

# Arcos Dorados

April 2020





## Who we are

Our three-pillar strategy

Growth accelerators

Financial performance





# Undisputed QSR Leader

Disciplined execution of strategic plan

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

Between

**4% - 5%**

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**

# Most Socially Responsible LatAm Restaurant Company



## Arcos Dorados' Recipe of the Future Framework for ESG

A way of doing business that strengthens our appeal as people choose the brands that matter to them



Scale for Good Commitments related to Packaging and Recycling, Kids Nutrition, Animal Welfare and Climate Change

Supporting social mobility with access to first, formal jobs

Employed >70,000 young people & supported training for >390,000 in 2019



Initiatives including sustainable beef, cage free eggs, water and energy conservation, plastic, paper and waste reduction

# Unmatched, Sustainable Omnichannel Approach

Focusing on topline growth, while maintaining margin expansion



2018 Built in significant **operating leverage**

2019 Focused on **top line growth**, particularly in Brazil



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 2019



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

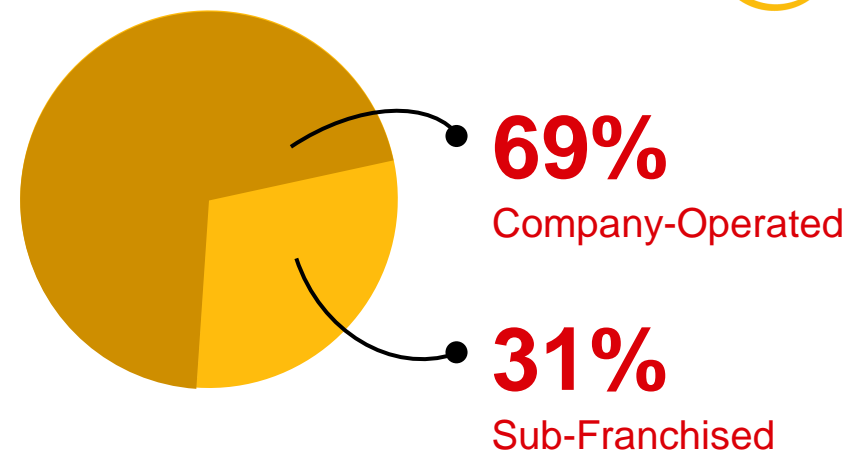
## **MERCO CORPORATE REPUTATION BRAZIL**

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>: **2,293** restaurants

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

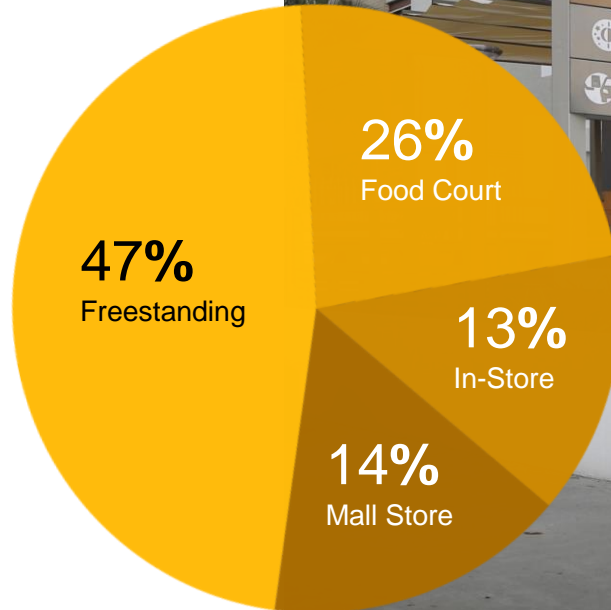
<b>Brazil</b>	1,023	45%
<b>NOLAD</b>	530	23%
<b>SLAD</b>	404	18%
<b>Caribbean</b>	336	14%

(1) As of December 31, 2019; does not include McCafé units (258) & Dessert Centers (3,326)



# 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 License	TOTAL
BRAZIL	612		411		1,023
NOLAD	364		156	10	530
SLAD	338	15	51		404
CARIBBEAN	251		84	1	336
<b>TOTAL</b>	<b>1,565</b>	<b>15</b>	<b>702</b>	<b>11</b>	<b>2,293</b>

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

	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafé
BRAZIL	462	350	92	119	2,000	81
NOLAD	273	147	51	59	626	13
SLAD	124	78	115	87	389	128
CARIBBEAN	224	21	36	55	311	36
<b>TOTAL</b>	<b>1,083</b>	<b>596</b>	<b>294</b>	<b>320</b>	<b>3,326</b>	<b>258</b>

(1) As of December 31, 2019



# 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

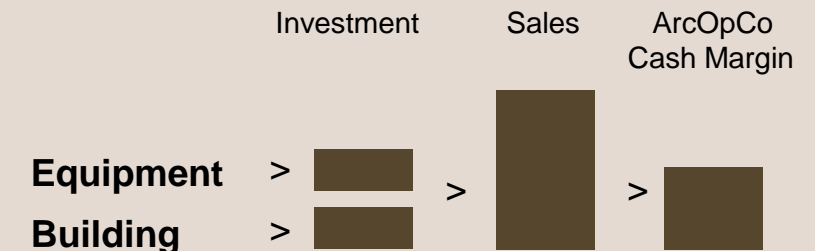
- Royalty Fee

- Costs related to running the business

**Operating Results**

### OWNED REAL ESTATE

### LEASED REAL ESTATE



## Sub Franchised Restaurants

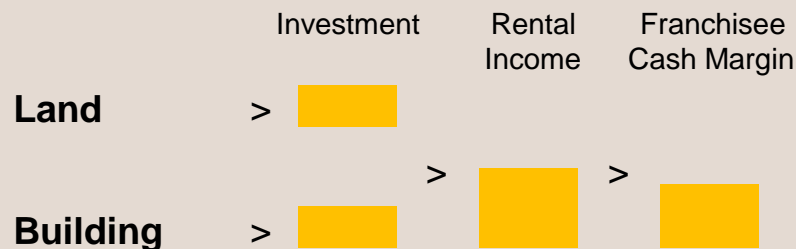
+ Revenues from Rental Income

- Rental Fee (related to real estate)

**Profitability of Sub-franchised Restaurants**

### OWNED REAL ESTATE

### LEASED REAL ESTATE





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**Our three-pillar strategy**

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Growth accelerators

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Financial performance

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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

683 EOTF  
restaurants  
at the end of 2019



# 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**





# Enhanced Customer Experience



Cooltura de Servicio  
guest and employee  
satisfaction growing

Improved productivity  
leverages payroll costs



# Pillars

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!





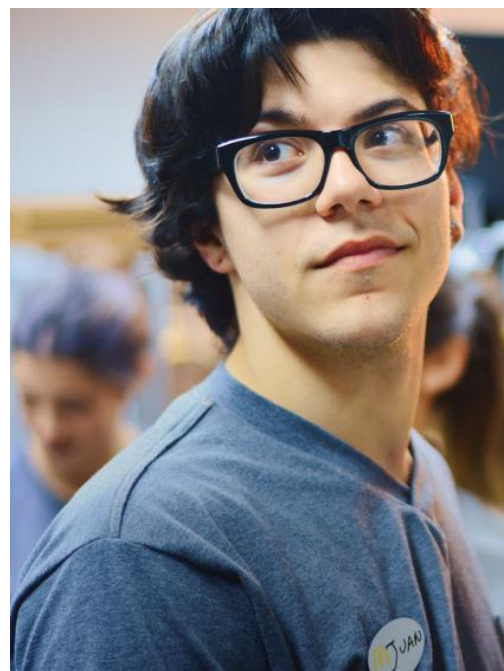
#WeBelieveInYouth



**ARCOS DORADOS  
PROVIDES FORMAL EMPLOYMENT TO MORE THAN**

**73,000 YOUNG PEOPLE**

**Between the ages of 16 and 25**







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# Accelerators

Sustainable growth

Cooltura de Servicio  
and menu driving guest counts,  
volumes and market share





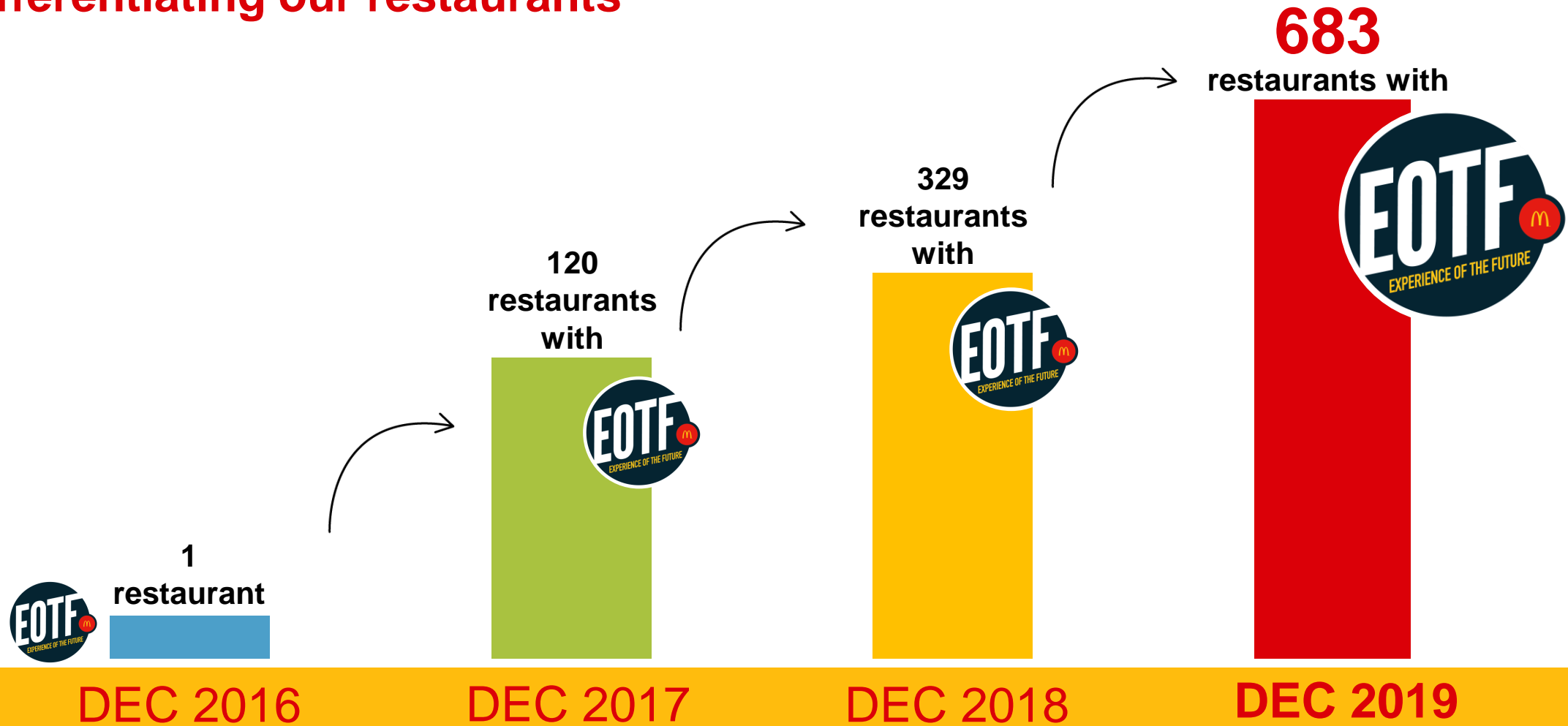
# EOTF

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



# Experience of the Future

## Differentiating our restaurants





# Delivery

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

Driving incremental sales



## Mobile App

**Over 34 million downloads** | Supports promotions, food news and other campaigns | Facilitates Delivery orders | Will allow further **Segmentation** through targeted promotions





# Affordability Platform

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



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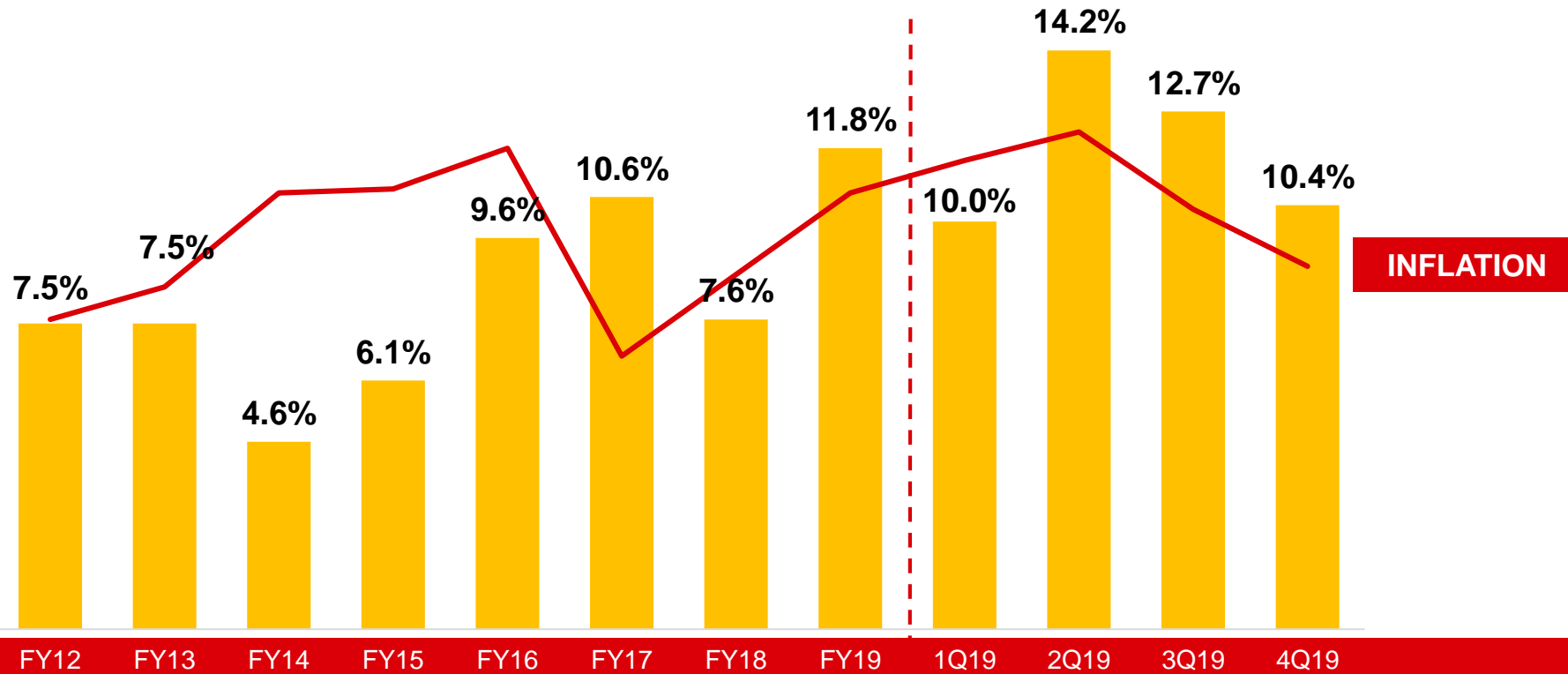






# Accelerating top line growth through sharp and disciplined execution of strategic initiatives

## Comparable Sales (excluding Venezuela)



Growing above blended inflation

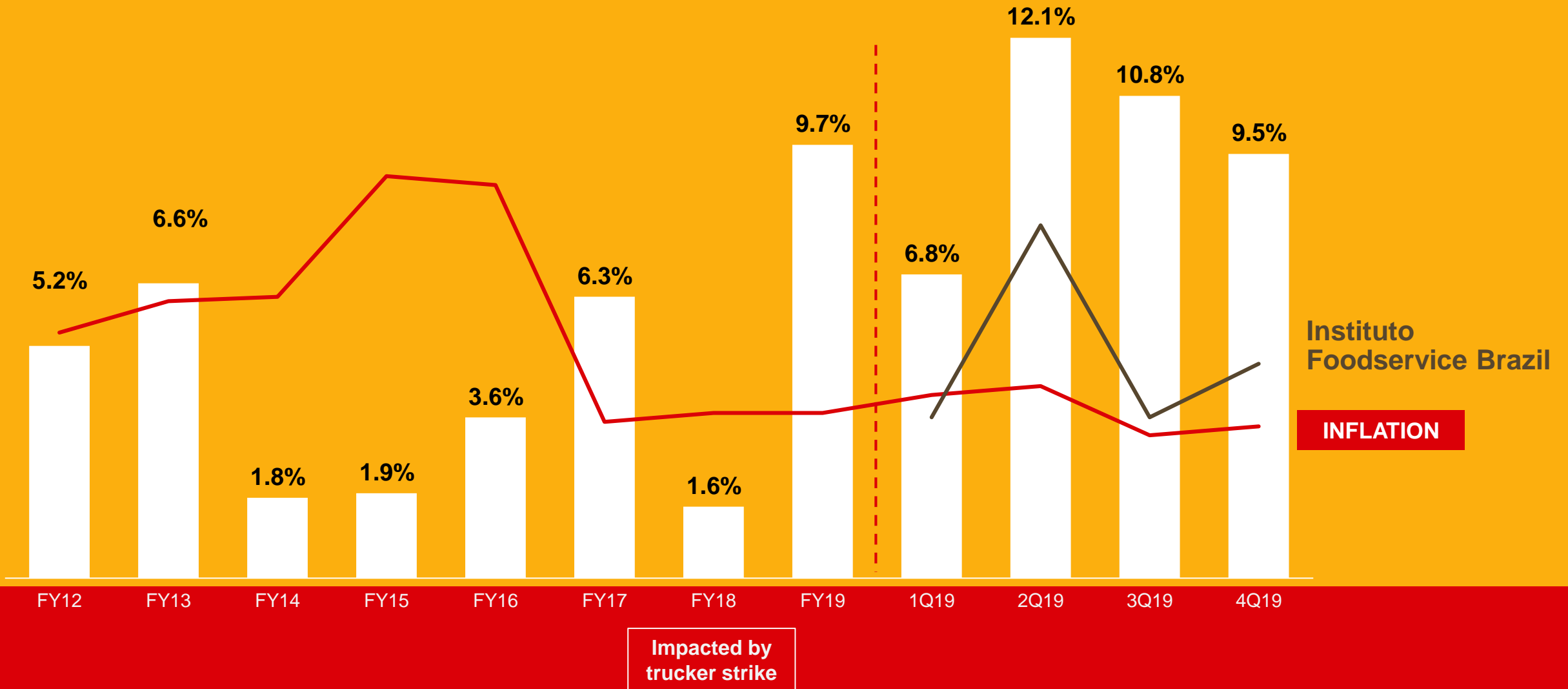
Outperforming the industry in key markets

EOTF, digital, delivery and affordability platform driving sustainable growth

# Particularly in our main market, Brazil



## Comparable Sales



Impacted by trucker strike

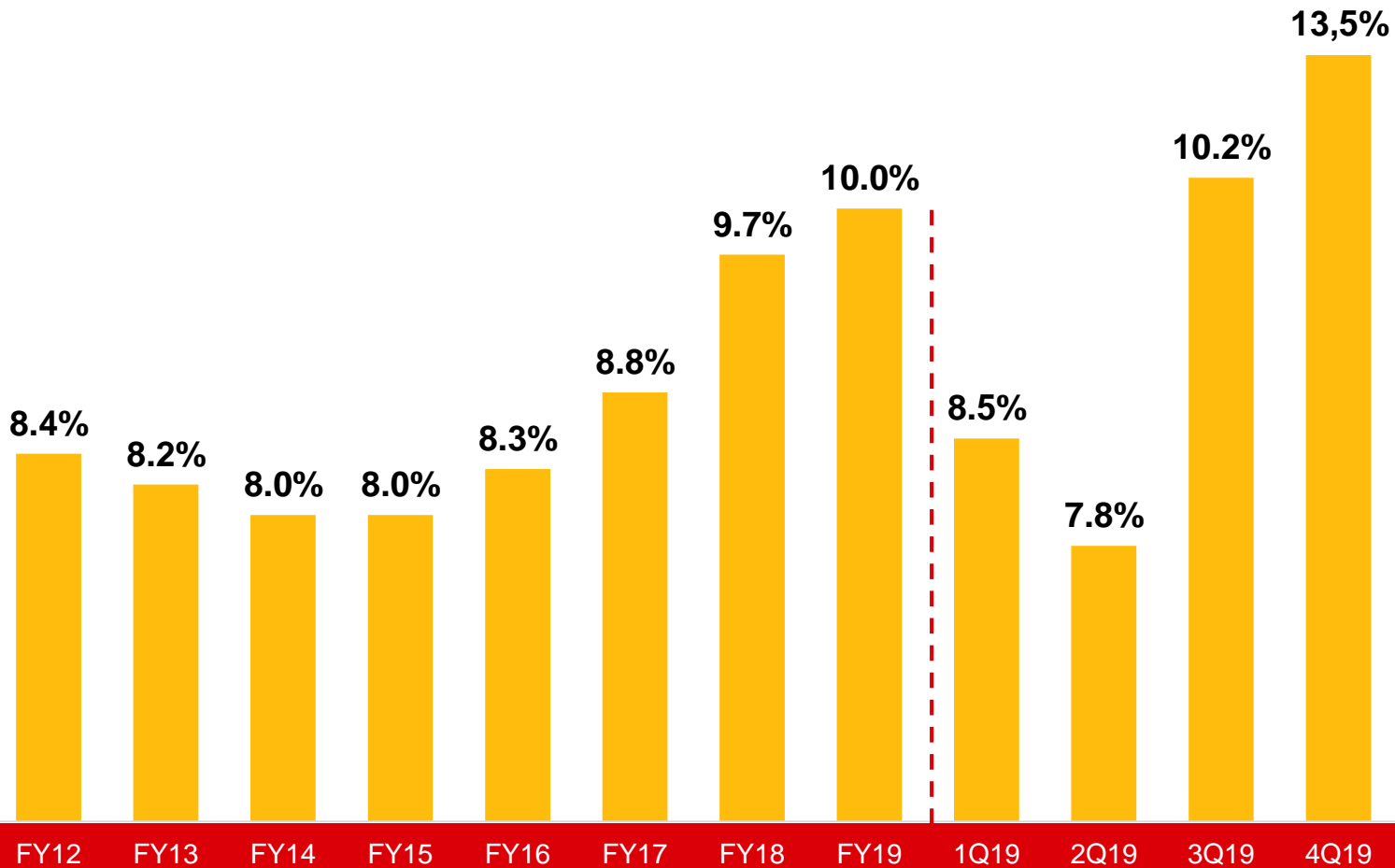
Instituto Foodservice Brazil

INFLATION



# While reaching our highest margin ever

## Adjusted EBITDA Margin (excluding Venezuela)



## Cost Management

Lowest payroll as a % of sales in 10 years while improving customer satisfaction

F&P cost in line or below inflation

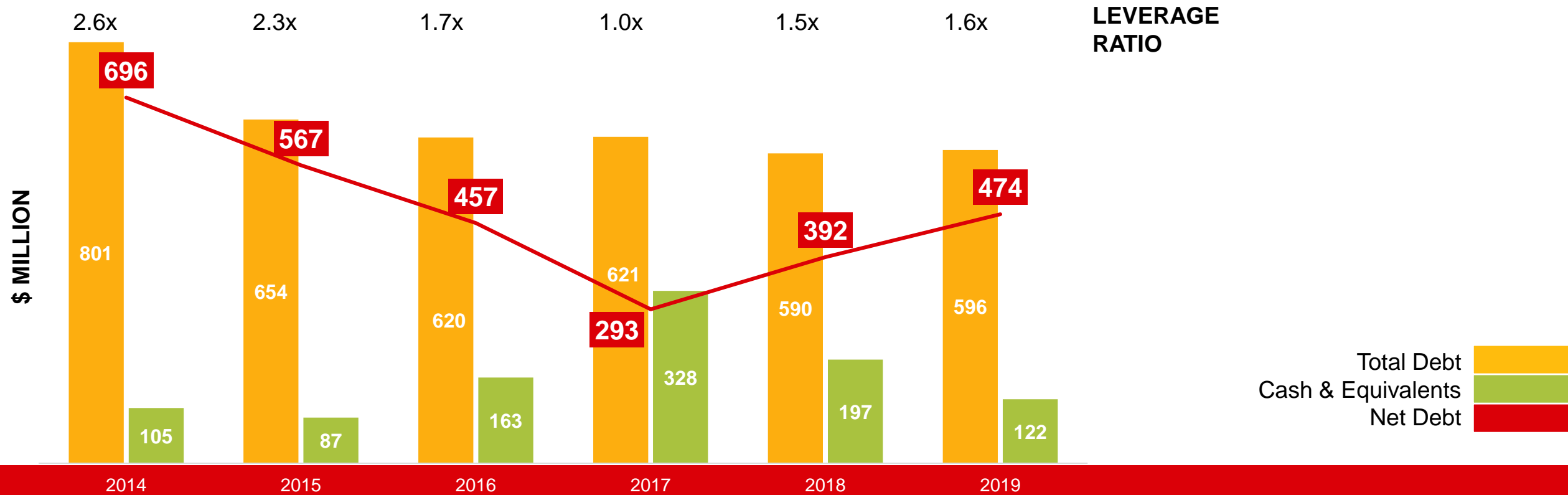
Protein price increases below industry average, leveraging our scale

Rolling hedging policy mitigates currency impacts on imported F&P

Focus on maintaining streamlined G&A

Competitive Advantage

# Resulting in strong cash flow generation to fund future growth, while maintaining a healthy balance sheet



**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 and cash flow as reported, including Venezuela)



# ARCO

## In the Market



**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 \$ 1,436m. ARCO's follow on: 44.476m Class A Shares for \$978.5m

**2012**

### BRL Bond Reopening

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

**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

## Debt Ratings<sup>1</sup>

**FitchRatings**  
BB, Negative Outlook

**MOODY'S**  
Ba2, Under Review

**2009**

### USD Bond Issuance

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

**2011**

### BRL Bond Issuance

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

**2013**

### Liability Management & USD Bond Issuance

In October, we issued a 10y \$473.8m 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 \$265m 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

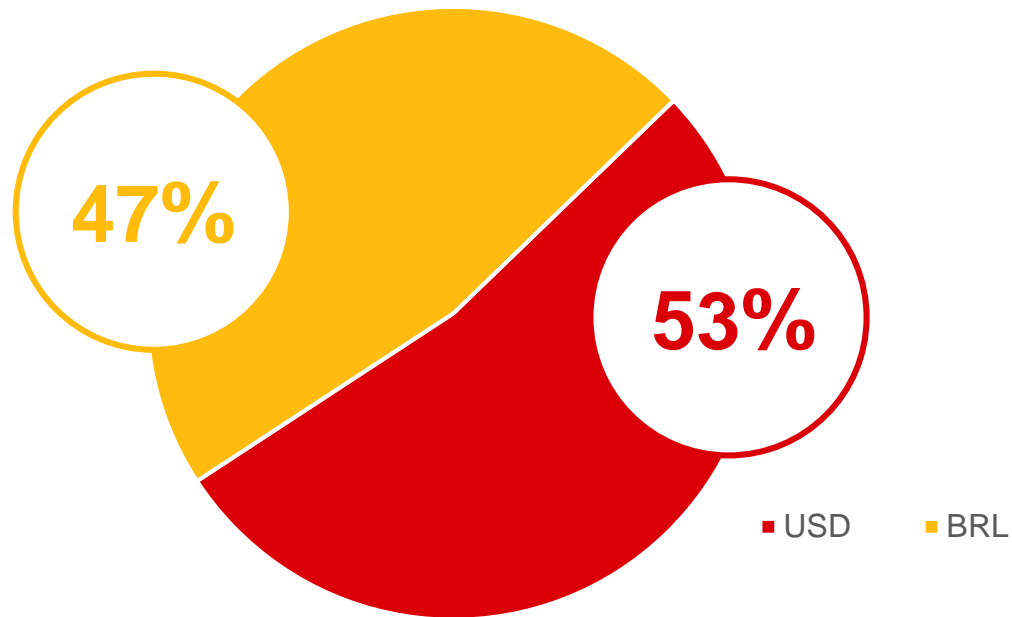
(1) As of April 13, 2020

# Well positioned to continue improving our capital structure and fund our long-term growth plans



## Debt profile

### Currency breakdown



### Debt ratings<sup>1</sup>

**Fitch**Ratings

**BB, Negative Outlook**

**MOODY'S**

**Ba2, Under Review**

**AVERAGE MATURITY: 5 YRS**

- Net Debt to Adjusted EBITDA ratio at 1.6x as of Dec. 31, 2019
- Efficient financing options with historically low interest rates in US and in Brazil

(1) As of April 13, 2020





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