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May 14, 2025 5:56 PM ET | Arcos Dorados Holdings Inc. (ARCO) Stock | ARCO

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Q1: 2025-05-14 Earnings Summary

Insights



EPS of \$0.07 **misses by \$0.06** | Revenue of \$1.08B (-0.44% Y/Y) **beats by \$22.59M**

Arcos Dorados Holdings Inc. (NYSE:[ARCO](#)) Q1 2025 Earnings Conference Call May 14, 2025 10:00 AM ET

Company Participants

Dan Schleiniger - VP of IR

Marcelo Rabach - CEO

Luis Raganato - COO

Mariano Tannenbaum - CFO

Dan Schleiniger

Good morning, everyone, and thank you for joining our First Quarter 2025 Earnings Webcast. With us today are Marcelo Rabach, our Chief Executive Officer; Luis Raganato, our Chief Operating Officer; and Mariano Tannenbaum, our Chief Financial Officer.

Today's webcast, which is being recorded, will consist of prepared remarks from our leadership team, which will be accompanied by a slide presentation also available in the Investors section of our website ir.arcosdorados.com.

To better follow the presentation, please note that you can set your view to full screen on the webcast platform. Additionally, you can submit your questions at any time during the presentation using the Q&A function on the bottom of the screen. After we conclude our opening remarks, we will answer your questions.

Today's call will contain forward-looking statements and I refer you to the forward-looking Statements section of our earnings release and recent filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

In addition to reporting financial results in accordance with generally accepted accounting principles, we report certain non-GAAP financial results. Investors are encouraged to review the reconciliation of these non-GAAP financial results as compared with GAAP results, which can be found in today's earnings press release and conference call presentation as well as the unaudited financial statements filed today with the SEC on Form 6-K.

I will now turn the call over to our CEO, Marcelo Rabach.

Marcelo Rabach

Thank you, Dan. Good morning, everyone, and thank you for joining us. On our last earnings call, we said we expected the first quarter of 2025 to be the low point of the year. That outlook still holds. Operating performance improved sequentially during the first quarter, with the best results coming in March. Importantly, the strongest month of the year so far has been April.

We remain uniquely positioned within Latin America's QSR industry, given the strength of our brand, the success of our strategy, the geographic diversification of our operating footprint, and the numerous competitive advantages of our business model. These strengths are among the reasons we believe Arcos Dorados will best navigate the relatively volatile and challenging market conditions we have seen so far this year.

Let's get into the details of our results and talk about the quarter's operating context. Total revenue reached \$1.1 billion, about equal to last year. By focusing on the factors we control, we gained market share versus the prior year quarter and we were able to offset three important headwinds, a lower QSR industry guest volumes in the period, a calendar comparisons with Leap Day and Holy Week in last year's results, and the strong depreciation of our three main currencies in the last 12 months. Importantly, constant currency revenue remained solid, built on 11.1% higher system-wide compatible sales, which was in line with blended inflation for the period.

First quarter consolidated adjusted EBITDA was \$91.3 million, down versus last year due mainly to weaker local currencies and margin pressure in Brazil. This was partially offset by stronger performance in SLAD, where Argentina and Chile drove better US dollar results for the division. Our strategy is about providing guests with an omnichannel experience, allowing them to choose when, where, and how they enjoy their favorite McDonald's menu items. As a result, even as consumers pulled back on eating out of home during the quarter, off-premise channels remained resilient, generating about 43% of total systemwide sales in the quarter.

Digital sales rose 6.3%, thanks to almost 19 million monthly average Mobile App users. Digital channels accounted for almost 60% of system-wide sales in the first quarter, with notable sales strength in Loyalty, Mobile Order and Pay, Own Delivery and Self-order Kiosks. The Loyalty Program had 18.8 million registered members and was available in five markets as of the end of the first quarter.

Arcos Dorados offers the region's most diverse set of sales channels, a most modernized restaurant base with 68% of restaurants already converted to the EOTF format. This is why our results have continued to outshine the competition, no matter the operating context.

I will now turn it over to Luis for a look at the first quarter sales performance in each division.

Luis Raganato

Thanks, Marcelo, and good morning, everyone. Brazil's total revenue in constant currency grew 5.5% in the first quarter. In addition to a tough comparison after several years of strong growth, Brazil's restaurant sector also faced a relatively soft operating environment with a reduction of out of home dining.

On the other hand, according to third-party research, McDonald's brand preference increased during the quarter and value share reached a new record for the trailing 12-month period through March, accounting for almost 47% of the country's QSR industry sales.

Almost 70% of system-wide sales were generated by digital channels, supported by sponsorships of the Big Brother Brazil reality TV show and the Lollapalooza music festival. These marketing activities increased guest engagement with the brand and drove amplified awareness of the Meu Mequi Loyalty Program.

Menu innovation in the quarter included new limited-time-only flavors of the McChicken Sandwich, a reheat of the popular McFish Sandwich, a promotional platform focused on weekdays and a few new dessert flavors to delight guests. NOLAD's total revenue was flattish in constant currency but declined in US dollars mainly due to the depreciation of the Mexican peso. Comparable sales were positive in Mexico, which is impressive considering the comparison with Leap Day and how impactful Holy Week is in that country. This was offset mainly by lower comparable sales in Panama and Costa Rica.

Guests in NOLAD adopted Mobile Order and Pay in increasing numbers and Own Delivery achieved remarkable growth in the first quarter. Digital campaigns were key drivers of downloads and customer engagement. These included the AppNiversary Campaign that celebrated the anniversary of our mobile app in the region. NOLAD's marketing activities aimed at staying close to the consumer in a challenging macroeconomic environment by focusing on value platforms across markets.

Puerto Rico launched a bold breakfast campaign, Las Mananas son de McDonald's, that successfully showcased the brand's iconic breakfast menu. NOLAD also brought food news through core extensions, and several markets introduced new flavors to their dessert menus as well. SLAD's comp sales rose 38.7% in the first quarter, or more than 10% excluding Argentina.

Argentina rebounded strongly versus last year results, which were significantly impacted by government measures to stabilize the economy. Uruguay, Venezuela, Aruba, and Curacao also contributed strongly to comp sales performance in the quarter. Digital channels in SLAD rose by about 33% in US dollars, which was the main driver for the growth we generated at the consolidated level. Digital sales penetration for the division was about 60%, with Argentina and Uruguay both reaching 70% digital sales penetration in the quarter. Identified sales grew more than 50% year-over-year and now represents about 26% of SLAD's system-wide sales. We expect this to grow with the recent launch of Loyalty in both Argentina and Colombia, which have seen promising early results.

Similar to Brazil and NOLAD, the AppNiversary campaign and Lollapalooza sponsorship contributed to Loyalty Program adoption, as well as to growth of Own Delivery and Mobile Order & Pay on the company's Mobile App. Most of SLAD celebrated core favorites with a Big Mac extension campaign to boost brand favoritism among guests. Additionally, several markets supported the premium burger and dessert segments with compelling new flavors.

Mariano, over to you.

Mariano Tannenbaum

Thanks, Luis, and good morning, everyone. The challenges that impacted revenue growth also led to lower profitability in the quarter. Fortunately, so far, operating conditions are getting better in the second quarter. Additionally, Brazil and Mexico's currencies have been stronger and Argentina's currency remains stronger than expected in real terms. This should help improve performance as the year progresses.

The decline in first quarter EBITDA margin came mainly due to higher food and paper occupancy and other expenses and G&A versus last year as a percentage of revenue. As expected, the underlying payroll expense pressure of the last few quarters has subsided. We still expect consolidated EBITDA margin to be about flat versus last year, adjusted for the payroll expense reversals and credits in Brazil.

Brazil's margin contraction was mainly due to higher food and paper costs from rising beef prices in the market. Over the course of the year, we will continue working to mitigate this increase with pricing, product mix, channel mix, supplier negotiations and all other tools at our disposal. Softer sales and the challenging comparison also led to fixed cost deleveraging.

Finally, Brazil's margin throughout 2025 will include about 100 basis points higher royalty fee compared with last year, since the new MFA eliminated the growth support incentive. However, since the royalty fee was reduced by 100 basis points in the contract, both NOLAD and SLAD will pay a lower percentage throughout 2025, resulting in a slightly lower consolidated royalty fee versus last year's effective rate.

NOLAD's margin in the first quarter was flat versus the prior year period, with lower food and paper costs and royalty fees offset by higher occupancy and other operating expenses as a percentage of revenues. We began to see the benefits of the new restaurant scheduling system with flattish payroll expenses in the division despite the continuation of minimum wage increases above inflation in both Mexico and Puerto Rico.

SLAD's strong margin expansion in the quarter included lower costs and expenses across nearly all line items, including notably better payroll productivity. Argentina's profitability rebounded from last year's difficult first quarter and was complemented by stronger year-over-year results in all the division's main markets.

Back to you, Luis.

Luis Raganato

Let's look at how Digital Delivery and Drive-thru performed in the quarter. Digital sales were up more than 6% in US dollars and more than 23% in constant currency, demonstrating the breadth and strength of the company's platform. Loyalty, Self-order Kiosks, Mobile Order and Pay, and Own Delivery were the standouts in the quarter, keeping sales penetration, identified sales, and active users at very healthy levels.

Driven primarily by Own Delivery, total delivery sales grew by 21% in constant currency during the quarter, including 12.5% in Brazil and 50% in SLAD. And we are working to strengthen the Own Delivery Service, which generated 13% of total delivery sales in the quarter, up from less than 10% in the prior year quarter.

Drive-thru has more overlap with the on-premise consumption equation, so performance in the quarter was impacted by the reduction in total QSR visits in Brazil and NOLAD during the quarter. Even so, it is evident that off-premise channels have made the business more resilient in periods of software consumption.

We began the year with the Loyalty program running in Brazil, Costa Rica, and Uruguay, where members generated 19% of total sales in the first quarter. During the quarter, we introduced the MyMcDonald's program to Argentina and Colombia with very promising early results. As of the end of the quarter, we had 18.8 million members across the five countries. Since then, we have surpassed 20 million members and we added another country to the program with the April launch of MyMcDonald's in Ecuador. We now have the Loyalty program active in two-thirds of all restaurants in our footprint, and we remain focused on taking this frequency and value boosting program to all main markets by year-end 2025.

The digitalization of Arcos Dorados is an ongoing process, and some benefits are easily measurable. More recently, you can see it in the continued growth of the Own Delivery channel or better payroll expense management. Over the last several years, operating performance improved, thanks to Self-order Kiosks, e-commerce on the Mobile App, more efficient delivery execution, and so many other parts of the operation. But when we look at few layers deeper, we also see improvements that will have longer-lasting impacts on the business. Operating metrics and brand attributes are stronger than ever and it is worth remembering that all the growth metrics are calculated from a base that is already two to three times higher than the closest competitor. So while we are prepared to navigate a short-term period of volatility, we are the best-positioned restaurant operator to benefit from an improvement in operating and macroeconomic conditions.

Mariano Tannenbaum

Let's turn now to our capital structure and investments. Both total debt and cash ended the quarter higher due to the liability management transaction we initiated in January and completed in early April of this year. At the end of the second quarter, you should expect to see lower total debt made up primarily of the 2029 and 2032 notes. We will also have less cash on the balance sheet since we redeemed the remaining portion of the 2027 notes that did not participate in the January tender offer.

With that said, we expect to maintain a net debt to adjusted EBITDA ratio of about 1.4 times throughout this year. It is worth repeating that we now have an investment-grade rating from Fitch and no material debt maturities until 2029. This allows us to focus on our strategy to generate long-term shareholder value. We added 12 new restaurants to the portfolio during the quarter, including 10 freestanding units. As the year progresses, the pace of openings will accelerate so that we can meet this year's new restaurants' guidance.

During the quarter, we invested \$48.8 billion in capital expenditures, including more than \$21 million in growth CapEx. We believe the growth opportunity is the best long-term investment of our free cash flow generation, which is why we are focused on capturing the McDonald's brand potential as quickly and profitably as possible for several years to come.

Looking ahead, we expect sales performance to improve as the year progresses based on a robust marketing plan for the remaining of the year. We also expect underlying margin performance to improve in the coming quarters by continuing to take actions to mitigate or offset some of the margin pressures we faced in the first quarter. We remain confident in our plan for the full year 2025. More importantly, Arcos Dorados' positive long-term outlook is intact.

We are focused on investing in digitalization to improve guest experience and increase operating efficiency, operating existing restaurants better than any other competitor, and opening modern and appealing new restaurants to capture additional growth. This approach, combined with a strong balance sheet, should allow us to generate comparable sales growth at or above inflation and incremental margin improvements through operating leverage, thus delivering solid free cash flow growth and long-term shareholder value creation.

Marcelo, back to you.

Marcelo Rabach

Thanks, Mariano. In keeping with our commitment to have a positive impact on the environment and the communities we serve, soon we will publish Arcos Dorados' 11th Annual Social Impact and Sustainable Development Report. The report will include an update on the progress we made in 2024 in each of the pillars of our Recipe for the Future program. You will be able to download the report from the IR section of our website or from recipeforthefuture.com.

Sustainability is an important concept for Arcos Dorados, not just as it relates to the Recipe for the Future, but also for generating sustainable results in a relatively volatile region. It is an important filter that guides everything from the daily operation of our restaurants to the long-term capital allocation decisions we make. The first quarter of 2025 clearly faced some important headwinds with industry guest counts under pressure, challenging calendar comparisons with the prior year, and weaker currencies in our three largest markets, among others. But the beauty of the Arcos Dorados business model is that we operate across a vast and diverse geographic footprint where operating and macroeconomic conditions are already improving and we are set up for long term success by taking advantage of the best ever brand perception scores in our history, together with unmatched structural competitive advantages that have only strengthened in the last few years.

Latin America and the Caribbean remain highly underpenetrated markets for the QSR industry, and we believe the McDonald's brand continues to have the highest and most profitable growth potential in the region. We nearly doubled US dollar EBITDA generation from 2018 to 2024, and we are investing our free cash flow generation in the region's growth opportunity to continue generating shareholder value for years to come.

Thank you for joining today's call. Dan, back to you.

Question-and-Answer Session

A - Dan Schleiniger

Thanks, Marcelo. We will now begin the Q&A session. You can submit your questions using the Q&A function on the bottom of the screen. Please limit yourself to one or two questions, so that I can read, understand and convey them to our speakers. We will now pause briefly to compile your questions.

Great. So we actually have quite a few questions here and I'm going to combine a few as we go along. But we'll start with the first one of a series of questions we received from Eric Huang of Santander. Good morning and thank you for taking our questions. We have a few. Could you comment on sales trends in the early second quarter of 2025, especially in Brazil and NOLAD, under a more normalized quarter in terms of calendar effects? And in both Brazil and NOLAD, how much of the weak comp sales in the first quarter '25 is attributable to the negative calendar effects? And how much would be attributed to the weaker consumption environment in each region? And I start with you, Marcelo.

Marcelo Rabach

Okay, great. Thanks, Eric, for the questions. I'll start with NOLAD and maybe Luis can later talk about Brazil. In the case of NOLAD, I'm talking specifically about the first quarter. We saw reduced traffic in the QSR industry, particularly in Mexico, Panama and Costa Rica. So we faced some headwinds in that sense in those three markets, particularly. And I want to recall that, for Mexico, the effect of the calendar comparison, particularly talking about Holy Week, is huge. So that was the main driver in the case of NOLAD of the slowing comp sales for the first quarter. And we saw the reverse of that in April. In April, Mexico had an excellent month in terms of both comp sales and profitability. So, in the case of NOLAD, we are very pleased with the trend that the division had in recent quarters. We see this first quarter of 2025 as a point out of the curve. And again, the good news is that the start of the second quarter was very strong for the division. And talking specifically about Mexico, which is more than 50% of the restaurants of NOLAD are in Mexico. Mexico has been the fastest growing market in terms of sales for Arcos Dorados in recent years, and we continue to see a huge opportunity in this market to improve our results, to improve our penetration, and bringing the McDonald's brand to an even more successful position than it has today. So we have a positive outlook for the NOLAD division in coming quarters.

Luis Raganato

And talking about Brazil, we clearly had an impact due to the calendar, but regarding the context, third-party estimates indicated that the QSR visits were down in the low to mid-single-digits in the quarter, and this was due to lower purchasing power among consumers. In that context, we chose to remain cautious with pricing, but we did make some adjustments to certain menu items. At the segment level or channels level, delivery was the strongest performer and continued to surpass our expectations. The volume growth was with high single-digit. Front counter also remained resilient with mid-single-digit volume growth, and unfortunately drive-thru and dessert centers fell below our expectations in terms of volume sales performance. But the good news is that our marketing plan includes solid activations across several product lines. This includes, for example, the Minecraft property in the Happy Meal that we just had and that you will hear more about on our next earnings call. But we are also working with the Brazilian team to make other adjustments to generate the improved performance we expect for the rest of the year. And fortunately, we're operating with our highest ever market share, and we have the strongest ever brand metrics, which we are confident will lead us to better results as the year progresses.

Dan Schleiniger

Thanks, Luis. Eric's second question is similar to questions we received from Froylan Mendez of JPMorgan, Alvaro Garcia of BTG Pactual, Bob Ford from BofA, and from Marisa Hernandez from TimesSquare Capital. And it all relates, starting with profitability. So I'm going to read through some of these. It's all going to go to Mariano, but bear with me here as I read some of these questions. From Eric, on the food and paper side, this was the biggest offender in Brazil's margin. How does the company see competition passing the higher beef prices into prices, and when should we start seeing a recovery in EBITDA margins in the region? Similar question from Froylan at JPMorgan. Can you give color on how the costs, mainly beef, impacted Brazil margins in the first quarter? And how are they behaving so far in the second quarter? What should we expect through the year? Alvaro's question, similar, Brazil beef given expectations of continued high beef prices in Brazil, into the second half of '25, have you considered changing your pricing strategy to pass a bit more pricing into the second half? Bob asks how should we think about pricing across markets so related to what we just heard? And Marisa, can you clarify your comments on the outlook for EBITDA margin for the rest of the year? Did you say that you expect consolidated EBITDA margin in full year '25 to be flat year-over-year? So lots to think about there, Mariano, but I think just we can take it step-by-step.

Mariano Tannenbaum

Okay, well, thank you, everybody. Good morning. And I will try to answer all the questions. First, regarding the margin outlook on what happened during the first quarter of 2025, clearly, during this first quarter, we faced the increase in beef prices, as I mentioned in the opening remarks in Brazil, take into consideration that gross margin was down in Brazil, but was up in NOLAD and SLAD. So let me emphasize, and I want to highlight the benefits of the regional footprint that Arcos Dorados has. So, in terms of outlook, although the environment remains volatile, we are not expecting so far further gross margin deterioration in Brazil and we are also expecting the positive trends that we are seeing in the other two divisions. We are seeing that as the year progresses and with the ability to increase prices in line with inflation, together with revenue management initiatives, negotiations with suppliers, we expect to stabilize our gross margin throughout the rest of the next three quarters of the year. So that's the expectation we have on the gross margin. You were also asking about general outlook of -- on margins, of course and regarding other lines in the P&L. Please remember that the first quarter, and this one in particular, as Marcelo explained about what happened on the Leap Year and on the Holy Week is this is seasonally the lowest in terms of sales. So what we expect, and that happens every year, for the next three quarters, is to have some dilution in fixed cost related to sales that could also help in -- with the margins. We will continue working on the payroll line and I will go into the specifics for the question that you asked about payroll. But we're -- we'll continue working on the payroll line to maintain or even increase the efficiencies we gained so far on our scheduling system. And in addition, we could expect some tailwinds regarding FX for what we have seen so far in the quarter. Remember that the year started with sharp devaluations on the currencies and specially, in the last month, we have seen some appreciation in the main currencies and that could give us also some positive trends. So, in summary, if I need -- if I summarize what -- everything I just mentioned in a very volatile environment because this is what we are facing now and with the information we are seeing and we have so far, we expect that margins for 2025 will be similar to 2024, excluding for the positive impact we had last year on the payroll expense reversals and credits in Brazil. So, that will be our margin outlook for 2025. I expect that I clarified it. Regarding the specific question on payroll. Well, we are very pleased with the evolution on the payroll line and the scheduling system and also the benefits of the off-premise sales and digital sales that we are seeing in the last years. And that's why we are seeing positive expansion on the payroll line of 30 bps that was in Brazil and SLAD, and in addition, in NOLAD, where we have seen a flattish payroll line. Please take into consideration that we have seen wage increases above inflation and above our pricing. And even with that, we are seeing in NOLAD flat payroll line and overall in the company

we are seeing a 30 bps gain in that line, which is, of course, very relevant in our P&L. Lastly, I think I have the question on pricing. What we are planning to do on pricing in Brazil for the second quarter? I think Eric asked that question and, in general, I think that Bob asked about pricing...

Dan Schleiniger

Alvaro.

Mariano Tannenbaum

Alvaro, sorry. In this regard, we are very careful and we will continue increasing prices in line with inflation. We believe that protecting traffic is the best strategy for creating shareholder value and we will keep to that strategy. And -- but as the year progresses and we don't see more pressures on the cost side, that means that pricing will be catching up, and we will see some margin improvements. I think I answered all the questions, and please write or mention if you have further ones regarding margins.

Dan Schleiniger

Great. Thanks, Mariano, and very complete answer. Last one from Eric at Santander. On SLAD, we continue to see improving sales trends, especially on the back of Argentina's recovery. How is the company's perception on recent consumption trends? What is the company's perception in terms of recent consumption trends in Argentina? And how can we think about the region's outlook for 2025? And I'll pass that one over to you, Luis.

Luis Raganato

Okay, thank you for the question. Yeah, it is like that. SLAD's guest traffic rose, and sales increased almost 38% and more than 10% if you exclude Argentina. So, in general, all markets had a very good start of the year. And this is with operations and marketing indicators. Of course, we had a very strong rebound in Argentina due to the depressed economy environment that we had in 2024. Our growth in the country's sustained and healthy in volumes, in sales, and in margins, we're being able to take advantage of a more stable economy and effects and the markets team is doing an excellent job and we expect this to continue for the rest of the year in Argentina and in SLAD. Dan?

Dan Schleiniger

Thanks, Luis. The next question comes from Froylan Mendez at JPMorgan. His second question of the day. Can you expand on why you only expect a 10 basis points decline in the royalty expense on a consolidated basis? Shouldn't the balance of NOLAD and SLAD declining more than offset Brazil's decline? And what does this mean for your mid-term view of consolidated EBITDA margin? And I think this was one for you, Marcelo.

Marcelo Rabach

Okay, thanks for the question. Yeah, what we saw in the first quarter of 2025 is the same that we are expecting for the rest of the year. Because, as we announced when we signed the new MFA with McDonald's on December 30, 2024, the new MFA has a 6%...

Dan Schleiniger

Contract royalty rate.

Marcelo Rabach

Royalty rate, exactly, and eliminated the concept of the growth support. So Brazil that was receiving during 2024, the growth support now is paying 6% of sales. And, on the other hand, NOLAD and SLAD that used to pay 7% in 2024, they are paying 6% this year. So the combined effect of those movements between divisions is that we should be seeing 10 basis points of reduction in the royalties that we are payment -- we are paying to McDonald's. So the same 10 basis points of leverage that we saw in the first quarter of this year, we should see the same the rest of the year and going forward. That's more or less our expectation. So that -- there's a small positive impact in our EBITDA margin coming from royalties.

Dan Schleiniger

Great, thanks, Marcelo. We have a couple from Alvaro Garcia also. One is, I think we've already answered Argentina. Any color and standalone same-store sales performance and traffic performance in Argentina and to what degree do you see a recovery in profitability in Argentina? I think Luis actually just covered that. And so, I'll go to Alvaro's next question. Also for you, Luis, on promotions in Brazil and taking a longer-term view, to what degree are you reducing promotions in Brazil into 2025?

Luis Raganato

Okay, right, thanks again, Alvaro. We're not going to be reducing the pressure on promotion. Of course, we will be very prudent and take any price opportunities that we might to try to protect our margins. Important to say that we measured, like I said, reduced guest traffic in Brazil. This was due to the deterioration of the purchasing power of the consumers. The reduced traffic was in specifically the QSR sector during the first quarter and the competition remained rational with an increase of promotional activities in some regions of the country. So that's why we remain focused and we're going to remain focused on offering a compelling value proposition. With competitive pricing, we -- our strategy is to be close to our customers and, of course, trying to deliver the best experience in the restaurants. That is going to be our main competitive advantage. Dan?

Dan Schleiniger

Thanks, Luis. Next one from Bob Ford. His second question. Are there any offsets to the FX impact on your central administrative expense? And I assume, Bob, that you're talking about our corporate expenses with the significantly or significant exposure to the Argentine economy. So I'll turn that one over to you, Mariano.

Mariano Tannenbaum

Perfect. Thanks, Bob, for the second question. In fact, as you know, we have corporate expenses in Argentina, where right now there is a real appreciation of the Argentine peso, which has negative impact on G&A expenses. At the same time, this is more than offset by the performance of the Argentine business that, as Marcelo and Luis explained, is doing really well. But on top of that is having the positive impact of that real appreciation. And the good news also in Argentina is that now we have a unified exchange rate, so it's easier to follow that -- those figures with only one exchange rate. So in that sense, yes, we see the offset in -- on the overall, on the consolidated basis, is a positive impact for Arcos Dorados.

Dan Schleiniger

Thanks, Mariano. I have a couple more here. One from Marisa Hernandez from TimesSquare, where she asked that there's a clear -- she talks about a clear deceleration in same-store sales in NOLAD and Brazil in the first quarter. And how are we expecting same-store sales to perform in the coming quarters after adjusting for the one-offs of Holy Week and Leap Year? And also, is there an underlying consumption likely to continue to decelerate, or do you see it turning around already? The same-store sale growth looks to be lower than inflation in both geographies. I think we've covered that. But you did have a second question, Marisa. Can you talk about consumption in Brazil, and from your prior comments, it seems there's still no signs of improvement, is that correct? This is similar to a question we received from Julia Rizzo of Morgan Stanley. Can you be more specific on the calendar impact of the first quarter '25? And any estimate is helpful. And also, can you be more specific on the second quarter sales comps in Brazil so far? Lastly, why do we think that QSR segment underperformed other retail segments in the first quarter? So, a few moving parts there, and we'll start with you, Marcelo.

Marcelo Rabach

Okay, thanks for all the questions. In terms of specific impacts coming from calendar, well, the Leap Day had around 110 basis points of impact in terms of comp sales. So you should add 1.1 percentage points to the comparable sales that we reported, just to see what could happen if this first quarter had the same amount of days that last year's first quarter had. So that's something that was very specific for the first quarter and we will not see that headwind going forward. In the case of Holy Week, as I mentioned before, that impact is mostly concentrated in Mexico and you will see the positive impact of that translation of the Holy Week to the second quarter when we announce results for the second quarter. But again, the main impact will be in Mexico, so in NOLAD. Trends are getting better in all the geography. But we still see a volatile consumption environment. And that's why, as Luis and Mariano mentioned before, we've been very prudent in terms of our pricing strategy. We've been as aggressive as possible in terms of promotions, because to build a sustainable business for the long term, traffic is key. This is a business of volume. So we are very focused in keeping as many customers as possible visiting us instead of any other player in the region. Part of the things that I think explain why the QSR industry could be more impacted than other industries in the region in this consumer environment is the seasonality of our business compared with other ones. But obviously you can have different opinions related with this. The good thing for us is when we -- where we have information -- public information from some of our peers, we compare our results with them. And for example, in the case of Mexico, we did much better than our competitors in that market. In the case of Brazil, we were close to them in terms of comparable sales, but we gained share because we are opening restaurants and some of our competitors are closing restaurants. So I think that we continue to believe that we have a position of strength to see our business evolving in coming quarters and coming years.

Dan Schleiniger

Great. We've reached the end of the Q&A session with no additional questions in the queue. Thanks to everyone for your interest in Arcos Dorados and for joining today's webcast. We look forward to speaking with you again in the middle of August on our second quarter 2025 earnings webcast. Until then, stay safe and have a great day.

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