



# BK Brasil Earnings Presentation – 2Q18

August 09, 2018

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***Net income grows 24.3% and the strong pace of expansion is maintained with the opening of 109 new restaurants in the last 12 months***

## **2Q18x2Q17 Performance:**

- **Net Operating Revenue** of R\$537 million in 2Q18 (+25.3%);
- **Total of 12 restaurants opened** in 2Q18, leading to a total of 717;
- **Comparable sales in same restaurants** remained stable (0.0%) in 2Q18;
- **Adjusted EBITDA<sup>1</sup>** of R\$49 million in 2Q18 (-5.0%) and **adjusted EBITDA margin** of 9.2% (-300 bps);
- **Net Income** of R\$9 million in 2Q18;
- **Acquisition and consolidation** of 51 restaurants and 20 dessert centers, which impacted all three months of 2Q18 results.

## **1H18x1H17 Performance:**

- **Net Operating Revenue** of R\$1,019 million in 1H18 (+24.6%);
- **Comparable sales in same restaurants** increased 4.8% in 1H18;
- **Adjusted EBITDA<sup>1</sup>** of R\$86 million in 1H18 (+11.8%) and **adjusted EBITDA margin** of 8.4% (-100 bps);
- **Net Income** of R\$17 million in 1H18 compared to net loss of R\$13 million in 1H17.



Source: Burger King Brasil

Note:

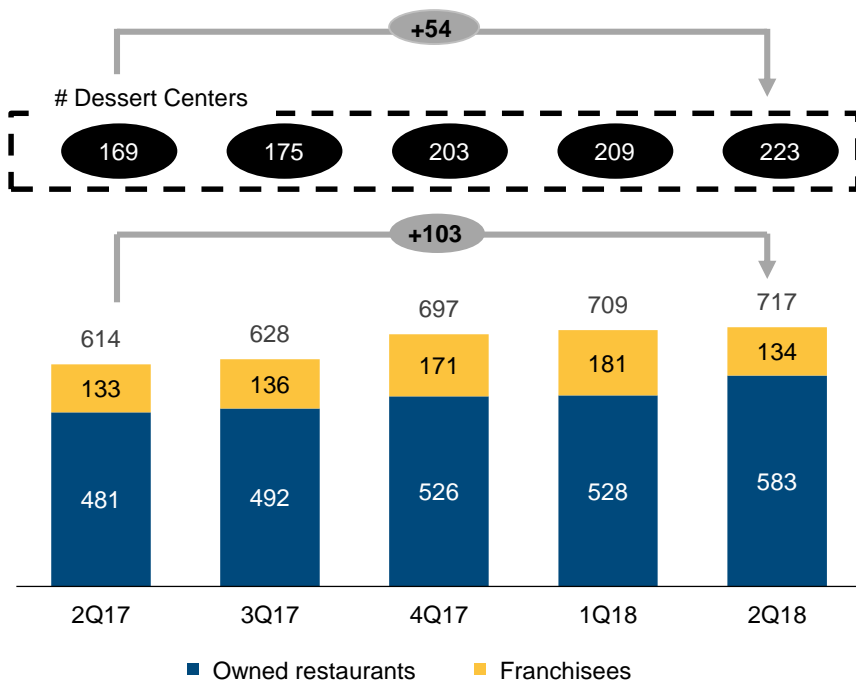
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# Expansion of restaurant network



## Restaurant openings by type

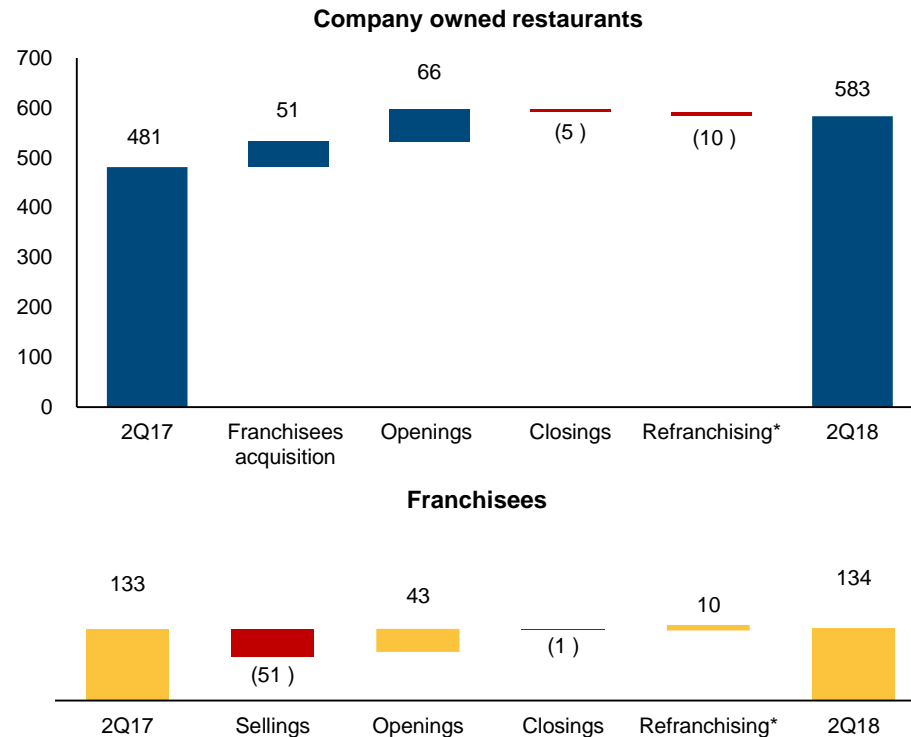
(# of restaurants and dessert centers)



Opening of 12 restaurants and closure of 4 units, resulting in 8 net openings on second quarter. The Company ended 2Q18 with 583 company-owned restaurants (+102 restaurants versus 2Q17) and 134 franchisee restaurants, leading to a total of 717 BURGER KING® restaurants in the country

## Acquisition of control of franchisees

(# of restaurants)



Conclusion of the acquisition of all shares issued by franchisees, announced in April. In total, were acquired 51 restaurants of the BURGER KING® system and 20 dessert centers. The transaction impacted all 3 months of 2Q18 results

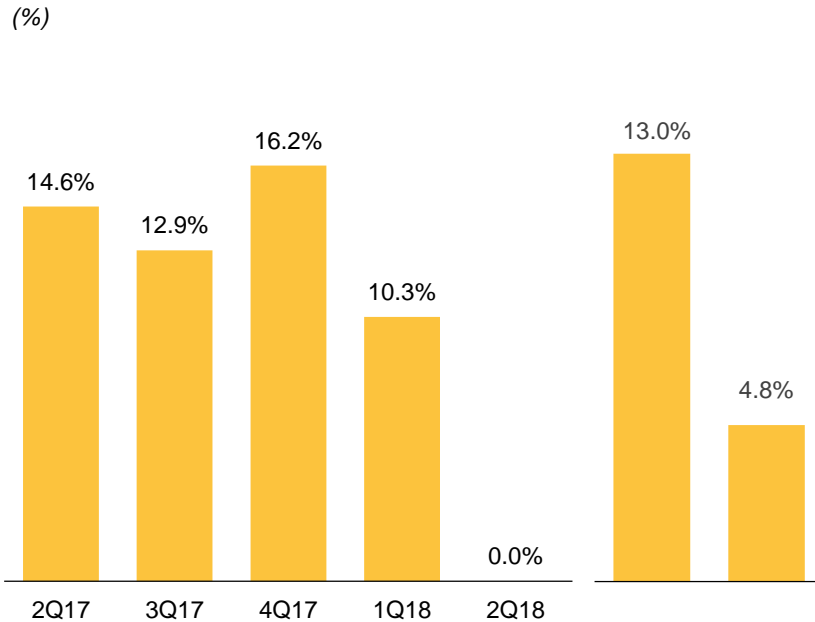
Source: Burger King Brasil.

\*Selling of company-owned restaurants to franchisees

# Growth in net operating revenue and comparable restaurant sales impacted by non-recurring events

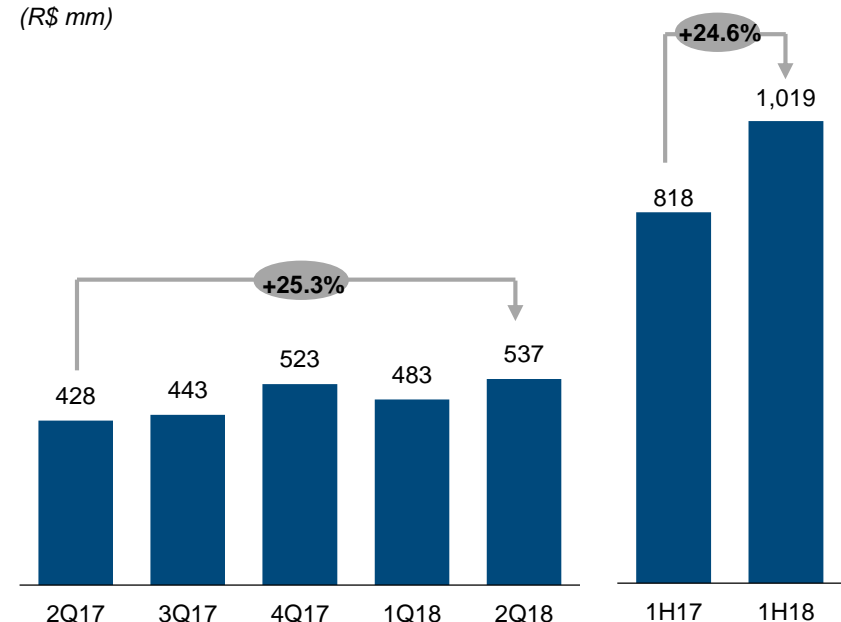


## Growth in comparable sales in same restaurants



Growth in comparable sales in same restaurants was impacted by two non-recurring events that led to a drop in the costumers' traffic in our restaurants: i) the truckers' strike and ii) the World Cup

## Net operating revenue



The increase is related to the maturation of units open in the last 12 months and the consolidation of franchisees (51 restaurants) acquired in April this year, which added a net revenue of R\$70 million

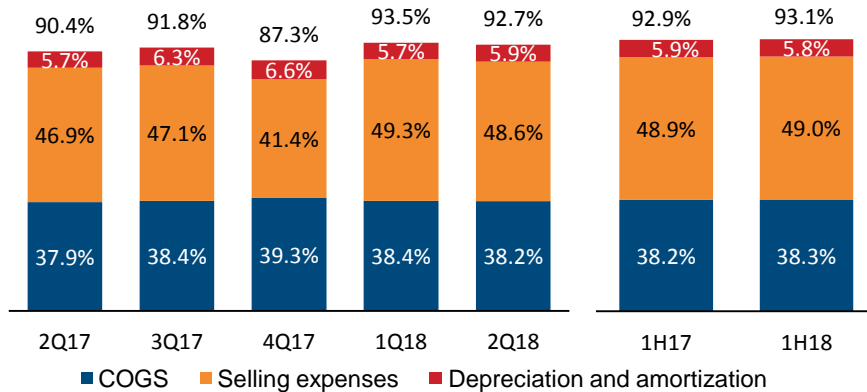
**Excluding the truckers' strike and the World Cup effects, we estimate that our comparable sales in same restaurants growth would have been 6.2% and our net operating revenue would be R\$571 million in the quarter. In first half, it would be 8.1% and R\$1,053 million, respectively**

# Impact on operational margins, due to a lower dilution of fixed expenses



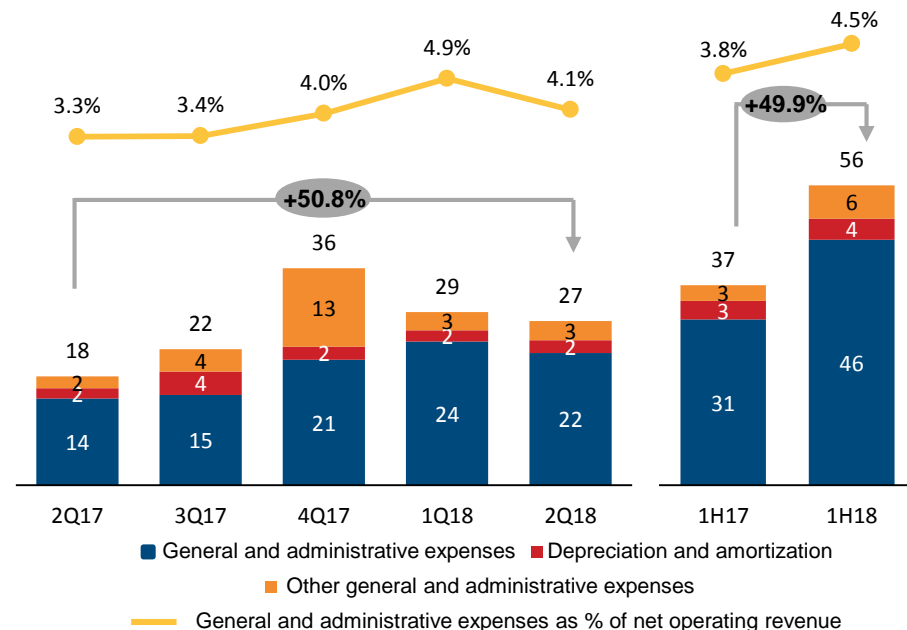
## Cost of goods sold and selling expenses

(R\$ mm)



## General and administrative expenses

(R\$ mm e %)



The slowdown in the growth of comparable sales in same restaurants, due to the non-recurring effects already mentioned, led to a lower dilution of fixed expenses in restaurants

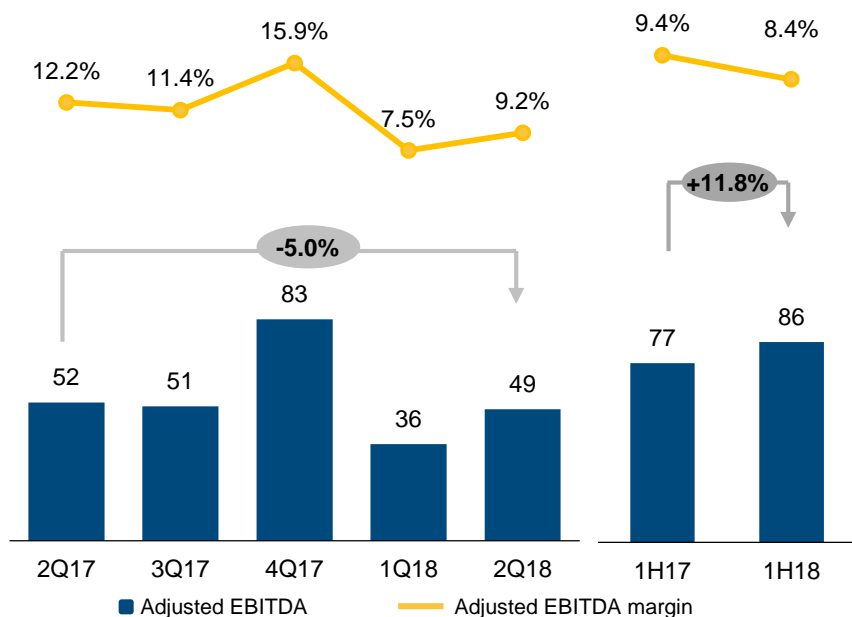
General and administrative expenses as % of net operating revenue impacted by the non-recurring effects on sales, which led to lower dilution of fixed expenses, as well as expenses related to services for the management of acquired franchisees, higher provisions for lawsuits and attorneys' fees and expenses related to the Company's listing process

# Evolution of EBITDA and net income



## Adjusted EBITDA<sup>1</sup> and adjusted EBITDA margin

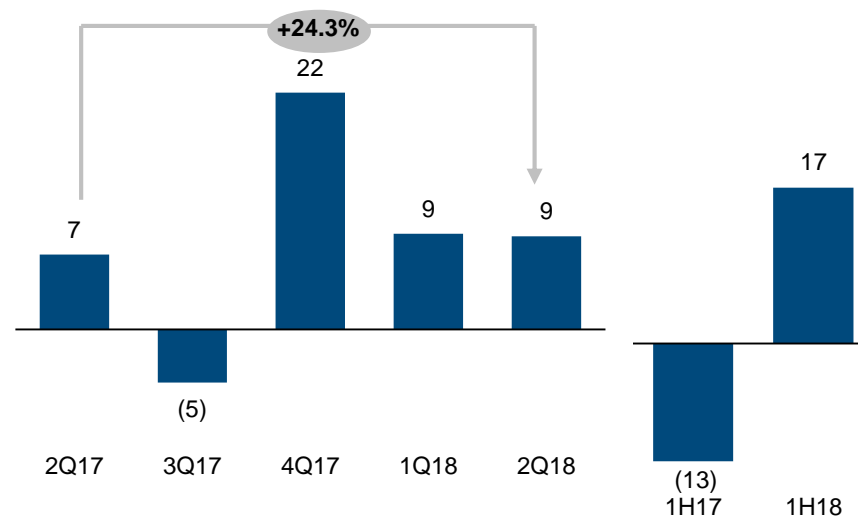
(R\$ mm e %)



The decline in adjusted EBITDA and EBITDA margin was due to the impact of the aforementioned non-recurring events, which impacted the sales in restaurants and consequently reduced the dilution of corporate and restaurant fixed costs

## Net profit

(R\$ mm)



Net income increased 24.3% versus 2Q17, mainly due to better financial result. In 1H18, net income was R\$17 million, a strong growth when compared to a net loss of R\$ 13 million in 1H17

Source: Burger King Brasil

Note:

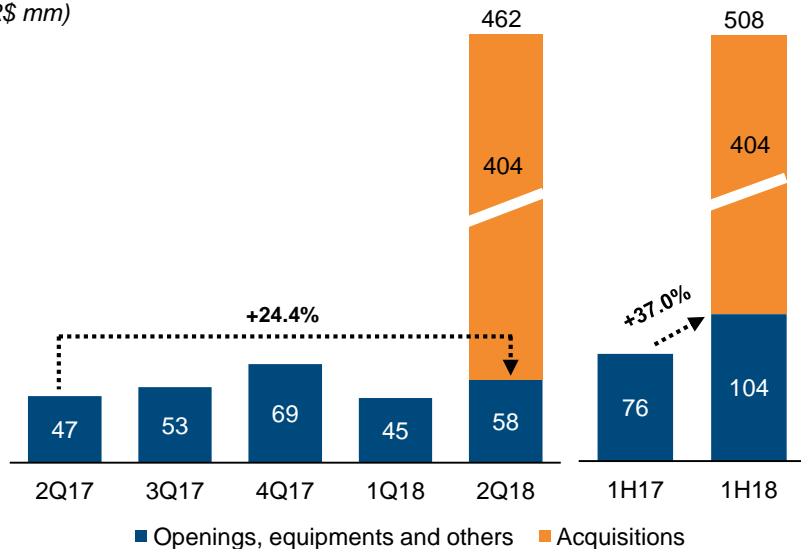
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# Investments in acquisition/ restaurant openings, leverage and improved operating cash flow



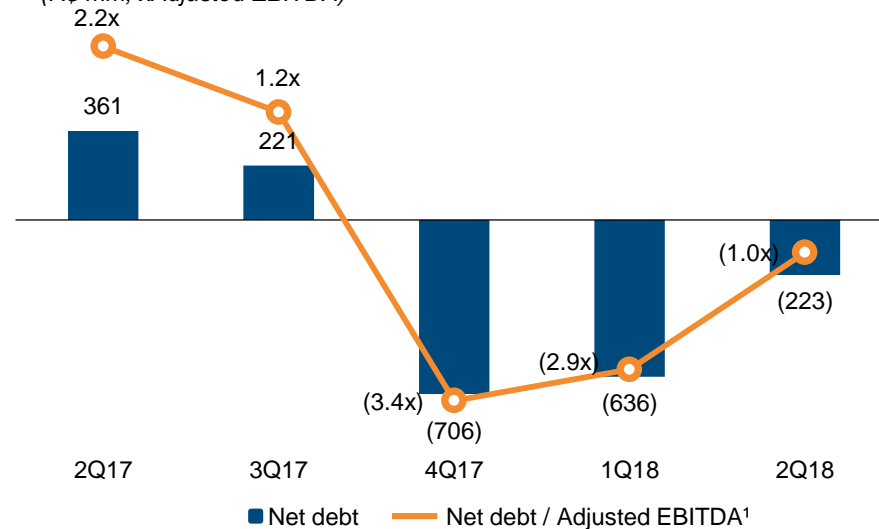
## CAPEX

(R\$ mm)



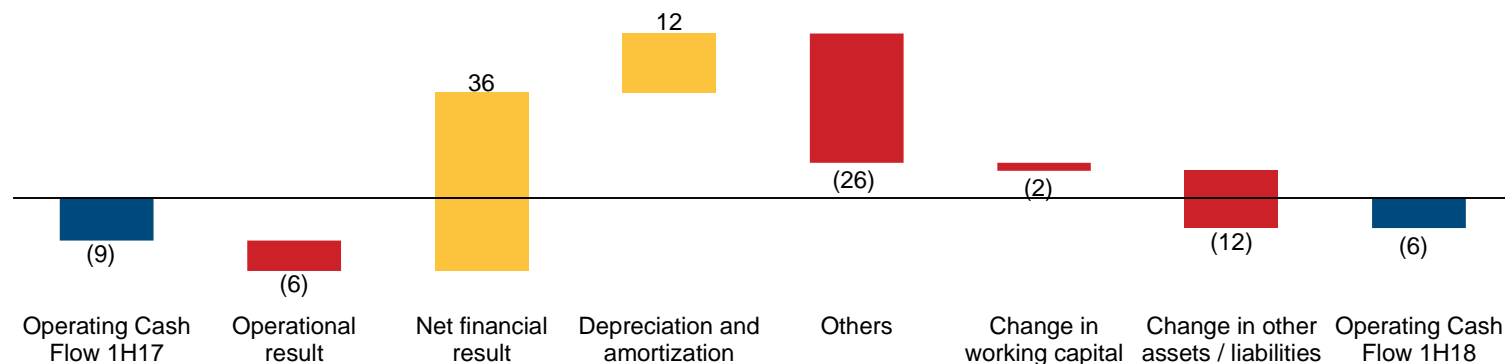
## Net debt and leverage

(R\$ mm, xAdjusted EBITDA)



## Operating cash flow

(R\$ mm)



Source: Burger King Brasil

Note:

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# Appendix



# Consolidated balance sheet (R\$ million)



	06/30/2018	12/31/2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	80.8	102.3
Marketable securities	556.1	1,076.4
Trade receivables, net	66.7	61.0
Financial instruments	0.2	0.1
Inventories	59.5	39.7
Recoverable taxes	52.7	25.0
Advances paid	29.5	24.8
Other receivables	12.0	9.1
<b>Total current assets</b>	<b>857.4</b>	<b>1,338.4</b>
<b>Non-current assets</b>		
Marketable securities	13.0	13.3
Recoverable taxes	10.0	17.3
Judicial deposits	33.3	26.6
Other receivables	1.7	4.2
Property and equipment, net	771.9	699.6
Intangible assets, net	717.8	316.1
<b>Total non-current assets</b>	<b>1,547.8</b>	<b>1,077.1</b>
<b>Total Assets</b>	<b>2,405.2</b>	<b>2,415.6</b>

	06/30/2018	12/31/2017
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Loans and financing	284.3	210.0
Trade and rental payables	129.2	139.0
Payroll and social charges	77.3	69.8
Corporate payables	9.0	14.0
Taxes payable	18.7	20.3
Other payables	14.7	19.9
<b>Total current liabilities</b>	<b>533.1</b>	<b>473.0</b>
<b>Non-current liabilities</b>		
Loans and financing	142.9	275.7
Provision for legal claims	9.3	6.2
Taxes payable	34.4	5.1
Deferred income tax and social contribution	32.9	38.3
Other payables	20.2	-
<b>Total non-current liabilities</b>	<b>239.7</b>	<b>325.4</b>
<b>Equity</b>		
Capital	895.8	895.8
Capital reserve and stock option plan	719.1	915.7
Accumulated losses	17.4	(194.4)
<b>Total equity</b>	<b>1,632.3</b>	<b>1,617.2</b>
<b>Total liabilities and equity</b>	<b>2,405.2</b>	<b>2,415.6</b>

# 2Q18 Consolidated income statement (R\$ million)



	2Q18	2Q17	Var. %	1Q18	Var. %
<b>Net operating revenue</b>	<b>536.9</b>	<b>428.4</b>	<b>25.3%</b>	<b>482.5</b>	<b>11.3%</b>
Gross revenue from sales	578.7	452.1	28.0%	523.3	10.6%
Gross revenue from sales deductions	(45.0)	(27.3)	64.9%	(43.7)	2.8%
Gross revenue from services	3.5	3.8	-8.3%	3.3	5.0%
Gross revenue from services deductions	(0.4)	(0.2)	59.3%	(0.4)	-7.1%
<b>Cost of good sold</b>	<b>(205.2)</b>	<b>(162.2)</b>	<b>26.6%</b>	<b>(185.2)</b>	<b>10.8%</b>
<b>Gross profit</b>	<b>331.6</b>	<b>266.2</b>	<b>24.6%</b>	<b>297.3</b>	<b>11.6%</b>
<b>Total selling expenses</b>	<b>(292.7)</b>	<b>(225.2)</b>	<b>30.0%</b>	<b>(265.8)</b>	<b>10.1%</b>
Personnel expenses	(100.4)	(71.6)	40.2%	(89.7)	11.9%
Royalties and marketing fund	(47.5)	(41.7)	14.0%	(45.3)	5.0%
Expenses on occupancy and utilities	(64.3)	(54.5)	17.9%	(64.0)	0.4%
Pre-operating expenses	(0.7)	(1.0)	-25.4%	(0.9)	-16.8%
Depreciation and amortization	(31.6)	(24.4)	29.8%	(27.7)	14.0%
Other selling expenses	(48.1)	(32.0)	50.2%	(38.2)	25.9%
<b>Total general and administrative expenses</b>	<b>(27.1)</b>	<b>(18.0)</b>	<b>50.8%</b>	<b>(28.6)</b>	<b>-5.2%</b>
General and administrative expenses	(21.8)	(14.3)	52.5%	(23.7)	-7.9%
Depreciation and amortization	(2.1)	(1.7)	26.1%	(1.9)	13.3%
Expenses with merger and acquisitions	(1.6)	(0.3)	479.9%	(0.9)	85.1%
Gain (loss) from write-off of property, equipment and impairment	(0.5)	(1.7)	-73.6%	(1.1)	-57.3%
Cost of stock option plan	(1.1)	-	-	(1.1)	-0.1%
<b>Profit (loss) before financial income</b>	<b>11.9</b>	<b>23.1</b>	<b>-48.5%</b>	<b>2.9</b>	<b>313.8%</b>
<b>Financial results</b>	<b>(2.5)</b>	<b>(14.6)</b>	<b>-83.1%</b>	<b>8.0</b>	<b>-</b>
Financial expenses	(13.2)	(18.6)	-29.3%	(11.6)	13.6%
Financial income	10.7	4.1	163.2%	19.6	-45.4%
<b>Profit (loss) before income tax and social contribution</b>	<b>9.4</b>	<b>8.5</b>	<b>10.6%</b>	<b>10.9</b>	<b>-13.4%</b>
<b>Income tax and social contribution</b>	<b>(0.8)</b>	<b>(1.6)</b>	<b>-48.4%</b>	<b>(2.1)</b>	<b>-59.6%</b>
Current	(0.1)	-	-	(1.4)	-95.6%
Deferred	(0.8)	(1.6)	-52.3%	(0.6)	20.0%
<b>Net income (loss)</b>	<b>8.6</b>	<b>6.9</b>	<b>24.3%</b>	<b>8.8</b>	<b>-2.7%</b>

# 1H18 Consolidated income statement (R\$ million)



	1H18	1H17	Var. %
<b>Net operating revenue</b>	<b>1,019.4</b>	<b>818.3</b>	<b>24.6%</b>
Gross revenue from sales	1,102.0	873.9	26.1%
Gross revenue from sales deductions	(88.7)	(61.7)	43.8%
Gross revenue from services	6.8	6.4	5.7%
Gross revenue from services deductions	(0.7)	(0.3)	129.2%
<b>Cost of good sold</b>	<b>(390.5)</b>	<b>(312.3)</b>	<b>25.0%</b>
<b>Gross profit</b>	<b>628.9</b>	<b>506.0</b>	<b>24.3%</b>
<b>Total selling expenses</b>	<b>(558.5)</b>	<b>(448.0)</b>	<b>24.7%</b>
Personnel expenses	(190.1)	(147.6)	28.8%
Royalties and marketing fund	(92.8)	(79.5)	16.8%
Expenses with occupancy and utilities	(128.3)	(107.5)	19.4%
Pre-operating expenses	(1.6)	(1.5)	6.5%
Depreciation and amortization	(59.4)	(48.0)	23.6%
Other selling expenses	(86.3)	(63.9)	35.0%
<b>Total general and administrative expenses</b>	<b>(55.7)</b>	<b>(37.2)</b>	<b>49.9%</b>
General and administrative expenses	(45.6)	(30.8)	48.1%
Depreciation and amortization	(4.0)	(3.5)	14.7%
Expenses with merger and acquisitions	(2.4)	(0.7)	266.1%
Gain (loss) from write-off of property, equipment and impairment	(1.5)	(2.5)	-39.3%
Gain (loss) on claims	0.0	0.2	-
Cost of stock option plan	(2.2)	-	-
<b>Profit (loss) before financial income</b>	<b>14.7</b>	<b>20.8</b>	<b>-29.3%</b>
<b>Financial results</b>	<b>5.5</b>	<b>(30.4)</b>	<b>-</b>
Financial expenses	(24.7)	(42.6)	-42.0%
Financial income	30.3	12.2	147.7%
<b>Profit (loss) before income tax and social contribution</b>	<b>20.3</b>	<b>(9.6)</b>	<b>-</b>
<b>Income tax and social contribution</b>	<b>(2.9)</b>	<b>(3.5)</b>	<b>-18.7%</b>
Current	(1.5)	0.0	-
Deferred	(1.4)	(3.5)	-60.3%
<b>Net income (loss)</b>	<b>17.4</b>	<b>(13.1)</b>	<b>-</b>

# Consolidated cash flow statement (R\$ million)



	1H18	1H17
<b>Cash flow from operating activities</b>	<b>(6,1)</b>	<b>(8,6)</b>
<b>Cash generated by operating activities</b>	<b>110,2</b>	<b>94,6</b>
Earnings (Loss) before income tax and social contribution	20,3	(9,6)
Depreciation and amortization of property and equipment and intangible assets	63,3	51,5
Interest, charges, exchange differences and monetary variations	6,5	39,1
Others	20,1	13,6
<b>Changes in assets and liabilities</b>		
Trade receivables, net	1,4	(9,8)
Inventories	(17,6)	(12,8)
Recoverable taxes	(18,8)	(2,5)
Advances paid	(4,4)	(3,5)
Trade and rental payables	(15,5)	(6,9)
Payroll and social charges	(12,0)	(6,7)
Payment of interest on loans and financings	(21,2)	(40,6)
Others changes in assets and liabilities	(28,3)	(20,5)
<b>Net cash used in investing activities</b>	<b>69,9</b>	<b>(85,1)</b>
Purchases of property and equipment	(91,1)	(70,9)
Purchases of intangible assets	(12,5)	(5,8)
Investment in marketable securities	(141,7)	(306,7)
Redemption of marketable securities	676,0	298,3
Consideration paid on the acquisition of businesses net of cash acquired in the acquisition	(360,9)	-
<b>Net cash used in financing activities</b>	<b>(85,4)</b>	<b>(66,6)</b>
Share premium increase, net of issuance costs	(4,5)	-
Investments payable	-	(2,4)
Payment of loans and financings (principal)	(80,9)	(64,2)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(21,6)</b>	<b>(160,3)</b>
Opening balance of cash and cash equivalents	102,3	256,9
Closing balance of cash and cash equivalents	80,8	96,6

# Adjusted EBITDA and net debt (R\$ million)



## EBITDA and Adjusted EBITDA

EBITDA - R\$ Million	2Q18	2Q17	Var.%	1Q18	Var.%	1H18	1H17	Var.%
<b>Income (Loss) for the period</b>	<b>8.6</b>	<b>6.9</b>	<b>24.3%</b>	<b>8.8</b>	<b>-2.7%</b>	<b>17.4</b>	<b>(13.1)</b>	<b>-</b>
(+) Financial income (loss)	2.5	14.6	-83.1%	(8.0)	-	(5.5)	30.4	-
(+) Depreciation and amortization	33.7	26.0	29.5%	29.6	14.0%	63.3	51.5	23.0%
(+/-) Income tax and social contribution	0.8	1.6	-48.4%	2.1	-59.6%	2.9	3.5	-18.7%
<b>EBITDA</b>	<b>45.6</b>	<b>49.1</b>	<b>-7.1%</b>	<b>32.5</b>	<b>40.5%</b>	<b>78.1</b>	<b>72.3</b>	<b>8.0%</b>
<i>EBITDA Margin</i>	8.5%	11.5%	-300bps	6.7%	180bps	7.7%	8.8%	-110bps
(+) Others expenses*	0.4	1.7	-73.8%	1.1	-	1.5	2.3	-34.3%
(+) Cost of stock option plan	1.1	0.0	-	1.1	-0.1%	2.2	0.0	-
(+) Merge and acquisition expenses	1.6	0.3	479.9%	0.9	85.1%	2.4	0.7	266.1%
(+) Pre-operating expenses	0.7	1.0	-25.4%	0.9	-16.8%	1.6	1.5	6.5%
<b>Adjusted EBITDA<sup>1</sup></b>	<b>49.5</b>	<b>52.1</b>	<b>-5.0%</b>	<b>36.4</b>	<b>36.0%</b>	<b>85.9</b>	<b>76.8</b>	<b>11.8%</b>
<i>Adjusted EBITDA Margin</i>	9.2%	12.2%	-300bps	7.5%	170bps	8.4%	9.4%	-100bps

\* Include write-off of property and equipment (damages, obsolescence, gain (loss) from asset divestment and impairment).

## Total debt and leverage

Net debt - R\$ Million	Jun/18	Jun/17	Var.%	Mar/18	Var.%
<b>Loans and financings</b>	<b>427.2</b>	<b>542.1</b>	<b>-21.2%</b>	<b>458.3</b>	<b>-6.8%</b>
Current	284.3	127.4	123.2%	303.6	-6.4%
Non-current	142.9	414.7	-65.5%	154.7	-7.6%
<b>Cash and cash equivalents and marketable securities</b>	<b>649.8</b>	<b>180.7</b>	<b>259.6%</b>	<b>1,094.2</b>	<b>-40.6%</b>
Cash and cash equivalents and marketable securities (current)	636.8	173.3	267.5%	1,081.0	-41.1%
Marketable securities (non-current)	13.0	7.4	75.9%	13.3	-2.2%
<b>Net debt</b>	<b>(222.7)</b>	<b>361.4</b>	<b>-</b>	<b>(635.9)</b>	<b>-</b>
<b>Adjusted EBITDA</b>	<b>219.8</b>	<b>161.4</b>	<b>36.1%</b>	<b>222.4</b>	<b>-1.2%</b>
<i>Net debt / Total Adjusted EBITDA (12M)</i>	<i>(1.0x)</i>	<i>2.2x</i>	<i>-</i>	<i>(2.9x)</i>	<i>1.8x</i>

Source: Burger King Brasil

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## Investor Relations

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