



**International Conference Call
Burger King Brazil S/A (BKBR3)
1Q22 Earnings Results
May 13th, 2022**

Operator: Good morning and thank you for waiting. Welcome to the BK Brazil teleconference to discuss earnings of the first quarter of 2022.

We have with us today Mr. Iuri Miranda, Gabriel Guimarães, Ariel Grunkraut and the investor relations team.

We'll inform you that this event is being recorded and that all participants will only be listening to the call during the presentation. Afterwards we'll start the Q&A session when more instructions will be provided. In case any of you require any assistance during the call, please request assistance typing star 0.

This event is being transmitted simultaneously through the Internet via a webcast available at www.burgerking.com.br/ri where you will see the presentation or a copy of the presentation. The selection of the slides will be controlled by us, the replay of this event will be available right after its closing. We'd like to inform that this teleconference is being simultaneously translated to English in order to aid our foreign investors.

Prior to proceeding, we'd like to clarify that any eventual statements that might be made during this call related to the business perspectives of BK Brazil, forecasts, operating goals, financial goals are based on beliefs and assumptions of the company, as well as information coming to BK Brazil from the market. Future assumptions are not guarantees of performance and involve risks, uncertainties, and assumptions because they refer to future events and therefore depend on circumstances which may or may not occur.

Investors and analysts must understand that general conditions, sector, and market conditions may affect the future performance of BK Brazil and may lead to results which differ materially from those expressed.

I'd like to pass the word to Iuri Miranda, president of BK Brazil. Please, Iuri, you may begin.

Iuri Miranda: Thank you for the introduction, operator. Good morning, everyone, I hope you and your family members are all quite well. Thank you for the interest in our company and for your participation in this earnings call for the first quarter of 22.

Today with me in this presentation are my partners Gabriel Guimarães, CFO, and Ariel Grunkraut, our Vice-President of Marketing, Sales, and Technology. It's with lots of excitement that I'd like to share with you our results of the first



quarter of 22, an overview of our business and an update of importance projects leveraging the company, taking the company to a strategic position in a post-pandemic fast-food market. Despite the beginning of the year with restrictions in urban mobility due to Omicron, we've been able to keep up the recovery sales pace going through a management of gross margin and costs. This places us very close to the levels of EBITDA margin levels of the same period of pre-pandemic even if the traffic levels have not come back fully yet. We've been able to close the quarter in positive numbers in terms of same store sales comparable to 2019 for both brands.

If we compare to the year of 2021, this growth was 21% at BK and an incredible 60% for Popeyes, which shows the speed of maturation of this new business line. Our perspective that there would be a market consolidation continues to materialize. For example, the second quarter started with same store sales in double-digits and both brands hit sales records in Mother's Day.

With the mobility restriction in the pandemic, our portfolio of mall stores suffered a bit more, we expect that when people go back to the malls we experiment the opposite effect, a positive effect. Our digital revolution continues, and the digital channels continue to gain relevance even with the on-premise consumption coming back.

Throughout the quarter we've increased our coverage area for delivery gaining more operating efficiency and improving our NPS levels. Today we count on over 70% of our operations using a best logistics solution of last mile, which allows us to use our own marketplace or then opt for a more profitable solution of using only the aggregator marketplaces.

Another big highlight were the self-service kiosks. Today all of our Popeyes stores have self-service kiosks and we've surpassed over 50% of the Burger King restaurants with the same solution and we continue to test operations with 100% of digital cashiers, or that is, no cashier's. Our CRM continues to make progress and with over 30% of sales identified this allows us a customized relationship with our customers, which optimizes revenue and improves profitability.

Still in terms of digital solutions, our loyalty program (the BK Club) surpassed 5 million users, a growth of 40% versus the end of 2021. The practical result of that channel is a higher frequency and a higher spend in transactions. My partner and CMTO Ariel Grunkraut will be with us in Q&A and might be able to share more about the great developments that we have seen in digital and technology.

The scenario continues to be challenging, above all with the inflation rising, but we've done important negotiations with our suppliers which allied to our revenue management strategy allowed us a more efficient management of the gross margin. The quarter result is a continuous development seen in the last three



quarters and a significant difference versus the same period last year. We have reached an adjusted EBITDA of R\$101 million versus a negative EBITDA of 32 million in the first quarter of 2021, we've delivered an EBITDA margin of 12.6% versus a negative margin of 6.7% in the same period of last year.

Finally, and as we said in our last earnings calls, in the last year we've established 16 commitments for ESG based on our three pillars: our food; our footprint; and our people. Aligned with those initiatives and through the round off project, we've given R\$4 million to education and hunger and we've had two campaigns incentivizing the second semester program, which is hunger for democracy and voting.

I'd like to pass the word to my partner and CFO Gabriel Magalhães to provide more details on the company performance.

Gabriel Magalhães: Thank you, Iuri. Good morning, everyone. Let's go to slide three now, we can see the highlights of the company performance.

In this quarter, we've reached an operating net revenue which represents a growth of 42% when compared to the same period of 2021. The digital channels have grown 59%, getting to R\$258 million and income for the quarter which shows the resiliency and potential incrementality of these channels in an environment with traffics back to normal levels. We've reached same stores sales of 21% for Burger King and 60% for Popeyes with sales recovery. Our cost control, we closed the quarter with an adjusted EBITDA of R\$101 million and a margin of 12.6%, which represented a cash generation of R\$62 million, 166 million above the same period last year.

On the next slide, we're going to show you the development of our network chain of our restaurant chain. We opened one store, one same store in a mall, we had no closings or transfers of the Burger King brand and the Popeyes brand we had no openings in the first quarter, but there was the accounting of our ghost kitchen already operational since 2021 as part of BLK or PLK system in Brazil. We closed with 194 BK stores and 63 Popeyes in operation in Brazil.

On slide 5, we can see the development of net operating revenue, which reached R\$101 million for the quarter, a growth of 42.4% versus the same period of the previous year and same store sales, so there is a vision versus 2021 versus 2019. Income growth comes from an increase in traffic, the revenue management work, and the resilience of the digital channels. At the end of the first quarter, we started to see important movements, which accelerated urban mobility, like the loosening of the restrictive measures going back to the office, going back to the school, and the waiver of using masks in public. This increase happened gradually during the first quarter, and it's shown important reflexes in April as you can see to the right of the slide.



In terms comparable to 2019 in terms of same store sales, in April we had our best performance since the beginning of the pandemic. Popeyes as you can also see in the chart continues a strong growth trajectory with high levels of brand preference starting to reflect on the performance and average sale per restaurant.

Next slide, we see the consistent growth of our digital channels represented by delivery, self-service totems, and the app, which represented 33% of total company sales in this quarter, and totems and delivery were the most significant ones.

On slide seven, we can see our digital ecosystem. Today after four years of construction, we count with a database with 11 million users in our CRM, which has contributed significantly so that we have a more personalized interaction with our customers, more assertive and efficient as well. That way, in this quarter we reached over 30% of our sales, identified sales, which retro feeds our profile understandings and insights.

Our loyalty program (the BK Club) closed the quarter with 5 million users registered, which shows a growth of 35% compared to the fourth quarter of 2021. We continue advancing in frequency in the BK Club, got to represent 21% of all company sales in this first quarter. Besides that, as part of the massification strategy of the heavy user program, we were able to develop our capabilities so that our registered customers can also be available in all of our channels through the app, totem, the balcony, drive-through, delivery.

Our app channel, which we think is an important avenue for growth as our customers get familiar with the navigation in our digital channels group, 370% in sales, but still represents a huge opportunity for share gain in the next quarters, which will bring higher access to customer data in the Burger King ecosystem.

In terms of totems, the self-service totems, we've been able to use that to deliver to our customers a better experience, we've seen that through the high NPS levels in those transactions and a higher operating efficiency is brought about as well. In terms of delivery, which represented 14% of company sales, we kept our focus on seeking growth solutions for our own platform. As we mentioned we have over 70% of our operation certified to work in a hybrid model, this move allows us as time goes by to expand our geographical coverage, to reduce take rate and to acquire customer data.

In terms of slide 8, we see our expenses with restaurant sales and G&A. At the end of the quarter, the cogs reached 36.6% of revenue, a drop of 490 basis points versus the first quarter of 2021 taking the company to its best performance in history since 2018. The investments we have made to get to know our customers better has given us a less exposure to discounts and therefore better margins and a more assertive manner. Besides the revenue management and price management, we have had negotiations with our



suppliers in order to reduce inflation pressures that we have been going through.

The environment as you have seen continues to be extremely challenging, but the company counts on great tools to manage and control the gross margin in the next quarters. The expenses with restaurant sales represented 46% of revenue, a drop of 1.270 basis points when compared to the first quarter of 2021, which shows a strong operating leverage of our business. This advance came from the digitalization strategy, which helps us even in an inflation environment, it'll allow us to manage our expenses in an intelligent manner and it'll allow us to negotiate or operating costs, especially rent and utilities, which continued to be impacted by the adjustments and the peak prices at the beginning of the year.

Besides that, with the taking back of the sales we were able to approximate our expenses to levels close to the pre-pandemic numbers. In terms of G&A to the right of the slide, had a drop of 90 basis points when compared to the first quarter of 2021, reaching 5.4% of revenue coming from the operating leverages. As I have said, we're preparing the company for important projects working on squads and working on initiatives which will be fundamental for our business in the mid and long term.

On slide 9, the adjusted EBTIDA reached R\$101 million, an increase of 133 million when compared to the first quarter of 2021. That result is once again coming from the sales recovery, gross margin, our expense control disciplines, and the digitalization strategy. Going to the middle of the slide, we see that the company loss had an improvement of 171 million when compared to the first quarter of 2021 due to the developments of the company. To the right of the slide, we can see that the total gross debt of the company was R\$798 million and combined with an available cash of 380 million led us to a net debt of 418 million, which reinforces our strong capital structure after two years of important restrictions in cash generation.

Finally, and subsequently, in April of this year we had the issuance of R\$150 million and a debenture with a maturity of five years.

Slide 10, our Capex investment reached 60 million in this quarters. Of that amount, 75% was destined towards the development of restaurants and maintenance, 20% into technology, and 5% going into other corporate programs. We continue to seek and find good opportunities to allocate our capital in projects with returns aligned with our long-term strategy. Our operating cash flow due to the improvement in the operating activity and with better working capital contributed so that we have a cash generation of R\$62 million, 166 million better than the same period of the previous year.

On the next slide, we'll cover a few fronts connected to ESG, which developed in this quarter. Iuri?



Iuri Miranda: Thank you, Gabriel. On the next slide you will see three important initiatives, ESG initiatives. Last month we celebrated Education Day. Since 2018, the company is a partner of a round off movement which invites people going through the cash to round up their purchase and to help fight hunger and help foster education. We destined almost R\$4 million to the project. Last month also, the company continued a conversation which was started years ago about the importance of the vote through the voting campaigns and hunger for democracy program. In the first campaigns, we called the youth to get their electoral identity card regularized so that they could vote. The second campaign was to show them the importance of voting and people who show their elector certificate had special prices in our restaurants. The objective was to foster the importance of people using their rights to vote and to elect.

That's it. We'd love to close right now and let's go into Q&A.

Question and Answer Session

Operator: Ladies and gentlemen, we'll now start the Q&A session. To ask a question, please type star one. To remove your question, type star two.

Our first question comes from Gabriel Dessani, BTG.

Gabriel Dessani: Can you hear me?

Iuri Miranda: Yes, we can hear you, Gabriel.

Gabriel Dessani: First, congratulations. Quick question just to try to understand, what's your buyback strategy from here forward after this active January? What would be your buyback strategy?

Iuri Miranda: Hello Gabriel, thank you for the question. Well, like we said, we have a buyback program which is open, which has been approved by the Board up to 16 million of shares in an interval of 12 months, the company has made a first movement as you were able to see in the disclosure and we will continue to monitor the market as we believe that today there is a difference say an important asymmetry between the operating results of the company and the value that the company is priced in the market.

So, in order to have higher security and operating cash flow generation, we should continue monitoring our buyback program until the end of the buyback window approved by the Board.

Gabriel Dessani: OK, thank you.

Operator: Our next question comes from Marcela Recchia, Credit Suisse.



Marcela Recchia: Hello Iuri, Gabriel, good morning, thank you for taking my question. I have two quick questions, the first one in terms of same store sales, can you share with us what the makeup is of those same store sales are already above 2019 between ticket and traffic?

And the second question has to do with your expansion plan. We saw in the first quarter a reduced number of openings, I understand that seasonally we see this intensifies as the year goes by and your openings get more and more as the year ends, but I just wanted to get your perspective in terms of BK and Popeyes openings. Thank you.

Iuri Miranda: Hello Marcela, Iuri here, thank you for both questions. Let's start with sales, when we compare versus 2019, where we were a little bit above 2019 besides the Omicron restrictions in January, we see that the same store sales is in majority a ticket based with negative traffic still, we're talking about a negative traffic somewhere around 20%, alright? When we look at 2021, then we do see positive traffic, we do see a double-digit traffic trend which shows that we are seeing a recovery, and in the presentation, Marcela, we said that looking at April with important dates like now for example, in May we had Mother's Day, we start to have a few different blockbuster launches which are interesting in the movies as well, Doctor Strange is one of them, and this month there's another one, so we're slowly getting back to our normal activities and we start to see the reduction of that gap, that traffic gap as well.

So, we are very optimistic I would say, and we will be able to sustain the ticket and once traffic bounces back with the normality we see on the streets we do have the expectation that that traffic gap will start to reduce ahead.

And in terms of the expansion plan, I would have a few comments to make. First, like Gabriel said, our capital structure continues very solid even after two years of COVID restrictions, which restricted our cash generation capabilities, this places us in a position of being able to capture the best investments, and if we look at the last 12 months, basically if we look at them in parallel with the impacts from 2021, we are able to get an EBITDA net ratio of 2.4, which continues to project a very healthy number. Second, the potential for BK and Popeyes continues very clear, the numbers are very exciting and actually when we used to talk about this in the middle of the pandemic that strong brands like ours would come out and consolidate the Fast Market after the pandemic, it's what we continue to believe and in our opinion what has been happening, therefore the BK growth, especially in street stores, which has been our main focus, and Popeyes opening up in new states already is what we will see until the end of the year.

We have adjusted our growth pace, our opening pace in the last two years exactly due to our responsibility of us leaving this... for us to have this solid statement, the solid numbers, and we're going back to getting the expansion going again, and this cycle of expansion, especially for free standings at BK, is



a bit longer the total cycle of development here, and this year we should have more openings concentrated at the end of the year.

And finally, I would say that there is a global raw material, equipment parts gap throughout the world in terms of global supply chain, but we still continue to be very positive, and we continue to push our opening program for the year.

Marcela Recchia: Iuri, could you talk about the number of openings for each brand, what you have in your mind?

Iuri Miranda: I can give you a total number including both brands, including same store and franchises because we don't provide a guidance and openings, you know we don't provide guidance and future numbers, but we did open up in the last 12 months something around 35 to 40 restaurants and now our plan for the year continues to be a growth above the previous 12 months, so above 40.

Marcela Recchia: Thank you.

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

Robert Ford: Good morning and congratulations on the performance. Iuri, how is your experience with Popeyes' dark kitchen, ghost kitchen? And how do you see Popeyes after COVID in terms of free standings versus malls?

Iuri Miranda: Hey Bob, I hope you're well, I hope you're safe, healthy, thank you for your question. The experience has been really great, we have one already running in São Paulo with the sales numbers above expectations, this encouraged us to do a few layout adjustments and we think that there is still atomization available, especially in the kitchen piece since we operate two brands together, it can be done. We have incorporated those insights and we are now opening in September actually our second ghost kitchen in the Rio de Janeiro market, which will cover a very interesting footprint in Rio de Janeiro.

In terms of strategy, we want to make progress with ghost kitchens in Brazil and the strategy will be mainly for new markets, new markets will be going in with Popeyes – already answering the second piece of your question, second part of your question – Popeyes we operate in São Paulo, Rio de Janeiro, and our plan is to go into another four or five big Brazilian capitals this year, and as part of the Popeyes' plans, we're starting through the malls, which is where we have our best insight, we have our best insights with Tier 1 malls, like we did with Burger King when we started it, we're doing the same thing in Rio, and that way we are going to do it that way in other states as well, and we're going to cover areas which weren't covered, we're also going to complement stores by the regions which are not covered by this mall and we're going to place a few ghost kitchens in those areas in Rio in Popeyes.



We want to get back to the expansion levels prior to the pandemic and we want to speed it up given the very exciting sales growth we have seen, as we said, over 60% of growth with a brand awareness in the city of São Paulo, which is incredible, which shows that the chicken potential in Brazil is a potential to be acquired and captured.

Robert Ford: Thank you Iuri, congratulations.

Operator: Reminding you that to ask a question all you have to do is type star one. Please, await.

Our next question comes from clown João Andrade, Bradesco.

João Andrade: Congrats on the results and thank you for taking my questions. How do you see the pressure on gross margin due to food inflation? Are we going to continue seeing revenue management and continued negotiations with suppliers? How has delivery behaved in terms of percentage of sales in April? Given the recovery of the company's capital structure, can we think about the opportunities of new segments, like pizza?

Iuri Miranda: John, thank you so much for that question. I'm going to split that question into three because I have two partners as well who contributed quite a lot together with the team to get to that gross margin number that we shared with you and they are the two main responsible parties, Gabriel in terms of his strategy negotiating with our suppliers, as well as Ariel in the policies and revenue management. So, I'm going to let them talk about that and I'm going to talk about what you said in terms of pizza.

We are focused at this time in the recovery of the two brands and to capture the consolidation potential for the fast-food market in Brazil and the numbers show that all the work we've been doing in the last 12 months, especially in terms of our digital transformation developing new formats, the progress with the free standings, the startup of the Popeyes brands, which is around three years and two of those here has been under the pandemic and it's got a brand awareness and an amazing growth of 60%, therefore we have lots of things on our plate to capture that recovery after the pandemic, so we're 100% focused on the recovery and I think that the numbers show that for the third consecutive quarter.

Therefore, my answer is the focus of the company at this exact time is that we have transformed ourselves into a great fast-food restaurant operator, therefore in the future if any opportunity, including the pizza market, comes back to the table and if it's a great business for our company and for our shareholders we certainly will go back to the table. What I can say at this time is that our focus is geared towards continuing to deliver the great results and excitement we have seen in the last three quarters.



Now I'm going to pass the word to Gabriel and then to Ariel to complement our answers. Gabriel.

Gabriel Magalhães: Hello John. Well, basically, we break gross margin into three pillars, it's what we have been doing with CRM, with revenue management, and in our renegotiation policy with large suppliers. In terms of the stability of this long-term, we have faced a volatile global market in a certain way, but I think that the company performed especially in terms of gross margin in the last three quarters, gives us confidence that all of our investments during these years start to turn into results and we have started to show in our presentation that we have a data strategy of over 12 million users, 30% of our sales identified and this contributes to gross margin management as you are able to reduce your exposure to discounts and to have a more personalized interaction with the customer.

Besides that, I think you have seen the price transfers, we had a strategy in order to transfer prices, but not losing competitiveness in market, but where we would be able to control our gross margin as well. And finally, we went through a series of renegotiations and large scale using our global partner to reassess mid and long-term contracts in order to accommodate or to compensate, offset part of the inflationary scenario we have been going through. Ariel?

Ariel Grunkraut: Thank you Gabriel. Well, I would like to talk a little bit about the digital channel's role in our profitability. Gabriel talk about the role of digitalization, how much we have been growing, our self-service kiosks, our apps, and what we have seen is very encouraging because not only has the average ticket of the digital transactions seen as bigger than the offline transactions, the margin is also better, we're talking about something around 200 bps better in digital transactions with a higher average ticket, so the higher the digitalization of the experience, the higher the NPS, a better customer experience, we also have a better average ticket and a better margin.

Besides revenue management and pricing, which Gabriel talked about, we've been working on our portfolio architecture launching better premium products with better margins, getting our desserts right, launching innovations in our core products, so the portfolio architecture plays an important role. And finally, Gabriel talked about CRM a bit, but the CRM is not only fruit of the investments that have been made in the last few years, but it's interesting that the system in technology the more data you feed into it, the wiser the system becomes, therefore the purchases increases and we are able to automatically via IA and blockchain we are able to increase the number of segmentations of customers, the system tests and learns and ends up becoming ever wiser, ever more assertive and exact. So, that's important for us to migrate from our policy that would offer discounts to everyone and now we can be more personalized delivering discounts for those who really are going to deliver either through more purchases or higher margins.



João Andrade: Thank you.

Operator: Reminding you that to ask a question all you have to do is type star one. Please, wait.

We now close the Q&A session. I'd like to pass the word to Iuri for final considerations.

Iuri Miranda: Thank you operator, thank you everyone for dedicating time to listen to our earnings call, thank you for Gabriel's and Ariel's participation and for everyone's questions. And prior to closing our presentation, I would like to give you a quick recap on our year's priorities. First, we continue confident that once recovery comes – and it is happening –, once traffic gets to levels closer to 2019, we will be able to maintain our sales growth pace that we have shown. Like I said, we still see a lag in terms of traffic. However, we believe that the pandemic scenario is gradually improving, and traffic levels are also increasing gradually as we have seen in April and May.

Second priority, besides the important development that we have seen in terms of technology and digital, our objective there is to translate that into results and numbers that we can actually see, and that will be able to do through an experience ever more assertive and personalized that we will make available to our customers, and this allows us to gain margin, contribution margin and to better manage our costs.

Third, like I said, we have on our portfolio two very important brands, and despite being in different levels of maturity, they continue very strong and resilient with excellent expansion opportunities throughout the entire Brazilian territory and due to that difference in the maturity levels, in different formats actually, you know, which opens up an array for us to open up same stores or free standing stores at the level of BK, ghost kitchens as Bob asked, you know, Tier 1 malls where Popeyes didn't get to yet in many capitals throughout Brazil and throughout the national territory.

We continue confident in our growth, we are paying close attention trying to maximize the return on our investments, be it by sales increase, or by optimization of Capex to be invested in our restaurants or be it via good negotiations with suppliers and leases. We see great opportunity for growth, but aligned to it, together with that growth we want to bring profitability to our investments.

And with that I would like to close our earnings call thanking everyone for their participation, for taking part, for their questions, and I make my investor relation team and myself actually at your disposal in case you have any additional questions. I hope you're all doing great, have a wonderful day.



Operator: The BK Brazil is now closed. We thank the participation of everyone, have a great afternoon and thank you for using Chorus Call.