



Arcos Dorados

1Q20 conference call presentation
May 13, 2020

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Discussion Topics

- **First Quarter 2020 Results**
- **COVID-19 Update and Recent Trends**
- **Outlook for a Post-COVID World**



1Q20 Key Highlights

February 2020 YTD
+10.9%
SW Comp Sales

Revenues
\$615.9 m
(15.4)% YoY
(1.0)% YoY (in CC)

March 2020
(33.5)%
SW Comp Sales

Adj. EBITDA
\$30.0 m
(51.4)% YoY
(52.7)% YoY (in CC)

First Quarter 2020
(4.5)%
SW Comp Sales

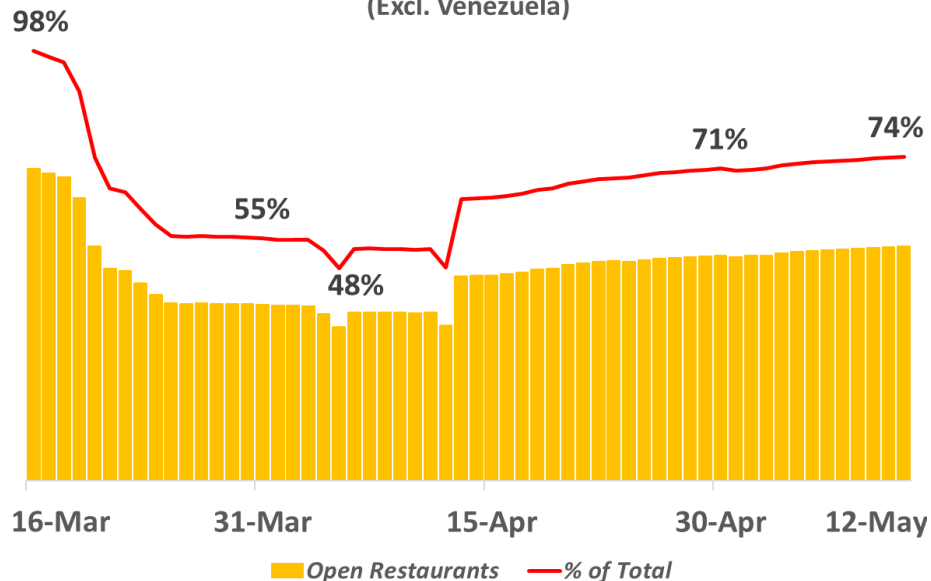
Adj. EBITDA margin
4.9%
down 360 bps

- Strong systemwide comp sales through Feb 2020
 - ✓ Carried 2019 momentum of three-pillared strategy
 - ✓ Market share gains and comp sales above inflation
 - ✓ Delivery and Digital maintained strong growth
- March 2020 negatively impacted by COVID-19
 - ✓ Quarantines and “stay at home” orders
 - ✓ Restaurant closures and limited segment availability
 - ✓ Significantly lower guest traffic
- By month-end, 55% of restaurants were open
 - ✓ Adapted operation to leverage strength of footprint
 - ✓ Drive-Thru, Delivery and/or Take-away were only available segments



Recent Trends – April and May 2020

Arcos Dorados - Restaurant Operations
(Excl. Venezuela)



- At the end of April, 71% of restaurants were open, mainly Drive-thru and Delivery
- SLAD and Caribbean divisions had the highest percentage of closures in April
- Total company systemwide comparable sales declined 64% in April
- Brazil's strong free-standing and in-store restaurant footprint was more resilient
- Brazil's systemwide comparable sales declined 54% in April
- Late April and early May sales trends have shown signs of improvement

	Brazil	NOLAD	SLAD	Caribbean	Total
% Open	70%	83%	69%	82%	74%

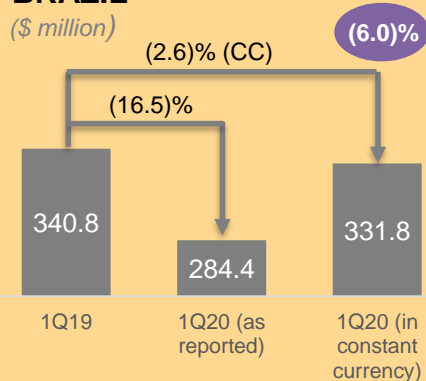
Note: Financial results and restaurant figures exclude Venezuela



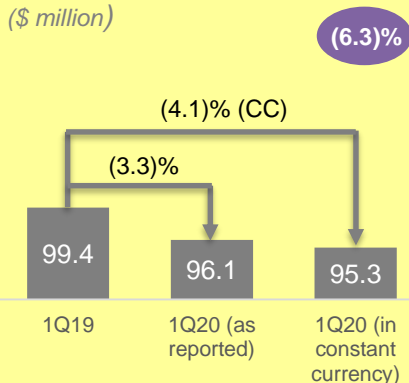
1Q20 Sales Performance

- Strong start to the year with systemwide comparable sales above inflation in three of four Divisions
- Government quarantine measures and restaurant closures impacted traffic, starting in mid-March
- Total revenue contracted by just 1% in the quarter as a result of the COVID-19 pandemic
- Strong depreciation of Latin American currencies, including the Brazilian *real* and Argentine *peso*, caused total revenue to decline 15.4% in US dollar terms

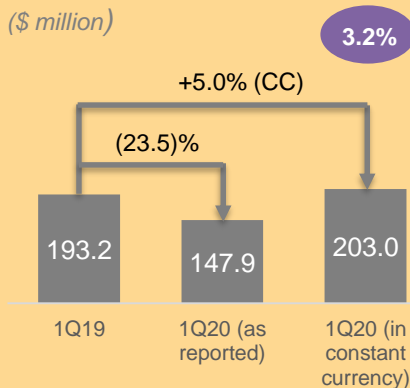
BRAZIL
(\$ million)



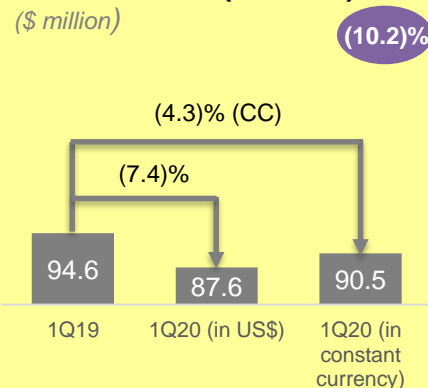
NOLAD
(\$ million)



SLAD
(\$ million)



CARIBBEAN (Ex-Vzla)
(\$ million)



Drive-thru and Delivery Performing well



The Largest Free-Standing Restaurant Footprint in Latin America and the Caribbean



Drive-thru growing 20% to 40%



Delivery growing more than 100%



Over 39 million Mobile App downloads



1Q20 Operating Costs & Expenses, Adjusted EBITDA

➤ Adj. EBITDA increased 11.3% for February YTD

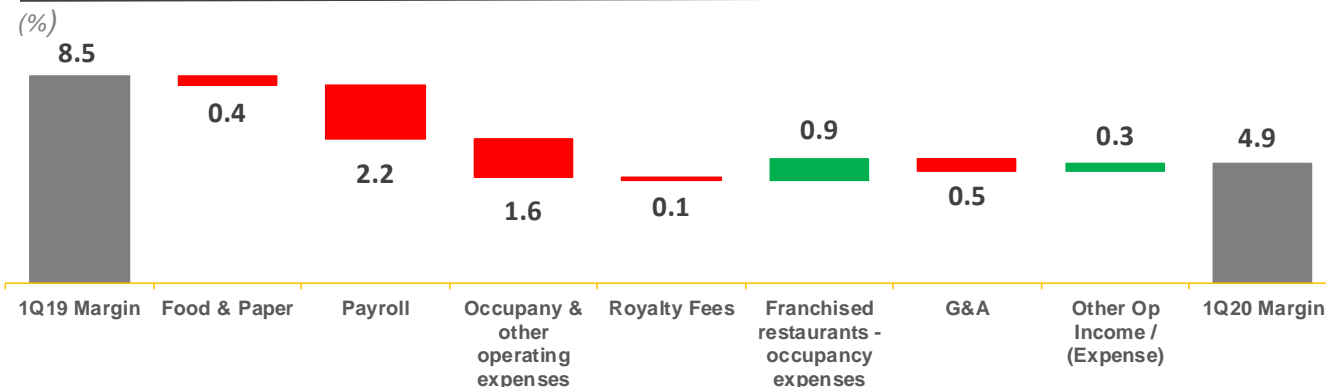
➤ 1Q20 Adj EBITDA fell due to COVID-driven sales decline in March

➤ Adj. EBITDA margin declined 360 bps YoY

➤ Payroll and Occupancy expenses drove the margin contraction

➤ G&A was 6.7% lower in US dollars, rising below inflation on a constant currency basis, YoY

Breakdown of main variations contributing to 1Q20 Adjusted EBITDA margin



1Q 2020 QUARTER-END FOOTPRINT

DIVISION	STORE TYPE		TOTAL RESTAURANTS	MCCAFES	DESSERT CENTERS
	FS & IS	MS & FC			
BRAZIL	555	470	1,025	81	2,014
NOLAD	324	207	531	13	633
SLAD	241	165	406	127	399
CARIBBEAN	260	76	336	37	347
TOTAL	1,380	918	2,298	258	3,393

Note: Financial results exclude Venezuela



Three Phases of Our Plan

Managing the Short-Term with an eye on the Long-Term

Crisis Management

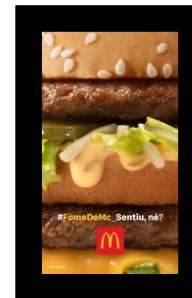
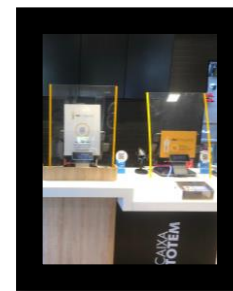
- Prioritize safety of people and guests
- Reduce investments and costs to preserve cash
- Leverage Drive-thru, Delivery & Take-away

Recovery

- Reopening of majority of restaurants
- Customer trust low and competition elevated
- Convenience and Value drive guest decisions

Full Revival

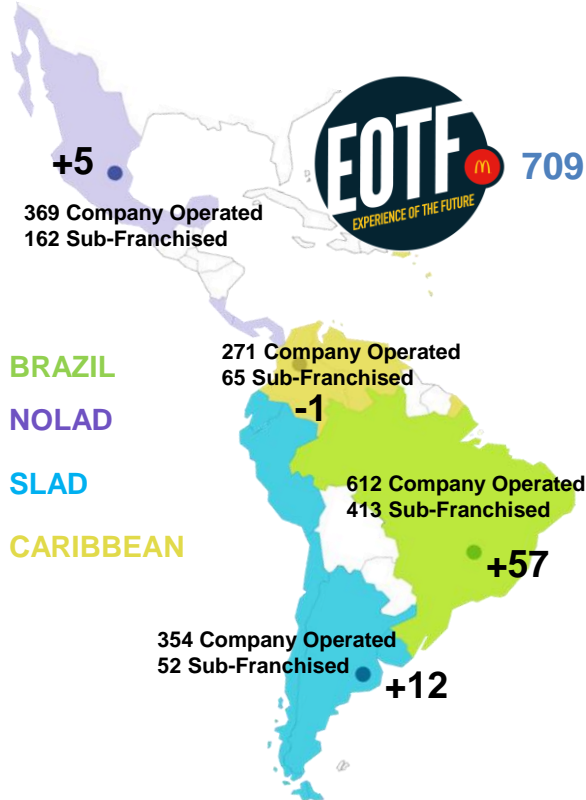
- All restaurant segments resume operations
- Trust in favorite Brands support sales revival
- Renew enthusiasm for the McDonald's Brand





Uniquely Positioned for Future Growth

Protecting our People and Leveraging our Strengths



McProtegidos

Por eso, en McDonald's nos extra-cuidamos entre todos.

- Cuidando el contacto.** (Icon: Two people with arrows between them)
- Manteniendo la limpieza e higiene.** (Icon: Hand being washed)
- Asegurando el 50% de la capacidad en nuestros locales y así garantizando el distanciamiento físico.** (Icon: Two people with a large arrow between them)



Receta del Futuro
Arcos Dorados



(*) Restaurant Addition LTM (net)

Cost and Expense Reduction Initiatives



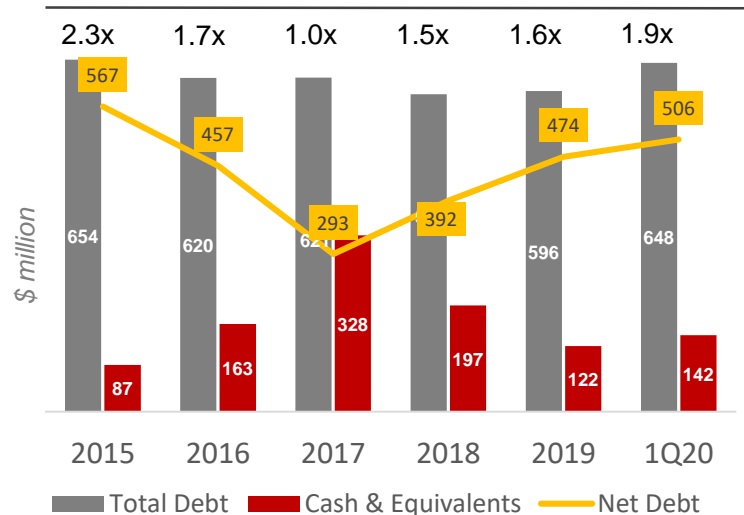
- **Menu offerings reduced by 30% to simplify operations, streamline supply chain and increase customer satisfaction**
- **McProtegidos program to take care of employees and guests while using all available tools to reduce payroll costs**
- **Shifted lease agreements to variable rent regimes, based on restaurant sales**
- **Agreed with McDonald's to:**
 - ✓ **Have the flexibility to reduce Advertising and Promotion spending down to 4% from 5% of gross sales for 2020**
 - ✓ **Receive a deferral, until 2021, of Royalties related to March, April, May and June 2020 sales**
- **Tightening already-streamlined G&A expenses to minimize cash needs**



Balance Sheet and Financial Leverage*

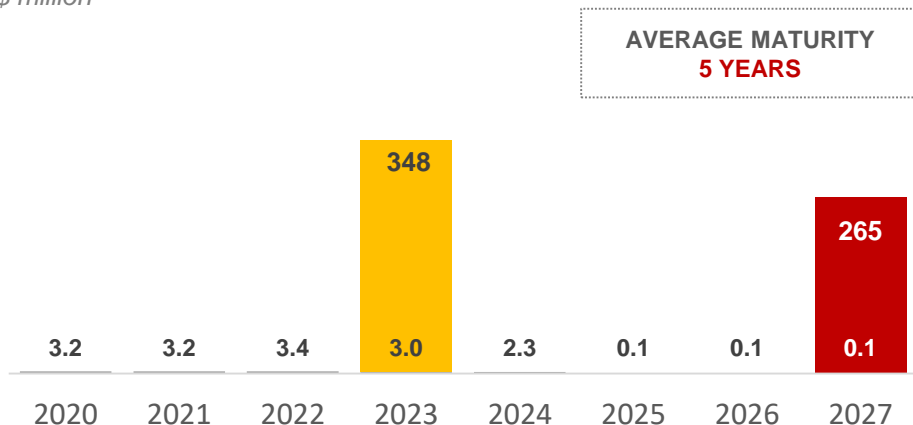
- Net leverage ratio of 1.9x, well below target range, and in full compliance with debt covenants
- Expect to breach debt covenants in 2Q20 due mostly to COVID-19 impact on TTM Adjusted EBITDA
- 2020 to 2022 Plan to be Revised once COVID-19 outbreak has been brought under control
- No significant debt maturities until 2023 and full discretion on deployment of capital

LEVERAGE RATIO



DEBT MATURITY PROFILE

\$ million



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

Legend: Other LT Debt (Grey), 2023 Notes (Yellow), 2027 Notes (Red)

(* Balance sheet as reported, including Venezuela)

Closing Remarks



- **Strong business momentum and financial position prior to beginning of crisis**
- **Omnichannel Approach to serve customer needs, including most extensive Delivery, Drive-thru and Take-away capabilities.**
- **Management team applying decades of experience in Latin America to guide the Three Phases of Recovery**
- **Leveraging benefits of being largest franchisee of World's premier QSR Brand**
- **Balancing the needs of our people and customers with the financial performance of Arcos Dorados to ensure long-term shareholder value creation**
- **Expect to emerge from the COVID-19 pandemic in a position of competitive strength**

**Long-Term Fundamentals Remain Strong for
Latin America and the Caribbean's Favorite QSR Brand**



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