

**ARCO**

# 1Q 2022 Earnings

May 18, 2022



**ARCO**  
**LISTED**  
**NYSE**



# Disclaimer

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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 achievement described in or implied by such statements.

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.

# Discussion Topics

- ✓ Key Highlights
- ✓ Divisional Sales Results
- ✓ Divisional Profitability
- ✓ Balance Sheet & Expansion
- ✓ Sustainability-Linked Bond
- ✓ Wrap Up
- ✓ Questions & Answers







# Key Highlights

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1st Quarter  
2022 Results

# First Quarter 2022 Key Highlights



Total  
Revenue

**\$787.3m**

Systemwide  
Comparable Sales

**+42.0%**

Adjusted  
EBITDA

**\$79.6m**

10.1% margin

Digital<sup>1</sup> Sales  
Contribution

**38.0%**

Net  
Income

**\$25.9m**

\$0.12 per share

Restaurant  
Openings

**16**

## Strong Topline Performance

- More than \$1.0 billion in systemwide sales
- Volume growth drove topline results
- Market share gains in a consolidating marketplace

## Record Quarterly Digital Sales

- Highest ever Delivery Sales
- Highest ever Self-order Kiosk Sales
- Highest ever Order Ahead Sales

## Highest Trailing Twelve Month US dollar Adjusted EBITDA

- Record US dollar Adjusted EBITDA for a first quarter
- 160 bps margin expansion versus pre-pandemic 1Q 2019
- 570 bps margin expansion versus 1Q 2021

Note: Financial results exclude Venezuela

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

<sup>2</sup>Constant Currency





# Sales Highlights

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Divisional and  
Segment Sales  
Performance

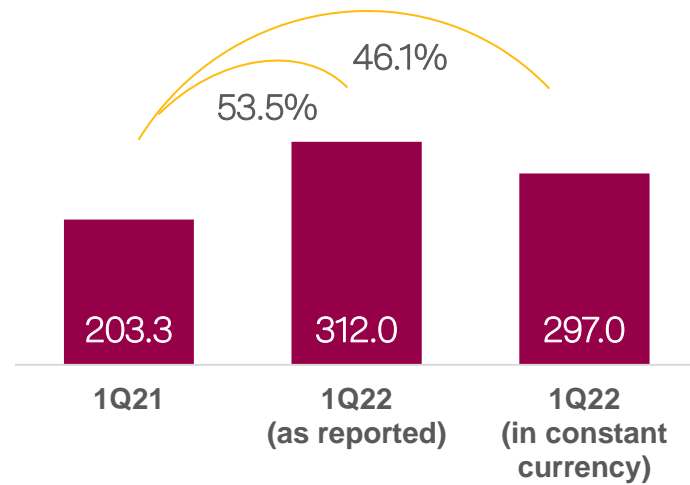
# Sales Performance, by Division



● Systemwide comparable sales growth (%)

## BRAZIL (\$million)

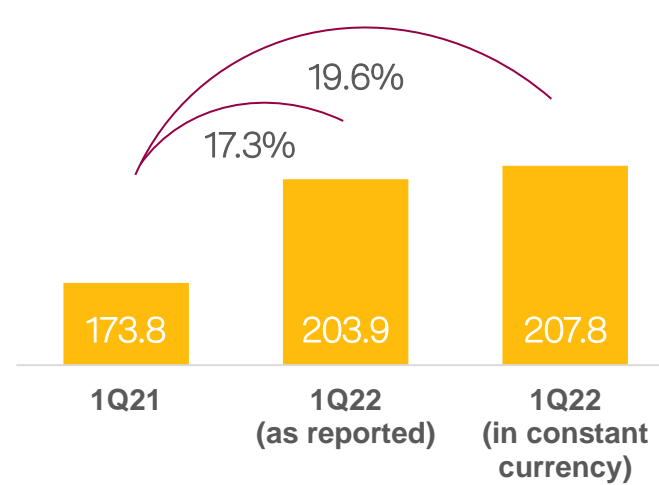
39.0%



- ✓ Revenue in local currency grew by more than 25% versus pre-pandemic 2019
- ✓ Digital channels generated almost 50% of systemwide sales

## NOLAD (\$million)

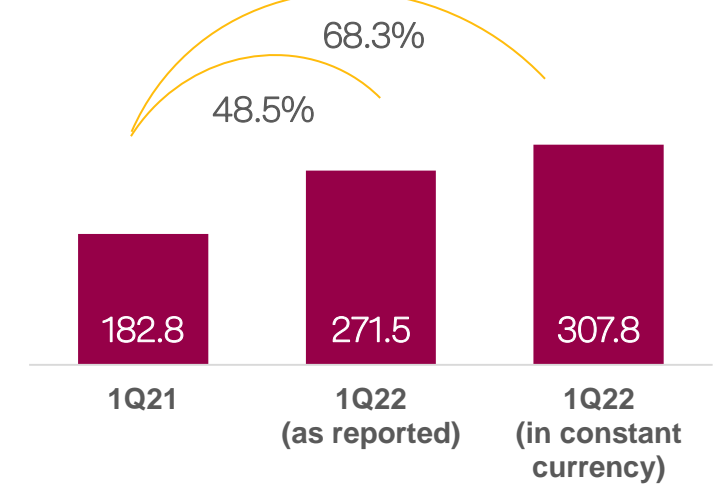
24.1%



- ✓ Strong guest volume growth in a stable currency environment.
- ✓ Especially strong results in Mexico and Panama.

## SLAD (Ex- Venezuela) (\$million)

64.3%



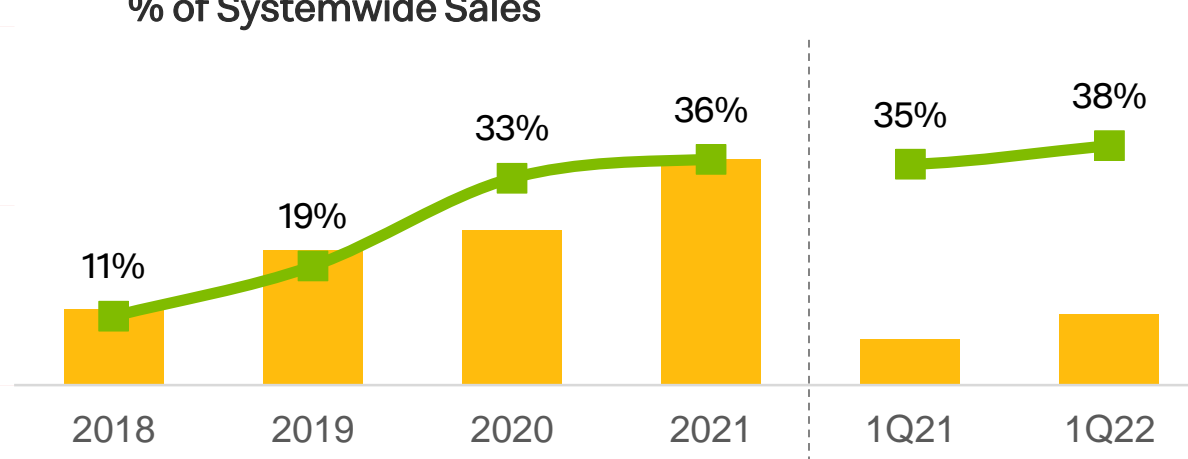
- ✓ Systemwide comparable sales more than double blended inflation.
- ✓ Broadbased growth, with especially strong volumes in Argentina, Chile and Colombia.

# Digital Sales: Delivery / Self-Order Kiosk / Mobile App



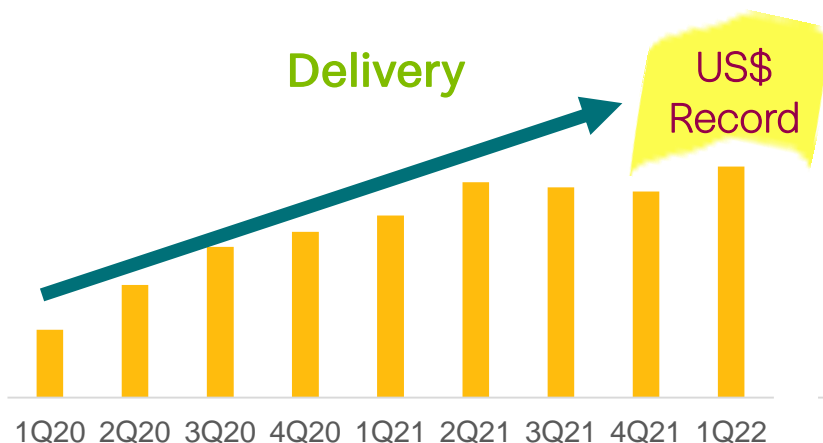
**>69 mn**  
Mobile App  
downloads

■ Digital Sales  
% of Systemwide Sales

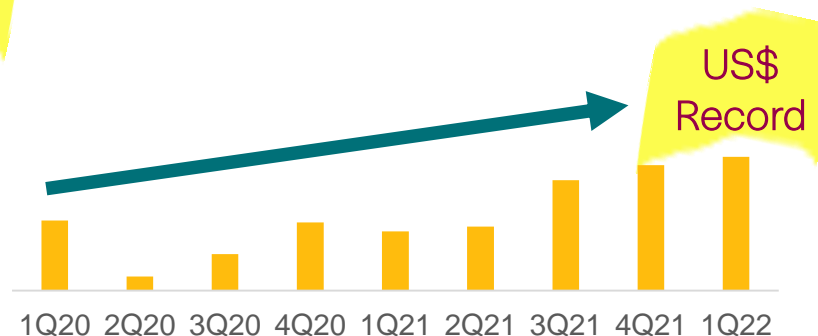


**>29.0%**  
Delivery Sales  
Growth<sup>1</sup>

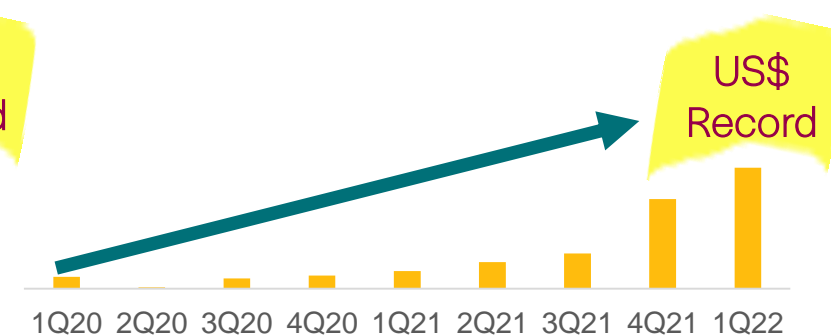
Delivery



Self-Order Kiosk



Order Ahead



<sup>1</sup>in constant currency versus the 1Q 2021



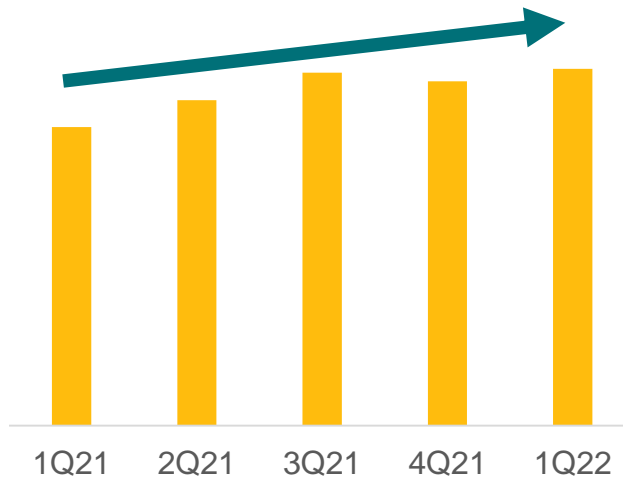
# McDonald's Drive-thru is Unmatched in Latin America



Segment sales remain sticky, even with recovering on-premise sales segments

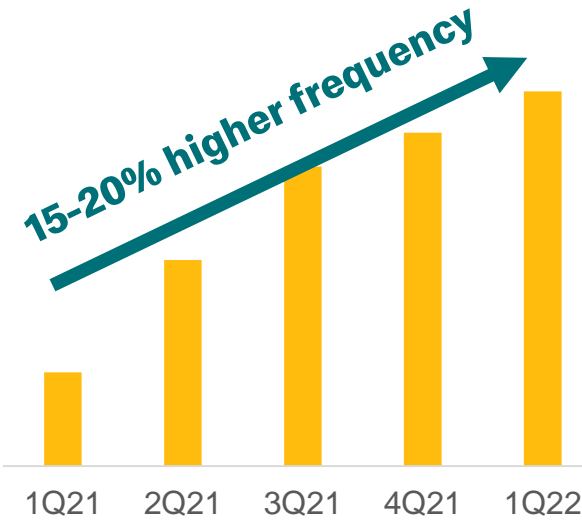
- 13% sales growth in constant currency versus the prior year quarter.
- Comprehensive Loyalty Program to be launched later in 2022.

## Drive-thru Sales Growth

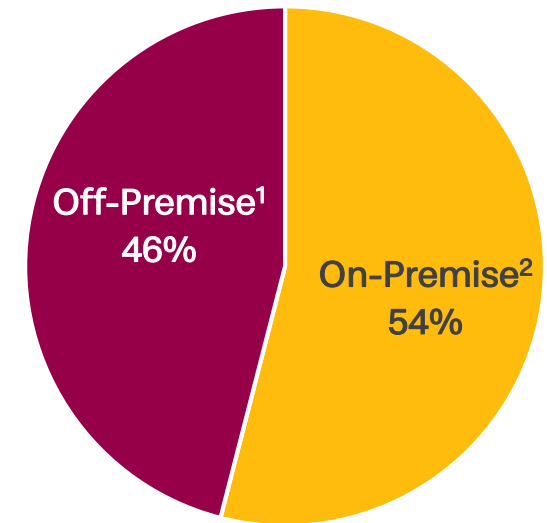


## Club VIP Automac

4.0 million Identifiable Members



## Sales Contribution



<sup>1</sup> Drive-thru and Delivery

<sup>2</sup> Front counter, self-order kiosks, dessert centers, McCafés



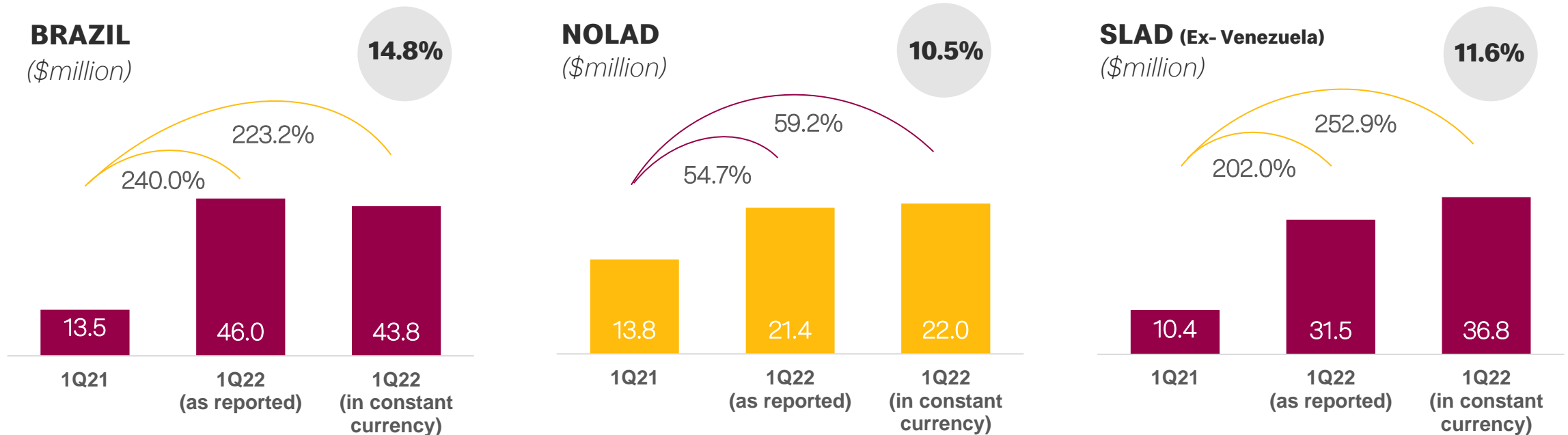
# Profitability Highlights

3 Divisional Profitability

# Adjusted EBITDA Performance, by Division



Adjusted EBITDA margin (%)



## Strong margin performance across all Divisions

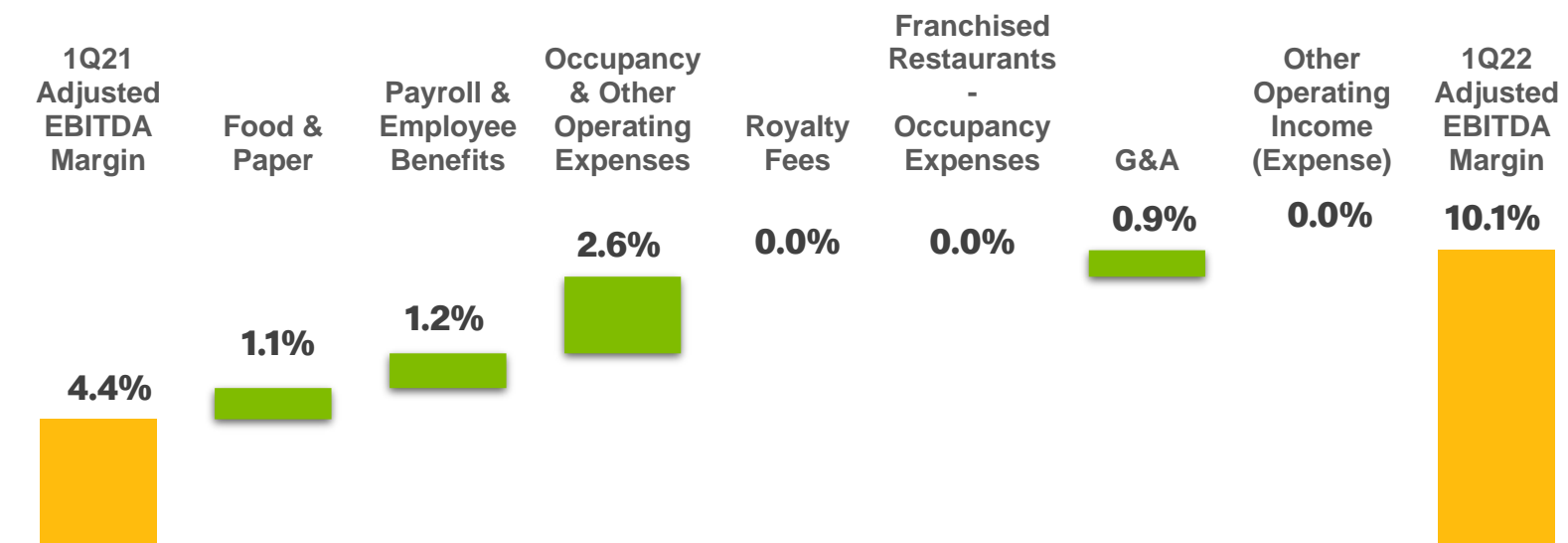
- Brazil's margin rose 100 basis points above pre-pandemic 1Q19, with NOLAD and SLAD posting double-digit margins.
- Consolidated Adjusted EBITDA for the trailing twelve months was the highest ever.



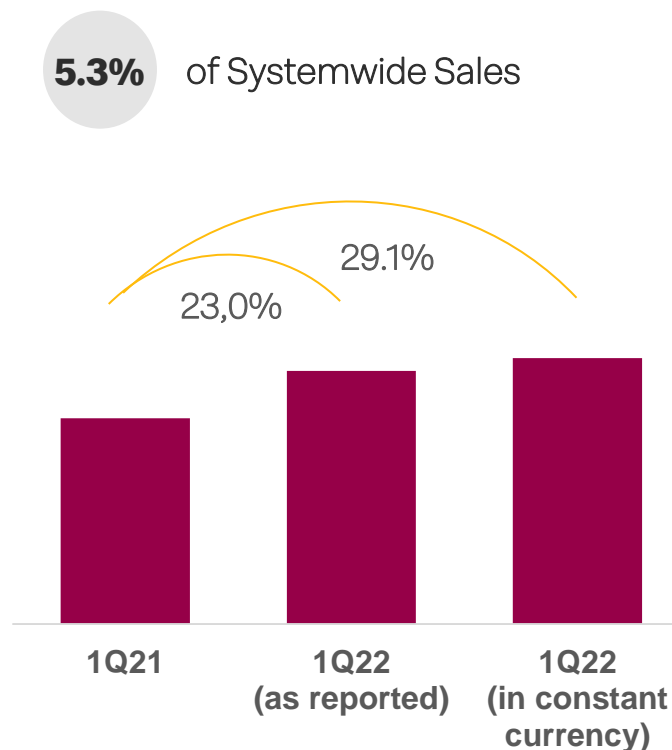
# Margin Expansion with Significant Operating Leverage



## Consolidated Adjusted EBITDA Margin Bridge



## Total G&A Expenses vs. 1Q 2021 (\$ million)



- 570 bp consolidated Adj. EBITDA margin expansion vs. 1Q 2021.
- 160 bp consolidated Adj. EBITDA margin expansion vs. pre-pandemic 1Q 2019.



# Balance Sheet & Expansion

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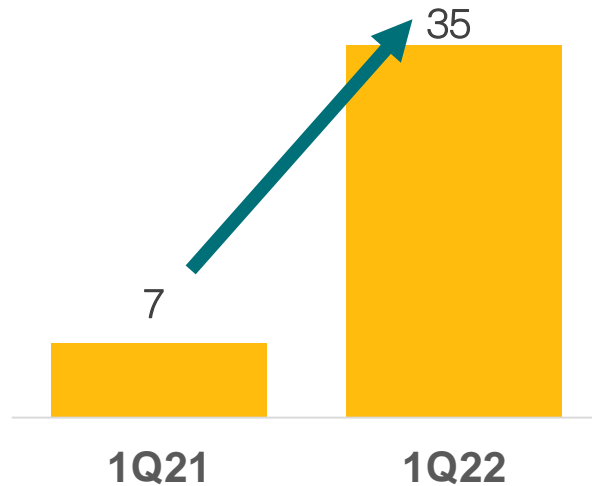
Capital  
Structure &  
Investments

# Cash Flow Generation & Strong Balance Sheet to Support Growth



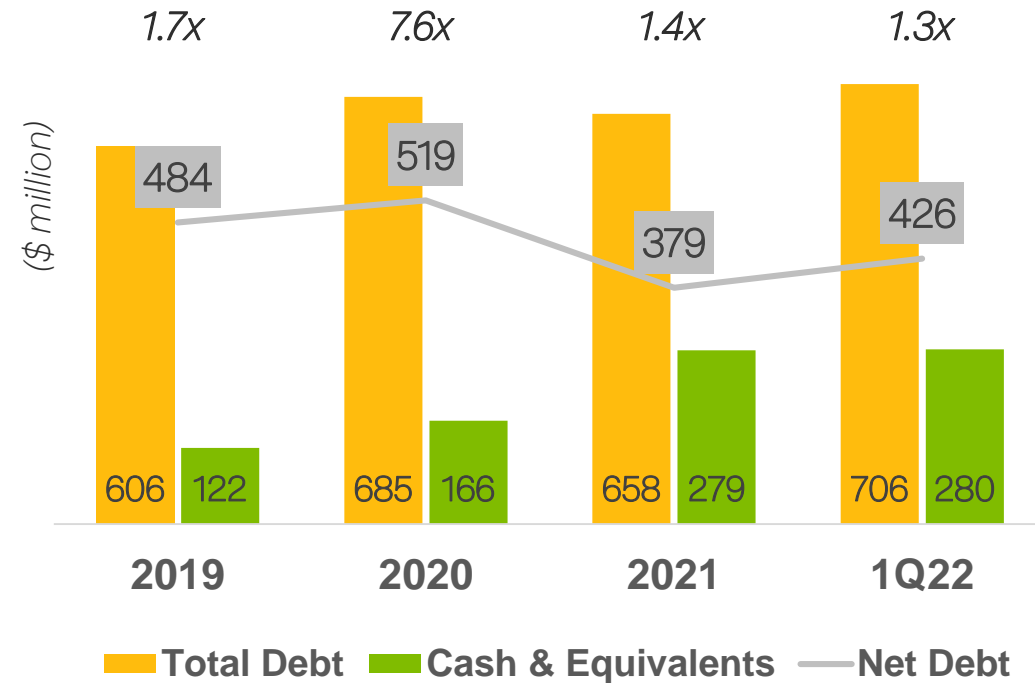
## Cash Flow from Operations\*

(\$ million)



## Key Debt Metrics\*

Leverage Ratio



Notes:

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 and cash equivalents

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

(\*) As reported, including Venezuela



# Strong Restaurant Opening Pace to Start the Year



## 1Q 2022 QUARTER-END FOOTPRINT

DIVISION	STORE TYPE		TOTAL RESTAURANTS	MCCAFES	DESSERT CENTERS
	FS & IS	MS & FC			
BRAZIL	601	460	1,061	104	1,977
NOLAD	432	193	625	14	533
SLAD	364	223	587	162	715
TOTAL	1,397	876	2,273	280	3,225



## 1Q 2022 – On Track

- 16 restaurants openings.
- 14 free-standing units.
- 10 restaurants in Brazil.

## 2022 – Openings and Capex

- Increasing and accelerating pipeline.
- Expect to exceed restaurant opening and capital expenditure guidance.



# Liability Management

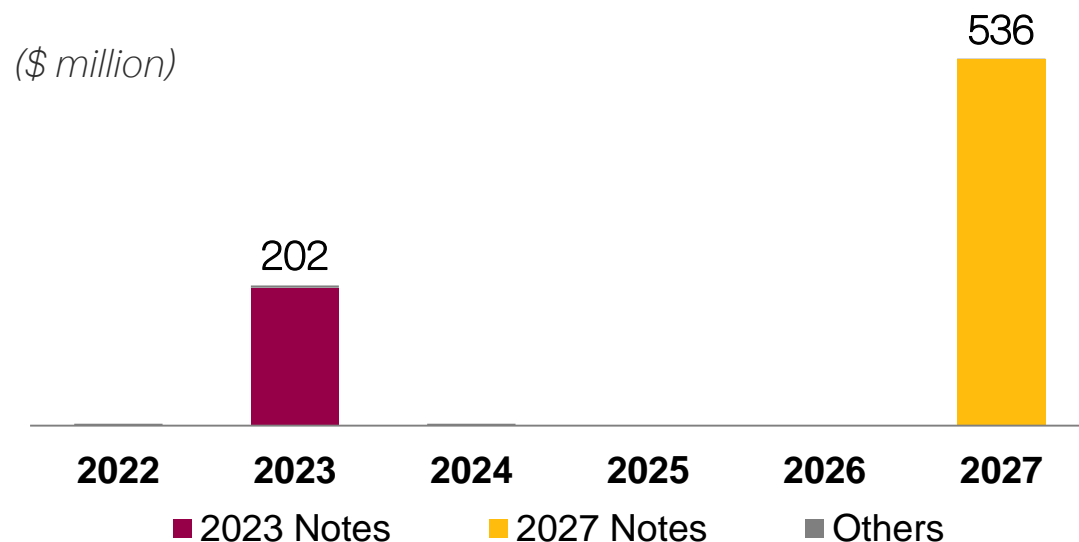
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Sustainability-  
Linked Bond

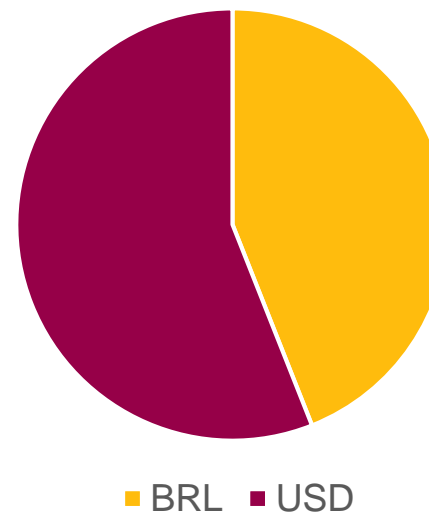
## Long-Term Debt Profile as of March 31, 2022



Securities	Coupon	Outstanding Principal Amount (USD)
2023 Notes	6.625%	201,763,000
2027 Notes	5.875%	535,986,000



Currency Exposure

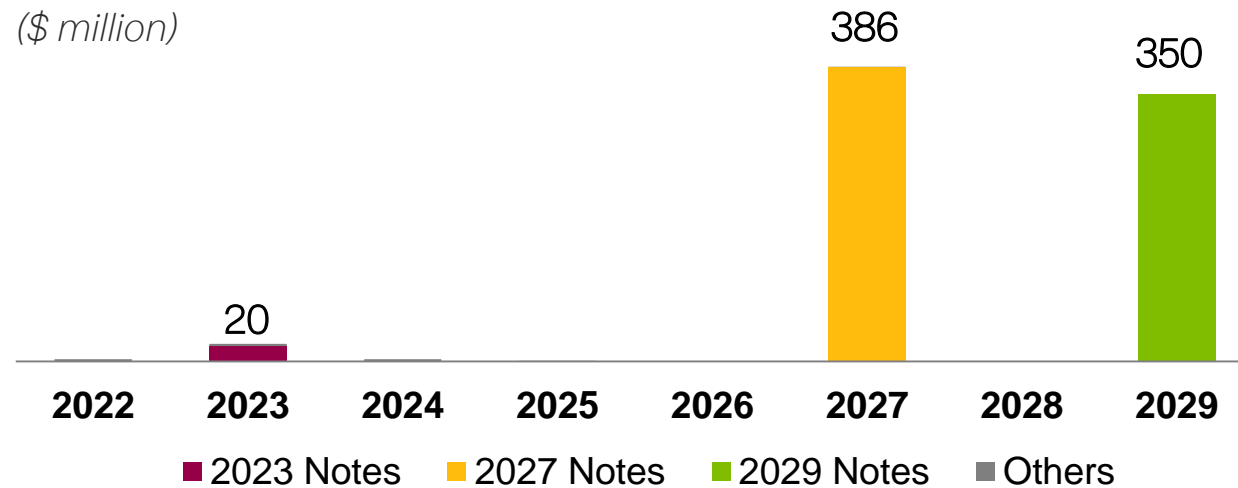




# Liability Management – Pro Forma Long-Term Debt Profile



Securities	Coupon	Outstanding Principal Amount (USD)
2023 Notes	6.625%	19,524,000
2027 Notes	5.875%	385,986,000
2029 Notes	6.125%	350,000,000



Moody's: **Ba2** (Stable Outlook)  
Fitch: **BB** (Stable Outlook)

# Sustainability-Linked Bond (SLB)



Recipe for the Future  
Arcos Dorados

1st Quick Service Restaurant (QSR) in the World to issue an SLB, linking financial strategy to ESG objectives

KPI	Measurement	Sustainability Performance Target (SPT)
KPI 1: Absolute GHG emissions	Scope 1 & Scope 2: Tons of carbon dioxide equivalent (tCO <sub>2</sub> e)	SPT 1: 15% reduction of absolute greenhouse gas (GHG) emissions by year-end 2025, from the 2021 baseline
KPI 2: GHG emissions intensity	Scope 3: tCO <sub>2</sub> e / annual tons of food and packaging	SPT 2: 10% reduction of greenhouse gas emission (GHG) intensity by year-end 2025, from the 2021 baseline

Step-Up Mechanism

- Both SPT 1 and 2 will be measured and reported by South Pole Carbon Asset Management
- If one SPT is not achieved, then the interest rate used to calculate the coupon payment will increase by 12.5bps, if neither SPTs is achieved, then the rate will increase by 25 bps.

Second Party Opinion (SPO)



KPI Strength		SPT Ambitiousness	
KPI 1	KPI 2	SPT 1	SPT 2
Adequate	Strong	Ambitious	Moderately Ambitious
Not Aligned	Adequate	Not Aligned	Moderately Ambitious
Strong	Very Strong	Ambitious	Highly Ambitious

# ESG – Good for Business & The Right Thing to Do



Recipe for the Future  
Arcos Dorados

[www.recipeforthefuture.com](http://www.recipeforthefuture.com)

## SPT 1: Scopes 1 & 2

(5.7% of GHG emissions)

- ✓ 25 Sustainability initiatives in all restaurant openings and modernizations
- ✓ LED lighting in all restaurants and offices
- ✓ Converting to high-efficiency air conditioning systems with environmentally-friendly refrigerants
- ✓ Increase renewable energy mix through new power purchase agreements with key local partners

## SPT 2: Scope 3

(93.3% of GHG emissions)

- ✓ Roundtable meetings with key Suppliers to discuss and agree on decarbonization initiatives
- ✓ Provide incentives to Suppliers and producers to support reduced GHG emissions intensity
- ✓ Develop and implement initiatives, including revised production policies
- ✓ New investments in sustainability across the supply chain



# Recipe for the Future



Recipe for the Future  
Arcos Dorados



## OUR PILLARS

### Youth Opportunity



We are the largest, first formal job opportunity provider for young people in Latin America and the Caribbean

### Climate Change



We take action to reduce the environmental impact of our operation, including greenhouse gas emissions

### Sustainable Sourcing



We work to ensure humane and sustainable practices within our supply chain

### Circular Economy



We have implemented multiple programs and initiatives to encourage recycling and reduce waste

### Commitment to Families



We work to ensure our menu includes nutritious alternatives to the thousands of families that visit us every day

### Diversity & Inclusion



We promote a diverse workplace that encourages respect and welcomes the participation of all people, fostering inclusion and equal opportunities



[www.recipeforthefuture.com](http://www.recipeforthefuture.com)



# Wrap Up

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Closing  
Remarks

# Closing Remarks

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- »» 2022 is off to a great start
  - ✓ 3rd consecutive record EBITDA quarter
  - ✓ Highest-ever Trailing Twelve Month Adjusted EBITDA, in US dollars
  - ✓ Broad-based, strong performance going into the 2Q 2022
  - ✓ Robust cash flow and strong balance sheet to support growth
  - ✓ Strong restaurant opening pace
  - ✓ Expect to exceed guidance for restaurant openings and capital expenditures for 2022
  
- »» Sustainability-Linked Bond re-affirms commitment to Recipe for the Future ESG platform
  
- »» Structural competitive advantages and Successful Three D's Strategy





# Questions & Answers

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# IR Contacts

[www.arcosdorados.com/ir](http://www.arcosdorados.com/ir)

## Dan Schleiniger

Vice President Investor Relations

[daniel.schleiniger@ar.mcd.com](mailto:daniel.schleiniger@ar.mcd.com)

## Leticia Santiago

Senior Manager Investor Relations

[leticia.santiago@br.mcd.com](mailto:leticia.santiago@br.mcd.com)

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# Thank you!

