Operator:

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to IMC's conference call to discuss the fourth quarter of 2019 results.

The presentation is available for download at the Company's website: www.internationalmealcompany.com/ir.

We would like to inform that during the Company's presentation, all participants will only be able to listen to the call. We will then begin the Q&A session, when further instructions will be given. In case you need any assistance during the conference, please request the operator's help by pressing *0.

Forward-looking statements are subject to known and unknown risks and uncertainties that could cause the Company's actual results to differ from those in the forward-looking statements. Such statements speak only as of the date they are made, and the Company is under no obligation to update them in light of future developments.

In this conference we will have Mr. Newton Maia Alves, CEO of IMC, Ms. Maristela Nascimento, Financial Officer and Mr. Luis Bresaola, Investor Relations Officer of IMC.
I will now turn the conference over to Mr. Maia.
Please, Mr. Maia, you may proceed.

Newton Maia Alves:

Good morning, everyone, and welcome to IMC 4Q19 Conference Call, in which we will provide information related to the Company's performance in the period, as well as the main initiatives related to our strategic pillars, in addition to commenting on the challenging period we are going through with the Covid-19 issue.

On the next slide, I highlight that we ended the year with 498 restaurants, 262 of which are owned, in addition to 14 catering bases.

On page 3, I'd like to comment the 4Q19 results and add that, for our better comparison of performance, my comments will be based on figures without the IFRS16 effects. In this quarter, our consolidated revenues grew 10%, basically driven by the performance of Brazil, with a growth of sales in highways, in shopping malls with the addition of Pizza Hut and KFC. The adjusted EBITDA expanded by 19% to BRL 24 million, with an increase of 0.4 p.p. in the margin, which reached 5.8%. The net loss in the period was BRL 23 million higher than the previous year due to the expenses with the incorporation of Pizza Hut and KFC. Same store sales in constant currency, and excluding the performance of Pizza Hut and KFC, grew by 0.6%, driven by the performance of Brazil, which grew by 2.4%. Working capital helped our expansion of operating cash flow capital reduction realized in early 2019, added to expenses with the to build the Central Kitchen, made us move from net cash to net debt.

Now on Slide 4, we have the EBITDA bridge with consolidated EBITDA expanding 19%, reaching approximately BRL 24 million and margins of 5.8%. Brazilian operations, including G&A + Others, totaled BRL 15 million *versus* BRL 4 million in 2018. Brazil is responsible for this expansion, with airports growing due to a tighter 2018, due to Avianca issues and a positive impact with tax credits. In the U.S., the seasonal issue in the fourth quarter is relevant, with the arrival of winter, Margaritaville loses flow as it is a summer destination, fouth quarter is less relevant for that operation. In the Caribbean which was impacted by the opening of a few gates of the new terminal in Panama, we maintain the high margin level at 22% in the 4Q19, however.

Now I'd like to give the floor to our Investor Relations Officer, Luis Felipe Bresaola, to explore the results in more detail and I'll return later for our final remarks.

Luis Bresaola:

Thank you, Newton. Good morning, everyone.

On slide 5, we show the business performance in Brazil with the revenues increasing by 13%, EBITDA of BRL 15 million, higher than the 4 million of last year and margin expanding by 3.6 p.p., reaching 5.4%. The revenue performance is explained by the performance of the highway business, in addition to the incorporation of Pizza Hut and KFC businesses. As for the EBITDA, growth was a reflection of airport segments, in addition to the recognition of tax credits for ICMS (brazilianstate excise tax) in Brazil, that mitigated expenses with third-party production related to the Central Kitchen construction.

Moving now to the highway business, operating revenue grew 4%, with a slight drop in the contribution margin of 0.15 p.p., which reached 13.1%. Despite the lack of extended holidays compared to the same period of last year, our same store sales grew above the traffic of IMC system weighted by store revenue. On the operating results side, we had pressure on the margin from third-party production driven by the construction of the Central Kitchen.

On the next slide, we can see that operating income from airports operations more than doubled, to BRL 7.7 million and margin reached 14.8%. As previously mentioned in the past we have written off Avianca’s receivables, which did not happen this quarter. The increase in the catering operation mitigated the lower traffic in our airports’ stores.

In the mall business, operating profits increased by 31% to BRL 7.6 million and margin decreased by 1 p.p., to 8.6%. The addition of Pizza Hut and KFC businesses positively impacted the segment’s revenue which, excluding the two brands, would have dropped by 11.7% due to the closing of stores. The two new operations showed same store growth higher than the existing brands. Due to the incorporation process and the maturation of Pizza Hut and KFC stores that were opening in the end of the quarter, the two brands pressured the margin of the segment.

On slide 9, we highlight the Pizza Hut and KFC operations. Same store sales growth in the system was 9.3%, and revenue in that period, which includes own stores and franchises’ royalties, reached over BRL 35 million. The operating result was BRL 2.7 million with a margin of 7.6%, which was pressured by the incorporation process, in addition to having several stores in the maturation process.

Moving on to slide 10, we talk about operations in the U.S., which we present in local currency. The arrival of the winter period impacts Margaritaville’s operations, which is basically a summer destination. The EBITDA in the period fluctuates between slightly positive and slightly negative, and in the fourth quarter 2019 it was negative by USD 0.6 million.

On the next slide, we will look at Caribbean operations in Panama and Colombia. For better comparison, we present the figures in reais and in constant currency. The operating result fell 11.8%, with the margin decreasing by 2.6 p.p. to 22%, mainly due to the business performance in Panama. Same store sales in the Caribbean fell 1.5%, led by an impact of passenger traffic at the Tocumen airport in Panama. With the opening of some gates and the new terminal in June, the flow of passengers in the existing terminal where we are located decreased by 7.5%.

Now on slide 12, we comment on the Company's cash flow. Our operating cash flow after maintenance Capex totaled BRL 41 million *versus* approximately BRL 60 million from last year, with working capital gains being the main impact this year. In the change in net cash, we invested approximately BRL 56.5 million due to the construction of the Central Kitchen and the opening of Pizza Hut and KFC stores, in addition to the payment of installments related to our debt’s principal.

Now I turn the floor over to Newton, who will talk more about our strategy.

Newton Maia Alves:

Thanks, Luis.

Now on slide 13, we show some pictures of our Central Kitchen which finished and started operations in December. The initial expectation was to move forward with production through the first half of 2020, as well as roll-out to all stores. With Covid-19, we reduced the quantity produced, but we continue with store adaptations.

On slide 14, we show the opportunities that we see for the Central Kitchen. In addition to supplying our stores, we will move forward with the retail sale of some of our hero products from Frango Assado, like *biscoito de polvilho* and semolina bread.

In a second wave, we analyzing the supply of Pizza Hut doughs to our stores and franchises, which is already very common in other countries. This move will reduce expenses at the store level and will provide an additional business opportunity for the Kitchen, given that most of the machinery is the same that produces the semolina bread.

In a third wave, which is still a project, it is related to Frango Assado franchise operations. With the construction of the Kitchen and deep frozen of products, we'll be able to supply a large part of the Frango Assado line of products to franchisees and guarantee the quality of our brand anywhere.

On next page, we talk a little about the production *status* of the Central Kitchen pre Covid-19. We were already distributing all the fried products to the stores and all the pasta and cheese bread. The starch biscuit is already at Frango Assado restaurants as well as at retailers. We move forward with centrally produced semolina bread that will bring important expense gains at the store level. In addition, the production of Cook & Chill dishes has already started for the main items and the baked goods will soon be in Viena restaurants. Given the short-term scenario, we opted to reduce the quantity produced until we have visibility in the reopening of stores and restoring the flow.

On slide 16, we highlight some photos of the products of the Central Kitchen, such as tomato sauce, the cheese bread production line, *ravioli*, *coxinha* and Alfredo sauce. You can also see the frozen semolina bread after it's baked.

Since the first news about the incidence of Covid-19, we have followed the facts related to the advance of the pandemic and, aiming to provide the quick responses that a situation like this demands, we have established an emergency committee of the executive team to assess the situation and prepare the measures to be taken to preserve the safety and health of our employees, consumers and the community. We organized a set of six blocks of different initiatives to cope with this situation. I'll comment in a little while how the operations were on March 24th.

In Brazil with the quarantine enacted by several governors, we had impact in all of our operations. At KFC equity stores, we have 27 own stores operating with delivery and 5 temporarily closed. At Pizza Hut equity stores, we have 20 stores operating only with delivery and 13 temporarily closed, 10 of which are store-in-stores inside Frango Assado.

We continue with 24 Frango Assado stores open operating only bakery, mini market and with reduced hours, and 1 temporarily closed. Our 19 gas stations are still open. At Olive Garden, we have two airport stores opened and 4 operating only with delivery. Viena has 9 stores open with delivery and 26 closed, out of which 11 are temporarily closed and 15 are definitive closures.

Batata Inglesa in Rio de Janeiro has all 15 stores temporarily closed. In airports and hospitals, we have 15 stores open and 10 temporarily closed, and our catering business continues to operate however, with a reduced number of flights. In the Caribbean, all of our main operations are temporarily closed with the exception of 3 Carl Jrs for delivery in Panama City. In the United States, we have 4 restaurants open and out of 22 closed.

On the next slide, I would like to highlight that we remain attentive to the potential effects on the production, logistics and sales chain, and have adopted measures aimed at the safety and health of people, as well as preserving the integrity of their activities, among which we highlight some initiatives distributed in six blocks of actions:

The first one is Safety and Health of employees, customers and also some business continuity initiatives. To our administrative staff, we provided laptops and technology, so the home office is effective and does not affect their security and does not impact also the continuity of our operations. In addition, for every position there is a back-up as a way to mitigate any problems due to leave. To the employees of our stores, we implemented strict food safety protocols and provided thermometers, masks, gloves and alcohol gel. In addition to spacing the tables and making available alcohol gel in abundance in stores that are still working.

The second block of initiatives is the Reinforcement of Delivery as an alternative for generating revenues in the period. In Brazil, we are strengthening delivery in Pizza Hut, KFC, Olive Garden and Viena brands. Our marketing campaign was directed to digital channels and we started with family-focused promotions, that is, with quarantine, orders tend to have a great number of items, different from the day-to-day of a normal operation. Our brands are available in the aggregators iFood, Uber Eats and Rappi, in addition to own app at Pizza Hut. As mentioned earlier, our employees are focused not only on their safety, but also on the safety of our customers, following safety standards from production to storage in the delivery package. We also added news stores to the system that only served counter before. As an indicator, the delivery channel in Brazil's own stores, Pizza Hut, KFC, Olive Garden and Viena, grew more than 100% when we compare to 23rd and 24th of March (Monday and Tuesday) *versus* 2nd and 3rd of March (also a Monday and Tuesday) pre the Covid-19 period, when delivery represented 8.4% for those brands.

On the next slide, we show our initiatives to reduce expenses and preserve cash, given the uncertainty scenario in which we live. Team reduction is always the last choice, however, with the volume of temporarily closed stores that we have, we understand that there will be no other way. In Brazil, we have reduced our workforce by approximately

30% over the past few days and, for employees who remain, we have given vacations to part of them, and some will have their employment contracts suspended according to union negotiations and also of new decrees of the State government and Federal government. Within the dismissal package, we maintained health plans for at least 3 (three) months and are committed to prioritize the rehiring of dismissed employees as soon as the situation is more normalized. In Colombia and Panama, we have triggered the suspension of employees' contracts following a plan in accordance with the legislation of each country. In the United States, we reduced the staff, suspended the employee contract of part of the employees, also maintaining the health plan and also put some employees on vacation.

As for other expenses in all countries, we are negotiating rental agreement for all stores, reducing the opening hours of stores that are open and accelerating the definitive closing of stores (approximately 15 of the Viena brand), which were already being monitored. In addition, we temporarily suspended all new Capex projects that were not in an advanced stage of completion or were more expensive to stop them than to continue.

Moving on to slide 20, I'd like to start by talking about liquidity. At the moment, we do not see any sign of relevant liquidity risk for the Company, if the actions being implemented have the expected effect. Our cash position at the end of the quarter was approximately BRL 330 million and gross debt of BRL 600 million. Of the total of this debt, we had approximately BRL 90 million maturing in the short term, having already paid: i) BRL 30 million of debt in Brazil, ii) BRL 10 million of interest of the debentures and USD1 million of principal in the US. The 1st and 2nd debentures amount BRL 400 million (1st series of BRL 250 million and 2nd series BRL 150 million) and are the main amount of gross debt. Of the 400 million, the first payment of principal will be in third quarter 2022 and represents approximately only 10% of the amount. In addition, last Friday, March 27th, we called the General Assembly of the Debenture Holders requesting a waiver of covenants until the end of 2021. Although we do not have a liquidity issue, the covenants are related to net debt on EBITDA and, given the macro scenario, we understand that we have significant pressure on EBITDA. We emphasize that we will postpone the expansion of stores, which I will comment a little more on the next slide and, finally, we have been studying together with cities and state authorities, how to make food donations feasible, both with products from our main brands, KFC, Pizza Hut and Viena, as well as food produced in our Central Kitchen.

On the next slide, as previously commented, we chose to postpone the 5-year guidance on expanding store from 2020 to the period of 2021 until 2026, as per the Material Fact released on March 23rd, 2020. Therefore, we expect to open, in the period of 5 years starting in 2021, 15 Frango Assado stores, 200 Pizza Hut stores and 200 KFC stores, half of them will be owned and half of them will be sub franchisees, and also 15 Margaritaville stores in the United States. So far in 2020, we have opened 8 Pizza Huts (of which 3 are owned) and also 4 KFC (being 2 of them own stores). With regards to our own stores, we have 2 Pizza Hut under construction, at an advanced stage, and 5 stores with construction at standstill. And for KFC, we have 7 constructions at advanced stage. In the US, we should still open the store in San Antonio, Texas, a LandShark in Bayside, Miami, FL, and a Margaritaville and a LandShark at the Margaritaville Hotel in Times Square, New York.

We continue with the Central Kitchen roll-out until the end of the semester and continue to reevaluate the simplification of IMC.

I'd like to thank you for participating in our call and I ask you to take care during this challenging period that we are going through. Thanks.

I now open the floor for Q&A.

Operator:

At this time, I'm showing no questions. I would like to turn the floor over to Mr. Newton Maia for any final remarks.

Newton Maia Alves:

Thank you, everyone, for joining the call and we are available to our Investor Relations team to answer any questions you might have and also to update on the developments on the Covid-19.

I thank you very much and have a nice day.

Operator:

This concludes I am this conference call. You may now disconnect and have a nice day.