

Dan Schleiniger

Good morning everyone and thank you for joining our fourth quarter and full year 2022 earnings webcast. With us today are Marcelo Rabach, our Chief Executive Officer, Luis Raganato, our Chief Operating Officer, and Mariano Tannenbaum, our Chief Financial Officer.

Today's webcast, which is being recorded, will consist of prepared remarks from our leadership team, which will be accompanied by a slide presentation, also available in the Investor section of our website, www.arcosdorados.com/ir.

As a reminder, to better view the presentation on the webcast platform, please scroll over the upper left-hand part of the screen and click on the arrows to maximize the slides. After we conclude our opening remarks, we will answer your questions, which you can submit using the chat function on the left-hand side of the screen. You will need to minimize the slides to access the chat function.

Today's call will contain forward-looking statements and I refer you to the forward-looking statement section of our earnings release and recent filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

In addition to reporting financial results in accordance with Generally Accepted Accounting Principles, we report certain non-GAAP financial results. Investors are encouraged to review the reconciliation of these non-GAAP financial results, as compared with GAAP results, which can be found in the press release and audited financial statements filed today with the SEC on Form 6-K.

Our discussion today excludes the results of the Venezuelan operation both at the Consolidated level as well as for the SLAD Division. For your reference, we included a full income statement excluding Venezuela with today's earnings release. Marcelo, over to you.

Marcelo Rabach

Thank you, Dan. Good morning everyone and thank you for joining us today.

Today, we will take you through the best results in Arcos Dorados' history and remind you of the reasons we feel confident we can continue improving on these results in 2023 and beyond.

Let's start with the key highlights of the fourth quarter and full year 2022.

Fourth quarter Revenue and Adjusted EBITDA were the highest ever for a single quarter. Net income in the quarter was second only to the fourth quarter of 2017, which included significant non-operating income from our redevelopment program. More importantly, full year Adjusted EBITDA and Net Income reached new records in 2022, including our best ever EBITDA margin for a full year.

As you saw during the Investor Update event six weeks ago, systemwide comparable sales growth was very strong throughout 2022 and across all divisions. Restaurant volumes continued normalizing with all sales channels performing well. And our market share gains show McDonald's Brand sales delivered the strongest growth in the industry last year, by far.

The Three D's strategy set records with our highest ever sales in Digital, Delivery and Drive-thru, with much more growth still to come. We also delivered on our promised unit growth for the year, with 66 restaurants opened (including 40 in Brazil); 90% percent free-standing units.

We have the largest free-standing restaurant portfolio in the Latin American QSR industry, by a wide margin. We leverage this structural competitive advantage with the industry's most robust digital platform, taking an omnichannel approach to meet our guests' needs and preferences. This is why the McDonald's Brand is as strong as ever in our region and we were able to gain so much market share in all our main markets.

I fully expect these trends to continue for the foreseeable future. Luis, let's take a look at sales performance at the divisional level.

Luis Raganato

Thanks Marcelo and hello again everyone.

Systemwide comparable sales grew 1.9x blended inflation in the fourth quarter of 2022 and 2.4x blended inflation for the full year. In Brazil, comparable sales were up 3.6x inflation in the fourth quarter, with 52% percent coming from digital sales channels. This included 41% growth in the market's own channels of MOP and McDelivery.

As an example of the traction we are gaining in Digital, on Black Friday in Brazil, we achieved a record for digital sales in a single day, with the McDonald's app being the second most downloaded of all Apps in the country, not just in the restaurant industry.

Campaigns designed around McDonald's global sponsorship of the FIFA World Cup leveraged the Three D's and partnered with local celebrities and sports personalities to drive sales in the quarter as well.

In NOLAD, comparable sales grew at a rate of 3.1x blended inflation in the quarter. Menu innovation helped drive sales across the region, with the launch of World Cup themed sandwiches in Mexico, Panama and Costa Rica. In Mexico, the #McDonaldsMéxicoMeEncanta brand-building campaign partnered with Sergio "Checo" Pérez, the popular Mexican Formula 1 driver, with special activations during Mexico's Grand Prix in October, and Costa Rica strengthened the beef segment with the implementation of Best Burger, with sales growing 21% percent year-over-year, achieving the market's highest sales for a single quarter.

In SLAD, comparable sales rose 1.6x blended inflation in the quarter and most markets achieved their best scores ever for brand love and affinity. Digital sales grew an outstanding 55% percent versus the prior year period and achieved the highest digital penetration to date. Beef and chicken campaigns reinforced the value for money proposition as well as quality and taste perception. This included the launch of the "McCrispy Chicken" sandwiches in Colombia and Chile, and the FIFA World Cup sandwiches: "Selecciones McDonald's" in several SLAD markets. We also ran a special campaign for the World Cup champions in Argentina, where we are official digital sponsors of the country's national team.

The sales trends from the fourth quarter have carried into the first quarter of 2023 as well. In fact, January and February comparable sales were very strong, growing a combined 1.9x inflation with solid growth across all divisions. As we have seen for the last two years, off-premise channel growth remains very strong, especially Delivery.

And we are very happy with the acceleration of growth in on-premise sales, which is now ahead of our expectations.

This speaks to the essence of the McDonald's brand in Latin America and the Caribbean. We remain very much a family restaurant experience and guests still love coming into our restaurants for a visit! This is just one more growth lever we expect to help drive sales growth this year.

Mariano will now show you how this strong topline growth generated significant profitability growth in each division as well.

Mariano Tannenbaum

Thanks Luis, and good morning everyone.

The Arcos Dorados operation generated Adjusted EBITDA growth of 21.3% percent in the fourth quarter, on an apples-to-apples basis versus last year. For the year, Adjusted EBITDA growth was very strong, rising 41.8% percent in US dollars and almost 48% percent in constant currency, compared with 2021.

This is a testament to our strategic approach to generating topline, designed to drive sales through volume growth. As a result, we captured market share and maximized cash flow growth even as we faced our toughest-ever comparisons in the second half of 2022.

As expected, gross margin remained relatively flat for the full year with some Food and Paper cost pressure in the second half of the year. Payroll increased slightly versus the prior year, mainly due to the discontinuation of government subsidies in 2021, but Payroll should remain close to today's very productive levels. Additionally, this year we had the final step up in our royalty rate, which took effect on August 3rd.

The good news is that our sales growth far out-paced inflation, which helped generate significant operating leverage in our fixed costs both in the Occupancy and Other Operating line as well as in our G&A. As a result, we more than offset expense headwinds and reached our highest-ever, full year Adjusted EBITDA margin. Looking ahead, we are focused on continuing to deliver strong Adjusted EBITDA growth while maintaining healthy margins.

Profitability growth was strong across all divisions. Brazil's Adjusted EBITDA grew more than 19%, on an apples-to-apples basis. NOLAD's EBITDA grew almost 24%, also on a comparable basis. And SLAD's EBITDA was up double-digits when we exclude the royalty rate step-up from the fourth quarter 2022 result.

As Luis just mentioned, 2023 is off to a strong start and we are confident that our plans for the rest of the year will continue to unlock value in our business. Luis, back to you for the main highlights of our Investor Update.

Luis Raganato

The recording and presentation from our Investor Update are available for download from our website. I will now take you through one slide for each of the "D's" we covered during the event: Digital, Delivery, Drive-thru and Development.

By now it should be clear that Arcos Dorados has developed the most robust Digital Platform in the Latin American QSR industry. Digital sales grew 55% in the fourth

quarter versus the prior year period, reaching record penetration as a percentage of total sales.

We also made significant progress last year with identified sales. During the fourth quarter, 17% of sales were identified – meaning guests have shared their data and, importantly, given us permission to use their data. And the results are very compelling. When we are able to identify a sale, we use personalized insights and communication to drive higher average revenue per user by increasing both frequency and average check with those guests.

Sales in the second D, Delivery, have more than tripled since 2019. Even as on-premise sales channels normalized in 2022, Delivery growth remained incredibly strong. In fact, we had the highest ever Delivery sales total in the fourth quarter, which was up an impressive 52% versus the prior year quarter. While most of the QSR industry has seen Delivery sales remain relatively flat, the McDonald's brand has captured nearly all the growth in this sales channel, which led to significant market share gains relative to our main competitors in the region.

Trends in Drive-thru, the third D, reflect the structural competitive advantage of our free-standing restaurant portfolio. Sales in this channel are up about 50% since 2019 even though on-premise volume is on the rebound. But it's not just the sheer number of restaurants.

Guest experience is the main driver of frequency and sales growth. We made operational improvements over the last several years to speed up total experience times and reduce inaccuracy that took customer satisfaction to all-time highs. It's no surprise to see we have dominant drive-thru market share, where the McDonald's brand now accounts for more than half the entire drive-thru market in our region.

We mentioned one more "D" in our presentation: Development. The strong results of the last two years have also benefitted from having "Best-in-Class" tools, processes and teams managing our expansion. No other operator in the region has our knowledge and track record to investigate, acquire, develop and support new restaurant builds. Free-standing restaurant sales are up 16% per unit in US dollars since 2019 and the return on investment from openings over the last three years is higher than ever.

We operate in a highly underpenetrated region where consumer habits have changed and companies with multiple sales channels will benefit the most from this new normal. This is why we are so confident in the long-term potential of the McDonald's brand in our region.

Back to Mariano to tell you about how we are positioned to capture this potential.

Mariano Tannenbaum

Strong EBITDA growth last year translated into robust cash flow from operations as well. This will be the primary source of funding for our expansion and investment plans in the coming years. In addition, we have a very strong cash position to support expansion. So, we do not expect to increase gross debt in the near future. The net leverage ratio may increase modestly as we deploy some of the excess cash, but we expect it to remain well below our comfort range.

A couple of weeks ago we received the good news that Fitch upgraded our debt rating

to BB+, with a Stable Outlook, one notch below investment grade. As the basis for the upgrade, Fitch noted our strong operating performance and healthy debt profile. Importantly, they also mentioned our increased cash flow currency diversification and positive free cash flow outlook. In other words, Arcos Dorados is well positioned to navigate the challenging macroeconomic environment that Fitch recently noted is impacting other Latin American corporates.

We are moving quickly with disciplined capital deployment to capture profitable growth. Last year's openings exceeded guidance and we also accelerated the modernization of the existing portfolio, with more than 110 Experience of the Future remodels in 2022.

For 2023, total capital expenditures should be about \$350 million dollars. About 75 to 80% percent will go to Development capex directly related to our restaurants. The other 20 to 25% percent will be for Non-Development capex, mostly I.T. and Digital.

On the Development side, we expect to open 75 to 80 restaurants – again, more than 90% percent free-standing. We will modernize at least 250 existing restaurants to the EOTF format, with plans to exceed 90% percent of the portfolio by the end of 2027. We will also make the required maintenance capex investments in our base.

Non-development capex will help us introduce new Digital platforms and capabilities. Some of this will be customer-facing. We will also invest in upgrading existing digital, technological and other infrastructure in restaurants and offices.

Finally, as part of its ongoing commitment to provide shareholders with multiple sources of return, Arcos Dorados Board of Directors has approved a cash dividend of \$0.19 cents per share, to be paid in four installments at the end of each calendar quarter. The first three payments, in March, June and September, will be \$0.05 cents per share and the final payment, in December, will be \$0.04 cents per share. Marcelo, back to you.

Marcelo Rabach

Over the last few years, you have heard us talk a lot about our industry-leading ESG Platform, Recipe for the Future, and its six pillars.

We reviewed the platform six weeks ago during our Investor Update and I invite you to learn more about the program by visiting the Recipe for the Future website.

By the time we meet again, in the middle of May for our first quarter 2023 earnings webcast, we will have published our 2022 Social Commitment and Sustainable Development report. Once again, it will contain content audited by EY and will update you on our progress with the impactful programs and initiatives in the Recipe for the Future platform.

I will wrap-up with a few final thoughts on 2022 and our outlook for 2023.

Last year was a historic year for Arcos Dorados with outstanding financial results supported by sustainable, long-term business trends. And 2023 is off to a very strong start as well.

Guest habits have changed over the last two years and certain paradigms have shifted. I believe the competitive advantages we enjoy today will last for many years to come, including the largest free-standing restaurant portfolio in the industry, the best Digital platform in Latin America's QSR segment and the operational excellence of the World's

favorite QSR brand.

Guests reinforced these perceptions by choosing to visit us more often in 2022 as well. Last year we gained market share across all main markets with an average increase of more than 4 percentage points versus 2021. The McDonald's Brand has never been stronger in Latin America. In fact, last year we improved on 24 of the 25 brand attributes we track.

We are capturing today's potential with our Three D's strategy. While we seek to always be a destination for our guests, we have also adapted the business to meet guests on their own terms. The omnichannel approach has strengthened our competitive position by allowing guests to choose what, when, how and where to enjoy their McDonald's experience. This has allowed us to capture today's market potential like never before.

We will seize tomorrow's potential with the industry's "Best-in-Class" Development tools, processes and team. Latin America remains one of the most underpenetrated regions in the world for the QSR industry. And we firmly believe there is no other QSR company or brand positioned to grow as fast or as profitably in our region as Arcos Dorados and McDonald's for the foreseeable future. Thank you for your ongoing support.

Dan, over to you to start the Q&A session.

Dan Schleiniger

Thanks Marcelo. In order to get started, please minimize the presentation slides so that you can access the chat function on the left-hand side of the webcast platform. Please limit yourself to one or two questions so that I can read, understand and convey them to our speakers. We will now pause briefly to compile your questions.

Melissa Byun, Bank of America (via webcast)

How are sales performing in the 1Q to date across the markets? And are you seeing any change in underlying trends considering Omicron and Carnival impacts?

Marcelo Rabach

Good morning, everyone. Comparable sales growth in the first 2 months of this year of 2023 remained very strong. They grew almost 2x blended inflation for the Company. And it's important to notice that the growth remains strong across all 3 divisions, as it was the case in 2022.

So, based on our aggressive marketing plans and these recent trends, we are confident that we can deliver another year of comparable sales growth well above inflation in our markets, which will then generate the expected operational leverage.

Melissa Byun, Bank of America (via webcast)

Are there any initial indications or learnings from the My McDonald's Rewards pilot that you can share? And what's the timeline for the broader rollout of the program?

Luis Raganato

Thanks for the question. We are running today the pilot in Ribeirão Preto, in Brazil. The objective is to validate our assumptions and to get feedback from customers and operations.

And what I can share is that, even without a massive media launch, customers are joining the program, that is surpassing our expectations, and we are increasing our identified sales. And, as we introduce those new customers to the program, we see an increase in visit frequency because they are exposed to new functionalities. And as we said in the investor update, once we learn from this experience, we are going to be able to start the rollout.

Jeronimo de Guzman, INCA Investments (via webcast)

You mentioned food and paper costs in the 2H22. How are you seeing these pressures going into 2023? And considering this in the benefit you mentioned from the operational leverage, what's your expectation for margin expansion or contraction in 2023?

Mariano Tannenbaum

Thank you, Jeronimo, for the question. For the start of 2023, we are seeing a better input cost environment, and we believe we can capture other efficiencies as well in the business to maintain healthy margins.

And the idea and our plan in this respect are very clear. We remain focused on driving topline with sustainable volume growth. That's what we have done in 2022 and we plan to continue in 2023.

We already started with a very healthy sales trend, as we mentioned, in the first 2 months in all channels, and we are committed to deliver USD absolute EBITDA growth as we have done in 2022 as well, with a healthy margin profile and, of course, maintaining a disciplined cost and expense control.

Martin Zetzsche, Fundamenta Capital (via webcast)

How does growth look for 2023? Is the main driver store openings?

Marcelo Rabach

As it was the case in 2022, our plan is to continue building revenue through volume growth in the existing restaurant base, surpassing our system-wide comparable sales, not only inflation, but our competitors in the different markets, and that has been the case in 2022, and that's the base and the focus of our plan for this year 2023. Based on the first couple of months of the year, we are doing well against that plan.

And on top of that, we accelerated our base of investments both in terms of expansion. Last year, we opened 66 new restaurants, 90% of them freestanding units. For this year 2023, we are planning to open 75 to 80 new restaurants. So we are accelerating our pace of growth.

And on top of that, we are accelerating our modernization program, converting approximately 250 restaurants to the experience of the future format. So we are gaining traction, both from the existing restaurant base and, on top of that, with the new restaurant openings that we accelerated last year, and the same will be the case for this year.

Antonio Hernández, Barclays (via webcast)

Do you expect a tougher competition environment throughout the year?

Marcelo Rabach

We expect the same kind of environment we faced during 2022, particularly in the 2H, when we did not face any restrictions related with the pandemic. So, based on our research and some public information, QSR industry growth basically has been driven by McDonald's brand sales. So, the QSR sector in general is keeping the gains it got during the pandemic. In our case, we will continue to grow our market share.

It's important to mention that these improvements in terms of market share have been in all 3 divisions, within NOLAD and SLAD in all main markets. So our strategy continues to be built a good value proposition all across our menu. That's why our pricing increases have been very prudent, and I think that maximizes the addressable market and the brand experience and the brand preference. That has been the case in 2022, and we plan to sustain these efforts during 2023.

Jinjoo Hong, Auerbach Grayson (via webcast)

On new store openings, what's the typical payback period?

Mariano Tannenbaum

Thank you for the question. Typically, payback period is between 3 to 5 years. What we can mention as well is that the ROI on openings is right now at all-time highs, even all the channels and the sales that are related to the on-premise, but also to the off-premise sales and channels that we are improving. So, we are very happy with the returns we are seeing for the openings.

Jeronimo de Guzman, INCA Investments (via webcast)

Can you update us on the sales improvement we are seeing from restaurants after they have been modernized?

Luis Raganato

The sales lift of these modernizations is above the normal growth of the rest of the restaurants. The main impact here is that the front counter includes self-order kiosks, and what we are seeing today is that 60% to 90% of that volume is coming through the kiosks that generate higher average check. So, we are seeing not only better sales, but better profitability as well.

Just as a reminder, today, by the end of 2022, 45% of our footprint was EOTF.

Marcelo Rabach

Most of the restaurants have a mid-single to high single-digit sales lift after the modernization. So, based mainly in the increase in frequency and, as Luis mentioned before, the improvement in the average check when the orders are made through the digital kiosks.

Gabriel Axel, Athena Capital (via webcast)

Congratulations for the great year and thank you for the presentation. I would like to know what drove the net interest to a stronger result than last year, and what are your expectations?

Mariano Tannenbaum

Thanks, Gabriel, for the question. This year, in 2022, we benefited from a high cash balance that you can see in the balance sheet at the 31, December, but we have seen those figures throughout 2022, and favorable interest rate environment that drove interest income much higher than we were used to.

We also did the liability management on our debt, and for 2023, we expect to continue investing our excess cash. But as we deploy cash in our investments, we should see that interest income decreasing, as we invest in our CAPEX initiatives that we already mentioned.

Dan Schleiniger

Excellent. Thanks, Mariano. That actually brings us to the end of the Q&A session for today. Thanks, everyone, again, for the interest and for joining us today.

We look forward to speaking with you again in the middle of May on our 1Q23 earnings webcast. Until then, stay safe, and have a great day.

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