# Arcos Dorados Company Presentation





# **Disclaimer**



This presentation contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. Forward-looking statements can be identified by terminology such as "may," "will," "would," "could," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other similar expressions or phrases. These forward-looking statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements.

The forward-looking statements contained herein include statements about the Company's business prospects, its ability to attract customers, its affordable platform, its expectation for revenue generation and its outlook. These statements are subject to the general risks inherent in Arcos Dorados' business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, Arcos Dorados' business and operations involve numerous risks and uncertainties, many of which are beyond the control of Arcos Dorados, which could result in Arcos Dorados' expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of Arcos Dorados. Additional information relating to the uncertainties affecting Arcos Dorados' business is contained in its filings with the Securities and Exchange Commission. The forward-looking statements are made only as of the date hereof, and Arcos Dorados does not undertake any obligation to (and expressly disclaims any obligation to) update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.



# Who We Are

Leader in the Latin American QSR Industry

# Latin America and the Caribbean's Largest Restaurant Operator



**#1 Quick Service Restaurant Operator in Latin America and the Caribbean Largest independent franchisee in the McDonald's system** 



Benefitting from being part of the global McDonald's system, built on the strength of its **people**, **suppliers** and **franchisees** 



Generating value with a disciplined and focused execution of the "Three D's" Strategy (Digital, Delivery & Drive-thru)



Leveraging an unmatched freestanding restaurant portfolio to capture new market opportunities and changing consumer preferences

### Over 50 Years in Latin America

A global brand with an aspirational Latin flavor that Generated

4.0%

of McDonald's global systemwide sales in 2022

# A Strong Foundation and a Winning Strategy to Generate Value



Shareholder Value

Sales – Returns – Market Share – Brand Equity

Revenue & Cost Management Family Business



# **An Unmatched Portfolio of Modern, Freestanding Restaurants**

Costa Rica, Mexico, Panama, Puerto

Guiana and U.S. Virgin Islands of St.

Argentina, Aruba, Chile, Colombia,

Curaçao, Ecuador, Peru, Uruguay,

Venezuela, Trinidad and Tobago.

Croix and St. Thomas

Rico, Martinique, Guadeloupe, French



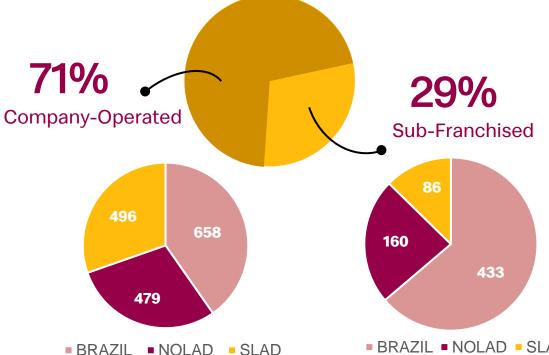
# 2,312 **Restaurants<sup>1</sup>**



BRAZIL

NOLAD

SLAD



BRAZIL NOLAD SLA
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BRAZIL NOLAD SLAD

DIVISION	STORE TYPE			TOTAL	MOOAFEO	DESSERT
	Freestanding	In Store	MS & FC	RESTAURANTS	MCCAFES	CENTERS
BRAZIL	542	92	457	1,091	129	1,977
NOLAD	392	51	196	639	13	521
SLAD	232	128	222	582	164	700
TOTAL	1,166	271	875	2,312	306	3,198

<sup>1</sup>As of March 31, 2023; does not include McCafé units & Dessert Centers

## **A Sustainable and Proven Business Model**

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

#### **Company Operated Restaurants**

**OWNED REAL ESTATE** LEASED REAL ESTATE + Revenues from Restaurant Sales - Royalty Fee Sales ArcOpCo Sales ArcOpCo Investment Investment Cash Margin Cash Margin - Restaurant Costs & Expenses Land > Equipment Equipment > > > **Operating Results** > **Buildina** Building > **Sub Franchised Restaurants OWNED REAL ESTATE** LEASED REAL ESTATE + Revenues from Rental Income - Occupancy Expenses (mainly rent + D&A) Franchisee Rental Investment Franchisee Investment Rental Cash Margin Cash Margin Income Income **Profitability of Sub-franchised** Land > **Restaurants** Building Building

# **Everything Starts with Running Great Restaurants**

Serving quality food and generating delicious and accessible moments for everyone

CCOL KKE "Cool-ture" of Service centered on people

Delivering the highest quality service

Taking service beyond the front-counter

Knowing **«how to be»** and not just **«how to do»** 

Enhancing guest experience and employee satisfaction

THANK YOU!

AF

YOU CAN

COUNT ON ME!



# Taking an Omnichannel Approach to Generate Sustainable Topline Growth





**3D's Strategy:** focusing on **Digital, Delivery and Drive-thru** to meet changing consumer trends and preferences, boosting **brand preference** and generating **sustainable results** 

Digital: driving revenue growth with targeted marketing campaigns and Mobile App capabilities that let guests choose when, where and how to enjoy their favorite McDonald's orders

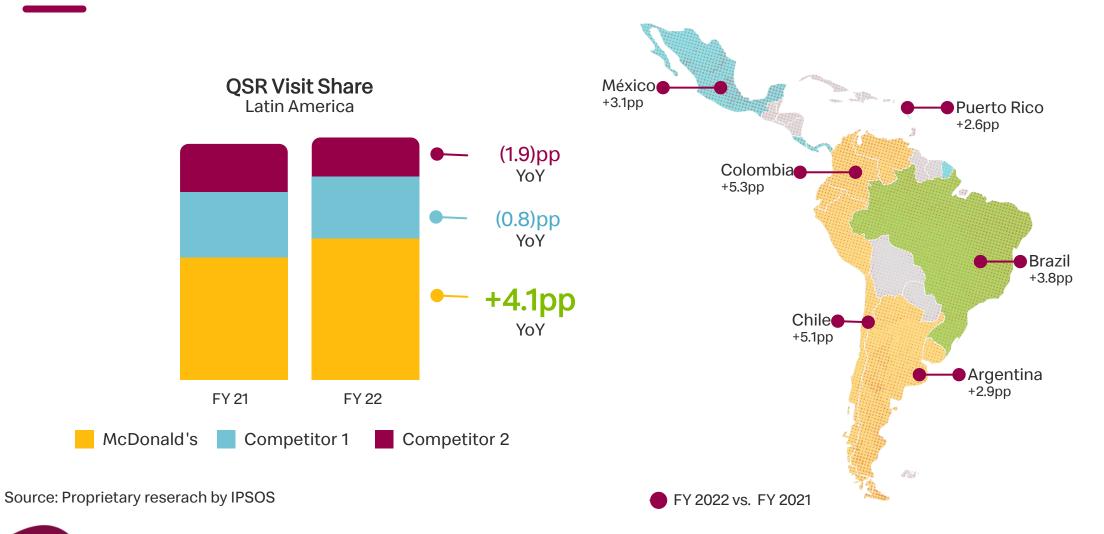
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**Delivery**: capturing a **new consumption occasion** in an off-premise sales channel that has added an **additional revenue stream** even as on-premise sales channels normalize



Drive-thru: leveraging the largest freestanding restaurant portfolio in Latin America to drive incremental and highly-efficient revenue growth from "on-the-go" guests

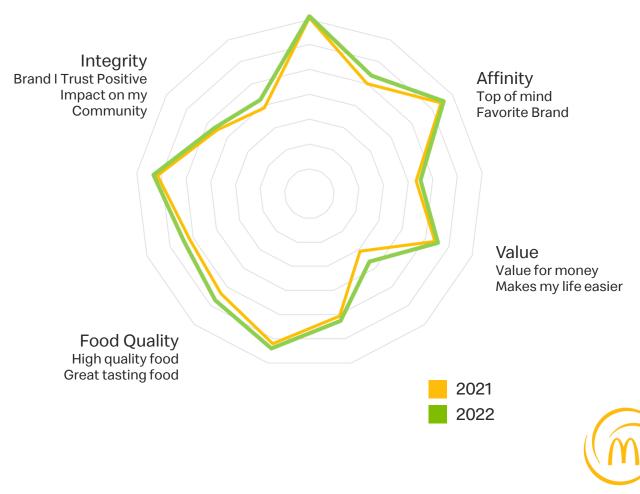
# With Consolidated Market Share gains in 2022 across all Arcos Dorados footprint in Latin America and the Caribbean





# Improved 24 of 25 Brand Attributes in 2022 versus 2021





Source: Proprietary research by Kantar, full year results 2022 vs. 2021

### **2022 Social Impact and Sustainable Development Report**



Receta del Futuro Arcos Dorados

#### CLIMATE CHANGE

**29% energy** from renewable sources vs 12% in 2021

### 100% of openings & modernizations

follow the Sustainable Development & Construction Program, with energy, water and waste efficiency initiatives.

0

#### CIRCULAR ECONOMY

**2.9 m liters of oil** recovered and converted, up 45% versus 2021

#### 260 tons of cardboard recovered and

converted, up more than 75% versus 2021

#### **112,000 trays** produced from recycled materials in partnership with UBQ.

SUSTAINABLE SOURCING

**99% of beef** sourced from Argentina & Brazil comply with the Deforestation-Free Sourcing Policy

**100% of coffee** from certified responsible sources

**96% of coffee** certified by the Rainforest Alliance

76% of purchases from local suppliers

**100% of suppliers** of food, packaging, logistics & marketing audited on social and environmental topics.

#### YOUTH OPPORTUNITY

>450,000 development and job opportunities

> >93,000 formal job opportunities

>**48,000** people registered in MCampus Comunidad



#### COMMITMENT TO FAMILIES

>890,000 books printed and delivered with the Happy Meal

**\$ 7.6 million** collected and donated with the Gran Día

**100% restaurants** audited for food safety practices and procedures DIVERSITY & INCLUSION

**58% of people** who work at Arcos Dorados identify as women

**1,874 people** with a disability on our teams, up 10% vs 2021

>1,000 restaurants with a Blue Zone for people on the Autism spectrum

www.recipeforthefuture.com



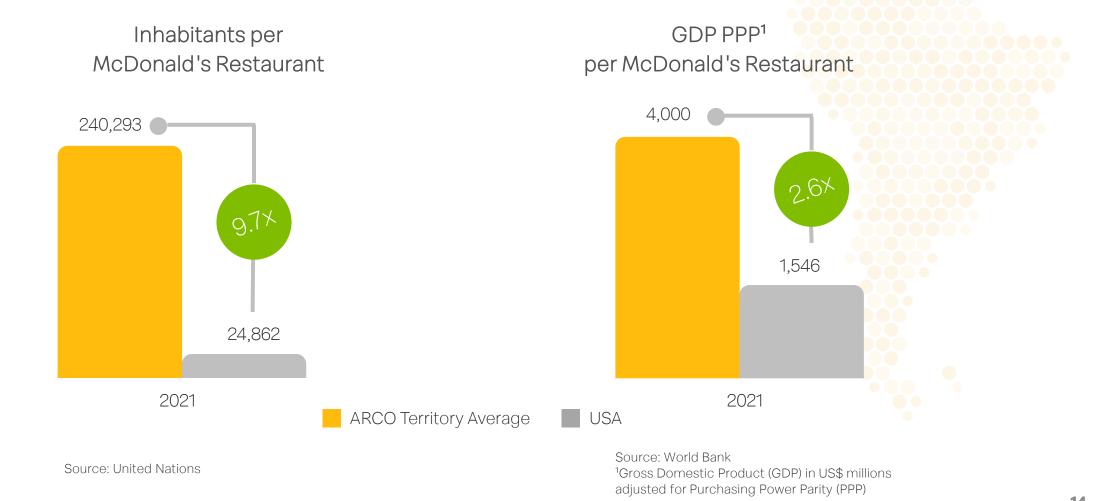
# **Growth Plans**



Capturing the Long-Term Growth Potential

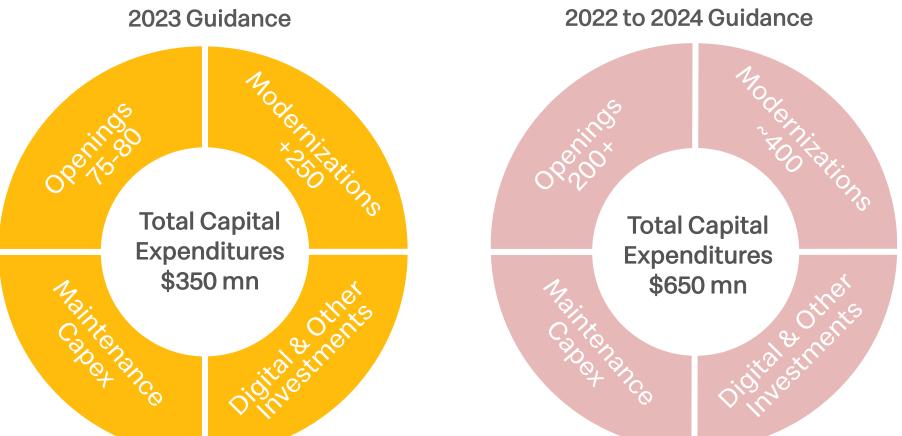
# **Significant Growth Potential** due to the Underpenetration of the McDonald's Brand in Latin America and the Caribbean





# Capturing the Unit Growth Opportunity 2022 - 2024 Investment Plan



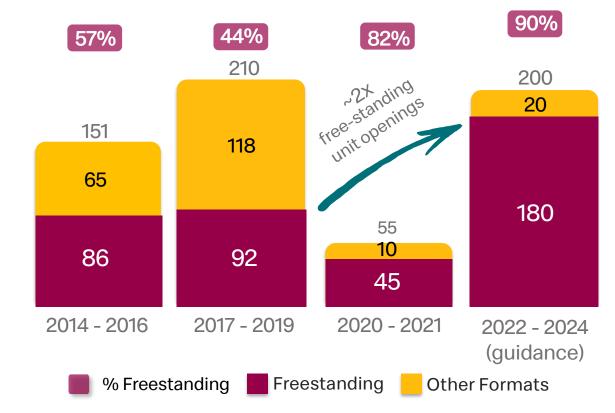


Growth Support from McDonald's expected to result in an effective royalty rate of about 6.0% in both 2023 and 2024

Expanding the Region's Largest Freestanding Restaurant Footprint 2022 to 2024 Openings focused on the most flexible and adaptable restaurant format



Arcos Dorados Gross Restaurant Openings



Highest-ever three-year free-standing unit openings planned from 2022 to 2024

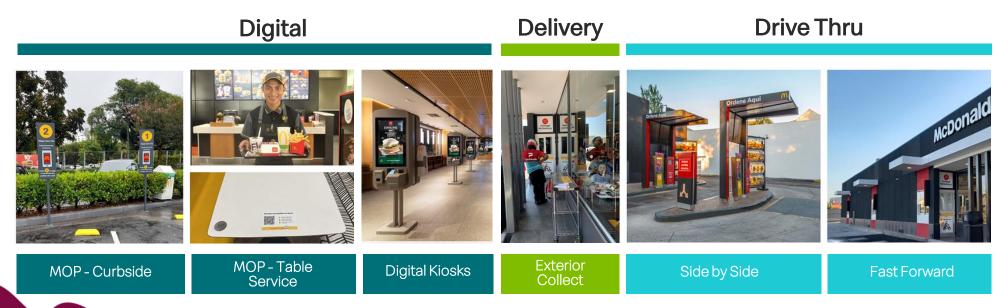
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Twice as many freestanding openings as the last pre-pandemic growth cycle (2017 to 2019)

# Freestanding format offers the best fit with the Three D's Strategy and represents 90% of total store openings from 2022 to 2024



- Highest total sales and most resilient format, offering guests the full McDonald's experience
- Iconic & strategic locations to support Brand Image
- Best suited to leverage the Three D's to drive structurally-higher unit sales, benefiting from new consumption occasions/preferences
- ✓ Sales per freestanding restaurant ~16% higher in 2022 vs. 2019 in USD as reported

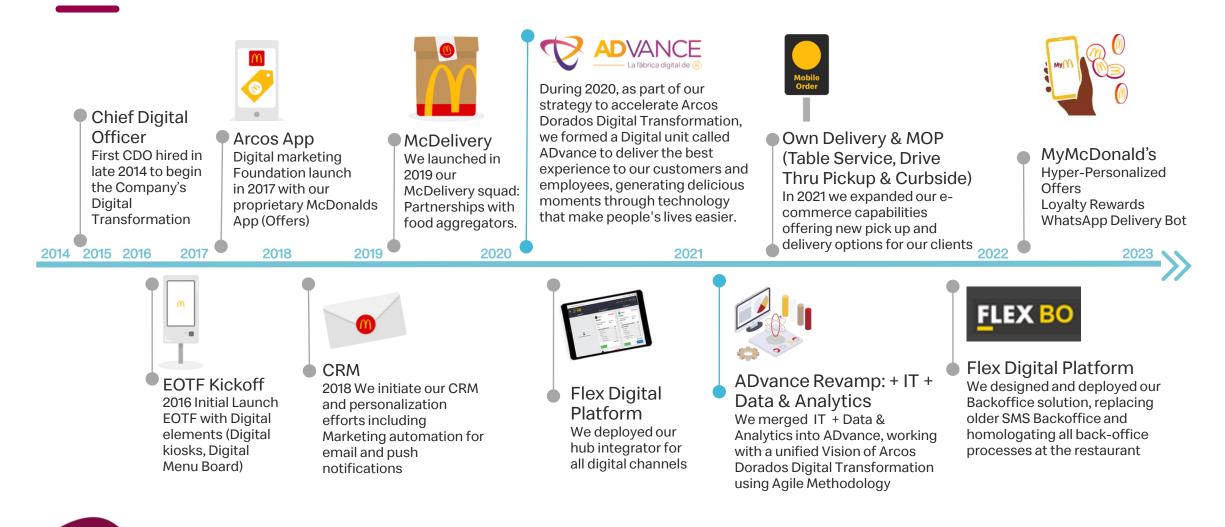




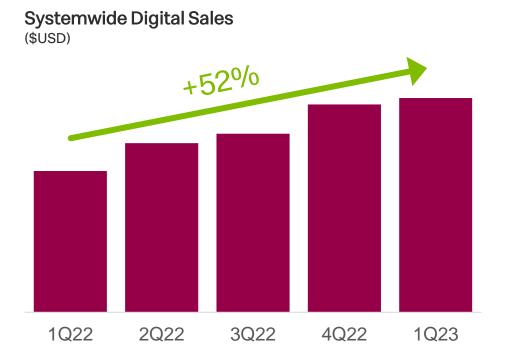
# Strategic Approach

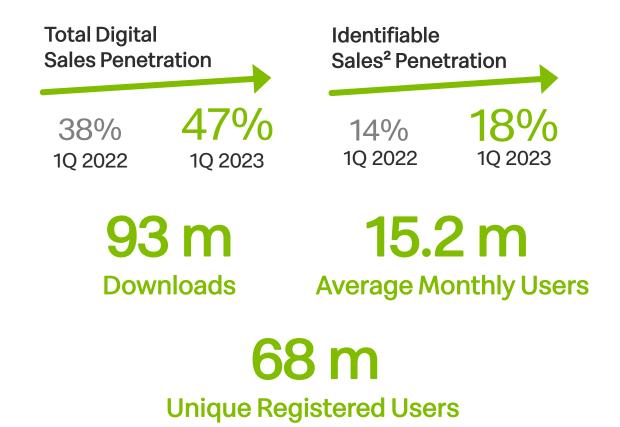
3D'S

### Arcos Dorados' Digital Journey began several years ago, accelerating & strengthening its leadership from 2020 to 2022



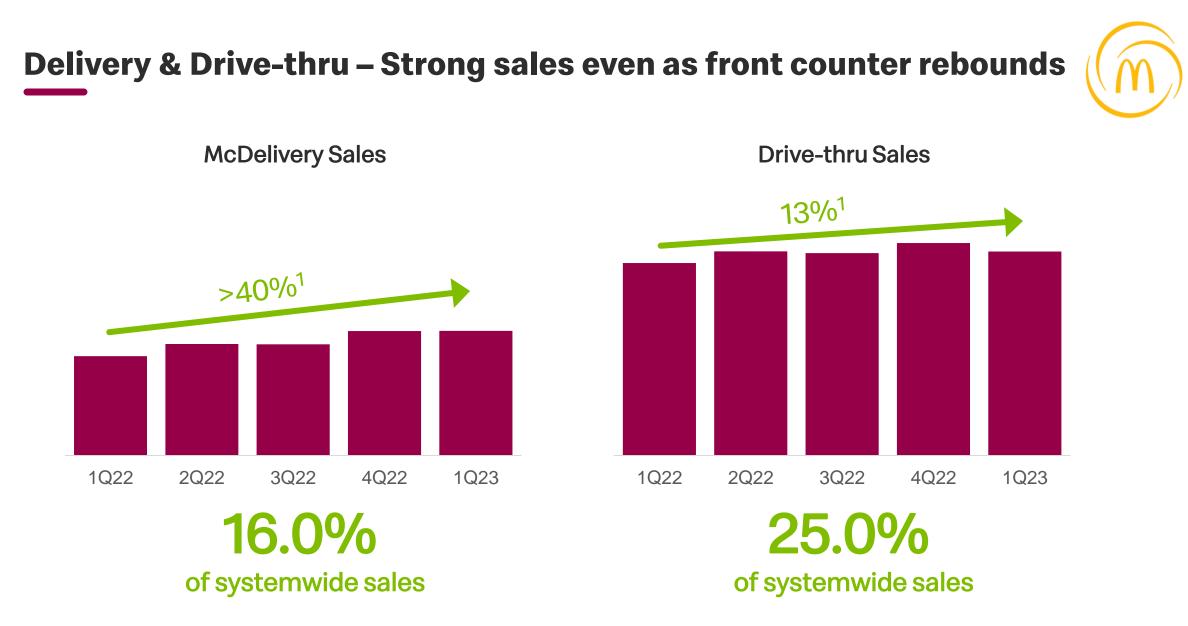
# Total Digital Sales<sup>1</sup> – Driving Consistent Topline Growth





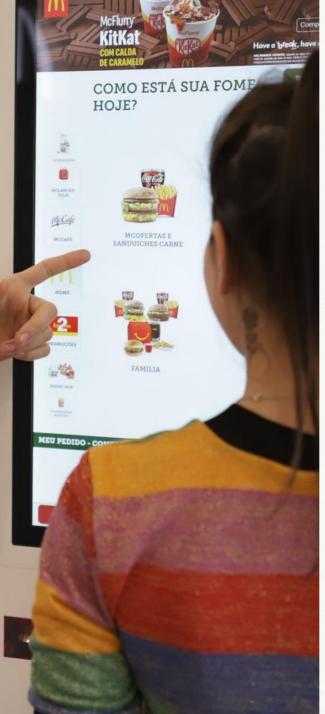
<sup>1</sup>Delivery, Mobile App and Self-order Kiosks (systemwide)

<sup>2</sup>Mobile App users who make an **app-initiated purchase** (any functionality) & **have opted-in to sharing their contact and other information** 









# Recent Results



Sustainable Topline Growth and Profitability

## First Quarter 2023 Key Highlights

Systemwide



1Q 2023 Total Revenue **\$990.8m** 

1Q 2023 Adj. EBITDA **\$100.5m** 10.1% margin

1Q 2023 Net Income

**\$37.4m** \$0.18 per share Comparable Sales +37.6% Digital Sales Contribution 47% 18% identifiable Restaurant

> Openings **8**

8 Freestanding

#### Systemwide Comparable Sales – 1.7x blended inflation

- Systemwide comparable sales growth was strong in all divisions.
- Visit Share<sup>1</sup> ~2.0 and 3.5x bigger than the 2 closest brands, respectively.

#### Three D's Strategy – Driving sales growth

- Digital sales<sup>2</sup> of US\$598 m, up 52%<sup>3</sup> versus the prior year quarter.
- Delivery sales topped \$200 m, with sustained growth in the quarter.
- Drive-thru sales rose 13%<sup>3</sup>, despite strong front counter sales growth.

#### Adjusted EBITDA – Strong US dollar growth with margin expansion

- 28% higher Adj. EBITDA in US dollars driven by higher sales.
- 20 bp margin expansion thanks to strong operating leverage.

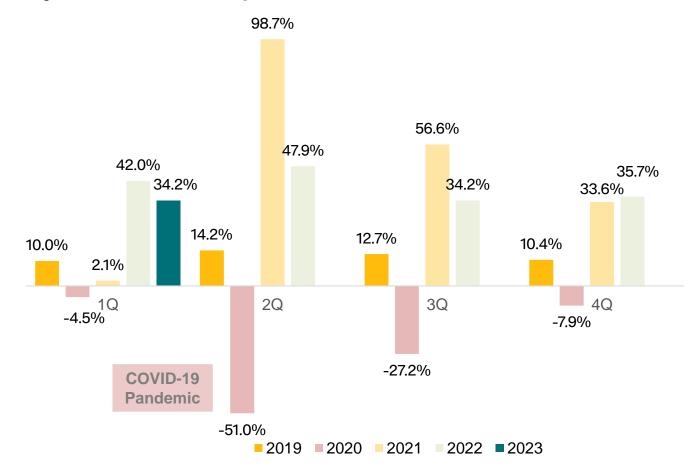
#### Development – Openings plan is on track

- Eight freestanding restaurants opened, with seven in Brazil.
- Expect openings to be higher in the 2<sup>nd</sup> half of 2023.

<sup>1</sup>Based on company research <sup>2</sup>Delivery, Mobile App and Self-order Kiosks (systemwide) <sup>3</sup>in constant currency

## Strong Systemwide Comparable Sales Growth, Rising Well-Above Inflation...

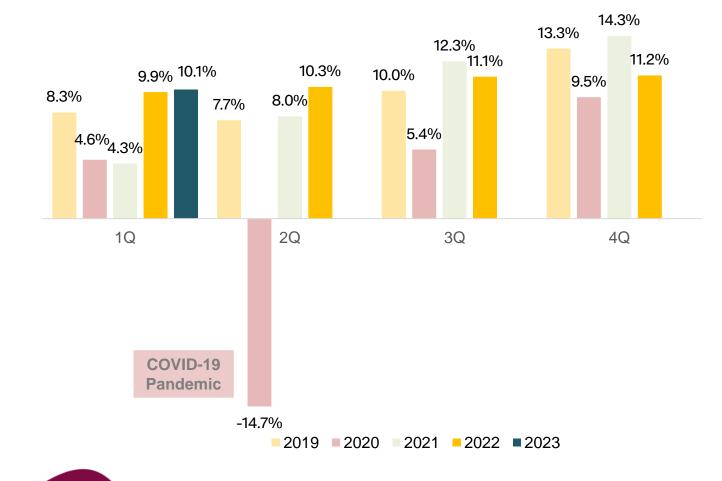
#### Systemwide Comparable Sales Growth<sup>1</sup>



- Sales rebounded strongly in 2021 and the trend continued until the 1Q23
- Sales growth above blended inflation across divisions in recent quarters
- Digital and Delivery sales remained sticky despite strong front counter sales growth
- Driving higher guest volume and building sustainable revenue growth

# ...Generating Significant Operating Leverage

#### Adjusted EBITDA Margin

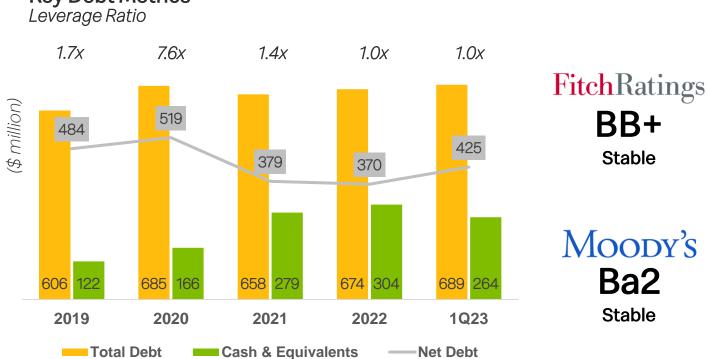




- Margin performance was strong in the 2H2021, and the momentum continued until 1Q23, with margins above prepandemic levels
- ✓ Volume-driven revenue growth outpaced inflation, generating operating leverage
- Disciplined G&A management also supported margin expansion

### **Strong Balance Sheet to Support Future Growth**





#### **Key Debt Metrics**



1) Total financial debt includes short-term debt, long-term debt, accrued interest payable and derivatives instruments

2) Net Debt = Total financial debt less cash & equivalents

3) Leverage ratio = Net financial debt / LTM adjusted EBITDA

**Cash Flow from Operating Activities** 

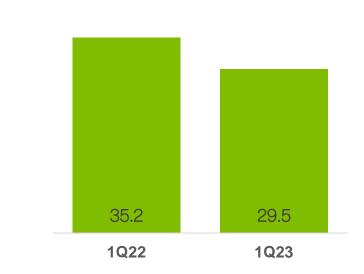
(\$ million)

BB+

Stable

Ba<sub>2</sub>

Stable



- ✓ Higher working capital usage in 1Q23 vs. the prior year due to increased growth.
- ✓ Cash conversion in the 10 reflects seasonality of Company cash flows.
- Healthy 1.0x Net Debt/Adjusted EBITDA.  $\checkmark$



# Background Information

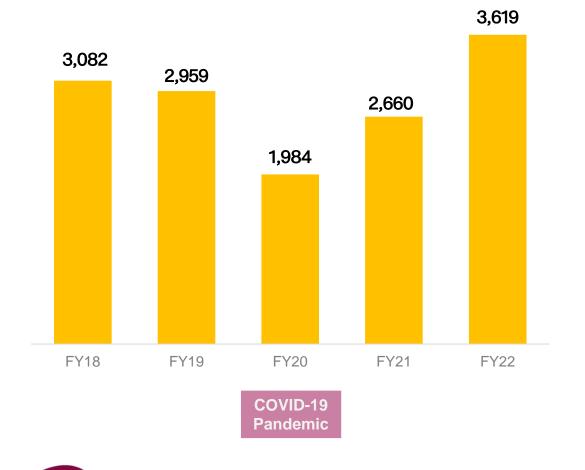


Debt Profile, Capital Markets & Management

### Sustainable Revenue Growth...



#### **Total Revenues (\$ million)**



#### ✓ Effective **Topline Growth Strategy**:

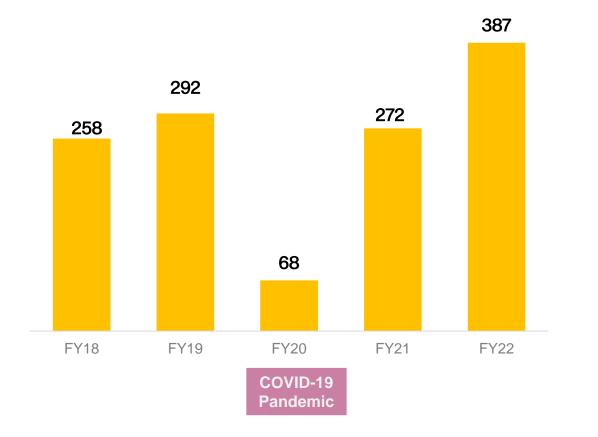
- Responsible menu pricing architecture, strengthening value for money perception
- Drive-thru, Delivery, Digital and Marketing Initiatives boosting sales growth:
  - Balanced sales channel & product mix, with higher average check
  - Targeted & segmented digital marketing driving higher guest frequency
- All-time highs brand trust metrics

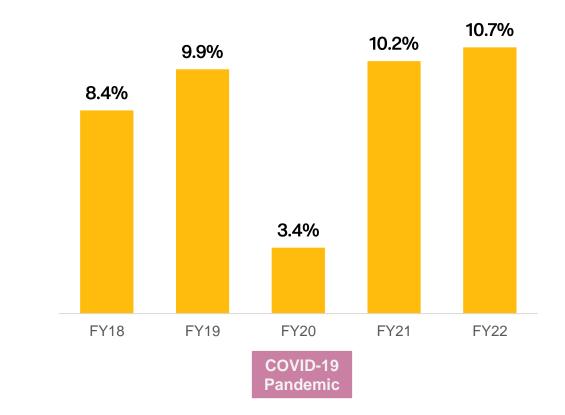
### ...generating consistently strong Profitability



#### **Adjusted EBITDA (\$ million)**

#### **Adjusted EBITDA Margin (%)**



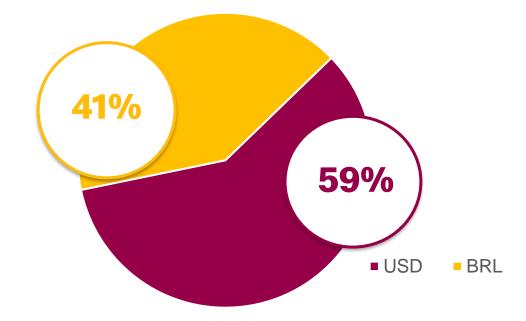


# **Strong Balance Sheet with No Material Short-Term Maturities**

as of March 31, 2023



#### Long-Term Debt Currency Exposure



#### Long-Term Debt

\$19.5 million	2023 Notes (Sept.)	6.625% Fixed
\$386.0 million	2027 Notes (April)	5.875% Fixed
\$350.0 million	2029 Notes (May)	6.125% Fixed

#### **Cash & Cash Equivalents**

\$264 million



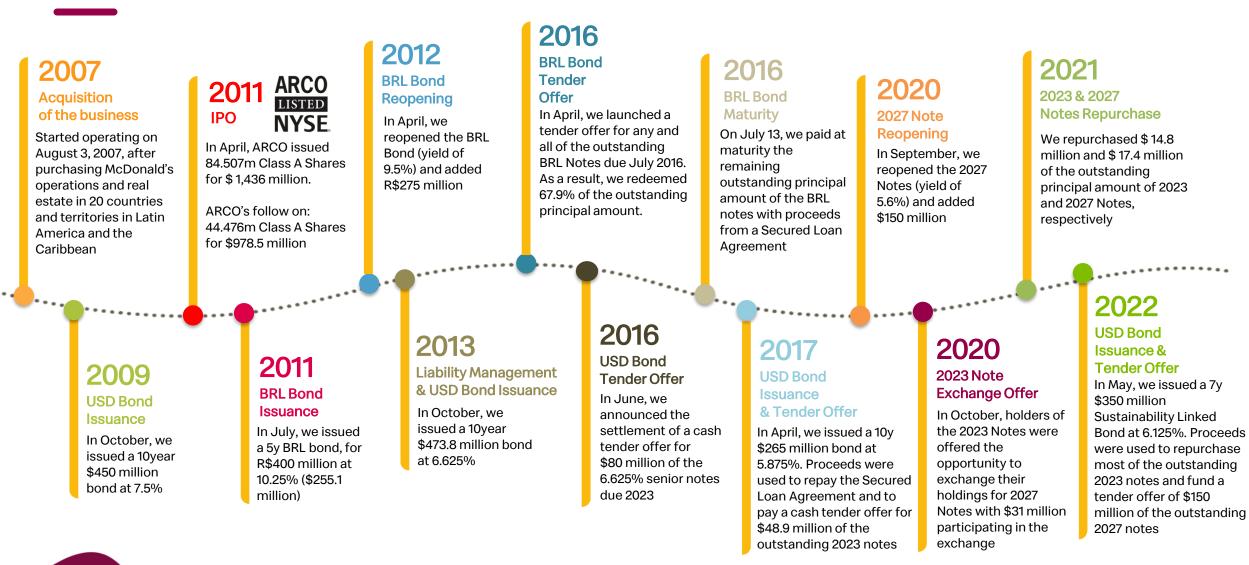
<sup>1</sup>Net Debt = Total financial debt less cash & cash equivalents. Total financial debt includes short-term debt, long-term debt, accrued interest payable and derivative instruments (including the asset portion of derivatives amounting to \$\$88.2 million and \$92.9 million as a reduction of financial debt as of March 31, 2023 and December 2022, respectively). Cash & cash equivalents includes short-term investments.

#### **Debt Ratings**



## **Arcos Dorados Holdings Inc. (NYSE: ARCO)**

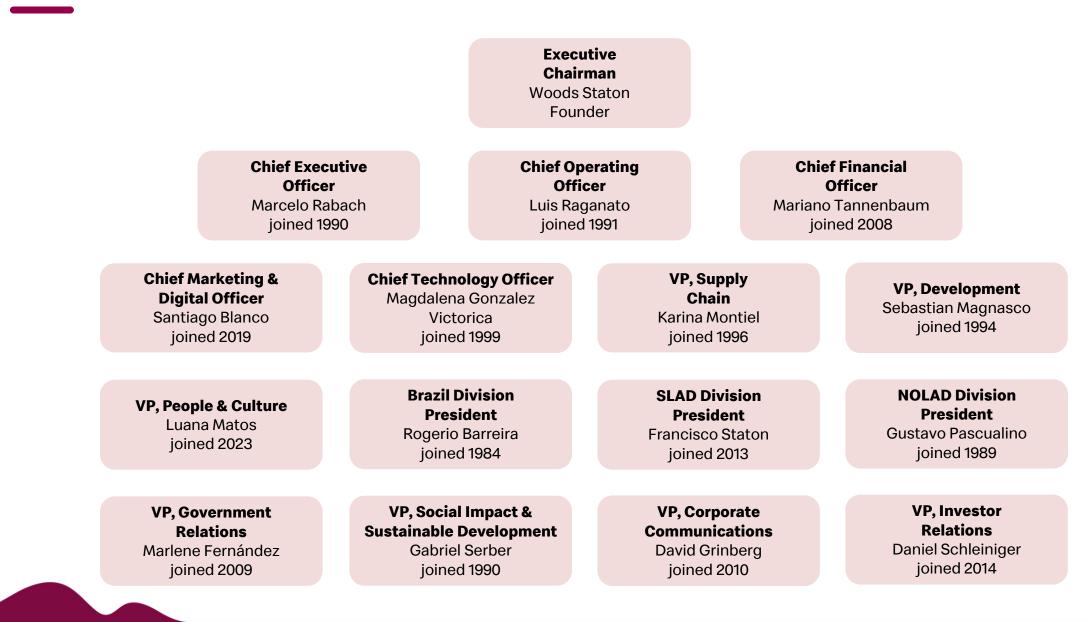
Successful history of accessing global capital markets



ARCO

LISTED

### **Experienced and Committed Management Team**



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# Thank you!

VICC

pedi, nosotros te lo llevamos

Ofertas Especiales