



BK Brasil
Earnings Presentation – 4Q17 and 2017
March 9, 2018

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Strong growth in comparable sales and opening of 108 restaurants lead to net profit and mark the year of listing at B3

Performance in 4Q17 vs. 4Q16

- **69 Restaurant openings** in 4Q17, reaching a total of 697;
- **Net Operating Revenue** of R\$523 million in 4Q17 (+27.8%);
- **Comparable sales growth in same restaurants** of 16.2% in 4Q17;
- **Adjusted EBITDA¹** of R\$83 million in 4Q17 (+48.2%) and **Adjusted EBITDA margin** of 15.9% (+220 bps);
- **Net Income** of R\$22 million in 4Q17.

Performance in 2017 vs. 2016

- **108 Restaurant openings** in 2017, totaling 697;
- **Net Operating Revenue** of R\$1.784 million in 2017 (+28.0%);
- **Comparable sales in same restaurants** grew 13.8% in 2017 (+390 bps);
- **Adjusted EBITDA¹** of R\$211 million in 2017 (+57.4%) and **Adjusted EBITDA margin** of 11.8% (+220 bps);
- **Net Income** of R\$4 million in 2017, an improvement of R\$97 million versus 2016.

Source: Burger King Brasil

Note:

¹Adjusted EBITDA is a non-accounting measure adopted by the Company, which corresponds to EBITDA adjusted by pre-operating expenses, expenses with mergers and acquisitions, and other expenses, which the Company's Management believes are not part of the normal course of business and/or distort any analysis of the Company's operating performance, including: (i) write-off of property and equipment (damages, obsolescence, gain (loss) from asset divestment and impairment); and (ii) costs with the stock option plan.

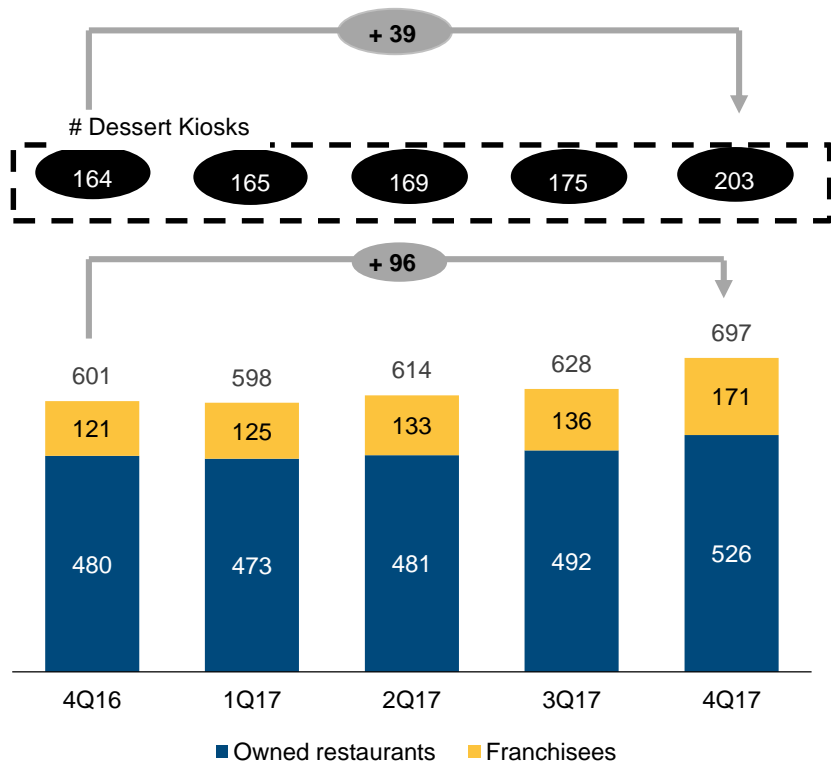
Expansion of restaurant network



Opening of 108 new restaurants, expanding the brand to all Brazilian states

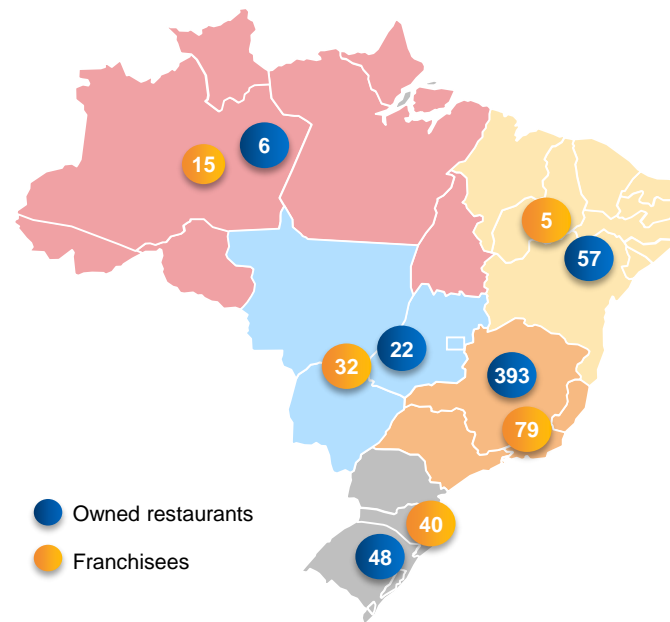
Restaurant openings by type

(# of restaurants)



Geographic footprint

(# of restaurants)



Opening of 108 new restaurants and closure of 12, resulting in 96 net openings. Opening of 39 dessert kiosks, totaling 203 units in operation. A total of 697 restaurants in operation in 2017, including 526 company-owned and 171 franchisees.

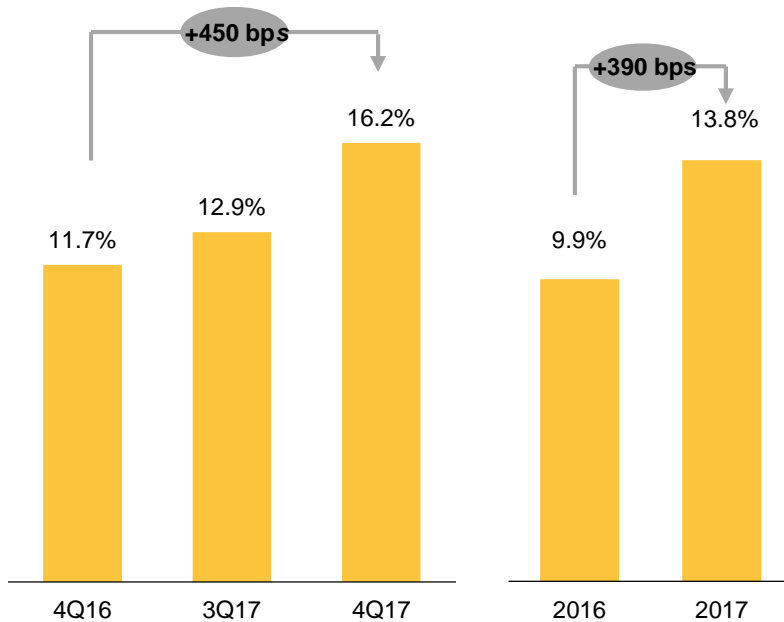
Significant national expansion, positioning the brand to all Brazilian states.

Robust growth in net operating revenue and same restaurant sales



Growth in comparable sales in same restaurants

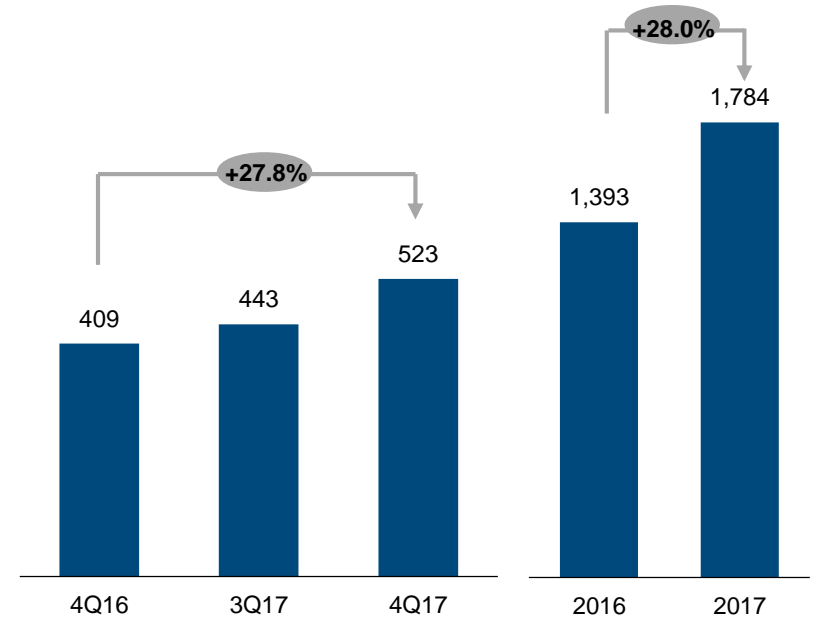
(%)



Strong acceleration of comparable sale in same restaurant was a result of the ongoing consolidation of the brand, the launch of new products, and the Company's promotional strategy.

Net operating revenue

(R\$ mm)



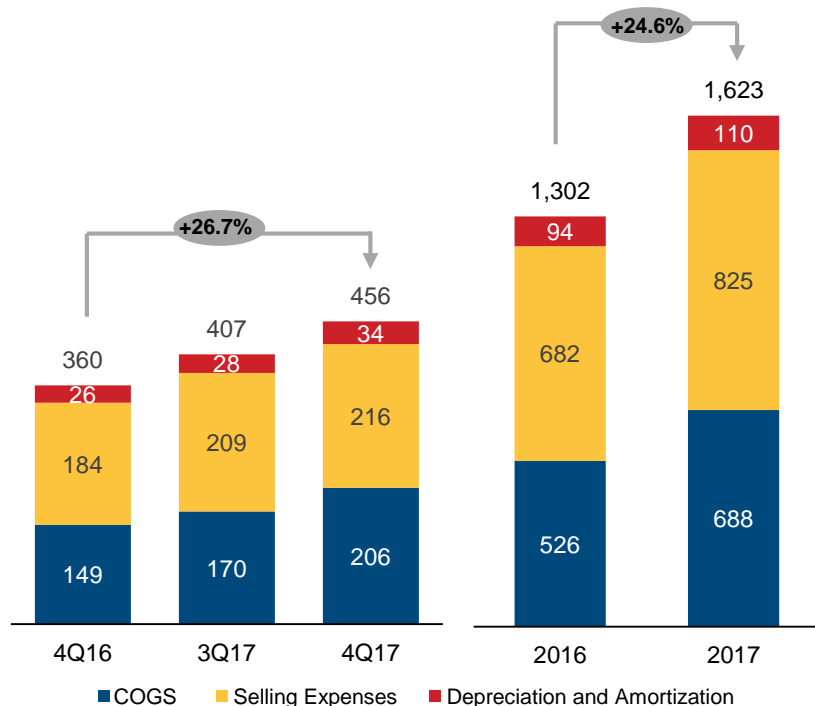
Growth as a result of new restaurant openings, maturation of units opened in the last 12 months, and an increase in comparable sales.

Operating leverage, combined with strict control over costs in restaurants and G&A



Cost of goods sold and selling expenses

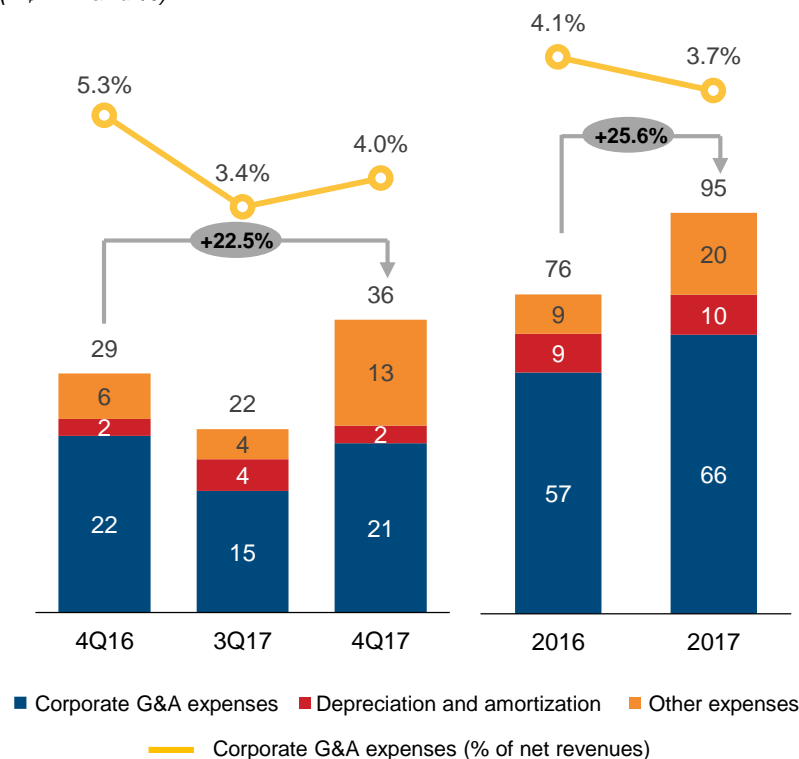
(R\$ mm)



Restaurant selling expenses grew less than net operating revenue, reflecting operating leverage as a result of significant increase in comparable sale in same restaurants.

General and administrative expenses

(R\$ mm and %)



Corporate G&A as a percentage of net operating revenue decreased in both 4Q17 and 2017, reflecting the Company's strong focus on cost control and further dilution of fixed expenses.

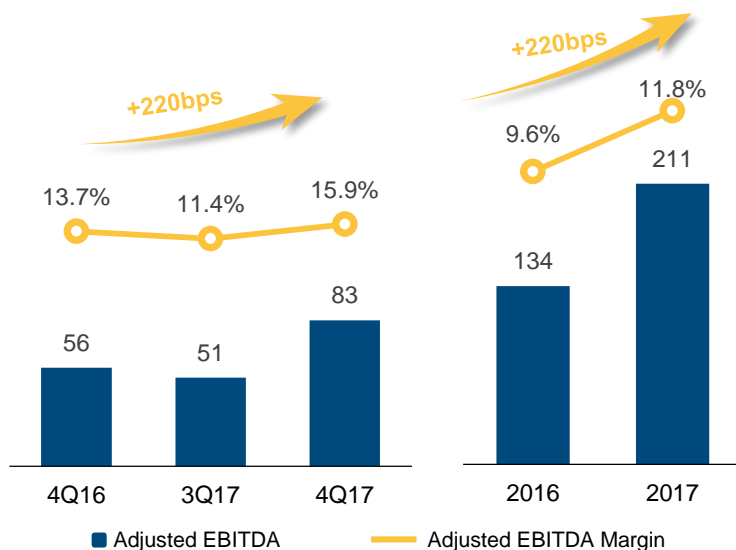
Positive evolution of EBITDA and net profit



Increase driven by strong comparable sales in same restaurant, operating leverage and focus on controlling expenses

Adjusted EBITDA¹ and adjusted EBITDA margin

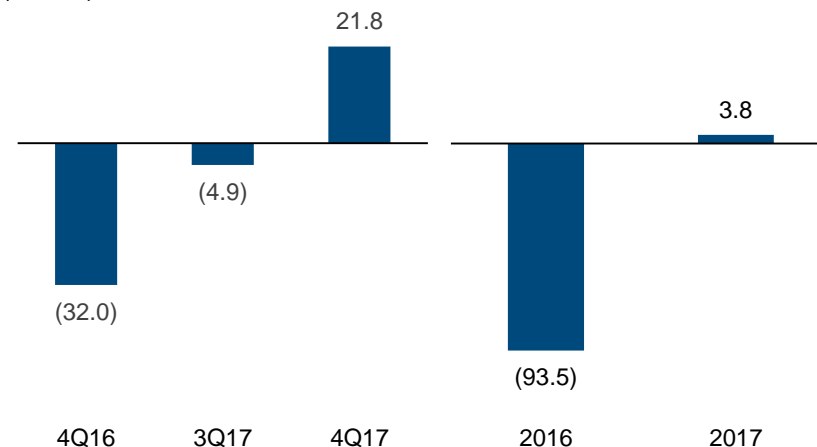
(R\$ mm and %)



Adjusted EBITDA increased reflecting the strong focus on controlling expenses, as well as robust growth in net operating revenue driven by a higher restaurant count and strong comparable sales in same restaurant.

Net profit

(R\$ mm)



2017 proved to be a turning point in terms of net income for the Company, which posted a net profit for the first time since its inception in 2011, reflecting strong operating leverage, profitability of the existing restaurant portfolio, reduction in financial expenses, lower accounting expenses (non-cash) related to the acquisition of franchisees, which also impacted previous years.

Source: Burger King Brasil

Note:

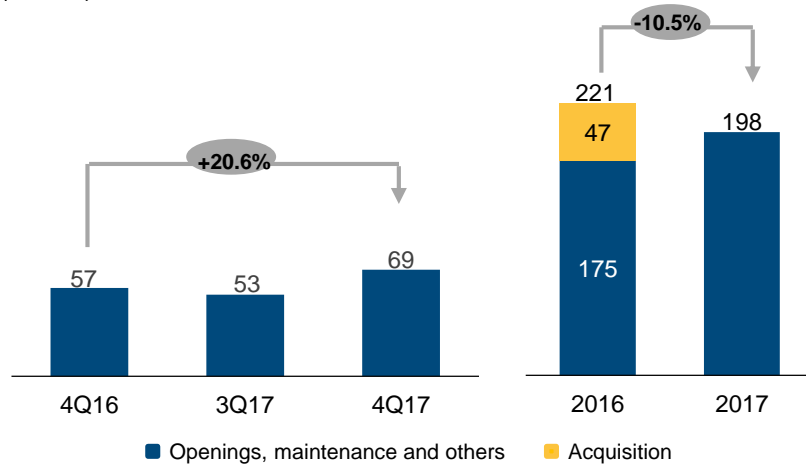
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Solid control of CAPEX, leverage and operating cash flow



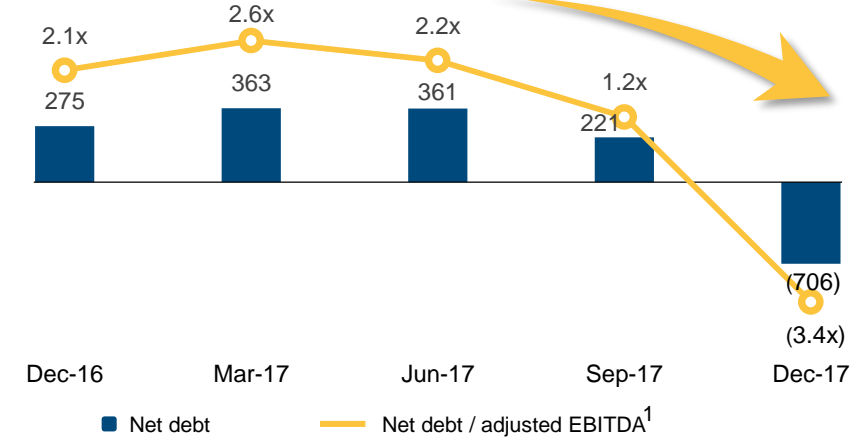
CAPEX

(R\$ mm)



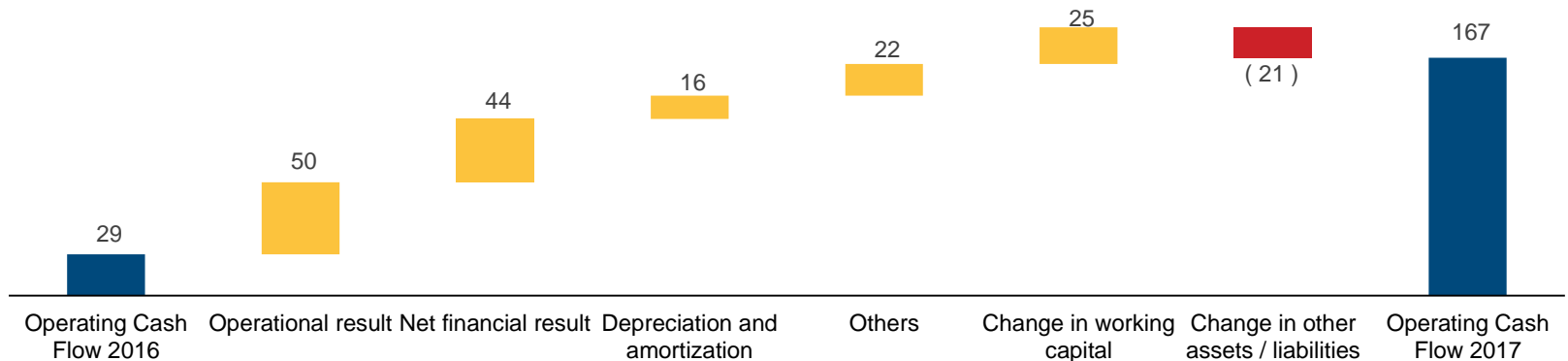
Net debt and leverage

(R\$ mm, xEBITDA)



Operating cash flow

(R\$ mm)



Source: Burger King Brasil

Note:

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Organic Growth

- Organic expansion of new owned and franchised restaurants, **maintaining historic pace of openings;**
- Accelerate openings of **dessert kiosks and free standing restaurants;**

New Services and Technology

- Development and implementation of technological innovations and services, including **delivery and mobile app**, improving the consumer experience while driving sales and margins;

Franchisee Acquisition

- Acquisition of **51 restaurants and 20 desert kiosks** from one franchisee, using the proceeds from the IPO in December 2017;
- **Transaction approved** by CADE (antitrust agency);

Additional Opportunities for Growth

- Research, development and acquisition of **new fast food brands.**



Appendix



2017 Consolidated balance sheet (R\$ million)



	2017	2016		2017	2016
Assets			Liabilities and Equity		
Current assets			Current liabilities		
Cash and cash equivalents	102.3	256.9	Loans and financings	210.0	608.0
Marketable securities	1,076.4	65.3	Trade and rental payables	139.0	80.4
Trade receivables, net	61.0	33.7	Payroll and social charges	69.8	56.0
Financial instruments	0.1	-	Corporate payables	14.0	20.6
Inventories	39.7	30.8	Taxes payable	20.3	15.7
Recoverable taxes	25.0	28.6	Deferred revenue, net	-	9.0
Advances paid	24.8	8.7	Derivative financial instruments	-	0.4
Other receivables	9.1	5.0	Other payables	19.9	9.5
Total current assets	1,338.4	429.0	Total current liabilities	473.0	799.6
Non-current assets			Non-current liabilities		
Marketable securities	13.3	10.4	Loans and financings	275.7	-
Recoverable taxes	17.3	11.7	Provision for legal claims	6.2	3.9
Judicial deposits	26.6	13.9	Taxes payable	5.1	9.2
Other receivables	4.2	3.4	Contingent consideration of acquisitions	-	46.0
Investments	-	-	Deferred income tax and social contribution	38.3	28.8
Property and equipment, net	699.6	651.0	Other payables	-	0.6
Intangible assets, net	316.1	309.0	Total non-current liabilities	325.4	88.5
Total non-current assets	1,077.1	999.5	Equity		
Total Assets			Capital	895.8	1.5
	2,415.6	1,428.5	Capital reserve and stock option plan	915.7	737.0
			Accumulated losses	(194.4)	(198.2)
			Total equity	1,617.2	540.3
			Total liabilities and equity	2,415.6	1,428.5

4Q17 Consolidated income statement (R\$ million)



	4Q17	4Q16	Var. %	3Q17	Var. %
Net operating revenue	522.5	409.0	27.8%	443.0	18.0%
Gross revenue from sales and services	569.3	437.0	30.3%	483.2	17.8%
Gross revenue deduction	(46.7)	(28.1)	66.6%	(40.2)	16.3%
Cost of good sold	(205.6)	(149.4)	37.7%	(170.0)	20.9%
Gross profit	316.9	259.6	22.1%	273.0	16.1%
Total selling expenses	(250.5)	(210.7)	18.9%	(236.7)	5.8%
Personnel expenses	(81.1)	(65.6)	23.7%	(79.5)	2.1%
Royalties and marketing fund	(38.0)	(38.5)	-1.3%	(42.6)	-10.7%
Expenses with occupancy and utilities	(59.2)	(44.6)	32.6%	(55.3)	6.9%
Pre-operating expenses	(3.3)	(2.6)	25.1%	(1.3)	158.3%
Depreciation and amortization	(34.3)	(26.2)	30.6%	(27.9)	22.6%
Other selling expenses	(34.6)	(33.1)	4.8%	(30.1)	15.0%
Total general and administrative expenses	(35.8)	(29.3)	22.5%	(22.4)	59.6%
General and administrative expenses	(20.7)	(21.6)	-4.1%	(14.9)	39.1%
Depreciation and amortization	(2.2)	(2.1)	5.1%	(3.9)	-44.4%
Expenses with merger and acquisitions	(0.7)	(0.7)	-3.0%	(0.8)	-15.5%
Gain (loss) from write-off of property, equipment and impairment	(9.4)	(4.5)	110.6%	(0.4)	-
Gain (loss) on claims	0.0	(0.1)	-	0.1	-67.1%
Cost of stock option plan	(2.9)	(0.3)	863.8%	(2.6)	13.2%
Profit (loss) before financial income	30.6	19.7	55.4%	13.9	121.0%
Financial results	(7.2)	(46.2)	-84.5%	(18.7)	-61.6%
Financial expenses	(15.1)	(54.8)	-72.5%	(27.0)	-44.3%
Financial income	7.9	8.6	-8.2%	8.3	-5.5%
Profit (loss) before income tax and social contribution	23.4	(26.5)	-	(4.8)	-
Income tax and social contribution	(1.6)	(5.4)	-70.2%	(0.1)	-
Current	0.0	0.0	-	0.0	-
Deferred	(1.6)	(5.4)	-70.2%	(0.1)	-
Net income (loss)	21.8	(32.0)	-	(4.9)	-

2017 Consolidated income statement (R\$ million)



	2017	2016	Var. %
Net operating revenue	1,783.8	1,393.3	28.0%
Gross revenue from sales and services	1,932.8	1,512.0	27.8%
Gross revenue deduction	(148.9)	(118.7)	25.4%
Cost of good sold	(687.9)	(526.3)	30.7%
Gross profit	1,096.0	867.0	26.4%
Total selling expenses	(935.2)	(776.2)	20.5%
Personnel expenses	(308.2)	(252.9)	21.9%
Royalties and marketing fund	(160.1)	(135.8)	17.9%
Expenses with occupancy and utilities	(221.9)	(169.9)	30.6%
Pre-operating expenses	(6.1)	(6.3)	-1.9%
Depreciation and amortization	(110.2)	(94.2)	17.0%
Other selling expenses	(128.7)	(117.1)	9.9%
Total general and administrative expenses	(95.5)	(76.0)	25.6%
General and administrative expenses	(66.4)	(57.4)	15.6%
Depreciation and amortization	(9.5)	(9.2)	3.4%
Expenses with merger and acquisitions	(2.1)	(2.8)	-24.1%
Gain (loss) from write-off of property, equipment and impairment	(12.2)	(6.1)	101.7%
Gain (loss) on claims	0.3	(0.2)	-
Cost of stock option plan	(5.5)	(0.3)	-
Profit (loss) before financial income	65.3	14.8	340.7%
Financial results	(56.3)	(100.5)	-44.0%
Financial expenses	(84.7)	(142.1)	-40.4%
Financial income	28.4	41.5	-31.6%
Profit (loss) before income tax and social contribution	9.0	(85.7)	-
Income tax and social contribution	(5.2)	(7.7)	-32.5%
Current	-	(0.4)	-
Deferred	(5.2)	(7.4)	-29.2%
Net income (loss)	3.8	(93.5)	-

2017 Consolidated cash flow statement (R\$ million)



	2017	2016
Cash flow from operating activities	166.5	28.8
Cash generated by operating activities		
Earnings before income tax and social contribution	9.0	(85.7)
Depreciation and amortization of property and equipment and intangible assets	119.7	103.4
Interest, charges, exchange differences and monetary variations	67.4	67.6
Others	67.6	45.1
Changes in assets and liabilities	-	-
Trade receivables, net	(27.3)	(5.6)
Inventories	(8.9)	(11.9)
Recoverable taxes	(2.0)	(20.1)
Advances paid	(16.1)	4.0
Trade and rental payables	58.6	(4.0)
Payroll and social charges	(11.1)	(15.3)
Payment of interest on loans and financings	(68.2)	(79.9)
Others changes in assets and liabilities	(22.3)	31.3
Net cash used in investing activities	(1,208.4)	(204.8)
Purchases of property and equipment	(172.2)	(140.2)
Purchases of intangible assets	(25.6)	(34.4)
Consideration paid on acquisition of businesses	-	(18.1)
Investment in marketable securities	(1,304.9)	(154.8)
Redemption of marketable securities	294.4	142.1
Others	-	0.7
Cash flows from financing activities	887.3	268.1
Capital contributed in the period	841.5	0.4
Share premium increase, net of issuance costs	178.8	194.4
New loans and financing	(0.0)	393.0
Loans and financings costs	-	(13.6)
Payment of loans and financings (principal)	(121.3)	(293.0)
Payment of contingent consideration and payables of acquisition of subsidiaries	(11.6)	(13.1)
Net increase in cash and cash equivalents	(154.6)	92.1
At the beginning of the year	256.9	164.8
At the end of the year	102.3	256.9

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



EBITDA and Adjusted EBITDA

EBITDA - R\$ Million	4Q17	4Q16	Var.%	3Q17	Var.%	2017	2016	Var.%
Income (Loss) for the period	21.8	(32.0)	-	(4.9)	-	3.8	(93.5)	-
(+) Financial income (loss)	7.2	46.2	-84.5%	18.7	-61.6%	56.3	100.5	-44.0%
(+) Depreciation and amortization	36.4	28.3	28.8%	31.8	14.4%	119.7	103.4	15.8%
(+/-) Income tax and social contribution	1.6	5.4	-70.2%	0.1	-	5.2	7.7	-32.5%
EBITDA	67.0	48.0	39.7%	45.7	46.7%	185.0	118.2	56.5%
<i>EBITDA Margin</i>	<i>12.8%</i>	<i>11.7%</i>	<i>110bps</i>	<i>10.3%</i>	<i>250bps</i>	<i>10.4%</i>	<i>8.5%</i>	<i>190bps</i>
(+) Others expenses*	9.4	4.6	103.8%	0.3	-	11.9	6.3	88.9%
(+) Cost of stock option plan	2.9	0.3	863.8%	2.6	13.2%	5.5	0.3	-
(+) Merger and acquisition expenses	0.7	0.7	-3.0%	0.8	-15.5%	2.1	2.8	-24.1%
(+) Pre-operating expenses	3.3	2.6	25.1%	1.3	158.3%	6.1	6.3	-1.9%
Adjusted EBITDA¹	83.3	56.2	48.2%	50.6	64.5%	210.7	133.9	57.4%
<i>Adjusted EBITDA Margin</i>	<i>15.9%</i>	<i>13.7%</i>	<i>220bps</i>	<i>11.4%</i>	<i>450bps</i>	<i>11.8%</i>	<i>9.6%</i>	<i>220.0</i>

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

Total debt and leverage

Net debt - R\$ Million	Dec/17	Dec/16	Var.%	Sep/17	Var.%
Loans and financings	485.7	608.0	-20.1%	523.4	-7.2%
Current	210.0	608.0	-65.5%	127.1	65.2%
Non-current	275.7	0.0	-	396.3	-30.4%
Cash and cash equivalents and marketable securities	1,192.0	332.7	258.3%	302.9	293.5%
Cash and cash equivalents and marketable securities (current)	1,178.7	322.3	265.8%	295.4	299.1%
Marketable securities (non-current)	13.3	10.4	27.6%	7.5	76.1%
Net debt	(706.3)	275.3	-	220.5	-
Adjusted EBITDA¹	210.7	133.9	57.4%	183.6	14.7%
<i>Net debt/ Total Adjusted EBITDA (12 M)</i>	<i>(3.4x)</i>	<i>2.1x</i>	<i>(5.4x)</i>	<i>1.2x</i>	<i>(4.6x)</i>

Source: Burger King Brasil

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