



**International Conference Call
Burger King Brasil S/A
Third Quarter 2020 Earnings Results
November 6th, 2020**

Operator: Good morning and I thank you for waiting. Welcome to the BK teleconference to discuss the results regarding the third quarter of 2020.

Mr. Iuri Miranda, President of BK Brasil, and Clayton Malheiros, Vice-President of Finance, are with says, Gabriel Guimarães as well, Director of Finances and Investor Relations and at the investor relations team.

We will inform you that this event is being recorded and that all participants will only be listening to the teleconference during the BK Brasil presentation. Afterwards, we will start the Q&A session when more instructions will be provided.

In case any of you requires any assistance during the teleconference, please do ask for help from the operator typing star 0.

This event is also being transmitted simultaneously via Internet through a webcast, accessible at the address: www.burgerking.com.br/ri where the presentation can be found. The selection of the slides will be controlled by us. The replay of this event will be available right after its closing.

We would like to inform that this teleconference is being simultaneously translated into English in order to help our foreign investors.

Before we continue, we would like to clarify that any declarations that may be made during this teleconference related to business perspectives of BK Brasil, projections, operational and financial targets and any administrative assumptions of the company as well as information currently available to Brazil. Future considerations are not a guarantee of performance because they refer to future events and they depend on circumstances which may or may not happen.

Investors and analysts must understand that general conditions, sector conditions and other operational factors might affect the future results of BK Brasil and might lead to results which differ materially from those expressed in these future considerations.

I would like now to pass the word to Iuri Miranda, President of BK Brasil, who will start the presentation. Mr. Iuri, please.



Mr. Iuri Miranda: Thank you for the introduction, operator. Good morning everyone. I hope you and your families are well because of this moment we've going through. Thank you for the interest in our company and for your participation in this teleconference, where we present the results of BK Brasil for the third quarter of 2020.

I would like to start our results call on slide number 2. The third quarter of 2020 was, without a doubt, an important milestone in the recovery of growth of our business. Despite starting the third quarter with approximately 40% of are restaurants closed in July, the recovery trend that we had been seeing throughout the second quarter had confirmed itself month after month, a quick recovery an continuous and as the operation restrictions were soften and our business would take back its normalcy.

An example of how the removal of the restrictions reflect into sales was a change in July of where we had to open only 6 hours in the main markets. This changed and we were able to do 2shifts of 4 hours, which helped us to capture the 2 most busy periods: lunch and dinner. After that, we expanded the number of open restaurants and at the beginning of August we got to 75% of open restaurants with a revenue close to 80% when compared to the pre-Covid period.

Following this recovery trend and according to what we did in September, we came back to open 100% of our restaurants and got to approximately 90% of our pre-Covid revenues at the end of September.

In our analysis, this recovery pace was fruit of main pillars: the first was the return of the business in our restaurants; second was the excellent performance of our freestanding restaurants. Throughout this pandemic, we've proven our vision of the strategic importance of this format. Since June, it had reached positive same store sales levels. Without a doubt, the channel management, the personalized experience that we offer our clients, the technology and the growth of sales through drive thru contributed to the role of the freestanding restaurants; the third pillar has become even more fundamental to our business and it's evident with the pandemic, I refer to the growth of the digital channels, especially delivery.

I say growth because specifically in delivery research shows that the addressable market of this channel basically has doubled since the beginning now the pandemic.

There is always a question around how much of this delivery volume was just a shift of channels and what really would be a residual sale as the on-premise consumption would go back to normal levels. What we have seen until now is that even with the significant recovery of consumption in our restaurants with more operating hours, we continue to grow in that delivery channel.



Our on-premise consumption, which basically represented 15% of our volume in the second semester, has come to represent 50% in the third quarter, and delivery compared to the second quarter was almost a 16% of increase. Beyond delivery, we saw expressive growth in sales or through the self-service totem and the BK Express functionality.

We hope that these channels continue growing significantly in the fourth quarter because they are directly related to the consumption in our restaurants.

Our efforts in terms of digital transformation, which will have a principle role in retail once it connects physical and digital, have also been intense. As we have announced, besides the launch of the first ghost kitchen in the world, during the third we increased our delivery coverage, white label delivery to over 100 restaurants and we added to the restaurant another 2 aggregators, which start to gain traction.

Our CRM program, which we have been working on in the last 24 months, is finally in a rollout phase, and we have great Expectations as far as that initiative, which will allow for individual and personalized communication with our clients. Today, we count on 7 million registrations in our database.

To make our service more dynamic and the experience better, we now count on over 250 restaurants with self-service kiosks, and 100% of our own restaurants offers the functionality of BK Express. We also continue to increase the number of engagements with our brands through our app, which counts on over 25 million downloads and soon will be even more functional to reinforce the personalized concept.

At Popeyes, aligned with the global moment of the brand, we have gained significant levels in brand and in sales.

Even with our 100% exposure to shoppings, we closed the month with a positive same store sales. This was fruit of an evolution of an increase of almost 100% in delivery, and together with the launch of The Sandwich, the iconic product which basically virilized in the US, allowed us with our trial. And we are ready to advance into new markets.

And we went beyond. Connected with our purpose of delivering the best experience to our clients and syntonized or tuned-in to consumer trends, we think that our product could be an innovation, one of the most important innovations without conservatives or artificial ingredients has become part of our recipe and will be available in the national territory in 2020.

This is a new disruptive innovation that we bring to the market showing the speed of action of our company to capture trends even inside a pandemic.



After a second quarter which was challenging in sales and growth margin, in the third quarter we can balance out our profitability as our sales grow. Our strategy of revenue management was well-founded and as we would recover our business, we would go back to normal levels of profitability, and that's really what happened; we rebalanced our offers with our delivery partners, we analyzed the electricity of the drive thru offers, and we set up new price platforms.

With a better balance of the sales and gross margin, we maintained our discipline and control in the expenses in the restaurants and headquarter. In our restaurants, even with over 65% of businesses closed at the beginning of the pandemic, we decided to protect our collaborators and maintain the jobs. With the end of the Law 936, the impact of the benefit was significantly lower, but we are sure that this decision will allow us to guarantee the best experience to our consumers and a quick recovery in sales.

Our occupation costs are still being negotiated case by case so that we could have a better price negotiation, which was matched to our levels of sales, current levels of sales.

And now, let's go to slide 3. Our net operating revenue reached R\$552 million, a reduction of 27% when compared to last year and a growth of 78% when compared to the second quarter of 2020.

At the beginning of the quarter, around 40% of our business still would be closed because of Covid. But with the loosening of the isolation, we saw an increase in sales, and in September we got to 85% of the sales levels compared with last year, and in October we closed the month at the same level of sales as last year.

As far as same store sales, they reached 27% in the quarter influenced by the closing of the stores, especially at the beginning of the pandemic. I would like to highlight Popeyes, which showed growth of 4% in same store sales in September even with traffic restrictions in São Paulo.

Digital sales represented by delivery, kiosks and BK Express reached 23% of the company revenues versus 5% in the previous year. This shows a growth of 217% with revenues growing over 43 million into 136 million. And even comparing with the sales of the second quarter of 2020, the growth was 27% even though there was a significant consumption in the balcony sales.

We saw significant advances of approximately R\$ 80 million versus the previous quarter and next to the breakeven levels.

With this, I pass the word to my partner and a CFO Clayton Malheiros to give you more details about the performance of the company.



Mr. Clayton Malheiros: Good morning everyone. Going to slide 4, we see that during the third quarter of 2020 we took back our expansion with the opening of 11 restaurants; 9 Burger King and 2 Popeyes.

We also closed 20 restaurants, 19 BK Brasil and 1 franchise, aligned with our strategy of optimizing the profitability of our portfolio. Besides that, we acquired 1 Burger King in Santa Catarina.

With that, we closed the period with a total of 900 restaurants under the brands Burger King and Popeyes, of which 702 are operated by BK Brasil, keeping us as the biggest fast-food operator in Brazil.

In the same slide, as far as the development of dessert centers openings, we closed the quarter with 444 centers, which represented a net opening of 52 units in the last 12 months.

Going to slide 5, the net operating revenue reached R\$522 million, representing a drop of 27.8% when compared to the same period last year due to part of the restaurants still being closed in the first two months of the quarter, but with strong growth of 78.4% when compared to the worst period in the pandemic throughout the second quarter of 2020.

We followed a consistent trajectory in sales continuing the bounce back. In the month of July, approximately 40% of our business was still closed, leading to a drop in sales of around 45% versus the previous year. However, with the loosening of the restrictive measures, we saw a quick bounce back in the mall traffic, where we concentrate over 60% of our business.

It's important to remember that in the beginning of the quarter we were limited to one moment of consumption in 6 work hours and at the end of June we were able to work during lunch and dinner. With that, we saw a consistent improvement in sales going from -45% in July to -25% in August and approximately -15% in September versus the previous year, month in which we counted on the opening of 5% of our business.

When we look at our October performance, we maintained this increase. We closed the month of October basically at the same sales level as the previous year even with movies and theaters (important traffic generators) closed or with many restrictions.

Same store sales reached -27% in the third quarter of 2020 still influenced by the closing of stores at the beginning of the period. But we highlight the indicator of same store sales of the Popeyes brand, which closed the quarter with a negative 7% even with traffic restrictions in Sao Paulo.

The brand reached 2 years since the opening of its first store in Brazil and has been reaching awareness and preference levels which are significant taking into



account its short time in Brazil. Considering São Paulo, we've seen a growth of 18% in brand awareness versus the same period of last year.

Still at the beginning of September, we launched The Sandwich. The classic chicken sandwich was sold out in 3 weeks and it created huge lines. At the same time, after its launch in Brazil, almost uh 32,000 units were sold in only 3 weeks, leading to the highest sales volumes of the brand in its recent history.

On the right-hand side of the chart, you can look at the sales of the restaurants versus the pre-pandemic period. The bounce back of traffic in the malls with the excellent performance of free-standings and increase of digital sales and even with the on-premise recovery of traffic have shown similar levels of growth, they helped us go from a sale of 50% to close to 100% in October when compared to the pre-pandemic period.

The freestanding stores showed the resilience of their model, reaching significant same store sales at the end of the quarter.

Still, throughout the last few years, we have done significant changes in our menu to keep up with the trends and to offer meals which are more and more natural. Among these initiatives, it's the launch of the Whopper 100, which won't have any conservatives, any artificial ingredients.

Guided by strategic and pioneering view, the creation of The Sandwich took over 2 years of intense research and the news has the potential of changing the fast-food market in Brazil. This initiative of us bringing a product which is free of any artificial ingredient shows our commitment to bringing a relevant change to society through our iconic products.

Going into slide 6, we can see strong growth of sales in the digital channels during the third quarter of this year providing good continuity to the good performance of last year.

The sales represented by delivery, kiosk and BK Express reached 22% of sales against 6.2% compared to the previous year, reaching a growth of 217% with the revenue which went from 43 million to R\$137 million.

When compared to the sales of the second quarter of 2020, the growth was 27.3% even with a significant bounce back in balcony consumption, showing strong resiliency in that sales channel.

On the right hand of the charter we can see with more details the growth of the channels, delivery having the biggest share in sales followed by kiosk and BK Express.

Going into the next slide, we have more details on the delivery channel sales, which reached a historical sales record. Even with the opening of malls, the



channel reached R\$120 million, representing a growth of 210.1% compared to the same period of the previous year. This result was due to the opening of stores and 100% going from 254 in the third quarter to 512 in the third quarter of 2020 and through the main aggregators, iFood, Rappi and Uber Eats.

Besides that, we have the entry of 2 new aggregators: 99 Foods and James Delivery, aligned to our purpose of being present throughout the country and being able to service quickly all of our consumers.

Still on the delivery channel, in this quarter we saw a launch of The Sandwich of the Popeyes brand. As I said previously, this overcame all sales expectations and helped to grow the delivery sales of the brand when compared to the previous year, going from R\$1.1 million to R\$11 million in the third quarter of 2020.

And there you see the average sales of Popeyes in the apps, which grew 268% from the beginning of the pandemic until September of 2020.

We maintained our strategy of going forward with our own delivery app, which is still going under expansion and undergoing continuous improvements after the launch of the pilot in the second quarter. Our platform covers 100 stores distributed in 25 cities in the country, and we will be increasing coverage in the next few years.

For that, our app which has over 25 million downloads which brought us over 7 million complete registrations in our client database, will have a fundamental role for us to perfect our own platform.

Our app also counts on the functionality of BK Express with coupons and other functionalities which will allow us to get even closer to our clients and to segment our campaigns according to the profiles and different consumption habits. We think that this union of physical plus online will be fundamental for us to provide the best experience to our clients.

Besides that, we also inaugurated the first ghost kitchen, Burger King and Popeye's ghost kitchen in the world, being 100% dedicated to delivery. The ghost kitchen model will do the Burger King and Popeyes operation and its expansion process into other locations will depend on the results of the pilot.

The idea to kick off this concept was due to strategic reasons. With delivery, we wanted to optimize the delivery or the service in our physical stores during peak times and as well as capturing the most sales in the off-premise sales.

The project only took 3 months and as the operation takes traction this ghost kitchen will service at least 20,000 orders per month.



The app has been an important tool to help us with our clients and we continue knowing that this app will be important for digitalization and efficiency of the experience after the Covid.

Going into slide 8, we present the evolution of our costs and expenses with sales in the restaurants and corporate sales, our corporate expenses. The cost of goods sold reached 38% of revenue, an increase of 60 basis points versus the third quarter of 2019, and a reduction of 670 basis points when compared to the second quarter of 2020.

The gradual recovery of sales supported by the opening of the stores and taking back of the malls contributed so that we would balance out our pricing strategy with volume. Of the initiatives in the quarter, we highlight the adjustments done in our mix & match platform, where we lowered our price to R\$16. We are going to pass on prices in coupon and we're going to have a better balance of revenue management.

That way, the recovery of the sales also has seen better margins even in a more challenging economic environment. And as the channels start to go back to normal, we will see higher balance in our finances and more drinks in the sales.

We totaled 304 million in the year, a drop of 2.5% compared to the third quarter of 2019 even with around 30 more restaurants, strong growth in delivery, which brings a component and higher marketing expenses.

On slide 9, the adjusted EBITDA reached negative 11 million, a drop of 109% compared to the same period of 2019 explained by the impact on revenues coming from the closing of the stores at the beginning of the quarter generating an operating deleveraging due to the non-devolution of fixed costs because of the closed restaurants or recently-opened restaurants.

Still on the quarter, we've seen significant evolutions in our fiscal numbers improving significantly versus the previous quarter.

In the center of the slide, in the third quarter of 2020 there was a net profit [*translator: sorry, didn't get that number*] a result still impacted by the operations in the third quarter.

We see that the gross debt reached R\$938 million and that the total available cash was R\$471 million at the end of the third quarter of 2020. We closed the quarter with a net debt of R\$457 million compared to a net cash of R\$48 million in the same period of 2019.

Even in a challenging environment in terms of operating results, we had our risk classification Double A risk classification maintained by Fitch, which shows that the company is working with adequate risk.



Here we can see Capex and working capital. The investments reached R\$68 million in the third quarter of 2020, a drop of 47.4% when compared to the third quarter of 2019. This reduction is connected to the temporary suspension of the expansion plan provided for 2020 due to the liquidity protection measures implemented to protect the business from the uncertainties caused by the pandemic.

Despite the reduction of the investments year after year, we have taken the expansion activities in the third quarter of 2020 with the inauguration of 11 restaurants. On the right hand side of the slide, in the third quarter of this year we see that the operational cash consumption R\$127 million above the same period of the previous year due to the decrease in the operating result, which came about from the decrease in sales and closing of stores.

Going into slide 11, with the digital transformation in retail accelerated by Covid, many things have changed in our business. We have adapted constantly to the way that we relate to our clients and the consumption of our products and services. The focus on the consumer will continue to be our biggest objective, and for that we are building an ecosystem which might be capable to connect on and offline.

This ecosystem will be sustained by digital culture, new ways of working and a robust and flexible technology, an ecosystem able to be wherever the client is and in the way that he wants to relate with us, at the same time leveraging our direct relationship with the consumer, especially those most frequent in our restaurants.

In this quarter, as I said previously, we inaugurated our first ghost kitchen, which will improve the quality of our delivery, we expanded the coverage of the aggregators and we implemented improvements in our own delivery app, which covers 100 stores spread out throughout 25 stores, we had adventures in our CRM and loyalty programs for the customized communication, promotions and differentiated prices, which will guarantee a unique experience to our clients, among other initiatives as well, like the implementation of new contact centers through WhatsApp and other payment channels through a partnership with Conectcar.

With this, we close our presentation, and we would like to open up for Q&A. Operator, please, Q&A.

Question & Answer Session

Operator: Ladies and gentlemen, we will now start our Q&A. To ask a question, please type star one. To remove your question from the list, type star two.

The first question comes from Marcella Recchia, from Credit Suisse.



[translator: I'm sorry, her audio is not coming in]

Ms. Marcella, your microphone is open.

Marcella Recchia: Hello Iuri, Clayton, Gabriel, thank you for taking my question.

My first question is about gross margin. We saw a series of initiatives which led to making back up the gross margin in this quarter. I wanted to ask how you see the sustainability of that in the fourth quarter, and already actually connecting to 2021, since we see high meat prices, how is the conversation with your suppliers going as far as price adjustments?

Iuri Miranda: Thank you, Marcella, for your question. I hope you are safe and your family as well.

Like you said, we go back to gross margin levels, which are close to 2019, with a significant improvement when you look at the first and second quarters as well.

And to answer your question forward, we must understand how we got here. There was an issue of... we did good revenue management and we managed drive thru offers well, coupon offers, delivery offers very well. Delivery, initially, we had no aggregators where we needed to get known and to show that the clients that we had offers available there, and then afterwards we were able to get some traction and then we can do some better revenue management.

We also segmented and regionalized through the technologies of the coupon offers that we provide, technology is very important for us to capture more margin. With the coming back of on-premise sales, we see these additional items, like French fries and soda being sold as well, and we've also done important price adjustments, like the second adjustment that we've made this year in the platform. You know, we did two adjustments.

So, when we look at all these initiatives, we see that they are sustainable, you know, you just can't stop on those 2 of course, we keep going, we've been developing. But on the other hand, you really talked about things that worry us, like the meat prices, the commodity meat prices are a reality, and they are going to increase.

We do believe that this will affect the market as a whole, not only us. And when I say the market as a whole, I also include the supermarkets as well, and we don't see how that can be absorbed by the market. There should be a price transfer to the consumer, or a cost transfer to the consumer.

Marcella Recchia: And finally, as far as delivery sales, if I remember correctly, in the last results call you guys had already seen margin gains with delivery at



the end of the second quarter. Did this trend continue throughout the third quarter?

Iuri Miranda: Yes, it did. It did because of the reason I told you in the previous answer. From the moment that you become more known in the platform by your clients then you reduce the level of promotions, the intensity of promotions that we did in the beginning so that people would be aware of us, and this has been helping in us gaining margin in those aggregators.

And we have also placed 2 new aggregators, we are in James Delivery and 99 besides those 3 that we had already, and we also saw a growth in the number of restaurants which offer our white label.

So, when you join all of this, the growth of delivery sales continued at their absolute value compared to the second quarter even with the significant number of stores, of shops opening back up.

And what does that say? That means that the market is really huge, and there is an incremental sale happening, so that also helps gross margin.

Marcella Recchia: Thanks, guys.

Iuri Miranda: Thank you for your question.

Operator: The next question comes from Robert Ford, from Bank of America.

Robert Ford: Thank you. Good morning everyone and thank you for taking my question. Well, the operating environment has been very challenging. Can you tell us about the health of the chain and what the system is doing to alleviate any pressures you might be seeing?

Iuri Miranda: Well, as a father I hope that you and your family are well.

It's an excellent question, especially because of your worry about the chain as a whole. You know, this was one of our main worries and we placed this as a risk when all this happened. We know that we, as master franchisees, have financial capabilities, and one of the risks that we identified is how we could support our franchisees who might not have the same financial capacity as a company like ours, and that's what we asked ourselves.

And a little while ago, I was reviewing the results and the good news is they have been able to go through this situation, the sales reflexes that we saw it spreads out throughout the entire chain, not just our same store sales; second, the negotiations and I do thank our suppliers and our vendors in terms of logistics, the products suppliers the comprehension that they showed, especially trying to help our franchisees providing them with additional time for payment. Certainly, that helped as well.



And all of these initiatives that we are implementing to generate more sales and to recover profit that also helps our franchisees. So revenue management, the system, everything that we learn we pass on to them, all of our insights, the negotiation with vendors and suppliers and I pass the savings on to them, our real estate team did excellent work, I thank my commercial partners, the malls for having understood the situation and having decreased the amount of the lease.

Everything that we were able to reduce in terms of rents, trying to...all of these insights were passed on to our franchisees, and so I'm happy to say that they are doing well and they are leaving the pandemic moment positively, in a positive perspective, I'd say.

Is there any more questions?

Ok, I believe we have one more question, I believe. I see it on the queue.

Well, I guess there is some kind of technical difficulty, one of the participants could not speak, so they asked me to repeat the question.

Ian, From JP Morgan is asking this question:

"In terms of the potential offer announced today, what is your expansion plan for next year? Are you still thinking about opening 100 BK stores per year? Is the breakdown between same stores and franchisees 70-30%? Is that still being kept or you're going to lean more towards same store openings?"

Thank you for the question, Ian from JP Morgan. I do apologize for the communication problems that you are experiencing.

Ian, according to what we said and aligned to absolutely majority of our shareholders as far as the increase of capital that we went through, we are assessing some financings through primary offer, initial offering, and this would accelerative a few things.

Everything that we are seeing in terms of digital transformation, I think this is a great differentiator that we see that show through in the result, everything that we have done shows through in the results, and we want to take back our growth plan to grow Burger King and Popeyes restaurant numbers and to also address a little bit of a remodeling of existing restaurants. That's what we will use the capital for. That's the intended use of funds.

And this offer is subject to the approval of the shareholders and also pending a favorable moment in the market.

And you also asked about a change in strategy between 70% same stores and 30% franchisees. What I can say is that we don't see changes in strategies as



far as what we have been doing prior to what we've seen, prior to Covid. We should maintain the same strategy that we have had in the previous years in the future.

Operator: Ladies and gentlemen, reminding you that to ask a question all you have to do is type star one.

We are now closing Q&A. I would like to pass the final word to Iuri for his final comments.

Iuri Miranda: Thank you, operator. I would like to end our presentation reinforcing our next commitments.

I would say that today, after almost eight months of the pandemic, we believe that the worst has gone through us, has passed us, and even more than that: we have left this crisis stronger than when we went in.

Since March, we've have made a commitment and we decided to focus on the protection of our employees, of our clients and our business. And that is exactly what we have done all of these months. I would like to thank for each one of our employees, our clients, and our shareholders, as well as our commercial partners for their trust, the trust they have in our business.

During this time, we have been able to adapt ourselves quite quickly, and as part of our culture which is speedy and focused on results, I would say that we prepared ourselves very well to capture the opportunities that difficult and challenging moments like this bring.

We will maintain our commitment to protecting our clients, employees, and our business. We will not give up on that. We see a consistent, progressive bounce back, and we will continue to focus our efforts on digital initiatives, this because we know that they will make all the difference in this new environment.

And after a few months of protecting the liquidity of our company given the situation we are going through, we want to go back to expanding our Burger King and Popeyes restaurants, capturing a potential which we believe that will continue to be significant. This in a market with scale, efficiency, talented people, and great management have made, make and will continue to make all the difference.

Thank you once again for your attention an interest, you all have a wonderful day and please keep healthy.

