet as of December 31, 2018 were recognized accordingly in the first quarter.

Cash and cash equivalents decreased primarily due to cash outflows in connection with investments in new restaurant locations.

As a consequence of the negative overall result, consolidated equity decreased from EUR 46.9 million as of December 31, 2018 to EUR 34.9 million. The consolidated equity ratio as of March 31, 2019 was 10.5%, before taking into account the change in debt resulting from the new IFRS 16 regulations, compared to 13.3% as of December 31, 2018.

The consolidated equity ratio resulting from the consolidated balance sheet as of the quarterly reporting date was 5.6%.

The non-current and current provisions declined primarily because the provisions for contingent losses from onerous leases were offset as of January 1, 2019 against the right of use recognized in accordance with IFRS 16.

The Group's liabilities in the first quarter of 2019 were also affected by the effects of the first-time application of IFRS 16. These resulted in a corresponding increase in current and non-current financial liabilities and were offset by the accruals for rent-free periods offset against the rights of use recognized as of January 1, 2019 and previously included in current and non-current other liabilities.

In addition, trade payables declined in the first quarter of 2019, partly due to high outgoing payments for investments in the Group's new restaurants, which were carried as liabilities as of the previous year's reporting date.

At EUR 14.5 million, capital expenditure in Q1/2019 was at the previous year's level. This includes expenses for the opening of restaurants in Q4/2018.

The Group's net debt changed from EUR 173.3 million as of December 31, 2018 to EUR 192.7 million before the application of IFRS 16. The consolidated balance sheet as of March 31, 2019, prepared in accordance with IFRS 16 shows net debt of EUR 484.1 million.

Consolidated statement of comprehensive income

KEUR	01/01/2019- 03/31/2019	01/01/2018- 03/31/2018
Result for the period		
Sales	97,865	86,319
Inventory change	-26	-
Other operating income	2,584	3,536
Capitalized own work	-	111
Cost of materials	-23,438	-21,553
Personnel costs	-45,016	-36,500
Amortization and depreciation of intangible assets and property, plant and equipment	-19,042	-10,251
Impairment losses on financial assets	-10	-
Other operating costs	-20,550	-24,990
Operating result	-7,633	-3,328
Finance income	9	90
Finance costs	-5,404	-1,196
<i>Finance result</i>	<i>-5,395</i>	<i>-1,106</i>
Share of net profit/loss of associates accounted for using the equity method	-117	-8
Earnings before taxes	-13,145	-4,442
Income tax income/expenses	1,836	363
Result for the period	-11,309	-4,079
Other comprehensive income		
Items which may be reclassified to profit or loss in future		
<i>Currency translation differences as a result of foreign operations</i>	<i>-772</i>	<i>-508</i>
Total comprehensive income	-12,081	-4,587
Result for the period attributable to:		
Shareholders of the parent company	-10,141	-3,271
Non-controlling interests	-1,168	-808
Total	-11,309	-4,079
Total comprehensive income attributable to:		
Shareholders of the parent company	-10,829	-3,373
Non-controlling interests	-1,252	-1,214
Total	-12,081	-4,587
Earnings per share from continuing operations		
Basic (euros per share)	-0.39	-0.14
Diluted (euros per share)	-0.39	-0.14

Consolidated statement of financial position

kEUR	03/31/2019	12/31/2018
<i>Assets</i>		
Assets		
Intangible assets	97,642	101,270
Property, plant and equipment	447,553	163,933
Trade receivables	1,218	839
Investments accounted for using the equity method	2,186	2,303
Other financial assets (non-current)	2,560	2,263
Other assets (non-current)	539	551
Deferred tax assets	6,384	5,379
Non-current assets	558,082	276,538
Inventories	6,956	7,228
Trade receivables	4,760	4,996
Other financial assets (current)	9,140	11,426
Other assets (current)	10,184	9,390
Income tax assets	2,063	1,811
Cash and cash equivalents	18,294	27,562
	51,397	62,413
Assets classified as held for sale	14,711	14,559
Current assets	66,108	76,972
Total	624,190	353,510
<i>Equity and liabilities</i>		
Equity		
Subscribed capital	26,063	26,063
Capital reserve	106,907	106,907
Currency translation reserve	-1,742	-1,054
Retained earnings	-106,806	-96,710
Equity attributable to the shareholders of the parent company	24,422	35,206
Non-controlling interests	10,484	11,736
Equity	34,906	46,942
Liabilities		
Provisions	7,595	10,063
Non-current financial liabilities	359,974	111,135
Other financial liabilities (non-current)	1,690	1,732
Other liabilities (non-current)	7,368	12,770
Deferred tax liabilities	10,079	11,444
Non-current liabilities	386,706	147,144
Provisions	1,162	3,350
Current financial liabilities	130,990	81,396
Trade payables	23,768	29,400
Other financial liabilities (current)	18,833	18,428
Other liabilities (current)	21,954	21,747
Income tax liabilities	1,520	1,080
	198,227	155,401
Liabilities directly associated with assets classified as held for sale	4,351	4,023
Current liabilities	202,578	159,424
Liabilities	589,284	306,568
Total	624,190	353,510

Consolidated statement of cash flows

kEUR	Q1/2019	Q1/2018
Cash flow from operating activities		
Result for the period (before taxes)	-13,145	-4,442
Adjustments for:		
Depreciation, amortization and write-downs of intangible assets and property, plant and equipment	19,042	10,251
Impairment losses on financial assets	10	-
Non-cash income and expenses	-94	-168
Net finance costs	5,395	1,106
Share of profit/loss of equity-accounted investees, after tax	117	8
Net loss from the sale of property, plant and equipment	-	157
	11,325	6,912
Changes in:		
Inventories	243	-126
Trade receivables and other receivables	1,187	-4,984
Trade payables and other liabilities	-1,999	526
Other provisions and provisions for employee benefits	399	507
Cash inflow from operating activities	11,155	2,835
Interest received	9	-
Interest paid	-4,682	-736
Income taxes paid	-506	-252
Net cash flow from operating activities	5,976	1,847
Cash flow from investing activities		
Acquisition of intangible assets and property, plant and equipment	-14,504	-14,405
Cash flow from investing activities	-14,504	-14,405
Cash flow from financing activities		
Proceeds from other financial liabilities	8,389	18,223
Outflows relating to other financial liabilities	-9,017	-4,289
Cash flow from financing activities	-628	13,934
Cash and cash equivalents		
Net increase in cash and cash equivalents	-9,156	1,376
Cash and cash equivalents at the beginning of the period	26,381	14,871
Effect of movement in exchange rate and changes in the scope of consolidation on cash held	-112	-
Cash and cash equivalents at March 31	17,113	16,247

Financial Calendar 2019

Date	Event
June 18, 2019	Annual Report 2018
June 18, 2019	Quarterly Financial Statement (as of March 31, 2019)
August 21, 2019	Annual General Meeting
September 11, 2019	Half-Year Financial Report (as of June 30, 2019)
November 20, 2019	Quarterly Financial Statement (as of September 30, 2019)

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which are based on the current estimates and assumptions of the management of Vapiano SE. The forward-looking statements can be identified through the use of words such as expect, estimate, suggest, intend, plan, forecast, assume, believe, and equivalent or similar formulations. There is no guarantee that these statements will prove to be accurate. The future success and the actual results achieved by Vapiano SE and its subsidiaries depend on a wide range of uncertainties and risks and therefore may differ significantly from the forward-looking statements. Many of these factors are not within the sphere of influence of Vapiano SE and cannot be accurately estimated in advance. These include the future economic environment and the activities of competitors and other market players. Vapiano SE does not intend and is not obliged to update the forward-looking statements.

Please note the English version has been translated, in case of any discrepancies of content, the German version will prevail.

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