

# Arcos Dorados Holdings Inc.





## Who we are

Our three-pillar strategy

The three Ds

Financial performance



# Undisputed QSR Leader

Disciplined execution of strategic plan

**#1 QSR in Latin America and largest independent franchisee in the McDonald's system**

Around

**4%**

of McDonald's  
systemwide sales





# Disciplined execution of strategic plan

Reinforcing  
**leadership  
position**

Operating  
**more  
efficiently**

Maintaining  
**strong  
financial  
position**

# Over 50 Years in Latin America

A global brand with an  
aspirational Latin flavor





**Strong relationship with McDonald's Corp.**

**Our restaurants are a preferred destination for guests and their families**

**The McDonald's system worldwide is built on the strength of its people, its suppliers and its franchisees**

**Consistently made investments to offer the best food, the most modern environment and unsurpassed hospitality**

**Our success is the result of a sound strategy with multiple elements implemented consistently over time**

# Recipe for the Future ESG Platform

Industry's only audited Social Impact and Sustainable Development Report

[www.recetadelfuturo.com](http://www.recetadelfuturo.com)



Values and business practices that strengthen our appeal as consumers choose brands they trust and feel good about



## Recipe for the Future

1. Youth Employment
2. Sustainable Sourcing
3. Packaging & Recycling
4. Climate Change
5. Commitment to Families
6. Diversity & Inclusion

Reducing employment barriers for 2.0 million young people by 2025

Certified sustainable sourcing of beef, fish, eggs, coffee, etc.

100% fiber-based customer packaging and 40% reduction of single-use plastics



Menu and nutritional enhancements

Greenhouse Gas emission reduction targets for our operation and supply chain

Diversity & Inclusion across gender, race, sexuality & generations



# Unmatched, Sustainable Omnichannel Approach

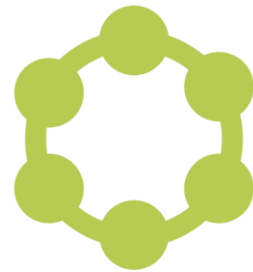
Focusing on topline growth, while maintaining margin expansion



2018 Built in significant **operating leverage**

2019 Focused on **top line growth**

2020 Leveraged the Three D's of **Drive-thru, Delivery and Digital**



Largest, most comprehensive **omnichannel guest experience** contributing significantly to growth



Dominant **footprint, reach and scale** providing a substantial competitive advantage



**EOTF** investment paying off. Accelerating roll-out, reached 10 markets by the end of 2020



Agile capital allocation strategy allowing us to adjust, as needed, and focus our investments on areas with the **highest growth potential**

# Strong improvements in **Brand Reputation** across the region



## **MERCO CORPORATE REPUTATION ARGENTINA**

Moved up 43 positions amongst the 100 companies with highest trust index (1<sup>st</sup> in the QSR Industry)

## **RANKING VISTAZO MAGAZINE IN ECUADOR**

Moved up 37 positions in one year amongst the 100 companies with best corporate reputation

## **PUBLIC MUNICIPALITY RECOGNITIONS IN CHILE**

Good Neighbor Awards for Socially Responsible impact on communities

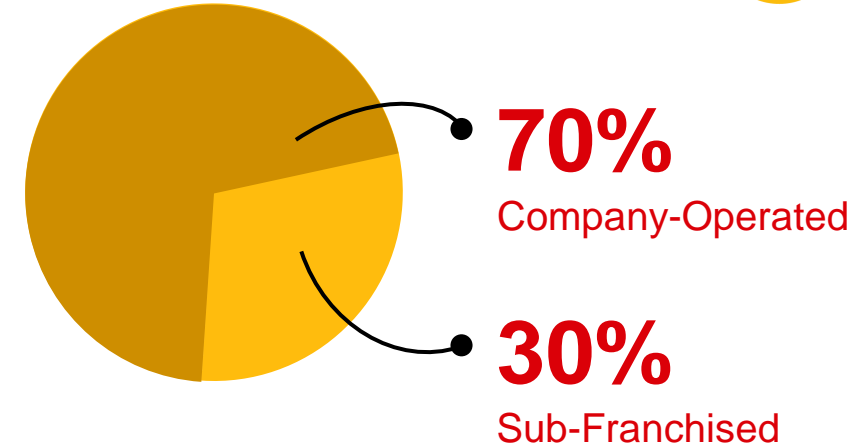
## **MERCO CORPORATE REPUTATION BRAZIL**

Top five improvement in reputation in 2019

## **GREAT PLACE TO WORK URUGUAY**

2<sup>nd</sup> place, best position ever

# Irreplicable Footprint in the Region



2007: **1,593** restaurants  
Today<sup>1</sup>: **2,242** restaurants

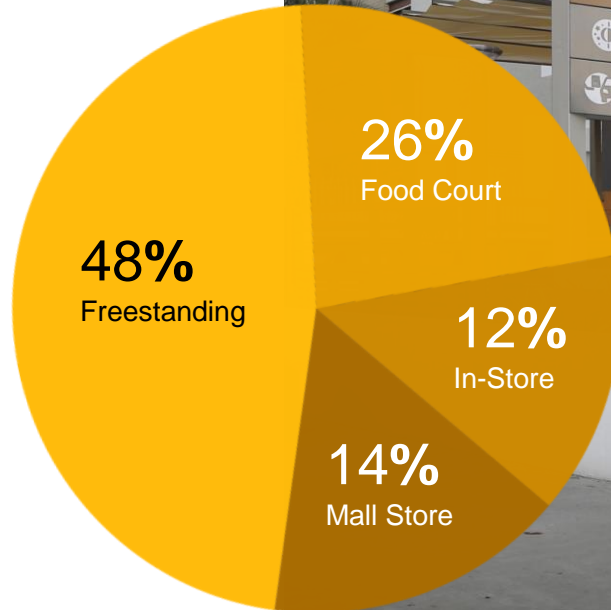
**# Number of restaurants<sup>1</sup>**

<b>Brazil</b>	1,030	46%
<b>NOLAD</b>	507	23%
<b>SLAD</b>	391	17%
<b>Caribbean</b>	314	14%

<sup>1</sup>As of March 31, 2021; does not include McCafé units (241) & Dessert Centers (3,296)

# Numerous revenue opportunities from leadership in Freestanding units

- Full McDonald's experience.
- Open 24 hours.
- Iconic & strategic locations difficult to replicate.
- Higher revenues per restaurant, multiple revenue generating opportunities and significantly more branding than the simple point of sale.



# Diverse restaurant operations and footprint across the region



## Ownership<sup>1</sup>

Company Operated    Joint Venture    Sub Franchised    Developmental Licensee    TOTAL

	Company Operated	Joint Venture	Sub Franchised	Developmental Licensee	TOTAL
BRAZIL	616		414		1,030
NOLAD	353		146	8	507
SLAD	329	15	47		391
CARIBBEAN	267		47		314
<b>TOTAL</b>	<b>1,565</b>	<b>15</b>	<b>654</b>	<b>8</b>	<b>2,242</b>

## Store Type<sup>1</sup>

Freestanding    Food Court    In-Store    Mall Store    Dessert Centers    McCafé

	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafé
BRAZIL	469	349	93	119	2,009	75
NOLAD	265	135	49	57	576	13
SLAD	124	75	105	86	393	122
CARIBBEAN	216	20	31	47	318	31
<b>TOTAL</b>	<b>1,074</b>	<b>579</b>	<b>278</b>	<b>309</b>	<b>3,296</b>	<b>241</b>

(1) As of March 31, 2021

# Our Business Model



**Arcos Dorados has the exclusive right to own, operate and sub-franchise McDonald's restaurants in 20 countries in Latin America and the Caribbean**

## Company Operated Restaurants

- + Revenues from Restaurant Sales
  - Royalty Fee
  - Costs related to running the business
- Operating Results**

### OWNED REAL ESTATE

### LEASED REAL ESTATE



## Sub Franchised Restaurants

- + Revenues from Rental Income
  - Rental Fee (related to real estate)
- Profitability of Sub-franchised Restaurants**

### OWNED REAL ESTATE

### LEASED REAL ESTATE





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# Sharp and Disciplined Execution of Three Pillar Strategy

The essence of the McDonald's brand in Latin America

The most inviting and memorable restaurants with modern service, offering the best and most appealing food, with employees delivering the highest quality of service





# Running the Best Restaurants

Investing in the **most appealing** restaurant experiences

**733 EOTF** restaurants  
as of the end of 2020

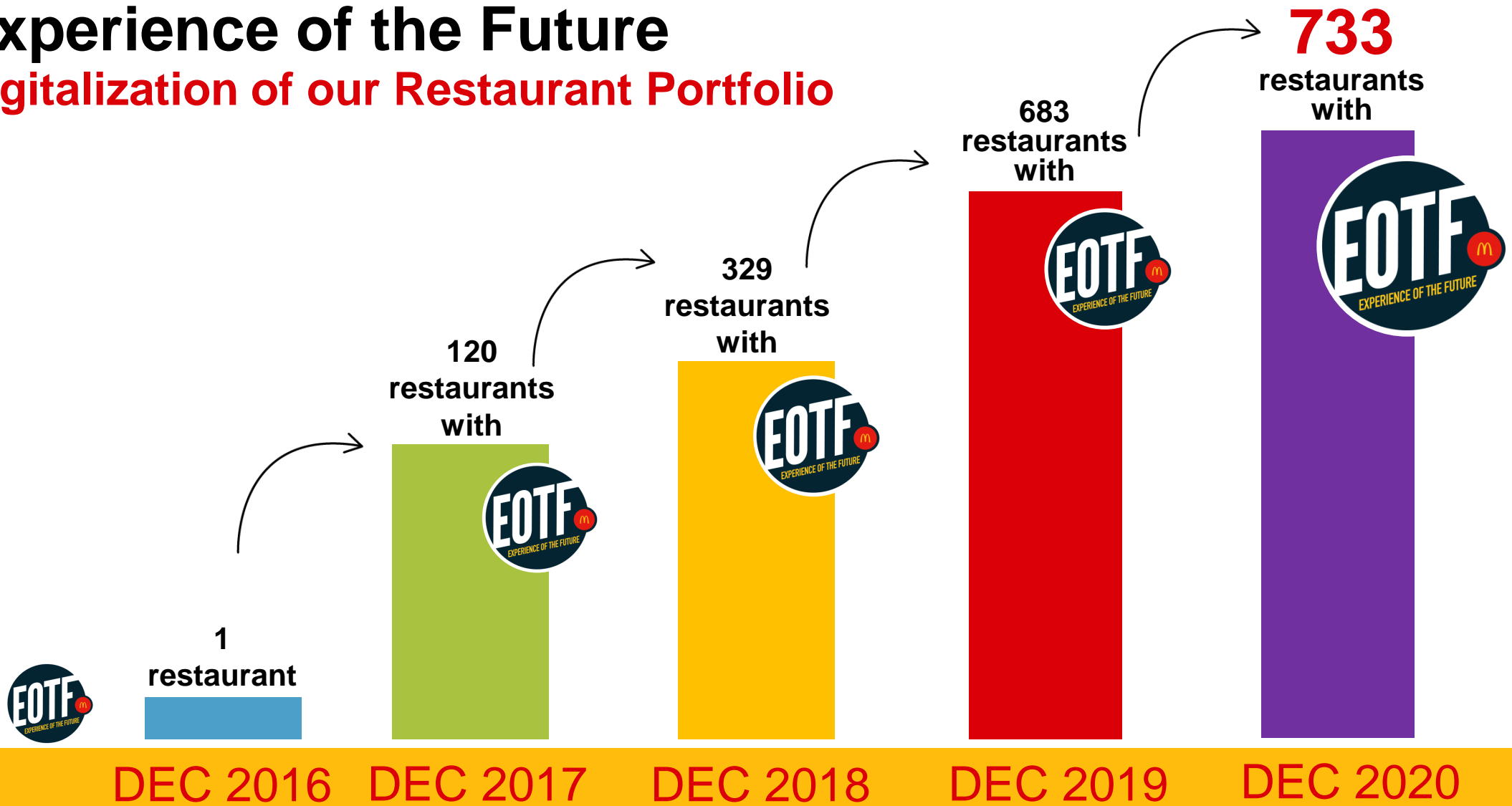


# EOTF

Most modern,  
tech-enabled  
restaurant  
experience in the  
QSR sector

# Experience of the Future

## Digitalization of our Restaurant Portfolio





# Most Relevant Menu



Focusing on **core menu items**, but also adapting to local preferences with the ability to **localize** certain items

**Premium items in Signature Line**

**Affordability platform**



# Affordability Platform

With continued volatility in some key markets, focused on offering **most appealing & relevant menus**



# Marketing Back to Basics



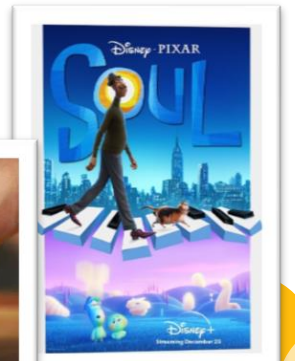
Simplified Menu focused on Core Items



Menu Innovation & Limited Time Offers



Re-Energize Family Business





# Enhanced Guest Experience



Cultural transformation centered on people

Taking service beyond the front-counter

Knowing «how to be» and Not just «how to do»

Enhancing customer and employee satisfaction



HAVE A NICE DAY!

GLAD TO SEE YOU HERE

YOU CAN COUNT ON ME!

THANK YOU!



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# The three Ds

Driving sustainable growth

Drive-Thru

Delivery

Digital



## Drive-Thru



- ✓ 2019 – Pre-Pandemic
  - 22% of company-operated restaurant sales
- ✓ 2020 – Main Sales Driver
  - Sales up almost 40%, in constant currency, accounting for ~38% of sales
- ✓ 2021 – Permanently Higher
  - Expected to contribute ~33% of company-operated restaurant sales, on strong growth



MEDIA



## Doubling Down on Drive-Thru

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Increase Awareness and Traffic



Digital Capabilities & Loyalty Programs



Fun Guest Experiences



# Delivery

17 countries, over  
1,500 restaurants and  
**partnerships with all  
leading food delivery  
aggregators**

Driving incremental  
sales

# Delivering Growth



McDelivery sales in 2020 grew >150% in constant currency and will contribute a higher percentage of total sales moving forward:



# Delivery Squad



Optimize 3PO Relationships



Expanded Delivery Options



Delivery-focused Marketing



Multi-Disciplinary Team devoted to making  
Operational Improvements and  
Generating Efficiencies for the Long-Term



## Mobile App

**Over 50 million downloads** | Supports promotions, food news and other campaigns | Facilitates Delivery orders | Will allow further **Segmentation** through targeted promotions

# Winning the Digital Race



## ADVANCE

### EOTF Kick Off

- Opened first Experience of the Future restaurants (Digital kiosks and Menu Boards, enhanced WiFi, Modern décor)



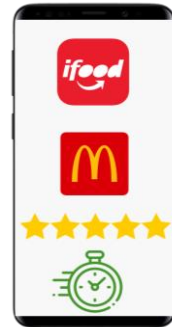
### Digital Marketing Foundation

- Arcos App Launch (Deals & Offers)

2016  
2017

### Delivery

- Launched McDelivery, partnering with food aggregators



### Digital Marketing 1.0

- Coupon-based Segmentation
- Push notification & emails

### Agile Methodology

- Set-up of First Agile Squad: **McDelivery**



### ADvance

- Added **Digital Marketing** and **eCommerce** squads
- Artificial Intelligence supporting engagement

### Strengthen Leadership Position

- “Moon Shot” Objectives
- Increase Sales on Digital Platform
- Expand eCommerce capabilities

2019

### EOTF 1.0

- Introduced Table Service
- Expanded to new markets

2018

2020



2021

# Capitalizing on 50 Million Downloads...and Counting



## New Users

Advertising using artificial intelligence for cost control, creatives A/B Testing and conversion optimization



Target

No McDonald's App

Objective

App Install

## Data Capture

Welcome to App benefits, customer profile enrichment and push for first transaction



Pra comemorar a sua chegada  
Esse cupom é todo seu! 😊 Que tal  
McFritas Grande Fritas por R\$5,50? Clique  
aqui.

New App Install

First Conversion &  
Data Enrichment

## Engagement

Targeted push/emails based on favorite product, deal use frequency and engagement level

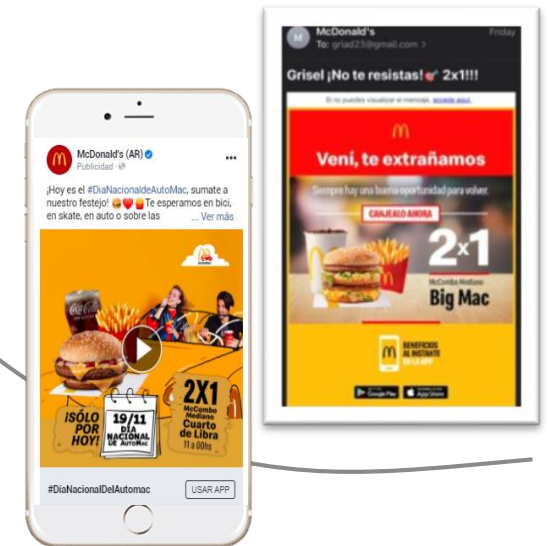


Customer Segments:  
Favorite Products

Increase Frequency  
& Profitability

## Lapsed Users

Exclusive deals via email and segmented advertising for lapsed users and high value guests



Lapsed Users &  
High Value Guests

Retention &  
Win Back Guests



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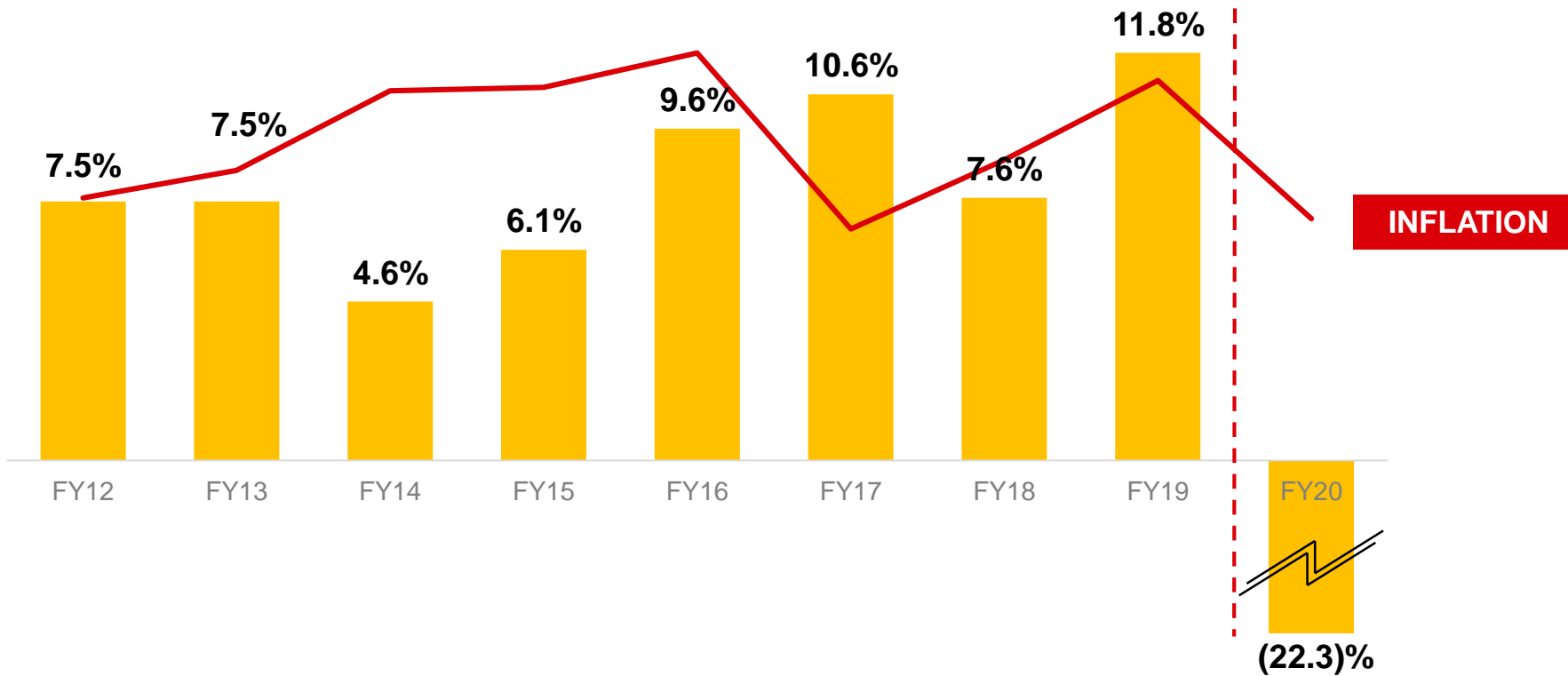
**Financial performance**





# Accelerating top line growth through sharp and disciplined execution of strategic initiatives

## Comparable Sales (excluding Venezuela)



Growing near or above blended inflation in recent years

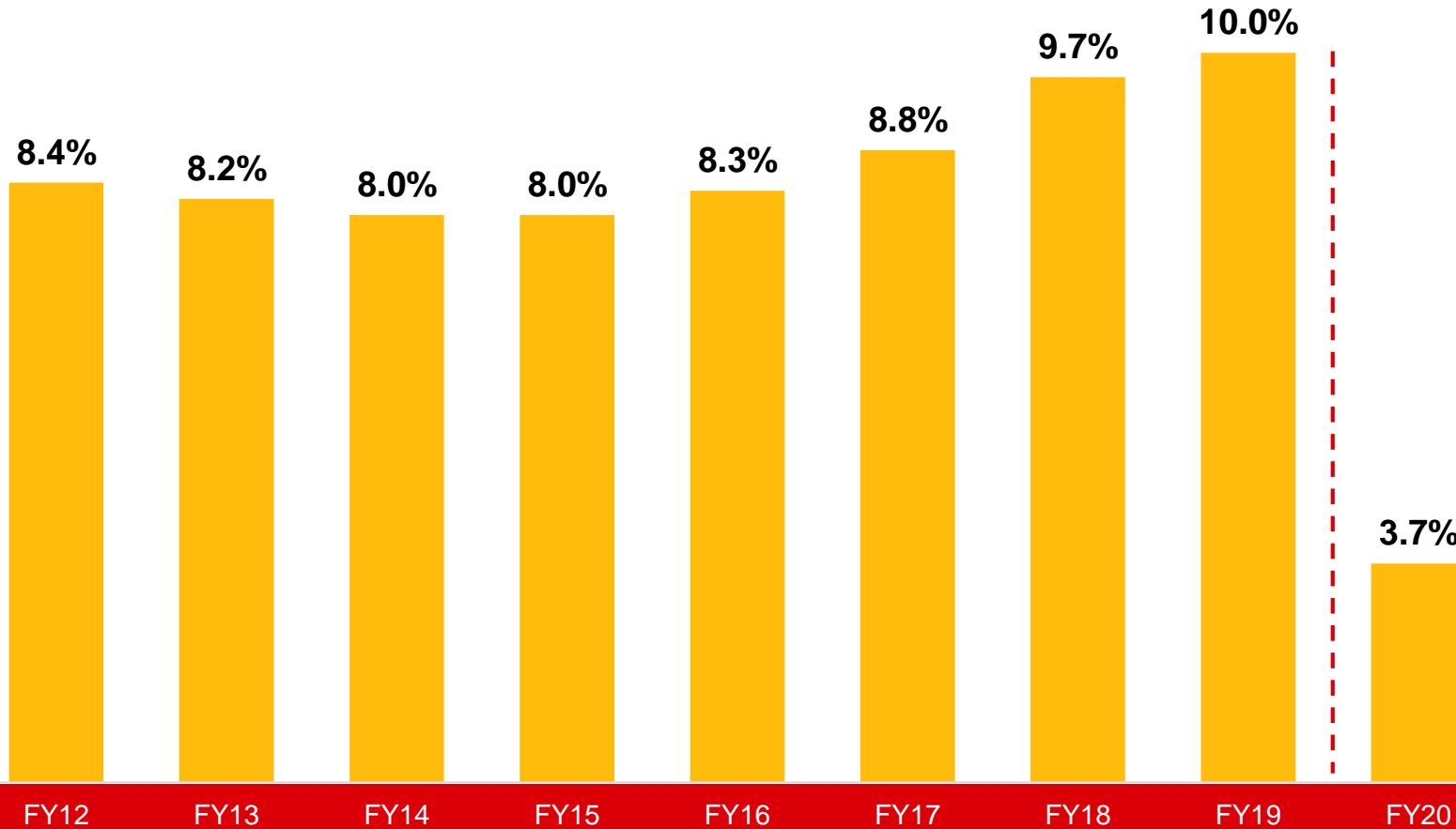
Outperforming the industry in key markets

EOTF, drive-thru, delivery, digital and affordability platform support sustainable growth

COVID-19  
Pandemic

# Profitability Poised to Rebound and Resume Trend established from 2015-19

## Adjusted EBITDA Margin (excluding Venezuela)



COVID-19  
Pandemic

## Cost Management

Generated highest ever profitability margins in 2019 and positive EBITDA in 2020, despite the pandemic

Flat Gross Margin in 2020

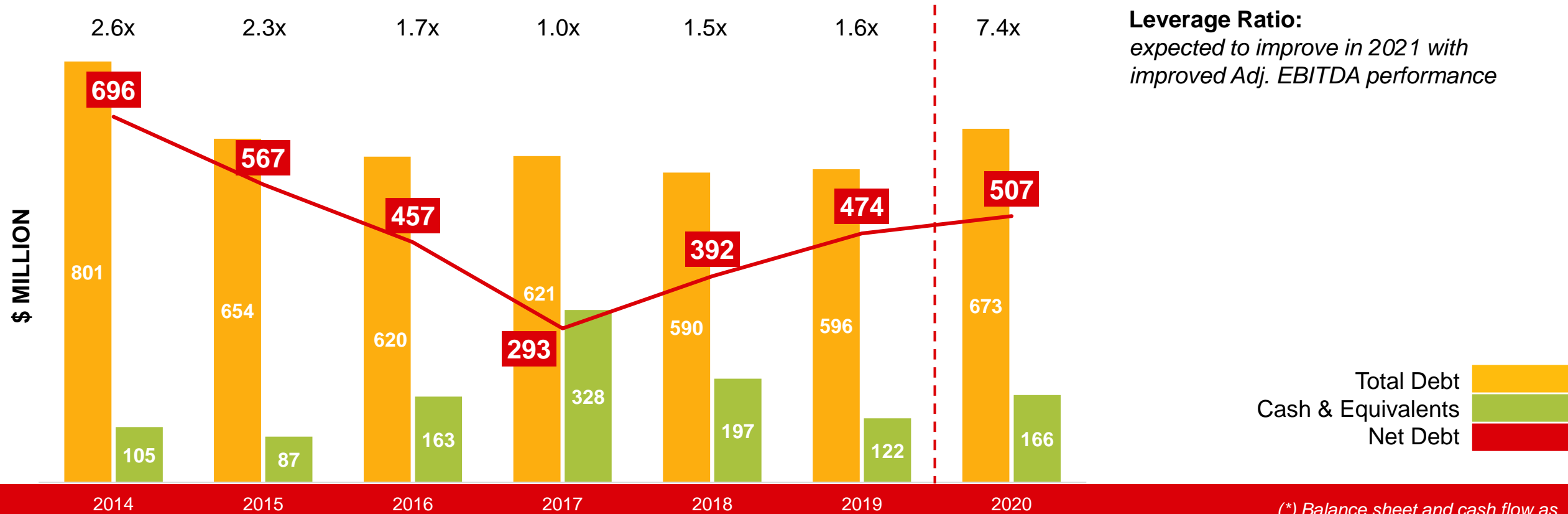
Protein price increases below industry average, leveraging our scale

Rolling hedging policy mitigates currency impacts on imported F&P

Focus on maintaining streamlined G&A

Competitive Advantage

# Strong balance sheet to support future growth and navigate short-term uncertainty



**COVID-19  
Pandemic**

(\*) Balance sheet and cash flow as reported, including Venezuela

**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

# ARCO

## In the Market



ARCO  
LISTED  
NYSE



### 2007 Acquisition of the business

We commenced operations on August 3, 2007, as a result of our purchase of McDonald's operations and real estate in 20 territories in LatAm and the Caribbean

### ARCO LISTED NYSE 2011 IPO

In April, ARCO issued 84.507m Class A Shares for \$ 1,436 million.

ARCO's follow on: 44.476m Class A Shares for \$978.5 million

### 2012 BRL Bond Reopening

In April, we reopened the BRL Bond (yield of 9.5%) and added R\$275 million

### 2016 BRL Bond Tender Offer

In April, we launched a tender offer for any and all of the outstanding BRL Notes due July 2016. As a result, we redeemed 67.9% of the outstanding principal amount.

### 2016 BRL Bond Maturity

On July 13, we paid at maturity the remaining outstanding principal amount of the BRL notes with proceeds from a Secured Loan Agreement

### 2020 2027 Note Reopening

In September, we reopened the 2027 Notes (yield of 5.6%) and added \$150 million

## Debt Ratings

FitchRatings  
BB, Stable Outlook

Moody's  
Ba2, Negative Outlook

### 2009 USD Bond Issuance

In October, we issued a 10y \$450 million bond at 7.5%

### 2011 BRL Bond Issuance

In July, we issued a 5y BRL bond, for R\$400 million at 10.25% (\$255.1 million)

### 2013 Liability Management & USD Bond Issuance

In October, we issued a 10y \$473.8 million bond at 6.625%

### 2016 USD Bond Tender Offer

In June, we announced the settlement of a cash tender offer for \$80 million of the 6.625% senior notes due 2023

### 2017 USD Bond Issuance & Tender Offer

In April, we issued a 10y \$265 million bond at 5.875%. Proceeds were used to repay the Secured Loan Agreement and to pay a cash tender offer for \$48.9 million of the outstanding 2023 notes

### 2020 2023 Note Exchange Offer

In October, holders of the 2023 Notes were offered the opportunity to exchange their holdings for 2027 Notes with \$31 million participating in the exchange

# No material short-term debt and proven long-term debt strategy, balancing cost and FX exposure



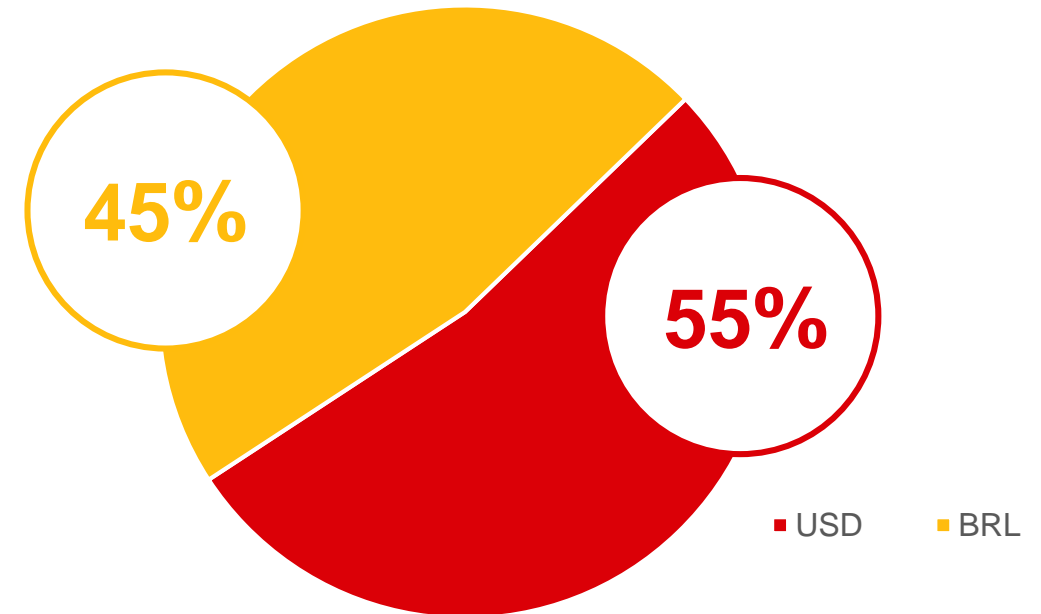
## Debt profile

### Long-term Debt

<b>2023 Notes</b>	\$216.6 million	6.625% Fixed
<b>2027 Notes</b>	\$553.4 million	5.875% Fixed

**AVERAGE MATURITY: 5 YRS**

### Currency Exposure of Long-Term Debt



- Re-opening of 2027 Notes added \$150 million of additional debt in 2020
- Net Debt grew by less than \$35 million in 2020 due to the appreciation of the derivatives used to mitigate FX risk

# 2021 Guidance & Recent Developments<sup>1</sup>



New Restaurant Openings = 40 to 50

- ~80% Free-Standing
- Flexibility & Adaptability
- ~80% in Brazil



McDonald's to Provide Growth Support

- 2021 Consolidated Effective Royalty Rate ~5.3%
- Aligned Openings & Capex Plans
- MFA Leverage Ratios waived through 2021



Total Capital Expenditures = \$110 to \$130 million

- Restaurants, Dessert Centers & McCafé
- EOTF Modernizations & Required Maintenance
- Digital Capabilities & Other Information Technology



Strong Balance Sheet

- YE 2020 Leverage better-than-expected
- YE 2021 Leverage to approach target range
- Renewed revolving credit facility to Dec. 2021



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