

Dan Schleiniger

Good morning everyone and thank you for joining our third quarter 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 unaudited 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 this morning. Today, Luis, Mariano and I will take you through the key highlights of our consolidated and divisional results for the third quarter of 2022. Mariano will also cover our balance sheet and growth metrics. And Luis will provide an update on the Three D's strategy of Digital, Delivery and Drive-thru, that has been driving the strongest operating and financial results in our history. I will wrap-up with the Recipe for the Future and some final thoughts on 2022 and beyond.

In our discussion of third quarter results, you will see that we were able to maintain the strong trends of the last several quarters and build, on what we told you, was a better-than-expected month of July. This means business momentum was very strong as we headed into the year's most important quarter and as we finalize our plans for next year as well.

Total revenue in the third quarter reached \$916 million dollars. Comparable sales grew more than 34% versus the prior year, boosted by higher guest volumes and market share gains throughout the Arcos Dorados footprint.

We leveraged our structural, competitive advantages with a continued focus on our winning Three D's Strategy. Digital sales contributed 42% of the quarter's systemwide sales, reaching almost \$500 million dollars. This new three-month record included all-time highs in Mobile App, Self-order Kiosk and Mobile Order and Pay sales.

Delivery and Drive-thru sales grew 34% and 11% in constant currency, respectively. These increases came from gains in both guest volume and average check and far outperformed many other restaurant chains, even as on-premise sales continued normalizing. We have been able to sustain growth in these channels thanks to the structural competitive advantage offered by our free-standing restaurant portfolio and disciplined operational EXECUTION. Luis will take a closer look at these results in a few minutes.

Although we were facing a comparison with last year's record third quarter result, Adjusted EBITDA in US dollars rose another 15.0% this year. By focusing on sustainable sales growth, we generated operating leverage to help offset some of the headwinds we knew we would face in the quarter. Last year's reported result was helped by a tax credit in Brazil as well as government payroll support programs in SLAD. This year, Food & Paper costs remain elevated, and we also had the final step-up in our royalty rate.

Despite all these factors, EBITDA margin remained solidly in double-digits and net income almost doubled versus last year.

Now, let's dig into the results by Division, starting with Luis who will run us through Divisional sales performance.

Luis Raganato

Thanks Marcelo.

Comparable sales growth remained strong in the third quarter, increasing at a rate of about 2.0 times blended inflation for the period. This is about execution. Here we say that "It's not real unless it's real in the restaurants." We attract guests through marketing and digital initiatives, but guests keep coming back because they have a great experience each time they interact with the McDonald's Brand. It doesn't matter if it's a physical visit or a Digital interaction, their experience must be great!

Brazil's comparable sales rose 21.8% in the quarter, about 2.5 times inflation in the period. Digital sales penetration rate in Brazil is the highest of all Arcos markets, generating 52% of systemwide sales in the quarter. As Marcelo already mentioned, off-premise sales growth was strong in the quarter even as on-premise sales normalized. This sustained the recent trend of industry-leading market share gains as QSR took additional share from informal players in the country's restaurant industry.

Brazil's marketing activities in the quarter focused on programs and investments designed to reinforce the Brand's core strengths. For example, leveraging its cultural relevance by partnering with Thiaguinho, one of Brazil's hottest pop artists, for the latest installment of the successful "Famous Orders" campaign. To drive further digital adoption, we invested in a 360-degree campaign to promote the Mobile Order and Pay feature of the App. This omnichannel approach to the Digital strategy is strengthening Brand perception related to convenience and generating significant sales growth in this channel.

After the quarter ended, we shifted gears in Brazil to leverage the McDonald's global sponsorship of the FIFA World Cup. We introduced a highly anticipated line-up of eight sandwiches. Each day of the week features a specific country-themed sandwich, including Argentina, France, Germany and Mexico. The McBrazil, which was available every day, has already sold out. Clearly the campaign has been a resounding success and we just had our best-ever month of October in terms of sales.

NOLAD's topline continued to be driven by Mexico, Costa Rica and the French West Indies. Comparable sales grew at 2.6x the division's blended inflation rate in the quarter, leading to additional market share gains in all main markets.

Marketing in NOLAD featured menu innovations such as the introduction of the "Ultra-Hyper-Mega Tasty" campaign that leverages the Signature Beef and McCrispy Chicken platforms in Mexico. Costa Rica became the first market in the Arcos Dorados footprint to launch Best Burger. This ambitious, global project provides an enhanced flavor profile and improved quality perception among guests, which is already showing strong results.

Digital sales in NOLAD grew around 200% versus the prior year quarter, aided by the continuous improvements in each market's Mobile App functionality, including Mobile Order and Pay, as well as greater marketing investments to promote the Digital platform.

NOLAD also launched localized World Cup sandwich campaigns in all markets within the last three to four weeks, with excellent results so far.

SLAD's comparable sales growth reflected strong topline performance in all its main markets, rising at 1.8 times blended inflation in the period. This sales growth helped McDonald's brand market share expand in the Division, driven by higher guest traffic both on and off-premise. Digital sales penetration also rose in the period, with 43% of SLAD's third quarter sales coming from Digital channels – all of which grew sequentially versus the prior quarter.

Marketing in SLAD continued building brand love with Generation Z guests thanks to a "Famous Orders" campaign with the popular Latin artist Sebastián Yatra. During the quarter we introduced the McCrispy Chicken sandwich to the menu in Colombia and Chile where it received strong guest response. We also had great news in the dessert business with the launch of the McFlurry Chocoramo in Colombia. This locally relevant product generated guest excitement and drove unit sales to the highest level ever in that country.

As in Brazil and NOLAD, fourth quarter marketing in SLAD is now focused on the FIFA World Cup. Linking one of the region's most culturally important sporting events with the McDonald's Brand provides us with an exclusive opportunity to connect with guests and drive sales leading into the month-long tournament.

Over to Mariano for a look at how strong revenue growth drove record profitability.

Mariano Tannenbaum

Thanks Luis. As you have already heard, today we are reporting another quarter of strong Adjusted EBITDA growth and the performance remains broad-based, with all

three divisions generating solid profitability in the quarter.

Starting with consolidated EBITDA margin, we improved Occupancy and Other operating expenses thanks to well-above-inflation sales growth. Payroll expenses were only higher versus 2021 because of the government support programs that helped last year's result. Excluding the support from last year's number, Payroll expenses were lower this year and are solidly below 20% of company-operated sales.

As we told you to expect on our last couple of calls, we experienced gross margin pressure in the third quarter. Brazil's gross margin improved, but this was offset by higher Food & Paper costs in the other two divisions, especially in NOLAD. We continue to expect full year 2022 Food & Paper costs to be about equal to full year 2021, as a percentage of sales.

Finally, G&A expenses remained relatively flat in margin terms.

Turning to the divisions and starting with Brazil, EBITDA grew more than 20% in constant currency, even though last year's result included a non-recurring tax credit. Healthy revenue growth generated an improvement in gross margin and operating leverage in restaurant expenses, that more than off-set the final-step up in the royalty rate.

In NOLAD, EBITDA margin remained at nearly double digits, as strong revenue growth generated operating leverage to partially offset a tougher cost environment and the final step-up in the royalty rate. Results were also negatively impacted by Hurricane Fiona, that hit Puerto Rico in September. Importantly, however, EBITDA in US dollars still grew versus last year.

SLAD's revenue growth successfully generated operating leverage in the quarter, offsetting some cost pressures to expand EBITDA margin and deliver strong US dollar EBITDA growth.

Our strategic focus remains squarely on long-term, profitable growth. We expect to sustain comparable sales growth at or above inflation, which can generate additional operating efficiencies. With that outlook, we expect to accelerate restaurant openings moving forward.

Cash generated from operations exceeded \$235 million dollars in the first nine months of this year. With a stable numerator and improved denominator, net leverage was just One "X" as of September 30, 2022. Additionally, the average maturity of our debt is now at around 6 years, 2 more than at the end of the first quarter of 2022. We are using this privileged financial position to our advantage today and will use it to support our future growth plans as well.

Through the first nine months of 2022, we opened 45 restaurants, including 40 free-standing units. In Brazil, we opened 30 new restaurants, of which 27 are free-standing units. We also continued strengthening the industry's best Digital platform by investing in the development of new capabilities and rolling-out existing features to additional markets.

I am pleased to tell you that, as of today, we have already opened the 55 restaurants we guided to for the full year. And we are on track to open another 10 additional restaurants before the end of the year. Around 90% of all openings continue to be free-

standing locations, which are generating above-average returns thanks to high sales per unit and efficient operations.

Looking ahead, we expect to accelerate our pace of growth. The Development team has increased the size of the already-robust pipeline for the next several years. And recent openings are proving that there is still a lot of growth potential for the McDonald's Brand in our region. It has become very clear that penetration generates demand, and we are working to ensure that we capture that demand with the best return possible for shareholders.

We plan to tell you more about this in early February of 2023 when we expect to hold an in-person Investor Day in São Paulo, Brazil. As we have done for the last couple of years, we expect to provide you with a preview of fourth quarter 2022 results as well as our growth outlook for 2023 and beyond. The IR team will be sending out a Save the Date in the coming days.

Back to Luis for a closer look at the Three D's: Digital, Delivery and Drive-thru.

Luis Raganato

Digital now accounts for 42% of total sales. And it's not just Delivery driving growth in Digital. In the third quarter, we also set new records in: (i) Self-order kiosk sales, which were available in more than 900 EOTF restaurants; (ii) Mobile Order and Pay sales, supported by enhanced functionality and a roll-out to a growing number of markets, and (iii) sales generated through the Mobile App, which has been downloaded almost 80 million times, and is the main digital communication platform with guests.

In the third quarter, identified sales grew by 67% versus the prior year. As a result, 17% of total sales were identified, including 21% in Brazil. These are sales from guests who have opted-in to allow their data to be used in our marketing activities, which enables us to enhance their McDonald's experience and maximize profitability.

This is all part of the omnichannel approach we started telling you about in 2019. Guests today have never had so many choices in how they interact with us. Ease of use drives higher frequency, which explains the increasingly higher revenue per guest within the Arcos Dorados Digital ecosystem.

Among the newest functionalities is a WhatsApp bot that takes Delivery orders in Colombia and Mexico. The bot is fully integrated with our kitchens, helping guarantee speed and accuracy. We plan a roll out to more markets in the coming months to capture the potential of a much larger addressable market since WhatsApp is widely used in Latin America.

On the logistics side, Own Delivery is operating in almost 600 restaurants in 6 countries. Solutions include restaurant crew members delivering orders over very short distances and third-party last-mile operators executing the delivery. This will help us further develop and monetize this new consumption occasion in our markets.

The unmatched physical presence of free-standing restaurants in the Arcos Dorados footprint has undoubtedly been the foundation of the last five consecutive record quarters. But it should also be a testament to the significant competitive advantage we have with our Digital ecosystem. The junction of these two platforms into a seamless, "Phygital" experience is fueling our market share leadership.

Using Brazil as a proxy, there has been a permanent shift in guest volume to off-premise channels. Meanwhile, on-premise traffic has improved steadily since 2020, which contributed to a moderation in Drive-thru traffic growth this year, McDelivery volume and total sales are both up this year, driving 29% sales growth in Brazil, despite a relatively flat industry trend.

Our strategy to drive revenue through volume growth is clearly reflected in the quarter's visit share metrics. Total visit share increased by 3.1 percentage points, versus the prior year quarter, while Delivery visit share rose by 4 percentage points. Even with the results we are generating, there are still so many opportunities to improve operational performance, and that's why I am excited about what is yet to come.

Marcelo, back to you.

Marcelo Rabach

As you know by now, we have a robust ESG platform we call Recipe for the Future. This is such an important part of our overall strategy that 10% of the variable compensation for every bonus-eligible employee is tied to ESG metrics. Our financing strategy is also linked to certain ESG objectives. And we are the only QSR operator in the world to publish an annual ESG report that includes audited content.

We are on a journey to increase the use of renewable energy sources, which jumped from 4% in 2020, to 12% in 2021 and at least 50% by 2025. This year, we have signed new renewable energy deals, including with EDP in Brazil and Vatia in Colombia. These agreements are expected to bring millions of dollars in renewable energy infrastructure investments by our partners. In addition to supporting the development of these critical alternatives to fossil fuels, the restaurants they supply will have reduced energy costs.

The latest deal with Vatia in Colombia involves installing solar panels on the rooves of several restaurants. They are also installing elevated solar panels in the parking lots that will generate energy for the restaurants while also providing shade for guest vehicles.

Our commitments are not just about reducing carbon emissions, however. We are also leveraging the nature of our business to support Youth Opportunity in the region. The 65 restaurants we intend to open this year will generate 3 thousand to 35 hundred new formal job opportunities for young people. They will receive training and practical experience with everything from food safety, teamwork and process to customer service, leadership skills and sustainability.

Generating jobs is not good enough if the work environment is not attractive. This is why we are proud of how our workplace has been recognized by others throughout 2022. In the last few months, we were honored again with Great Place to Work ranking us 8th among 150 large companies in Brazil and 1st in Ecuador as a Great Place to Work for women.

Among the benefits of our work environment is the training employees received at Hamburger University in São Paulo. Over the last two years, HU has also developed a series of certificate-level courses that are available for free to anyone who wants to enroll, not just employees.

Finally, each year we choose one day to raise donations through the sale of Big Macs

in several markets. Proceeds from these sales are then used to support local NGO partners associated with two important Recipe for the Future pillars: Youth Opportunity and Commitment to Families.

Thanks to the generosity of our guests, I am proud to tell you that we ran the most successful campaign in our history this year, raising record donations to support these worthy causes.

Before we open the call for Q&A, I will wrap-up with a few final thoughts on the third quarter and the record sequence of results we are delivering to create shareholder value. I have no doubt that execution at the restaurant level is the main reason McDonald's Brand strength has never been higher in Latin America. Guest experience each and every day is key to driving long-term, sustainable revenue growth. That then generates opportunities to capture operational efficiencies and dilute fixed costs to enhance profitability.

Prudent capital structure management and data-driven investment decisions complete the picture of profitable growth all the way down to the bottom line. Unlike the Big Mac's special sauce, this recipe is not a secret. But, to do it well, requires an incredible amount of work, discipline and dedication from everyone involved. So I would like to take this moment to congratulate and thank all our employees, suppliers and franchisees for their contributions to our shared success in Latin America and the Caribbean.

When the year began, we told you that we estimated growth potential of about 1,000 additional McDonald's restaurants over the next 10 years in our footprint. With higher sales per unit and above average ROI in recent openings, I now believe we may have underestimated that potential. The pipeline for the next few years is already clear to us and we expect to accelerate unit growth moving forward.

Looking ahead, we will also leverage our growth accelerators to consolidate our leadership position in an underpenetrated region that still presents significant, untapped growth potential.

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.

Thiago Bortoluci, Goldman Sachs

Congrats on the results. My first question is on underlying operating performance. How should we think about the net impact from the World Cup to volumes in Brazil?

Marcelo Rabach

Thank you. Good morning Thiago, we have taken steps to minimize as much as possible any sales impact during World Cup games. Most importantly, we have developed multiple initiatives to maximize sales leading up to the tournament. All of this will keep

our 4Q performance very strong versus last year. In fact, we had the best ever month of October, both in terms of sales and profitability and sales in the first half of November have also been very strong.

So, I have been around for more than 30 years in the business, so I know and history demonstrates that our guests enjoy watching the games with family and friends at home. In many Latin American countries, all activity almost stops during a national team game. If you go to the details for this coming World Cup, and we did that country by country to take the best decision and to have a specific plan for every day in every country, if you take a look, 75% of the games will happen in the first two weeks at the group stage part of the tournament. In those two weeks, there are only two Arcos' markets, which are Argentina and Mexico, that have games on weekends. That's very good news for us because most of the games will be on weekdays.

Since the last World Cup, we have made a lot of progress and improvements. We have developed new capabilities that for sure will enable us to capitalize on our sponsorship of the event. Four years ago, for example, delivery only accounted for 2% of sales, today it is 15% of sales. We have very strong partnerships with 3POs, which will allow us to capture business before, during and after the games through the delivery segment. Four years ago, on top of that, our digital platform and our digital penetration was much lower, it was less than 10%, today it's more than 40%.

This platform will allow us to engage at scale with guests again before, during and especially after the matches when we expect to see a significant uptick in sales. You have to remember that unlike many other players who are over-indexed to malls, our large freestanding restaurant portfolio positions Arcos Dorados and the McDonald's brand to capitalize on post-match activities. So, this will be key in these coming weeks.

Overall, it will be a lot of teamwork between operations, marketing, digital, and all the team in the Company that will be making the difference in a positive way during this global event. I think that all these efforts and all this work will allow us to have a very strong 4Q to close a record year in terms of sales and profitability, and to close the year on a high note, building momentum on to the beginning of 2023.

Thiago Bortoluci, Goldman Sachs

To the extent that you can comment, how are the discussions around the renewal of the MFA agreement with McDonald's evolving?

Marcelo Rabach

Let me begin remembering that the MFA is a 20-year contract that started on August 3, 2007, and goes through August 2, 2027, with a renewal option of 10 additional years. Pursuant to the MFA, we have already indicated to McDonald's that we would like to renew the agreement and McDonald's will determine whether to grant us the option to renew by August 2024.

If McDonald's grants us the option, then we will amend the MFA to reflect any changes to the current terms of the agreement. We have already engaged in conversations with McDonald's related to this topic and to the extension of the MFA term and expect to have this process concluded by August of 2024 as it is stipulated in the MFA. Any announcements related to this topic will be made as appropriate in coming months.

Marcella Recchia, Credit Suisse

Congratulations on the results and thank you for taking my questions. What are the main regions in Brazil that management still sees opportunities for new openings?

Luis Raganato

Marcella, good morning. We still see opportunities of growth in all the Brazilian region. We have recent openings in São Paulo with excellent results, but we see great options of openings all across the country.

Marcella Recchia

Could you elaborate more about the market share gains across all divisions? Is it driven more by market consolidation or are you gaining market share from any specific player?

Luis Raganato

The QSR is expanding its share of the total informal in our industry. Within QSR, the McDonald's brand is gaining share in all three divisions, not just Brazil. Let me give you, please, numbers to a better understanding.

Our visit share rose across the region in the 3Q, up 3.1 p.p. In Brazil, according to our research, visit share increased by 1.8 p.p. with an increase in the gap to the nearest competitor. This gap rose from 16.8 to 20 p.p. In SLAD, visit share gained 4.6 p.p. and almost double the gap versus the main competitor from 7 to 14.9 p.p. In NOLAD, visit share increased 1.6 p.p., increasing the gap versus the main competitor by five p.p. came from 2.5 to 7.5 p.p.

I would say that it's important to say that the revenue growth was driven mostly by higher restaurant volume with modest price increases and, of course, with a restaurant experience that is valued by our guests.

Robert Ford, Bank of America

Congratulations on the quarter. Can you comment on your food and paper costs and expectations going into next year?

Ulises Argote, JPMorgan

Congrats on the amazing results. what is the cost outlook? How should we think about sequential evolution of costs into the last part of the year and early 2023?

Mariano Tannenbaum

Thank you, Bob and Ulises for the questions. First, on the gross margin side, what we are seeing, and we have been saying, is that this year, we are expecting gross margin on food and paper costs to be about the same as last year as a percentage of sales.

Keep in mind that in terms of paying profit, our gross margin increased this year by US\$120 million compared with last year. So, that's really relevant for us. In terms of expectations on gross margin for next year, what we are seeing is that we see an

opportunity there. We are going to follow and continue with a prudent pricing architecture. We are not going to increase prices well above inflation. We think that this strategy has yielded incredible results for us so far. We will continue with digital investments and trying to identify a higher portion of our sales, and we are convinced that, that will improve our product mix and improve in that way, the gross margin. Finally, we are also expecting a reduction in cost pressures.

We are seeing in many of our markets at this acceleration of inflation pressures. There, we also see that we have an opportunity. So, that's so far about gross margin this year and what we are expecting for next year.

In terms of overall costs, and that was part of Ulises' question. We continue to expect full year EBITDA margin from 2019 that was, remember, around 10% and 2021, that was around 10.4%, to be the base of which we will expand margins in the medium to long term.

As we already mentioned, we think that continuing increasing sales above inflation will give us leverage on all fixed costs that we have at the restaurant level and also with our G&A structure.

Payroll expenses, for example, are now well below 20%. We think this new model where we have delivery growing and drive-through also growing are giving us benefit on that line. Occupancy and other expenses that have a high portion of fixed costs also, we are obtaining leverage there. We also expect to obtain leverage on the G&A and the fixed part of our G&A as we continue to focus on increasing sales. So, that's the outlook for the overall cost and EBITDA margin for next year.

Robert Ford, Bank of America

On the increase in the 10-year growth plan, which I think is more of a potential than a plan at this point, can you comment on CAPEX and unit growth for 2023 and 2024 as well as future periods to whatever extent we have some definition, he asked what are we thinking about in terms of models, the split between corporate and franchisee and kind of the overall market holding capacity?

Ulises Argote, JPMorgan

In the release, you mentioned 1,000 restaurant opening opportunity, and we described it at the start of the year, and now it seems conservative. Can you elaborate more on the markets where you are seeing the larger opportunity? What could this imply in potential number of additional stores?

Mariano Tannenbaum

I will try to summarize all the questions in one answer. When we provided the guidance of the current 3-year growth cycle, we said we would open at least 200 restaurants in this period and that around 90% of those would be freestanding units. We also mentioned that we will modernize at least 400 restaurants to the EOTF format. We are not planning to change or to revise that guidance at this point.

We are going to have this Investor Day that I mentioned in the beginning of next year, and we will give more information there. Even though we are not planning to revise this

guidance, we said at least for both items. Again, we will give you more information for this 3-year period cycle in the investor update that we will hold in 2023. Now, going to the outlook looking forward and to the 1,000 restaurants that we mentioned that we have the potential to open in the next 10 years. When we reorganized the Company into three divisions instead of 4, that was in October of last year, we mentioned that we will reallocate our G&A to reinforce the team that will help drive future growth. There, we have advanced and all the digital capabilities, but also the development team. That's what we have been doing so far.

This year, at the beginning of the year, we gave guidance for 55 restaurants, we are going to open about 65. With the modernization, it was the same case. We announced 75 modernizations and this year, we are going to end about 100 EOTF modernizations.

We mentioned that the potential openings for McDonald's restaurants to be about 1,000 new locations over the next 10 years. Based on the performance that we have seen on the recent openings, more sales per unit, all the segments growing without compensation among them, higher than average ROI. We now believe that these 1,000 new restaurants are on the low end of that range. We are not going to revise at this point, again, this 1,000, but we think now that to be those 1,000 restaurants to be the base.

Regarding both questions, how many units the market can sustain? Well, again, for us, it's now at least 1,000 McDonald's units. We think that the QSR segment is highly unpenetrated in Latin America.

We believe that around 60% of those could be placed or opened in Brazil and that we have several opportunities in many of our other markets that also are showing very, very good results, such as Chile, Costa Rica, Panama, French West Indies, several others. Mexico as well. But being, of course, 90% of those freestanding units.

Marcelo Rabach

Let me add just some color in terms of the mix between company-operated and sub-franchise restaurants, I do not see that mix changing materially going forward. So, we should keep more or less the same mix that we have today. I think that with that, we cover all the different parts that the two questions have coming from Ulises and Bob.

Ulises Argote, JPMorgan

Leverage is now at 1x. How does this fit in the strategy and what are your plans going forward? Can we expect, for example, a step-up in the dividend?

Mariano Tannenbaum

Thanks Ulises for the second part of the question. At this point, we feel very comfortable with our capital structure. We have high cash balance, we have lower leverage, and for us, it's a nice problem to have. Two years ago, we could not have imagined being in this position. The good news is that all options are on the table. I just walked you through the CAPEX opportunities that we have and of course, that will mean a deployment of cash.

Our priority is always investing in the business, of course. As I already mentioned, we have accelerated openings, adding 10 additional openings for 2022, and we will have the investor update for guidance of 2023 and 2024. We will continue with modernizations and we are planning to do all this without issuing new debt for next year. We will fund

the investment plan using our own cash plus the operating cash flow that, of course, we are planning to generate during next year.

Regarding dividends, in 2022, we resumed the cash dividend payment with a US\$0.15 per share dividend. We already paid three of them. We are going to pay the fourth installment at the end of December. Looking forward, we do not have a dividend policy, but our Board of Directors makes a decision on dividend distributions at the beginning of each year.

So, we will communicate their decision with respect to a 2023 dividend if and when it is approved by the Board. So, I think that covers that last part of the question.

Antonio Hernandez, Barclays

Good morning, are we seeing any type of deceleration or underperformance in recent weeks in any of your different types of restaurants?

Marcelo Rabach

Thank you, Antonio, for the question. No, as I mentioned before, the 4Q started really very strong. It's important to note that we are the only player that have the exclusive rights to use the FIFA World Cup in our marketing activities, and that's thanks to McDonald's global sponsorship of the event.

This is the most important sporting event in Latin America by far. Among many marketing activities we designed related with World Cup, were the World Cup sandwiches that we introduced early in October. In all our markets, in the past, we executed with high success this initiative only in Brazil. This time, we brought this idea and this initiative to the whole company with incredible success. So, behind October and the first two weeks of November, sales results has the positive impact of this initiative.

On top of that, we have also signed local sponsorships, very important ones. For example, with Tite, Brazil's head coach, and with the soccer federations of Argentina and Uruguay. So those agreements are bringing more and more activities that are being executed in the markets related with the World Cup and leveraging this asset in our restaurants.

As we mentioned before, it's important to mention that all three divisions are performing extremely well. McDonald's brand preference has strengthened over the last few years, which demonstrates in our opinion, that visit McDonald's remains an aspirational experience for our guests. Our plan is to continue building revenue through volume growth in order to drive profitability by generating operating leverage.

João Andrade, Bradesco

How is the smaller size footprint deployment going? How has it been performing with respect to the 3D's? He congratulates us on the very strong results.

Marcelo Rabach

Thank you João, for the question. We continue to look for spaces where we can offer the full McDonald's experience. That's why our recent openings are around 90% freestanding units, and that's the preferred format going forward. In some cases, there

are some constraints, especially in big cities like São Paulo, for example. Sometimes, the size of the lot is below the ideal that we need to build a full restaurant. So, in those cases, we introduced this optimized layout in order to be able to offer the best possible experience in a reduced space.

For example, the restaurant that we opened with this format in Avenida Ibirapuera in São Paulo is doing extremely well in sales, profitability, and it's operating in a very high note, the two off-premise segments, drive-thru and delivery. So, this is, again, an alternative that we can use when we have some constraints in terms of space, but we are still looking for the full restaurant, which is the best experience that we can offer to our customers.

Daniel Schleiniger

Great Marcelo, I know you have some final thoughts for us, but that's the end of the Q&A session. Once again, back to you, Marcelo.

Marcelo Rabach

Thank you very much, Dan. Yes, before we end the communication, I would like to thank everyone for joining us in today's call. I think that it is worth putting this quarter's results into historical context. We have clearly turned the page with respect to the prepandemic performance since the industry itself has undergone structural changes in how we build revenue and how we drive profitability.

As we have mentioned several times, we came out of the pandemic with some of our strongest ever brand metrics, with unstructured competitive advantages, and all of these have consolidated our leadership in the industry.

A testament to this superior position is the results we generated in the 3Q22 when compared with the 3Q19. Revenues and EBITDA in the quarter are up 22% and 35% in USD, respectively, despite the significant devaluation of several local currencies, such as the Brazilian real, the Colombian peso, the Chilean peso and even the euro. EBITDA margin is up 100 bps for the same period, 3Q22 when compared with 3Q19, even with the impact of the final step-up of the effective royalty rate.

So, this performance is the result of disciplined execution of our strategy at the restaurant level. Let me be clear with this: there is still a lot of potential to unlock moving forward.

We look forward to speaking with you in the coming weeks and months. Stay safe and have a great day.

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