International Conference Call
Burger King Brazil S/A (BKBR3)
4Q21 Earnings Results
February 25th, 2022

Operator: Good morning, thank you for waiting. Welcome to the BK Brazil teleconference to discuss the results regarding the 4Q of 2021. With us are Iuri Miranda, Gabriel Guimarães and the investor relations team.

We inform that this event is being recorded and all participants will only be listening to the teleconference during the BK Brazil presentation. Afterwards, we will start the Q&A session when further instructions shall be provided. In case any of you require any assistance during the teleconference, please request help from the operator typing star 0.

This event is also being simultaneously transmitted via webcast and is accessible at www.burgerking.com.br/ri where you will see this presentation. 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 to English in order to work with our foreign colleagues.

Before continuing, we'd like to clarify that any declarations that are made during this teleconference regarding the business perspectives of BK Brazil, forecasts, operating, targets financial targets are built on assumptions and premises of the company, as well as information currently available to BK Brazil. Future considerations are not guarantees of performance, they involve risks, uncertainties, and assumptions because they deal with future events therefore dependent on circumstances which may or may not happen.

Investors must understand that general conditions, sector conditions, and other operating factors could affect future results of BK Brazil and could lead to results which could materially differ from those expressed in this presentation.

I'd like now to pass the word to Iuri. Please, Iuri.

Iuri Miranda: Thank you for the introduction, operator. Good morning, everyone, I hope you and your family are all safe. Thank you for the interest in our company and for taking part in this results call of the 4Q 2021.

I'm very proud to share with you the progress of our performance in this last and important quarter for our business. After a challenging beginning in 2021, where a few operating restrictions were once again placed due to the second wave of the pandemic, we saw that throughout the year there had been a recovery and consistent progress as these restrictions were lifted, and in this quarter's report we will see that this recovery continued and showed vital signs in sales, productivity, gross margin, and in profit margins even if we hadn't gone back completely to the pre-pandemic levels. The dynamics of the digital channels that we have been seeing and developing in the last few years has continued to develop consistently. It's worth mentioning that even in a scenario where consumption on-premise is picking up, which still has traffic levels below the pre-pandemic levels, but it shows a very positive trend month after month. The sales and digital channels continue to grow, this overlap between the on-premise return of sales with the consistency of off-premise sales gives us a good level of confidence in terms of the resiliency and the incrementality of these channels at a time where we might have urban mobility levels more aligned with the post-pandemic reality. This quick recovery also shows us the strength of our business, even in macroeconomic moments which are challenging, this made it possible to have our brands show strong performance in all aspects in this quarter.

After two years pressured by direct cost, we saw progress and all the levers that we created trying to recover our gross margin levels aligned with what we had prior to the pandemic, at a few moments actually even improved those levels given the environment where there is more consolidation and less competition. With a good balance in the sales recovery, which took us to one of the best market share levels in the history of our company and an efficient management of gross margin, we saw the strength of operating leverage taking place and showing results. Technology has played a fundamental role in this front because it speeds up sales showing more frequency and average ticket increases, and this helps us to become more efficient in our business.

We believe a lot in this combination so that in time we would be able to continue expanding our business and seeking out the best returns. At the closing of this year, we also saw the opportunity of taking back our strong expansion project in both brands once the scenario becomes clearer. We continue to find the excellent investment opportunities in this industry in consolidation, we saw investment potential in the entire national territory and we're now looking at the new consumption reality with an important digital channel component. Our growth in 2021 and ahead will be focused on free standings for the Burger King brand, food courts in Popeyes, where we start to understand that alternative formats, like ghost kitchen and even hybrid kitchens, might be scalable solutions in our platform, in our development strategies.

We've also developed different types of stores sized according to the local demand, which will allow us to optimize our investment and to maximize our returns. I also have to share with you my great satisfaction and pride which after having built in about 10 years one of the favorite fast-food brands in Brazil, we in this quarter for Popeyes see a third favorite brand of fast food in the city of Sao Paulo. This achievement leaves us confident for the potential of this business in our ecosystem and it is aligned with our vision over the potential chicken market in Brazil. It's incredible to see such a young brand of only 3 years of age being so well-embraced during the pandemic.

Throughout this year, we've also launched our ESG commitments until the year of 2030. Through the three pillars that we prioritized, our food, our DNA, and our people, with established 16 commitments which show are important role in the transformation of society and the construction of a better world.

With that I pass the word to my partner and CFO Gabriel Magalhães to give you more details over the company performance. Gabriel.

Gabriel Magalhães: Thank you, Iuri. Good morning, everyone. Going to slide 3 of the presentation, I'd like to talk about the performance of the company during the quarter.

In the fourth quarter of 2021, we hit our historical net income reaching R$ 913 million, a growth of 18% when compared to the same period of 2020. We closed the fourth quarter of 2021 with same-store-sales of 10% for Burger King and 23% for Popeyes, and once again we hit the record of income for digital channels getting to R$ 298 million, which corresponded to 33% of total company income. Sales recovery, our discipline, and efficiencies in the advance in our digitalization [unintelligible – audio breakage] the quarter with an adjusted EBITDA of 177 million, and we also saw strong cash generation of R$ 150 million. This result took us to a net profit which you see on the slide.

Going to slide 4, we opened up 18 restaurants, 2 are same-stores, 3 are franchised and 3 Popeyes. During the time, we also had 2 Burger King transfers, therefore we closed the 4Q with 945 restaurants, of which 736 are same-stores and Popeyes and 209 franchisees of the Burger King brand.

Next, we can see real images of new businesses in the quarter. The resiliency of our industry and the market reality, which is really underpenetrated in Brazil, has penetrated, or contributed to a combination of companies and there you can see a strong pipeline of openings. As you can see in the images of our store openings, our business will continue to grow focusing and free standings for Burger King and food courts for Popeyes, but like said by Iuri, we open 2 alternative solutions, which might be more efficient in terms of Capex and with the new channel distribution accelerating returns.

On the next slide, as I said before, our net operating revenue reached 913 million in the quarter, which showed a growth of 18% versus the same period 2020. Our same-store-sales in one year-concept saw growth of 10% for BK and 23% for PLK, and in comparable vision of two years, we closed the year in positive territory for BK and with 18% for PLK. This is related to higher foot traffic in malls where we have most of our stores, and even with the recovery of on-premise consumption, you still see a growth in our 2 brands showed us going back to what is considered reality recovering traffic quickly and consistently.

Just like with BK, we're very happy about the results from Popeyes. Like we said, in only 3 years of business, being 2 of them during a pandemic, we were elected the third most loved brand by the QSR market in São Paulo.

On the next slide, we show you the performance of our digital channels with delivery, self-help totems. This quarter we saw the highest levels with a growth of 81% when compared to the fourth quarter of 2020, reaching 33% of share. If we include our apps, our number would get to 43% in this quarter. At Popeyes, a brand that grew with strong technology attributes, the digital channels represent 53% of total sales during 2021, which show our capability to gather our market know-how in order to build Popeyes business.

On this slide, we showed you our digital system. Now we have 11 million users on our CRM and 4 million have made purchases, 2 million only in the fourth quarter. We've been building this database for 4 years and we continued to add more data, more customer conversion data. We have almost one quarter of all transactions identified, which could be a strong competitive advantage for our businesses because it allows us to have a more personal and closer relationship with our customers.

The BK Club, our loyalty program, closed the year with 3.7 million members and strong growth, which shows the level of engagement of our customers with our brand. We have noticed a very positive behavior from this group of customers who consume our products with more frequency and at a higher average ticket. This combination associated with the increase in members in our loyalty program allowed us to double the representation from this channel in all of our other channels compared to the previous quarter, getting to 10% of total sales. Our app reached 40 million downloads in the fourth quarter of 2021 with assessments above any other player in our industry in Brazil in Android and iOS.

For the self-help totems, they also had a great role in taking back our sales, with higher tickets and better experiences, we have been able to be more and more efficient, as we will show on the next slide.

In our delivery, we continue to see nominal sales growth throughout the quarters, which shows us strong evidence in terms of the incrementality of this channel once foot traffic goes back to normal. We continue to work on logistics and now we have approximately 70% of our restaurants already covered with hybrid delivery system. This initiative has been fundamental for us to cover new areas to gain efficiency and to accelerate our own channel, which allows us access to our entire customer base.

Finally, in terms of e-payments, we continue to see quick developments and that represents 5% of total sales all with lower MDR and with higher data retention.

On the next slide, we can see that technology has allowed us to see trends in sales and costs. If on one hand, compared to the fourth quarter 2020 we grew 18% in sales with over 33 same-stores, on the other hand, our expenses with personnel aligned with our digitalization strategy saw a drop of 6%, this drop still comes combined with an experience of lower friction, which we have noticed in our customers and so with better NPS levels. This digitalization level 1/3 of the company sales go through digital channels allowed us to open yesterday our second non-human service [I guess he's saying] and it will be an important leverage or an employee less office, I guess, or kitchen.

Now going into our help desk, let's talk about our expenses with restaurant sales and G&A. At the end of the fourth quarter in 2021, the cost of goods sold reached 34.8% of revenue, a reduction of 560 basis points compared to the fourth quarter of 2020. As we have shared, throughout the last few years we've made important investments in initiatives which helped us to sell in a more efficient manner, with lower exposure to discounts and better tickets. We've done revenue management, which also has allowed us to balance margins in a cost challenging environment without impact on traffic and market share, and this quarter also is part of our tireless work with all the vendors, we reaffirmed a long-term partnership which impacted positively on the numbers in R$ 15 million.

The sales restaurant expenses showed a drop of 360 basis points when compared to the same period 2020, which shows the strong operating leverage of our business.

Still in a challenging environment with the delivery share impacting the take rate and higher levels of IGP-M, we were able to maintain our discipline in discretionary expenses, which aligned with the efficiency brought about by technology was fundamental towards our recovery. In this quarter after a review of at least 1000 contracts, we had a negative one-off impact in the amount of R$ 9 million. Our expenses with personnel had a drop of 200 basis points when compared to the fourth quarter of 2020, coming specially from our sales growth. Like we said, we've been investing in important fronts for the business and in a moment where our sales reach their full potential with the recovery of foot traffic, we will have important operating leverages.

On the next slide, our adjusted EBITDA reached a historical record closing the quarter with R$ 177 million, an increase of 105 when compared to the fourth quarter of 2020. Once again, we can see that the sales recovery aligned to our efficiency disciplines, digitalization strategy, all have brought important benefits to the bottom line. At the end of the period, we also reached the net profit of R$ 54 million, a growth of 121 million when compared to the fourth quarter. In December of 2021, the total gross debt of the company reached R$ 790 million which combined to a total available cash of R$ 451 million led us to a net debt of 340 million.

The company continues with a strong capital framework, adequate for our operating leverage and to support the growth throughout the next few years. This leveraging is directly connected to the operating profit, especially in the first quarter. Looking at this, the company was able to pay back all its creditors.

We can see our Capex and our operating cashflow. The total company investments reached in the quarter R$ 88 million, a slight dropped when compared to the fourth quarter of 2020. Our quarter investments were fundamental to support our strong expansion plan, which closed the year with 34 same-store openings and all of our digital transformation fronts, which start to be a relevant part of this amount.

You can see that the operating cash flow was this amount versus a cash generation of 98 million in the fourth quarter of 2020. This performance is a reflex of the sales performance that the company presented during the quarter, aligned to operating efficiency and the digitalization of the business.

With this, I would like to pass the word to Iuri, who will talk about our ESG agenda disclosed during this last quarter of 2021 and our priorities for the year of 2022. Iuri.

Iuri Miranda: Thank you, Gabriel. You might know that in our last call, we formally disclosed our ESG commitments until 2030, let's go to slide number 13.

16 commitments were made, sustained in 3 pillars which are directly connected to our business in the way that we can contribute to the development of our society. I would like to share that last year all same stores for BK and Popeye recycled over 900,000 liters of oil, that way we were able to guarantee that the oil used in our restaurant was 100% recycled by certified agents. Another important step we took in 2021 was our commitment of reducing 30% in greenhouse gases up to 2030. Throughout last year, we started the operation of distributed power generation engines, which can reduce over 1,000 tons of CO_2 per year. Reminding you that 1,000 tons of CO_2 is equal to the plantation of 6,000 trees per year.

Finally, still in 2021, we acquired the WOB Award Seal with an important feminine representation that is in the upper management levels of the company. We also are seen as a company that shows equity in salaries and allows us to campaign regarding this topic, as you will see in the next slides. Still within our ESG commitment and our quality focus, in the last week we launched our “Real Food” campaign, through which we reinforce our commitment to real food and providing conservative-free foods and free of artificial coloring. In our presentation on slide 14 you will see the link to these two campaign videos.

The delivery of these commitments reinforces our commitment to the best governance and sustainability practices contributing to a more equalitarian society.

And prior to going into Q&A, I would like to share with you our priorities for 2022. Please, let's go to slide 15 of our presentation. Digital transformation will continue to be a priority, working rapidly with squads in data, we believe in our capability to enhance the way we communicate with our customers and the way we work as a business. In 2022, as we see a much clearer scenario in terms of the pandemic, we will go back to execute our expansion plan for both brands covering new geographies and increasing our footprint in other areas and increasing convenience for our customers, and with the taking back of foot traffic and the resilience of digital channels, we expect a significant sales bounce back and an operating leveraging in expenses and costs.

Now I would like to go to Q&A, operator.

Question and Answer Session

Operator: We will now begin the Q&A. To ask a question, type star 1. To remove your question, please type star 2. Your question can be made in English.

Our first question comes from Roberto Brown, from Morgan Stanley.

Roberto Brown: Good morning, Iuri, Gabriel. Thank you for the call. The work you've been doing is just very notable, especially on gross margin, you got to record levels and even better than 2019. And under this reality, we still need the operating leverage and the maturity of a few initiatives, but in terms of margin, do you think this trend will continue or do you foresee any additional expenses?

And do you see anything else that's going to be maintained or decreased or increased with the maturity of digital applications and the digital initiatives, or do you think that with the majority of the digital channels and the taking back of foot traffic, should we expect to see the sales expenses in G&A going back to pre-pandemic levels as their percentage of the income? I don't know if I was confusing in my question, I apologize for that.

Iuri Miranda: No, it was fine, don't worry about it. I hope you're well. Well, your question was very complete, and it actually encompasses various aspects. There's not just one simple answer, but I will try to summarize. First, in terms of EBITDA margin, what we see this year is that this year will be a strong recovery year versus 2020/21 even if we still see a gradual sales increase. In terms of cost, well, you know, these costs have affected the business, so there are things which already have impacted the business completely, you have inflation, you have a few things which already have been accounted for, but on the other hand you have a sale level that's picking up eventually, gradually. So, we'll see very significant pick up in terms of 2021, but we think that after 2023 we will see margin levels – and now I'm talking about EBITDA margin – closer to the pre-pandemic levels.

It's also important to say, Roberto, that there are 2 brands undergoing different moments, there is BK and Popeyes and Popeyes independent or regardless of the surprising numbers, it is true of every young brand which is still undergoing consolidation and it ends up affecting the business around 60 to 100 basis points, so that will give you a more general overview in terms of the EBITDA margin.

Now when you look at the other lines, there are costs which already have affected us due to inflation and so on, but the actual sale with the return of foot traffic we still haven't gone to foot traffic similar to pre-pandemic levels, but I think that the fourth quarter results do show the capability of our company in terms of being able to leverage, once you get that sales return, that sales bounce back, that will help to mitigate the impact, the effect of these expenses and it'll help dilute fixed costs.

On the other hand, since you already talked about technology, we've been talking about IT for a few semesters. Technology has helped us not only in terms of the restaurants, but you also have that information that Gabriel talked about, let me look at the slide… which slide was it? Was slide 9 of our presentation, where he called your attention to less friction, more efficiency, and a better NPS, and he shows the sales growth and productivity, you can see that productivity has increased and you can see that costs have decreased despite the sales growth, and this comes from very efficient cost management from the team aligned with everything that we have placed in terms of technology to support us, and you'll see this happen more and more, and you'll see this helping us more and more.

There are direct effects, for example, the BK loyalty club, that represents 10% of our sales already, and when you think about spend, which is the combination of the average ticket of that transaction with the frequency of such transaction, then it's something around 2 digits because it leaves in reals no other transaction outside of the loyalty club.

So, these are things that are increasing, this represents 10% already and you can see that we're seeking out alternative solutions to gain time, to gain more margin as time goes by. So, we're very confident that during these 2 years, yes, there were no elements in our business, I think that the fast food market has transformed in the last 2 years, and in terms of new initiatives, you know, they were necessary to compensate and offset some negative factors, delivery becomes 15% of sales now, it's now part of the business, it wasn't what it was prior to the pandemic, which was over 50%, but we were looking at something between 15 and 20% now.

But in terms of technology, other factors, scales, consolidation of the market, all this will make a difference for the companies that will be able to start to find other ways to make money and to mature those initiatives, and I'm sure eventually we will go back to pre-pandemic margin levels.

Sorry for the long answer, but the question that was asked had various components as well.

Roberto Brown: No problem, that was a very long question as well, so thank you for the answer.

I just wanted to know if you can give us some more formal guidance of store openings since you're seeing a better environment, you're talking about strong opening pace. Can you give us something more?

Iuri Miranda: Well, normally we don't provide guidance, but I can tell you the following, in 2021 we opened 40 restaurants, it's a very significant number and we did it very responsibly with cash management, especially during these last 2 years, so the company leaves these 2 years with an interesting cash position to leverage its expansion plan, and looking into 2022, our plan is really to heat up the base, you have seen Popeyes… let me explain this better, you have seen people's preference for Popeyes, the openings we had in Rio de Janeiro are great and you're going to start to see that we're going to go into the chicken market in other states this year as well. And in terms of BK with free-standings, the last free-standings that Gabriel talked about, those that he said that we have, the ones that we have opened have surprised us positively, in our opinion, there is a combination going on here of the entire development, all these strategic development that we have been undertaking of having more street stores, which was brought about by what happened in the pandemic and the actual increase in the drive-thru sales, therefore we should be around 70 to 90 new stores open compared to the 40 in 2021.

Roberto Brown: Wonderful, thank you.

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

Marcella Recchia: Hello, Iuri, Gabriel, thank you for taking my question. I have 2, actually. The first one is if you are able to talk about the profitability of digital sales, overall, the delivery channel. And the second question is, we saw the highest levels of operating leverage in terms of personnel expenses, which reached levels below 14% of sales compared to a historical average of 15 to 16% in the fourth quarter. Regardless of the quarterly seasonality, how can we think about the dynamics of that number from year forward? We know about digital efficiencies and what that has brought in terms of benefits to that cost line, but how do you see that going forward, and is there room for more operational leveraging?

Iuri Miranda: I hope you're well, thank you so much for your questions. Let me start with the last one. Your question was very good because you compared the 14 with historical averages and you already talked about your focus on the seasonality. Of course, the last quarter in the year shows higher sales, which leads us to a labor expense which is a bit higher, which is less than the other quarters when in percentages, but even comparing with other quarters, we still see something around 100 to 150 basis points better than the same periods of last years, of the same period of last years.

Technology has helped us a lot, and when I talk about technology I'm not talking about only front-end technology, the customer facing technology, when we talk about the self-service kiosks and when we look at BK Express where you can make your order and then you go just to the kitchen afterwards, but we've been evolving, and I would say, Marcella, that this is a very interesting whitespace from the actual balcony to the inside.

All of our projects in terms of product delivery as well as kitchens are 2 things that in the future will talk more about and I do see great opportunities there. In terms of pressure, because I can't just say that everything is great, but in terms of pressure, what we see this year is that we've had 2 years that based on the country situation we had union agreements with lower levels, union agreements were actually less due to people wanting to keep their employment safety and so on, and we look at 2022, especially a year where there is election, a few movements going on where we might see a pressure from union agreements, union salary agreements which might lead to impact.

So, we're still going to grow in terms of technology with more self-help kiosks had been seen in deliveries from the balcony inward and at the kitchen level, and basically, we'll have to look at these union agreements and see how that plans out in 2022.

In terms of delivery and the profitability of digital sales, I talked about the profitability that we see in BK Club. When you look at the average ticket plus frequency already removing costs like the administration costs, what a member leaves us in terms of reals at the end of the month is something in the double digits better than what a consumer who's not in the loyalty club leaves us. So, that's how you can use technology not only in one variable, but in this case, I told you about 3 variables. The ticket, many times you can suggest with the consumer to buy through an upgrade utilizing their points, that will lead to higher frequency and already rebating the administration costs of the program offsetting the administration costs of the program in my calculation, and you can see that 15% of our sales come from delivery, we're looking at the reality of the business here, the take rate, the movement, the initiative we have taken, like Gabriel said, we've tried to balance between aggregators and types of offers as well, Gabriel talked about hybrid delivery or 1P, and what 1P means is proprietary, proprietary means the marketplace is ours and the last mile could be someone else’s, but the marketplace is ours and when he talks about hybrid delivery is when we see an aggregator where we have a marketplace just with the aggregator, but the aggregator doesn't take the last mile, and thus, also allows us to have a take rate which is more interesting.

So, like Gabriel said, we're at 70% of our chain with a solution, be it a hybrid solution, or a proprietary solution. I don't know if you remember, but last year we talked a lot about the project that we had of going forward in the last mile solution which would allow us to leave the full-service model. This allows us to have a lower take rate with the hybrid service or with our own delivery than with full service, therefore, we're going to continue working on that balance in regions where it's not possible to bring the hybrid model and the last mile solution is in the aggregators' hands, then of course, we'll try to bring some kind of incrementality, we'll try to get some incrementality, but in geographies where we have the last mile, those regions are growing month after month and we'll try to get higher balance between hybrid and proprietary marketplaces.

Marcella Recchia: Thank you, guys, for your answer.

Operator: Our next question comes from Tiago Bartolucci, Goldman Sachs.

Tiago Bartolucci: Iuri, Gabriel, good morning, everyone, congratulations on your performance. The first question is a follow-up on the coming of same-store-sales. Can you at least tell us qualitatively for BK what was the drop in same-store-sales? And I saw that you mentioned the gain of share, can you tell us the size of that gain?

And the second question is regarding coupons. Gabriel said that coupons represented 10% of sales, how should we think about the way the representation of coupons in your future sales? And how should we see the recurrency of these consumers, their loyalty to the brand in the future?

Gabriel Magalhães: Tiago, thank you for your question. Well, I'm going to begin, Iuri, feel free to complement my answer. Well, you know, we've talked a lot about to ticket growth as time goes by. This ticket growth comes from the reduction to discounts, reduction to the exposure in discounts, and we have seen more items on the tray due to digital delivery, the BK Club and etc. When we gave the BK disclosure, still showing positive same-store-sales, I would tell you that we're still lagging in traffic something around 20 to 25% during the quarter, and in our perspective, when Iuri talks about operating leverage that represents great opportunity when we see the urban mobility levels going back to pre-pandemic levels. Despite not getting to the same 100% that we saw back then that it get at least closer to the historical reality.

We saw a series of countries getting to 90-95% of regular foot traffic coming back, and so there's a good expectation that once that foot traffic goes back and gets closer to historical levels, we will get that increment in average ticket, which is brought about by price and increased number of items on the tray, which will lead to same-store-sales above what we have today, and in terms of February, going towards a more positive trend, therefore February starts to be one of the best months that we see in comparable terms with the last 3-4 months where the scenario is a bit more normal.

So, in a certain way, everything that's been done in revenue management with data and intelligence has been absorbed reasonably well by our consumers, and when Iuri talks about market share, I think that's the message, we can pass on prices, readjust the strategy without losing traffic, and protecting our market share, which gets to one of our highest historical levels.

In terms of your second question, you're talking about the share of coupons in our business, right? Sure, we talked about 33% of our income coming from digital channels, there are some players that provide disclosure especially on digital coupons and that's 10 points, they represent 10 points in our revenue. And the question has less to do with the share of coupons and the total business, but actually I think you want to know how assertive that coupon is in our business, how can I regardless of its share in the business, how can we get the right price level for the right customer with the right profitability. If we have that equation well-defined supported by our entire CRM and our business intelligence, if it's 10, 15 or some number different than that, at the end of the day what we are prioritizing is how can we interact with the consumer in a personalized manner which increases this consumer's frequency and as his lifetime goes on, as he interacts with the brand, he becomes more profitable, therefore our strategy had much more to do with that than really to have something fine at the fine target, whether it be 10, 15 or 20%.

Iuri Miranda: I would say one additional thing, and this has to do with your third question, how do we see the loyalty data for the brand. For us, what has happened and continues to happen is a consolidation of the QSR market, and the analysis at the beginning of the company showed this trend not only in Brazil, this happened on the streets, you can see how many smaller businesses were not able to forgo the pandemic and went bankrupt, stores at the mall had a bit more capability, but we do see lots of vacancies in malls happening, new brands coming up, that is true, but even with new brands coming up – and this is the point about loyalty – that's why we believe that this is an important consolidation period. Once foot traffic goes back, when you go to a food court and you go through a drive-thru on the street and you see a brand that is preferred, a brand which is renowned, a brand which has positioned itself and has communicated to the consumer, which builds rapport with the customer, which builds great rapport with the customer, which is a modern company, the quality of the products as well, we're not just investing in new restaurants or productivity, we had a recent campaign, the Real Food campaign, we were pioneering and removing colorings from most of our menu, therefore we are building a business, and in an environment like this, we believe in the loyalty of the customer.

This is true so much so because if you look at any loyalty program, how many companies can create a loyalty program from zero, from scratch, from zero to 6 months they're already having over 4.3 million subscribers or downloads, and members actually as well? And that represents over 10% of sales. That a name: loyalty. It is because the consumer really does see value in that loyalty program, and I can tell you that with lots of confidence that is happening in Burger King, and your if you remember, one of my main comments is the pride that the team has of a chicken brand with 3 years of operation, 100% based in mall still, and it went over 2 years of pandemic in its first 3 years of operation already becoming the third most preferred brand, the third most preferred fast food brand in the biggest market in Latin America.

So, this gets us really excited. You know, all of the initiatives that we’re creating towards personalization of the offer, the quality of the product, the image brand of the restaurants, the NPS levels, this is a combination of factors which has attracted the consumer and has generated this loyalty. We don't see a reason for this being any different in the coming months or years.

Tiago Bartolucci: That was clear, thank you.

Operator: Our next question comes from Vinicius Pretto, from Bank of America.

Vinicius Pretto: Iuri, Gabriel, congrats on the performance. I wanted to ask 3 questions. The first one is about the operation without any service people, if you could talk about this model and how you are thinking about applying this in new stores, other stores.

And the second one has to do with all the enhancements in user interface and what can we expect in terms of these digital initiatives in 2022, and in terms of store openings, how flexible are you with following the expansion opening plan and the number of stores?

Iuri Miranda: Alright, thank you for that question. Well, our operation without any human servers was the first one, we actually had our second store of free-standing, the team set up an adaptation program for free-standing. Imagine, the store inaugurated a service less helper, or 100% digital store. So, that's really fresh, I mean, they just opened yesterday, it's a beautiful store here in São Paulo.

From our first food courts experience with these digital stores, I can tell you that the experience and the kiosks are fundamental, and the first store that we had had something around 2 months ago or 2 months and a half ago, we’re already at a second version of the User Experience already expanding or balancing the order and the delivery areas there in the restaurant, and these changes have already been implemented in this free-standing.

It's interesting to see that the NPS level, which has been measured a lot at the store, is higher than an NPS at a traditional store, and this is explained by the User Experience during their order, that's why we've invested in that, the flow of the screens, and we're doing a series of enhancements. Already going into our second question of what can be expected in terms of digital for 2022, I would tell you that perhaps today in terms of digital initiatives, we're a company in the

Brazilian market which does lots of things which are differentiated, but I will tell you that we're just getting started in our point of view.

There are many projects ongoing, and in terms of digital initiatives, the development is not linear, it's exponential. BK Club is an example from zero to 4.7 million members in 6-7 months, that's an exponential growth, and so, what you will see are many other initiatives, and like I said, not only at the front-end level, but also at the back-end, the back office level you will see initiatives in terms of product dispatch, you'll see initiatives for inside the kitchen, and we'll see lots of developments in terms of personalization. We created a data lake with a CRM with lots of data, huge data set, we started in the end of 2020, we rolled that out to all the restaurants at the end of 2020, in 2021 we collected and tested some data, we finetuned our customer profiles, which helped us with revenue management, but 25% of our sales have already been identified and this is still an arena where we still have a lot to do compared to the other benchmarks abroad. Therefore, customization and new initiatives is what you'll see in terms of tech.

And last, in terms of MFDA, I can say that 2 years of the pandemic, 12 years developing our franchisors, complying with our contract responsibilities every year during the last 12 years including these last 2 pandemic years with a win-win relationship, we do like to work with both RBI brands, and yes, we do understand that what happened with the pandemic there was a reset of opening targets and we're very comfortable with our investment capacity, capital allocation capacity, and everything is renegotiated and set, there's nothing pending with the RBI, therefore I would tell you that that's taken care of.

Vinicius Pretto: Excellent, thank you.

Iuri Miranda: Well, guys, I guess we can now close our Q&A and once again I would like to thank you for dedicating over 60 minutes of your time, for your interest in the company results after 2 years of us talking about how we had been preparing to leave the pandemic, leave stronger leave during this consolidation period, you can see that the third and fourth quarter show us going in that direction and we're working very hard so that 2022 become even better.

I hope you all have a great day, a great carnival which we’ll have in the future. Thank you all, bye-bye.

Operator: The BK Brazil teleconference is done. Thank you for your participation, have a great afternoon, thank you for using Chorus Call.