



**International Conference Call
Burger King Brasil S/A
Fourth Quarter 2020 Earnings Results
February 26th, 2021**

Operator: Good morning and thank you for waiting. Welcome to the BK Brazil conference to discuss the results of the fourth quarter of 2020.

We have with us today Mr. Iuri Miranda, President of BK Brazil, Clayton Malheiros, Vice President of Finance, Gabriel Guimarães, Finance Director, and the investor relations team.

We inform that this event is being recorded and that the participants will only be hearing the conference during the presentation. Afterwards, we'll start the Q&A session, when more instructions will be provided. In case any of you need any assistance during the teleconference, please, request help from an operator typing #0.

This event is also being transmitted simultaneously via webcast and can be accessed at the www.burgerking.com.br/ri, where you will find the presentation. The slides will be controlled by us. The replay of this event will be available right after its ending.

We would like to inform that the teleconference is being simultaneously translated to English in order to meet the needs of our foreign investors.

Before beginning, we'd like to clarify that any statements that might be made during this teleconference related to the business perspectives of BK Brazil, estimate, operational goals, and financial goals are based on assumptions from the administration and they are based on currently available information. Future considerations will not be a guarantee of performance, they involve risks, uncertainties, and assumptions because they refer to future events and depend on circumstances which might or might not happen.

Investors and analysts must understand that general conditions, sector conditions and other factors, other operating factors might affect the results, which might differ materially from those expressed in these considerations.

I'd like to now pass the word to Iuri Miranda, President of PK Brazil, who will start the presentation.

Mr. Iuri, you may begin.

Iuri Miranda: Thank you for the introduction, operator. Good morning everyone, I hope you and your families are safe. Thank you for the interest in our company



and for your participation in this teleconference to present the results of BK Brazil for the fourth quarter of 2020.

I would like to start talking about what 2020 represented to all of us. 2020 was without a doubt the most challenging year that we ever faced in our history, the global scenario brought by Covid impacted directly our society and our business throughout the year.

From the beginning, we were quickly forced to adapt. This is a word that started to be a part of each decision of our teams every day. We had to question processes, routines and habits which used to work well for years, and we found out that there are alternative ways which might be able to let us get to the same goals, and actually, surprisingly, with higher quality and efficiency.

It's with this spirit that we conducted the company during this scenario, always focused on protecting our employees, protecting our clients, and protecting our business. The resilience of our business has proven its strength once again after having almost 70% of our restaurants closed at the end of March 2020, which meant a sales loss, significant sales loss, we saw a solid and speedy recovery getting to October to levels close to what we had done in the previous year.

In our view, this strong recovery happened because of 3 main reasons: acceleration of consumption habits; market dynamics; and the capacity to adapt.

As far as behavior in [inaudible – sound cut] the trend towards digitalization that we had been preparing for was accelerated, we saw clients more interested in experiences with less friction and more convenience. Digital channels have taken a huge size in our business, which we thought would take 5 years. Delivery saw its market double in size according to data from Google Trends going from 35 million users pre-crisis to around 70 million already in August of 21.

As far as the market dynamics, we started to see signals of a consolidation in a market which is highly fragmented. According to the data from the Food Service Brazil Institute, the QSR business has grown significantly its representation within the foodservice industry, and when we compare only with the performance of big chains, Burger King got to the end of the fourth quarter with its best market share performance in history.

Believing in the fundamentals, the potential of the business, and the reading of the trends even in a year that is so challenging as this one with a need to protect our liquidity halves has made us make the decision of not stopping, actually, we decided to speed up the main technology projects. We are sure that they will be extremely important so that we might be well-positioned as we start to see the normalization of consumption and specially a deep [unintelligible]



– sound breakage] in the retail, in the retail food model, and in our client relationships.

In an environment of intense transformation, also it's one of the main food retailers in Brazil channeled our efforts so that we might be able to reach important advances in fundamental issues to build our business.

We believe in 3 pillars which will take us to the leadership of the QSR market in Brazil: the first one is product and brand. When we look at a spectrum of 10 years, specially [unintelligible – audio breakage], at the time we've been doing business in Brazil, we get very proud of what we've done so far. This was only possible because of 2 main reasons: the quality of our iconic products and the strength of our Burger King and Popeyes brands.

Our active, bold, and irreverent communication has allowed us to build brand loved, which has taken Burger King preference levels which were never before seen in other global markets. In 2020, we continued with the same goal, the same drive: a brand which embraces diversity, and which has in its main objective the duty to welcome everyone.

We actually launched never before seen commercials like the early Christmas, and this way we were able to create a loved brand, a respected brand, a brand that is recommended by our clients throughout Brazil. Popeyes has also survived this very positively. Still concentrated in São Paulo, we've seen levels of acknowledgement and awareness which are very positive, which encourages us to expand our capillarity to other States and speed up the building of the brand and the capture of the latent demand for chicken fast food.

Now in February, we opened our first brand restaurant in Rio. Following the global trends, we had good progress in our innovation of products in BK as well as Popeyes. Besides the launch of the Rebel Whopper, which actually we were the first chain to launch a plant-based burger in 2019, and we continue to innovate in 2020 through the launch of the iconic The Sandwich by Popeyes.

And looking at consumer trends, we were one of the pioneers in eliminating any artificial ingredient, like conservatives and color additives starting by our main product, the Whopper. This is a desire from our consumers, which certainly will help us to break paradigms in the industry and to increase the frequencies in our business. For that reason, we intend to have our portfolio of Burger King products without any artificial ingredients until the end of 2021.

The second pillar is related to technology and the consumer experience. Digital transformation in brick-and-mortar has actually become a common [unintelligible – sound breakage] throughout the last year, but only those people who are really going through it know how complex this can be. Regardless of your intuition, this transformation is slow and requires huge infrastructure technology, talent, software, investments. Here at BK and Popeyes, we started



this journey about 3 years ago, and now we're starting to see our development pipeline working.

In 2020, we made essential progress, which gives us the capability to provide an even better journey to our clients and to our employees. In [unintelligible – sound breakage], where heavy users have a fundamental role, we believe that if we get loyalty from these clients through first analyze interaction, we will give important space for their habits and consumption to increase. Consequently, our restaurants have an important role in the client acquisition because through the store experiences is where we'll be able to acquire data and be able to build a long-lasting relationship in all the areas.

In order to do that, we've advanced in the digitalization of the experience of our clients in many ways. Besides offering the self-service kiosks generating less friction and more efficiency, we grew the penetration of sales made through the app, we launched partnerships with new delivery aggregators including the creation of our own delivery app, we adopted new channels and payment means, we launched the WhatsApp for BK and we started to use AI to add to client orders and reduce breakdowns in restaurants.

And perhaps most important in all our progress was the rollout of our CRM and the recent launch of Club BK, our loyalty program. After almost 3 years building systems, integrations APIs and data building with the best advisories, we got to our launch point, the time for us to harvest the fruit of our actions. Our insights with global brands show us that we should expect exciting numbers since our model is ever richer in data with our 35 million downloads, with over 4 million active users in over 8 million users already recorded in our database, with which we started to speak with more frequency. Our expectation is that these tools are an important leverage in revenue management be it by increasing frequency, be it by managing offers more guided and personalized to the end-user.

We want to get to the point where generalization of offers will be a thing of the past then optimization of profitability will gain a new leverage. For many, technology was the only initiative that we didn't stop investing, not at any moment, we know that challenging times are also opportunities to speed up, and it's with that mindset that we go forward in our digitalization journey.

The third pillar is our equity balance. One of the characteristics that differentiated our operations in the last 10 years was the proof [unintelligible – sound breakage] which we make investment decisions and try to get the financial leverage that we think is adequate for our business, and by nature it counts with operational leveraging. It was no different in 2020, during the year we made many decisions to protect the liquidity of the company managing our investments and seeking capital when necessary.

We believe in the size of the opportunity ahead, and the speed with which we grow shows our willingness to do big business. With this in mind, we reinforce



our capital structure so that we might, in a year where most will be regressing, we'll be able to go back to growing and to gain space, which will allow us to consolidate the market.

Besides that, we've renegotiated all of our commitments, our debt commitments or short-term debt commitments so that we might have the confidence to navigate a challenging time due to the impacts of the second wave and the expectation in the efficiency of the vaccines. That's how we go into 2021 still knowing that we're going to have a challenging year, but certainly we're very well-prepared to capture the growth opportunities focused on the development of our restaurants and technologies.

Now I'd like to talk about our fourth quarter 2020 results. Please, let's go to slide #3. Our net operational revenue reached 674 million, a reduction of 8.7% when compared to the same period of last year, and a growth of 48% when compared to the third quarter of 2020. We saw a strong recovery of the sales throughout the quarter which came from the combination of the reopening of 100% of our business still in October, with strong growth of the digital channels in our business, and certainly with the consolidation of our position of our brands.

The same store sales... and here I'd like to highlight the freestanding stores, which showed their strength and resilience and through their versatility made it so that we'd be able to adapt quickly and be able to navigate well during the pandemic. I highlight that the sales were concentrated in this freestanding model, which had shown itself to be strategic and which politte our expansion focus in 2021.

Now our food court restaurants, which were subjected to lower traffic in the mall, they showed negative same store sales, but with significant progress in the fourth quarter. I'd like to highlight Popeyes, which showed a drop of 6% in same store sales even having its exposure 100% in malls. Despite the challenging scenario, this leaves us excited for the chicken fast food industry.

The digital sales, which are represented by delivery, the self-service kiosks, and app, followed their growth trajectory and show the high of 142% when we compare them to the fourth quarter 2019 with record sales. This represented 21% of our revenue against 9% of the fourth quarter in 2019. When we compare to the third quarter of 2020, the digital sales also showed growth, keeping the growth pace.

As far as the financial results, the adjusted EBITDA reach R\$72 million, a drop of 58% when compared to the fourth quarter of 2019. However, in the comparison with the third quarter of 2020, we had an increase of approximately R\$84 million coming from our positive EBITDA, and I highlight that in the quarter there was also the positive generation of free cash flow, and this shows you the speed of the company to take back our pace when there is a normalization of the operation of the restaurants.



In November, we concluded our follow-on offerings where we've raised R\$510 million, which allowed us to close 2020 close to a net cash position, only R\$10 million of net debt. Finally, it's important to mention that in 2020 we renegotiated with RBI our expansion plan and opening of new Burger King and Popeyes stores. With that, we set up new agreements in the master franchise contracts related to the times to open up new stores. This agreement reinforces the trust and the long-term partnership that we have with RBI.

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

Clayton Malheiros: Thank you Iuri. Good morning everyone.

Going to slide four, we see that during the fourth quarter of 2020 we took back our historical growth pattern with a net opening of 5 restaurants coming from the 3 openings, 12 from Burger King brand and one from the Popeyes brand, and 8 closings, Burger King closings. Besides that, we transferred 2 Burger King stores to franchisees. With that, we closed 2020 with 905 restaurants under the brands Burger King and Popeyes, of which 703 are operated by BK Brazil.

Besides the challenging scenario, we closed the year with only 7 less restaurants then restarted reinforcing our trust in our brands and the size of the opportunity that we have ahead.

Going to slide 5, the net operating revenue reached R\$774 million, a drop of 3.7% when compared to the same period of previous year and a growth of 48.2% when compared to the third quarter of 2020. As mentioned before, our strong sales recovery throughout the quarter came from the combination of reopening of 100% of the stores still in October, of the continuous digital sales growth in our business, and the recovery, the gradual recovery of foot traffic in the malls.

Besides the strong sales recovery, the same store sales in the quarter were negative 8% for Burger King coming from the combination of a very positive performance from the freestanding stores with come parable sales still negative in the malls.

As far as Popeyes, despite the stores are all in food courts, our performance was superior to BK with negative 6% same store sales benefited by the growth of the brand and the strong growth in delivery. On the right-hand side of the slide, we see our performance from the beginning of the pandemic until the end of the year. After reaching a sales drop of almost 70% in April, the strong recovery after September has led us to 118% of pre-pandemic sales.

With the coming back of the lockdown in São Paulo after Christmas, we had in the last week of the year a deacceleration of sales coming from the closings of the business in the malls in the last week of 2020.



Going into page 6, we see the strong growth of sales in digital channels during the fourth quarter and giving continuity to the good performance of the previous quarter, thus, digital sales represented by delivery kiosk and app showed a high of 142% when compared to the fourth quarter 2019 with a sales record of R\$165 million in the quarter representing 21% of the company revenue against 9% in the same period of the previous year.

If we compare to the third quarter of 2020, the sales maintained their consistent growth pace with a high of 26% even after the opening of 100% of the businesses in the month of October, as mentioned before. In the main part of the slide, we can see the growth of the channels. Delivery showed the highest share followed by kiosk and our app.

Going to the next slide, we have more details on delivery sales, which reached a record in the fourth quarter even with the total reopening of our businesses in malls, the channel reached R\$121 million, growing approximately 150% compared to the previous year. Besides that, I highlight that even with the on-premise consumption increasing, the channel grew 26% versus the third quarter.

We continue to invest in operational improvements increasing our capillarity with the aggregators having finished 2020 with the opening of more aggregators, which allowed us to deliver our products quickly in the main cities of the national territory. Our own delivery app is still expanding and improving after we launched the pilot in the second quarter covering about 100 stores. We do delivery based on our website and we'll gain scale as we evolve our indicators.

Going into the next slide, we have more details on the drive through channel and the self-service kiosk. The drive through reached our revenue of 124 million in the quarter, doubling its participation compared to the previous year with a gain of 7.8 percentage points versus the fourth quarter of 2019. The growth of this format represents still huge opportunities for the company.

Now, the self-service totems represented sales growth of 131% versus the fourth quarter of 2019, with a gain of 3 percentage points and representation over the total sales reaching the revenue of R\$39 million. We close 2020 with approximately 400 stores working this way, which represents around 50% of our own stores bringing efficiency to our business and less friction to our clients' journey.

Going into the next slide, we show you more details on the app sales, which showed a growth of 95% versus the fourth quarter of 2019. Our app, which counts on over 25 million downloads, around 8 million records, and over 4 million active users at the end of December, has a fundamental role which will help us to gain scale quickly and still will feed our data lake with transaction data. All of the advances in our app contributed so that we had the highest



transaction volume in our history in the fourth quarter. Besides still very little significant, we do believe in this functionality, which will help us to be more efficient increasing the experience and reducing the friction with our clients.

Throughout the fourth quarter, we rolled out our CRM and this was an important milestone because we'll start to interact with our clients in a personalized manner and will start to monitor the conversion of these interactions in our restaurants. Additionally, on the 1st of February of 2021, we launched our loyalty program, the BK Club, to all Brazil, being available to the over 25 million clients which downloaded our app. The program is the first one launched between the big food chains in Brazil and it will allow that the users accumulate one point for each real spent and they can exchange that for dessert. This is a part of our strategy to create an ecosystem which integrates digital plus brick-and-mortar.

Going into slide 10, we can see the many fronts of the digital ecosystem we're building through tech investments, which are driving our digital transformation. Our focus on improving and personalizing our client journeys through these digital platforms was accelerated at the beginning of this year, like I mentioned prior. We believe that technology will help us through 3 pillars: the first one is related to restaurant efficiency with the installation of self-service kiosks, the inclusion of no payment means, and the use of AI for sales suggestions; the second pillar related to the omnichannel with investment in improvements and the increase in capillary in our channels, like delivery, our own delivery, as well as our aggregators, drive through and desk; and the third pillar is the user experience with CRM projects which will allow for interactions which are ever more personalized, be it through our loyalty program, BK Club, or through the WhatsApp for BK providing more speed for our users to make request an order or using the Wi-Fi in our restaurants.

Going into slide 11, we presented the evolution of our costs and sales expenses in our restaurants. The cost of goods sold reached 40.4% of sales, an increase of 250 basis points versus the fourth quarter of 2019 and an increase of 60 basis points when compared to the third quarter. The challenging scenario of the inflation related to the commodities, specially in protein, contributed to price pressure.

As we started to progress with consistency in our sales recovery, we did a strong work to pass on prices to soften the impact to our consumers, that way follow the increase in sales. We assessed each product in category to find the best sales equation and cost equation so that we could maximize our gross profit. The quick recovery of sales has shown us that the consumers have absorbed the adjustments well in 2020. For example, in our iconic mix & match platform we made 2 changes throughout the year.

Additionally, as the CRM evolves in the company, we'll reduce the exposure to massive discounts to clients increasing our margin. Now sales in restaurants



totaled 353 without amortization and reached 45.6% of revenue, an increase of 170 basis points versus the fourth quarter of 2019 and a drop when compared to the third quarter. These increases can be explained by the increase in delivery sales and the increase in take rate, reduction of rental discounts, and the increase of expenses with hygiene and cleaning due to the pandemic.

Besides that, the expenses with personnel, which represent 30% of SG&A, were impacted by the end of the Bill 939 when compared to the expenses of the third quarter. Now general administrative expenses totaled R\$59 million in the fourth quarter of 2020 and reached 7.6% of revenue, an increase of 360 basis points versus the fourth quarter of 2019 and an increase of 150 basis points when compared to the third quarter of 2020.

With the recovery of the operating indicators in the fourth quarter and the proximity of 2020, we advanced in our technology counting on advisory and software improvements which will help us around 2021. As an effect of the equipment purchase for maintenance in service desk, G&A was negatively impacted with benefits on reduction of expenses in the restaurants. We saw a man recurring effect based on the closing of restaurants which totaled R\$12 million in the quarter.

On slide 12, the adjusted EBITDA reached R\$72.1 million, are drop of 57.9% when compared to the fourth quarter of 2019. This result can be explained by the deleveraging generated by the negative same store sales in the quarter combined with the delivery sales, which suffered margin pressures when compared to 2019. When compared to the third quarter of 2019, we had an increase coming from the strong advance of the numbers, which allowed us to take back our positive EBITDA levels.

In the center of the slide, we show a net loss of R\$97.3 million in the fourth quarter versus a net profit of R\$41.3 million in the fourth quarter of the previous year. That result was significant affected by the decision of the management of not acknowledging the deferred taxes on the tax losses considering the uncertainties and the future projections based on the pandemic until we have a more positive scenario to use these credits and also the write-off of the closed restaurants.

On the right-hand side, we see that the gross that reached R\$830 million combined to a total cash over R\$820.8 million gets us to a net debt of only R\$10 million. Throughout the quarter, the company advanced the future short-term debts and worked heavily on liability management, which reduced the due dates that were scheduled for the beginning of 2021.

Additionally, in November of 2020, we continued our follow-on reinforcing the liquidity in R\$510 million, which will allow us to take back investments throughout 2021 in the fronts of technology, expansion, and store renovations.



We'd like to communicate that we successfully concluded the succession of waivers for the non-measurement of covenants in the exercise of 2020, the period of 2020, without there being a need for a renegotiation with our creditors as far as costs and future leveraging or investment amounts.

Going into slide 13, we can see Capex and operating cash flow. The investments reached R\$94.2 million in the fourth quarter of 2020, a drop of 41.7% when compared to the fourth quarter of the previous year. This drop is connected to the reduction of the space of openings and due to the measures of liquidity protection taken. Besides the reduction in investments, we took back the expansion activities in the fourth quarter with a net opening of 5 restaurants, and we intensified our investments guided towards technology. These investments were sped up in 2020 to support the increase in digital sales, leaving us well-positioned to capture the opportunities when the consumption is more normalized. Only in the fourth quarter the company invested R\$20 million in IT projects.

On the right-hand corner of the projects, we see that we took back operating cash flow leading us to R\$97.5 million due to the strong recovery in the numbers. When compared to the fourth quarter of 2019, we saw a drop of 138.5% in cash generation due to the reduction of the operating results and impact on working capital, therefore, when compared to the third quarter, we are at breakeven in cash flow.

And with this, we finish our presentation, and we'd like to open up for Q&A. Operator, please.

Question & Answer Session

Operator: Ladies and gentlemen, we will now start the Q&A session. To ask a question, please, type star 1, and to remove your question from the list, type star 2.

Our first question comes from Roberto Brown, Morgan Stanley.

Roberto Brown: Hey, good morning Iuri, Clayton, Gabriel. Thank you so much for the call, for your question.

I'd like to know a little bit better about your margin strategy. We understand that you guys are focused on sales, on taking back sales, and this is clear with the market share record that you have shown, but the environment could not be more challenging that record is happening when we have a price pressure on protein and even the gross margin has decreased compared to the previous quarter, so we wanted to see how you're thinking your margin strategy in 2021. Are you going to focus more on sales? How has the competitive environment been? How have you advanced in terms of protein cost reductions with your



suppliers, or should we expect higher pressure, lower pressure, and what are you doing to make up for these costs?

And afterwards, I'd like to do a follow-up question on EBITDA margin.

Iuri Miranda: Hello, Roberto. First, I hope that you and your family are all well. Well, thank you so much, thank you so much for your question.

As far as margin strategy, perhaps the first correction that I would make here is, well, our vision on why we gained market share, you know, this historical market share gains, I wouldn't attribute that only to a price strategy, alright? I would attribute that to a set of facts and trends like we mention of our brand positioning, of what we were able to do last year, and what we have been building, and all the digital advancement in all the different platforms that we were able to put in place, and of course, the question of execution of the team, which sure, without a doubt, make all the difference.

Having said all that, that it's a combination of factors, I would say to you that we have been passing on and been making price adjustments constantly to try to mitigate those effects which you mentioned at the end of your question. If you think about, for example, when our price platform Double King, we actually made 2 price adjustments there and we're going into a third price adjustment now.

If you take a look at the delivery platform, we also needed to do a series of fine tunings to balance out the prices not only in 2020, but also in the beginning of 2021. Now there is an entire revenue management strategy which will continue, there's no doubt. There needs to be an equilibrium between our costs and the ability that we have of passing on those costs to the end consumer since the consumption environment, based on everything that's happening and on unemployment levels, it's not an environment which is very easy or elastic enough for you to pass on prices.

But regardless of that, I would tell you that we have been successful in gradually doing that passing on of prices, and you'll continue to see that throughout 2021. Perhaps the big difference – and I'm sorry for the long answer – but perhaps the biggest difference that we start to see in 2021 is all the investments that we made in technology, especially in our CRM with 8 million records, and with the launch of the BK Club we believe that that really is going to be a different leveraging tool for the game, and it will allow us to continue with our strategy of digitalization, personalization of promotions. And so, I believe that that is the next step and the next evolution, significant evolution that retail will see, and we are very hopeful that this will generate gain of margin for us.

On the other end, as you mentioned, there are the costs. We continue to see a cost pressure, we have exhaustively negotiated with our suppliers, we believe that compared to other smaller businesses, Roberto, which have a little bit more



difficulty because they have less scale, then it's harder to negotiate. But at this time, we think that the pressure is on everyone, but we will be able to do this for all the 900 restaurants. But the cattle over R\$300, the soy bag above R\$60 is really a challenge which is facing the market.

Roberto Brown: Thank you Iuri for your answers on the strategy and everything else. As far as your EBITDA margin, we also see that a good part of your success comes from the initiatives like delivery, and you also said that there is a take rate cost which is weighing on the results right now, weighing on the numbers. And do you have an idea of when delivery can be incremental to the amount which you used to have on premise and if that sale will continue to be incremental? It should help delivery increase or reach better margins if you can maintain your costs fixed? You know, I want to see if that is viable.

Iuri Miranda: Excellent question, excellent question, Roberto. Actually, the conversation of the delivery advantages or benefits of delivery is really... it has been happening for a long time, it's a challenging talk when you see this accelerated growth that we saw in 2020.

With the reduction of the on-premise consumption, delivery really has taken a piece of what we call desk sales. It's hard for you to actually separate what is incremental sales and what is the desk replacement, you know, sale that replaces the balcony or the desk sale. I would say that around 70 million people are consuming delivery in 2020, and of the 70 million, half (about 34 million consumers) made their first purchase for the first time. This is from sources.

Second, considering that we have a population of 210 million inhabitants, there are 140 million inhabitants which has some kind of device and are connected, so only half of them make their requests online or order online, and so we think that there is a huge incremental potential of people which might in some way place an order.

Will all of them be delivery? No, we think that there will be an equilibrium between channels, and a more stable situation throughout the [unintelligible] make a few requests via delivery, via drive thru, either you go to the store and therefore there will be a difference there.

As far as what we do and a more stabilized environment and also as far as the incrementals, we are the main aggregators, you know, we're working with the main aggregators and we see that each aggregate besides having each delivery market, each aggregator is almost like they had their own client and you are there, and it's important for you to be in those platforms, this is a very important part for us. At the same time, Roberto, we have 25 million downloads of Burger King clients (25 million!), and when they go in to make an order they want a Burger King sandwich, and that's why we started with our own delivery by letting in 100 stores, we want to double this number in 2021 and we want to bring a leveraging on top of everything that we build in terms of CRM and



loyalty to be able to, instead of taking that client today and going to one of the aggregators, we'll be able to make our own delivery, which will help us certainly in increasing margins.

And finally, it's what I talked about, it has to do with revenue management. So, you need data, so you have 8 million clients recorded with a tool a CRM tool pull behind it, without a doubt it'll allow us to calibrate the delivery offers and to look for better profitability balance.

Roberto Brown: Thank you Iuri. Do you have an estimate of when the store sales might recover and when delivery goes back to being just incremental? Do you have any internal curves?

Iuri Miranda: You know, that's an excellent question as well, and I'm also asking people for help to answer you because that's a hard estimate.

What we do see is that, besides being going through a second wave until now, it's been in terms of restaurant impact it's been less impact than we saw last year. Just reminding you that last year we had 70% of our stores closed.

For the presentation, if you take a look at the deck, once there is a normalization or stabilization, the company and our brands have a huge capacity to bounce back if. You look at the week of December 8th on the presentation – just to make it easier for you, is chart #5 actually – so, as soon as you see higher stabilization and availability of business hours, we got to 118% of pre-Covid sales. This shows the positioning of the brands, and as soon as there is stabilization there will be a quick recovery.

Looking at the future and looking at other countries as well and a more stabilized delivery environment, we believe that that will mean something around 15 to 20% of our sales.

Roberto Brown: Perfect Iuri, thank you for your answers, and sorry for so many questions.

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

Bob Ford: Good morning everyone and thank you for answering my questions. Iuri, I hope you and your family are well as well.

How big was the impact on the profitability of the quarter? And can you tell me more, can you update me on your updated agreement with RBI and your Capex for Popeyes and Burger King in the future?

Iuri Miranda: Hello Bob, I also wish you and your family, I wish you guys are all safe alright?



Well, Bob, the biggest impact that we had at the end of the year was in the Christmas week, which came prior to Christmas, when São Paulo went back to having restrictions, more restrictions, and a little bit before that this happened in Belo Horizonte. Belo Horizonte this happened in Belo Horizonte city before São Paulo, and these were the 2 main impacts, and if you look at the same chart, on page 5, you will see that we had been seeing growth going into the week of the 8th of December at 108% of pre-Covid and then we had the lockdown in São Paulo and the following week on the 22nd of December you see a drop in 94%.

Giving you the first data of January and February, January has followed a trend which is similar to the end of December improving a little bit, I would say, after the second half of January. In February, until this week, we've been seeing better numbers than January getting close to levels of the fourth quarter. Of course, we started to see this week we see a few new lockdown measures now in São Paulo for example, and it's going to happen on the weekend.

We see a few things in Bahia and a few other states, but a piece of data that we see here is that the digital sales they continue to grow even with this recovery that I've mentioned for December of 118%, digital continues to grow in the fourth quarter compared to the third. It seems to me that the brand continues to gain momentum, and this explains our market share position, our historical market share position.

In the fourth quarter, another piece of data that I share is that in the last call with you we talked about a consolidation of the market and we already started through a few numbers, I got the last numbers of IFB and we saw for example or reduction in the number of stores in the market between the big players of around 8% if you compare to January of 21 to January of 20. That consolidation of the market that we talked about and expected unfortunately due to everything that happened it starts to happen, and I have no question that this will... you know, the chains that are well-prepared will be better consolidated and they'll be able to capture some of this market momentum.

And as far as your question about the agreement with RBI, there are terms which are confidential, we can't provide higher disclosure, but what I can say to you is that what we renegotiated was basically the level of growth on the Burger King side and Popeyes side for this year and the next few years a growth which is more adequate to the situation which happened in 2020, and also with the growth pace which allows us to make the decision of speeding up more or less according to what happens in the next few months. So, we feel very confident with the agreement that's been done with them.

Bob Ford: Just one more question. I know it's soon, but what do you see in terms... [...]

Iuri Miranda: I'm sorry, Bob, I didn't understand the question.



Bob Ford: I know it's soon, what do you see in terms of the reactivation of the app? How do you see engagement in the app in the future?

Iuri Miranda: Well, that's an excellent question. We feel very excited, Bob, because for the first time we're doing identified sales, 15% of our sales (15, one five!) is already identifiable. If you compare that to other countries which started prior in this digital journey, you will see that it's a very significant number for a business which has started now.

And the second step after you identify the sale, the second step is to do better revenue management and we see opportunities in 2 areas: one, we're going to increment because we're going to have frequency incrementals because you start to have data visibility of people who are fast food heavy users, and this is where you generate the incrementals; and on the other hand, of the people who are already your clients, you're able to personalize offers and no longer offer general generalized offers to everyone.

So, we have 8 million people and with the growth rate very quick as we saw in the launch of the BK loyalty group. We've seen in other countries loyalty programs, we looked in the US and we also looked Europe in Asia and we took a look at a few cases of implementation of loyalty programs and we get very excited, we get very excited with the increment of frequencies in our business. And within this whole digital package, we have over 50% of our stores with digital totems and these digital kiosks have shown us an operating efficiency which is very interesting, and the feeling is that, like I said, you know, many people made digital or placed their digital order for the first time. It's almost as it has sped up this interaction of people with the digital means and therefore with the use of the kiosk, and we know that this is linked to speed, productivity, and we're working on the kiosk to turn the experience as frictionless as possible.

So, the data that we're getting from the kiosks are also very exciting, I would say that in the next few months with the progress of the BK Club and with more users everyday being identified and us starting to communicate with them, we'll have lots of nice things to share with you.

Bob Ford: Congratulations.

Iuri Miranda: Thank you.

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

Iuri Miranda: Marcela, I think you're on mute.

Operator: I'm sorry, we lost the connection, and we remind you that to ask questions, please type star 1.

Operator: Please wait while we collect the questions.



Our next question comes from Henrique Rocha, Credit Suisse.

Marcela Recchia: This is Marcela, I'm sorry. I have 2 questions for you. The first one has to do with the taxes you made decisions of not collecting the deferred taxes due to a better analysis and visibility of the midterm in terms of the collection of these credits.

Could you tell us what changed in order to lead to this decision, and what we can expect looking at the future as far as that goes?

And my second question has to do with Popeyes. We saw that this week you launched the first Popeyes store in Rio, and I would like to know 2 things from you: the first one is, of the stores that you believe you will open this year, what do you think in terms of geographic distribution and catchment area? And the second question, we saw that the same store sales, although negative, have been more resilient than the Burger King brand inside the malls. I'd like to understand what do you attribute that to, the Popeyes brand being more resilient?

Iuri Miranda: Hey, Marcela! I'm glad that you got reconnected and thank you for both questions.

As far as your first question, I'm going to compliment that, I'm going to start and then I'll ask Clayton to provide some more information, but basically, these are deferred taxes over tax losses. What changed basically, we have a more conservative posture on our part in terms of using these credits given the uncertainty of what happened in 2020, and specially now at the beginning of the year with little certainty we decided to make a more conservative decision. That does not change our perspective of the future, our perspective that in the future we'll continue with the possibility of the use of these tax credits.

I don't know, Clayton, if you'd like to provide any more information.

Clayton Malheiros: Well, that was well said, Iuri. I think that, in practice, we had our estimates until the first quarter and the expectations we had our expectations as far as the pandemic, they were still very, you know, at the beginning stages, we were at the very beginning to understand the impact and the expectations were less than they were in 2020, and as we progressed to understand a little bit better and as we understand this progress, we redo our projections based on the taxable income. I am not talking about accounting profit, we're talking about taxable profit, and there is a piece of that where they talk about it being probable, and now this probable, this almost certainty in the perspective of projections I think you guys have the same challenge that we do, it's more difficult, you know, people asked us how much we expect to get back to normalcy, well, it depends on the vaccine, the second wave, a series of other aspects.



So, given that situation which still involves a certain level of uncertainty, we've decided to be very conservative and to account for an asset that we would take more time to use than we expect if this Covid situation endures.

So, basically, that is the summary, and the company may review that at any moment, but at this time we think that this is the best way to deal with this asset.

Iuri Miranda: Thank you, Clayton. Marcela, as far as Popeyes, that is a question that actually is mouthwatering – especially close to lunch – because it also shows resilience, the product is very good. That would be a quick answer, but giving you a more technical answer, this is the time for the brand, it's actually impressive after 10 years of us going down this BK journey, it's impressive to see the brand awareness of Popeyes in the city of São Paulo in one and a half years. Impressive! It goes over 75% actually, and I have no doubt that this comes from... or the sales come as a consequence, they come from this brand awareness.

Second point, if you compare the off-premise sales and basically, we defended all the off-premise sales and the growth that happened versus 2019 in Popeyes is 900% if you look at Popeyes. So, therefore, it's a growth, it's a product which travels very well, it's a product which has a very flexible characteristic which goes from an individual ticket to a family ticket, and therefore, I believe that it behaved extremely well now in this situation that we're going through, and due to that reason, we also felt the need – complementing your question – we felt the need of leaving São Paulo, so the first step now is Rio de Janeiro.

We're going to go through growth now in the Rio de Janeiro market, and probably in other states as well still this year after going into Rio. And so, we're excited, we're excited.

Marcela Recchia: Thank you for your answers, they were very clear.

Iuri Miranda: Thank you.

Operator: We now close the Q&A session. I would like to now pass the word to Iuri for final comments.

Iuri.

Iuri Miranda: Thank you, operator. Thank you everyone for the questions, for your presence, and always for your interest in our company. I would like to close the conference today, if you will allow me, going into slide #14 of our presentation and with that I would like to highlight to you what would be or what are our strategic priorities for 2021.

I know that we're still going through the second wave and while it's around we will continue to protect our employees, our clients, and our business. At the



beginning of the first wave, we said internally to all of our employees that we would leave the pandemic stronger than when we went into it, and that is exactly what we plan to do: stronger, better prepared, and I believe that all of us we're all better prepared than we were in March of 2020.

But that doesn't mean that will be less prudent. Being better prepared leaves us more confident as far as what we can do when a situation becomes more normalized, and we saw that at the end of the year. It's in that spirit that I share with you the priorities for 2021: recovery of sales and gain of market share. Our brands are very well-positioned for that, specially with all the consolidation that we said that would happen and that is already happening.

We would like to capture the potential of digital channels, and as I mentioned, start to collect the fruit of our harvest, like the CRM and the BK Club, we want to go back to our organic growth with the freestanding Burger King restaurants and the expansion of Popeyes' restaurants into new states, just like we mentioned in Marcela's question, we want to go forward in the transformation of our non-conservative products, we believe that everything that's happened and has been happening in our country has sped up the brand awareness of the consumer and they will trust brands which control the quality of their products and which they trust.

And finally, but not less important, we want to understand and adapt very quickly as is our characteristics, we want to expand the experience of the users as well as the employees.

I closed this call with a special thanks to our team and our shareholders. To our team because they were real heroes working every day to service our millions of clients, be they in our brick-and-mortars, be they in their Home Office or remote work. But people will continue to be the main difference of this company, and it's through those people that we continue to dream. And we'd like to thank our shareholders because we know that in a challenging moment like this they have continued and continued to believe in our capacity of execution and our desire to build a genuine business and long-lasting business.

Keep safe and let 2021 bring it on.

Operator: The BK Brazil audio conference has been closed. We thank you for your participation, have a wonderful afternoon and thank you for using Chorus Call.