



# Arcos Dorados

4Q19 conference call presentation  
March 18, 2020

ARCO  
LISTED  
NYSE

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# Agenda

- **Strong Results from Operations – 4Q and Full Year 2019**
- **2020 to 2022 Openings and Reinvestment Plan**
- **Coronavirus (COVID-19) Update**



## 4Q19 Key Highlights

Comparable Sales  
**+10.4%**  
**+9.5% in Brazil**

Revenues  
**\$752.3 m**  
+1.0% YoY  
+12.9% YoY (in CC)

Adjusted EBITDA  
**\$ 101.7 m**  
+16.8% YoY  
+24.9% YoY (in CC)

Adj. EBITDA margin  
**13.5%**  
+180 bps  
+50 bps (ex-one time)

Restaurant  
Openings  
**90**  
Dec 31, 2019 (LTM)

EOTF restaurants  
**683**  
as of Dec 31, 2019

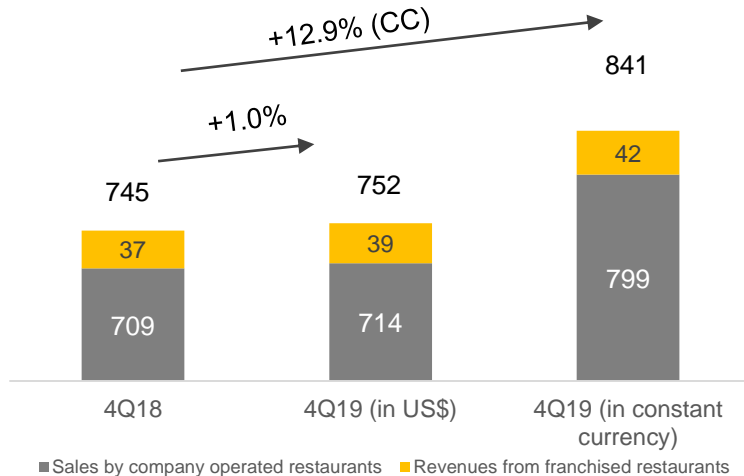
- **Comparable sales +10.4% (+11.8% for FY 2019)**
  - ✓ 4<sup>th</sup> consecutive quarter of double-digit growth
  - ✓ Gaining market share in most markets
  - ✓ Delivery and Digital contributing to growth
- **Strong performance in Brazil**
  - ✓ +9.5% comp sales (+9.7% for FY 2019), about double Brazilian Food Service Industry
- **Scale and efficiency driving margin expansion**
  - ✓ +180 bps, including a bad debt reserve reversal in Puerto Rico
  - ✓ +50 bps, excluding the bad debt reserve reversal
- **EOTF still driving substantial sales lift**
  - ✓ Available in 10 countries
  - ✓ 683 total at year-end, beating target of 650 units
- **Ambitious 2020-2022 Openings & Reinvestment Plan**



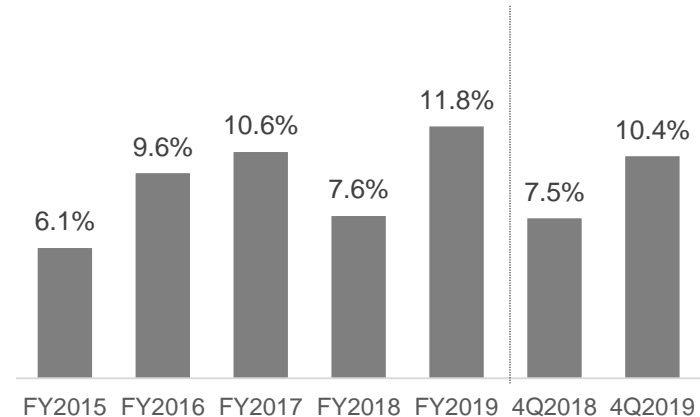
# 4Q19 Consolidated Topline

- Strong constant currency revenue growth of 12.9%
- Comp sales of +10.4% backed by both growth in guest counts and higher average check
- Revenues also benefitted from accelerating restaurant openings and roll-out of EOTF

### TOTAL REVENUE (\$ M)



### COMPARABLE SALES GROWTH (%)



Note: Financial results exclude Venezuela

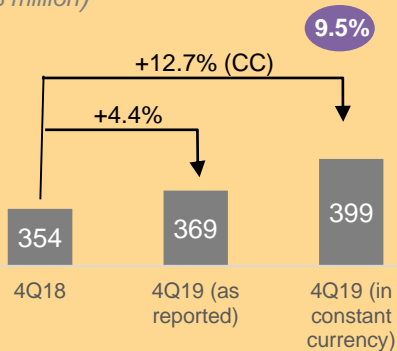


# 4Q19 Divisional Topline

- Brazil outpaced the industry by ~2x in 2019, including comp sales growth of 9.5% in 4Q19
- NOLAD posted 9.4% revenue growth in dollar terms, with solid performance across all countries
- Comp sales growth well above inflation in Brazil & NOLAD
- SLAD impacted by consumer environment in Argentina and social unrest in Chile
- Caribbean faced tough comps in Colombia but had strong performances in Puerto Rico and the FWI
- Full Year Adjusted EBITDA margin of 10.0% was the highest since the Company went public in 2011

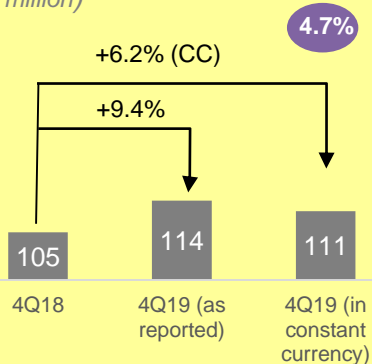
## BRAZIL

(\$ million)



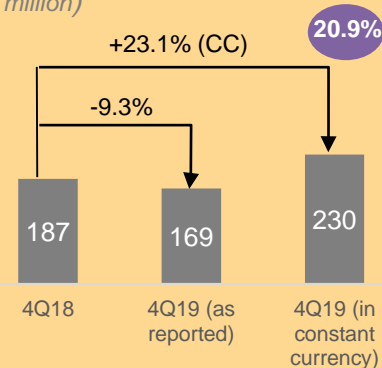
## NOLAD

(\$ million)



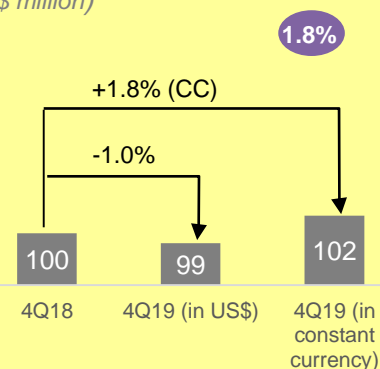
## SLAD

(\$ million)



## CARIBBEAN (Ex-Vzla)

(\$ million)



Comparable sales growth %

# Omnichannel Approach & Excellent Hospitality



EOTF, Digital & Delivery enhancing the overall guest experience and differentiating brand



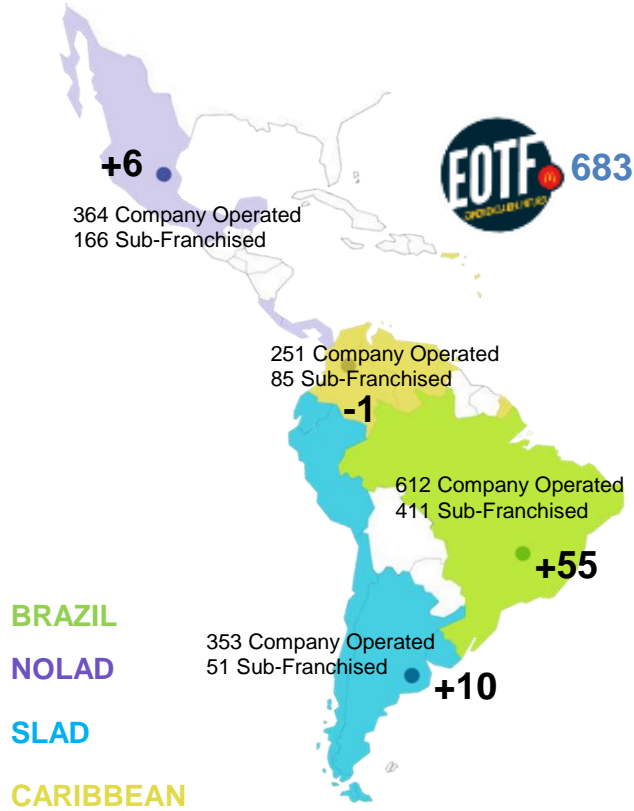
**McDelivery**



- More than 1,500 restaurants across 11 markets
- Driving comp sales and check growth
- Leading app + 34 million downloads
- #1 Android, #2 Apple in BR Food & Drink Category
- Now includes Delivery ordering in Brazil
- 683 EOTF restaurants as of Dec 31, 2019
- Available in 10 countries in 2019
- 90 new restaurants in 2019
- Continues to drive improvement in employee retention and satisfaction, which supports higher customer satisfaction



# 2019 Restaurant Development



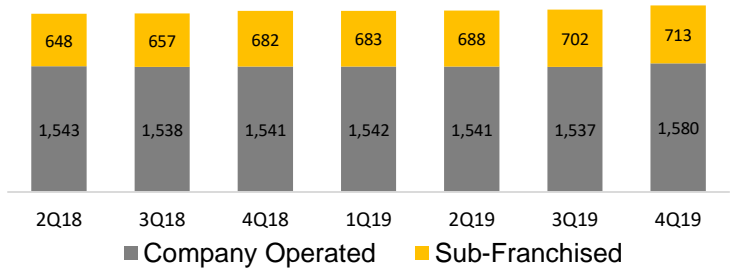
(\*) Restaurant Addition LTM (net)

**2,293**

**RESTAURANTS**

## 2019 YEAR-END FOOTPRINT

DIVISION	STORE TYPE		TOTAL RESTAURANTS	MCCAFES	DESSERT CENTERS
	FS & IS	MS & FC			
BRAZIL	554	469	1,023	81	2,000
NOLAD	324	206	530	13	626
SLAD	239	165	404	128	389
CARIBBEAN	260	76	336	36	311
<b>TOTAL</b>	<b>1,377</b>	<b>916</b>	<b>2,293</b>	<b>258</b>	<b>3,326</b>





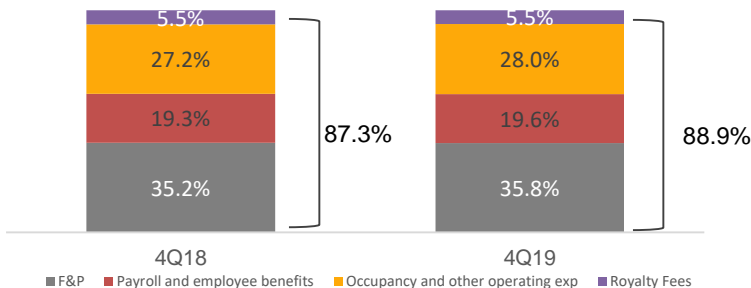


# 4Q19 Operating Costs & Expenses, Adjusted EBITDA

- Adj EBITDA increased almost 17% in dollars and 25% in CC
- Adj EBITDA margin expanded 50 bps excluding \$10.0 million bad debt reserve reversal in Puerto Rico
- Successful marketing strategy boosted traffic and topline growth
- G&A decreased 10% YoY in US dollars and 90 bps as a % of revenues

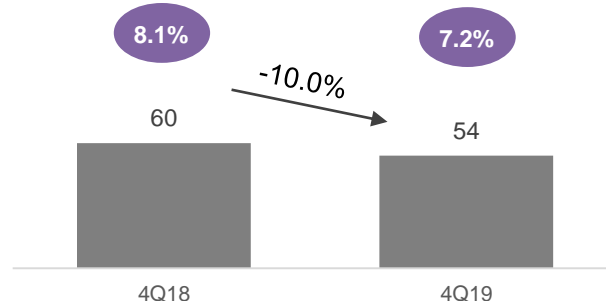
## Company operated restaurant expenses

(As a % of sales by Company operated restaurants)

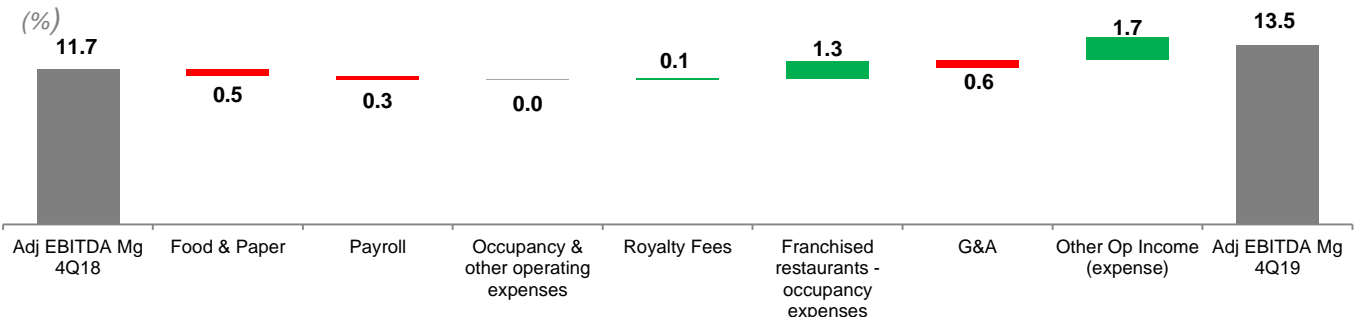


## G&A expenses

(\$ M and as a % of Total Revenues)



## Breakdown of main variations contributing to 4Q19 Adjusted EBITDA margin



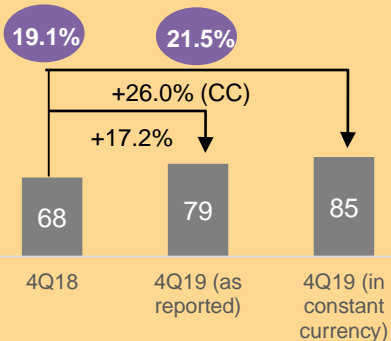


# 4Q19 Divisional Adjusted EBITDA

- Strong Adjusted EBITDA margin expansion in Brazil, NOLAD and Caribbean (including the bad debt reserve reversal in Puerto Rico)
- Achieved record high Adjusted EBITDA in Mexico
- Full Year Adjusted EBITDA Margin expansion of 120 basis points from 2017 to 2019

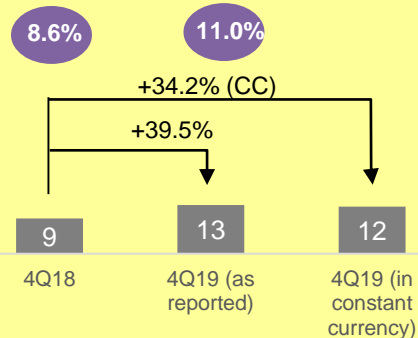
## BRAZIL

(\$ million)



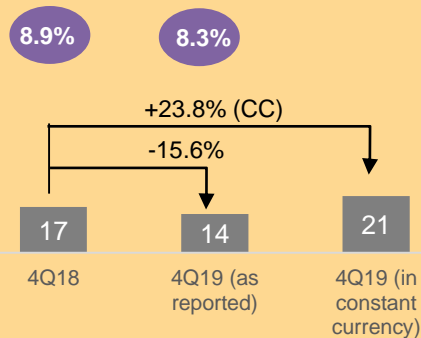
## NOLAD

(\$ million)



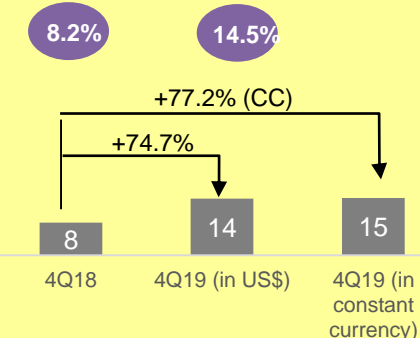
## SLAD

(\$ million)



## CARIBBEAN (Ex-Vzla)

(\$ million)





# 2020 to 2022 Openings and Reinvestment Plan

Agreement with McDonald's Corporation for the 3-year openings and reinvestment plan

**RESTAURANT  
OPENINGS**

**285 TO 300 NEW  
RESTAURANTS**

**TOTAL CAPEX**

**~ \$1 BILLION**

**GROWTH SUPPORT  
5.5% AVERAGE EFFECTIVE ROYALTY RATE**

# Coronavirus (COVID-19) - Update



- **Prioritizing the health and safety of guests and employees while protecting long-term business results**
- **Best positioned company in the industry to effectively respond to this pandemic, while serving guests through Delivery, Drive-Thru and Take-Out**
- **Cross-functional team managing a Contingency Plan of best practices and learnings from the Global McDonald's System along with government and public health officials**
- **Five Principles**
  - 1. We are all in this together*
  - 2. We will think and act with a long-term mindset*
  - 3. We will be transparent with each other and with all our stakeholders*
  - 4. We will lead by example*
  - 5. We will stay true to our purpose*



# Facing a Crisis from a Position of Strength

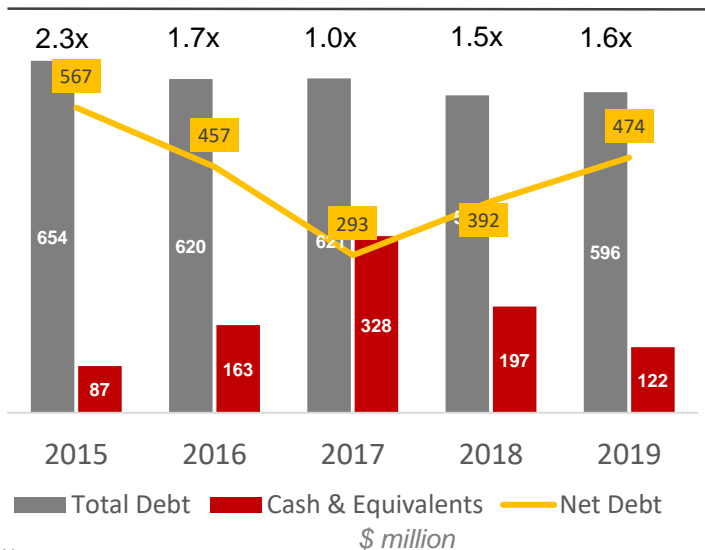
- **Strong momentum in 2019, carried into 2020 with better US dollar results in the first two months of the year, including the best February ever**
- **~90% of F&P suppliers are local, working closely to reduce the risks of disruptions in the supply chain while ensuring the quality and safety of the food**
- **~20% of total F&P costs exposed to FX fluctuations (~16% in Brazil) with rolling hedges to cover ~50% of estimated exposure over the next 6 to 12 months**
- **Close and regular communications with sub-franchisees, to ensure implementation of the same precautionary measures in all restaurants**



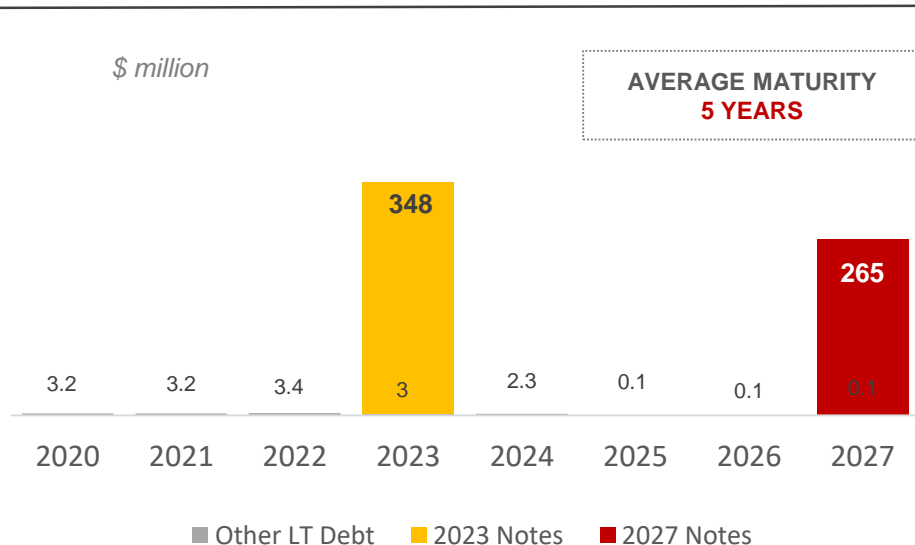
# Strong and Healthy Balance Sheet \*

- Net leverage ratio of 1.6x, well below target range
- 50% of total debt swapped to BRL (principal & interest)
- \$122 million in Cash and Equivalents as of 4Q19 and \$50 million in committed credit facilities
- Full discretion on timing of Capex plan and no debt maturities until 2023

## LEVERAGE RATIO



## DEBT MATURITY PROFILE



### Notes:

- 1) Total financial debt includes short-term debt, long-term debt and derivative instruments
- 2) Net Debt = Total financial debt less cash and cash equivalents
- 3) Leverage ratio = Net financial debt / LTM adjusted EBITDA

(\* Balance sheet as reported, including Venezuela



# Coronavirus (COVID-19) - Initiatives in Place

- We wrote the book on service, quality and cleanliness with long-standing and industry-leading hygiene practices and food safety protocols
- Implementation of robust Contingency Plan, based on best practices and learnings from the Global McDonald's system, including:
  - ✓ Increased frequency of sanitization in all restaurant areas and engagement kiosks
  - ✓ Operating only with Delivery and Drive-Thru, when no longer able to operate restaurant counter or dining rooms
  - ✓ Establishing protocols for closing and reopening a restaurant if an employee receives a positive diagnosis for the coronavirus
- Continuously reviewing these measures in accordance with the latest guidelines from local health officials and global best practices for mitigating the potential spread of the virus

# Closing Remarks



- ✓ Confident in the strength of AD and the McDonald's System and taking the right steps to effectively meet this unprecedented global health crisis
- ✓ Solid strategy in place to continue growing our business once this difficult period has passed
- ✓ Excellence in execution with a continued focus on enhancing the guest experience underpins the business operation
- ✓ Finalized agreement with McDonald's on next three-year openings and capex plan
- ✓ Operational excellence, strong balance sheet and prudent capital allocation support sales growth, increase in market share and geographic expansion while capturing the full potential of the McDonald's brand





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