Arcos Dorados Holdings Inc. (ARCO) Q2 2026 Earnings Call Transcript

Aug 14, 2026, 11:27 AM ET | **Arcos Dorados Holdings Inc. (ARCO) Stock**

SA Transcripts
161.84K Followers

Q2: 2026-08-13 Earnings Summary

EPS of $0.22 beats by $0.07 | Revenue of $1.31B (14.30% Y/Y) beats by $19.48M

Arcos Dorados Holdings Inc. (ARCO) Q2 2026 Earnings Call August 13, 2026 10:00 AM EDT

Company Participants

Daniel Schleiniger - Vice President of Investor Relations
Luis Raganato - Chief Executive Officer
Mariano Tannenbaum - Chief Financial Officer

Presentation

Daniel Schleiniger
Vice President of Investor Relations

Good morning, and thank you for joining Arcos Dorados Second Quarter 2026 Earnings Webcast. With us today are Luis Raganato, our Chief Executive 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 that is also available in the Investors section of our website, ir.arcosdorados.com. [Operator Instructions] 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 Luis.

Luis Raganato
Chief Executive Officer

Thank you, Dan, and good morning. Before getting into the second quarter results, I would like to start with a few words about Venezuela. The earthquake at the end of June impacted the entire country in one way or another, including Arcos Dorados. But I am very proud of the local team's effort to support our people, suppliers, sub-franchisees and the communities they serve. Working with local authorities and medical professionals in the hardest hit part of the country, they quickly converted one restaurant into a medical center and another into a shelter for people who lost their homes. While recovery efforts continue, we are beginning to see signs of progress. People are gradually returning to their daily routines. And other than the 2 locations I just mentioned, all other McDonald's restaurants are open in Venezuela.

As always, we stand with our team and will provide them with the support they need until the situation on the ground normalizes. Just this past Monday, Colombia also experienced a significant earthquake. Our first priority has been the safety and well-being of our people. We are still working closely with the local management team as they assess the full impact of the earthquake on our people and restaurant operations.

Let me now turn to the second quarter. Total revenue, adjusted EBITDA and net income, all grew strongly in U.S. dollars despite challenging consumer dynamics and year-over-year comparisons in certain markets. This demonstrates that we have taken important steps to improve the resilience of the business model and monetize the market share advantage. Total revenue reached $1.3 billion, the highest ever quarterly revenue and up more than 14% [Audio Gap] currencies in several markets. Stronger operating results, better results below the line and a lower effective tax rate delivered record second quarter net income and drove sequential growth in adjusted free cash flow.

The exclusive sponsorship of the FIFA World Cup allowed us to take full advantage of this important passion point for guests across the region. We executed unique marketing campaigns and activations across all sales channels. This helped drive digital sales penetration and identified sales to their highest ever levels, and we measure continued market share gains throughout the region.

In terms of inorganic growth, we opened 16 restaurants in the quarter, bringing the first half total to 35 restaurant openings. The organic growth drivers in the business continued to perform well in the second quarter, including the solid market share, digital sales and U.S. dollar revenue growth I just mentioned. Starting with market share, based on guest traffic, McDonald's restaurants in the Arcos Dorados footprint gained about 0.5 point versus second quarter last year and remained more than 2x as much as our main competitors. Market share gains in the main markets are a testament to the quality of the local leadership teams who have implemented successful strategies in a wide range of consumer environments.

Digital sales grew by more than 25% year-over-year and generated about 66% of total sales. This included very strong growth from self-order kiosks, demonstrating the continued relevance of the on-premise experience and delivery, especially in Brazil, where new aggregators are pushing industry growth.

Identified sales surpassed 28% of total sales in the period with growing loyalty program membership helping us achieve the highest guest identification rate in our history. Active loyalty program members who redeem points tend to visit us 5x as frequently as non-loyalty members. We expect this to turn into an important long-term value driver for the business since it significantly increases the lifetime value of those guests.

The FIFA World Cup was a big success for the McDonald's brand in all of our markets. We took learnings from previous tournaments and began running regional campaigns about 3 months before the World Cup began. We used this period, which included the World Cup-themed Mundialistas sandwiches and Panini sticker books to generate excitement in anticipation of the tournament. The anticipation turned into euphoria once the tournament began as we remained engaged with guests through conversations and special offers on the digital platform.

Regional campaigns, combined with global FIFA World Cup campaigns drove significant traffic and premium sandwich sales growth, especially in Argentina, Brazil, Colombia and Mexico. Brand favorability metrics also reached all-time highs throughout our footprint, which we believe ties directly back to the market share gains we delivered.

At a divisional level, Brazil's comp sales continued the strong rebound that began at the end of the first quarter. On our last call, we mentioned the proactive and assertive steps the Brazilian team took to reverse negative guest volume trends after the end of Carnival. By quickly reconnecting with guests, they set the stage for a successful second quarter, which included an integrated FIFA World Cup campaign, strong delivered sales growth, a compelling value platform and targeted digital campaigns such as [Mi Fest].

According to third-party research, the good news is that the QSR segment of the country's restaurant industry resumed volume growth in the first half of 2026, and we began to see that reflected in our numbers during the quarter. Strong comp sales, new restaurants and an appreciated currency combined to drive U.S. dollar sales up more than 25%. [indiscernible] comparable sales performance in the quarter reflects a particularly demanding comparison base, even though we were able to generate modest case volume growth. Three factors explain the year-over-year dynamic.

First, last year's second quarter included the full holy week period compared with this year that included only part of the holiday in the second quarter. Second, the prior year quarter benefited from the Minecraft promotion, which generated exceptional results across several markets. And third, consumer spending remained under pressure across most markets.

SLAD sales growth was solid in the quarter, reflecting guest traffic growth in most markets and inflation-driven comp sales growth in Argentina and Venezuela. Marketing campaigns focused mainly on the FIFA World Cup, driving important market share gains.

Over to you, Mariano.

Mariano Tannenbaum

Chief Financial Officer

Thank you, Luis, and good morning, everyone. Similar to revenue, profitability in U.S. dollars as well as profitability margins were resilient in the second quarter of 2026. Adjusted EBITDA totaled $126.8 million. This was more than 20% higher than last year in the second quarter, including a 70 basis point margin expansion when we exclude the transaction with a Mexican sub-franchisee from last year's result. In addition to benefiting from a stronger currency environment, we were very pleased to see continued improvement in both food and paper as well as G&A expenses, which more than offset modest pressure in payroll. Favorable food and paper costs in Brazil and NOLAD drove a 70 basis point margin expansion in the second quarter, extending the positive result we generated in the first quarter.

Payroll expenses were higher as a percentage of revenue in all 3 divisions, but mostly in NOLAD due to hourly wages growing more than the average check. Pressure in Brazilian SLAD was much more modest. Occupancy and other operating expenses were almost flat, while G&A was lower as a percentage of revenue as a result of the restructuring we implemented late last year, and we expect this to continue through year-end.

We were also very pleased to deliver strong net income results this quarter. Earnings per share in the quarter doubled versus last year, supported by solid operating performance, better nonoperating results and a lower effective tax rate. Net interest expense was lower compared to last year, thanks to the continued optimization of our capital structure as well as to income related to last year's tax credit in Brazil. Additionally, the lower effective tax rate reflects the early impact of initiatives designed to lower the company's consolidated effective tax rate over time to be more in line with the region's statutory rates.

Brazil was the standout in terms of profitability in the quarter. Margin improved by 180 basis points, reflecting disciplined cost management, especially in food and paper and G&A. This, combined with solid revenue growth and stronger currencies drove adjusted EBITDA up more than 40% in U.S. dollar terms. NOLAD's margin pressure, excluding the income from last year's restaurant transaction was 110 basis points. This was mainly due to reduced operating leverage, which more than offset better food and paper costs compared to the same period last year. In SLAD, adjusted EBITDA grew in line with revenue. Improvements in G&A were offset by slightly higher food and paper costs as well as occupancy and other operating expenses, leaving margins essentially unchanged versus the prior year-end.

We are working hard to generate value for our shareholders, and the major part of that is maintaining a healthy balance sheet and driving sustainable cash flow generation. In July, we completed the second liability management transaction of the year. As a result, this year, we have completely repaid the 2029 senior notes. We are very proud to have issued the first sustainability-linked bond in the QSR industry, which included ambitious targets associated with greenhouse gas emissions across Scopes 1, 2 and 3. As we announced earlier this year, we are even prouder to have exceeded these commitments by the 2025 measurement date.

Our balance sheet remains strong with healthy liquidity and sufficient cash generation to fund long-term growth while maintaining disciplined leverage. As adjusted EBITDA continued to grow over the trailing 12 months, net leverage improved modestly to a very healthy 1.1x at quarter end. Finally, the adjusted free cash flow generation of the last 12 months improved sequentially with strong net cash provided by operating activities combined with lower capital expenditures in the period. Of course, this is directly tied to our efforts to create more shareholder value.

During the second quarter, we deployed $49.1 million in capital expenditures. This supported 16 restaurant openings and helped bring the modernized restaurant experience to more than 77% of the portfolio. As the numbers show, freestanding units continue to account for the bulk of openings. So far this year, we have opened 35 restaurants and invested almost $86 million in capital expenditures, including openings, modernizations, maintenance and nondevelopment CapEx. We believe we can continue to raise the bar for expected returns on investment by developing and implementing initiatives to improve efficiency in all facets of our capital deployment.

I will close by repeating some of the highlights from the second quarter. We delivered total revenue growth of more than 14% year-over-year. We generated the highest ever adjusted EBITDA, net income and earnings per share for the second quarter. We have a QSR industry in Brazil that looks like it's starting to turn around. We improved our gross margin after a tough 2025, and we benefited from a streamlined G&A structure that is contributing to underlying margin expansion.

Despite a mixed consumer environment across the region, we delivered solid results during the first half of the year. Looking ahead, we expect conditions to remain dynamic through the second half of 2026, but we're confident in the strength of our plans, the agility of our operating model and our continued financial discipline as we work to maximize full year results and strengthen the foundation for future growth.

Luis?

Luis Raganato
Chief Executive Officer

Thanks, Mariano. I will leave you with some final thoughts before opening the call to Q&A. The word we want you to remember today is resilience. As Mariano just mentioned, market conditions have not been ideal so far this year, but the business model is showing an ability to navigate tougher periods while still delivering strong results. We are confident in the plans for the second half of the year and are working on a plan for 2027 to continue building on this solid foundation.

Leading market share and unmatched brand attributes are a testament to the enduring connection we have with QSR customers across the region. We saw both indicators improve in the second quarter, and we intend to continue monetizing the connection with guests to increase the value of Arcos Dorados.

The industry's leading digital platform is beginning to move into a new phase. and we are developing as many customer-facing capabilities as back-of-house tools to drive sales and generate efficiencies. In other words, we're making progress on the 3 pillars of focus I talked about 1 year ago.

Today's business has been built on a foundation made up of a strong brand, combined with the best restaurant experience in the region's QSR industry. Growth goes well beyond openings. We're working to generate growth across all aspects of the business. It can come from physical restaurants, digital channels, loyalty programs, cost efficiencies, improved ROIs or any other source. And tomorrow's business, we expect to unlock significant value from the foundational work we have done so far. In the near future, we believe innovation and technology will further increase the gap between our digital platform and our competitors in the region.

Please join us at the 2026 Arcos Dorados Investor Day on the morning of October 1 in New York, where we will discuss these 3 pillars and some of the specific initiatives we're working on to increase the value of Arcos Dorados. Thank you for joining today's call.

Dan, back to you to open the call for questions.

Question-and-Answer Session

Daniel Schleiniger
Vice President of Investor Relations

[Operator Instructions] Okay. We have a number of questions in the queue, and good morning, everyone. Sorry for the technical issue that we have. We're aware that part of the opening remarks were muted at some point. We will post the transcript of the call as quickly as possible so that you can catch anything that you might have missed. We're going to get started with Julia Rizzo from Morgan Stanley. She has a question for you, Luis. And can we comment on the sustainability of Brazil same-store sales so far?

Luis Raganato
Chief Executive Officer

All right. Good morning, everyone. Julia, thank you very much for the question. And yes, during the second quarter, we experienced a rebound in comp sales. And that was mainly a result of the proactive and excellent plan that the local team implemented. That's why we do think that this is sustainable for the near future. They boosted the value platform, EconoMéqui that we've already talked about. You know that for less than $4, you can make your own 4 item combo. And they also targeted specific digital campaigns. So, as you can see, the strategy is based on 3 main levers: the value platform, the digital campaigns and of course, they put in place marketing activities around the World Cup.

So, this generated positive comp sales and volume in the quarter with sales that outperformed the market and that allowed us to increase sales above inflation that, as you know, is one of our main objectives. Of course, this had, as you saw, a positive impact in margins. And as I said, this is sustainable. We are seeing positive trends in the first weeks of this third quarter. And of course, we are optimistic because we have the right management in our markets, and we do have a solid marketing plan, and we are focusing on a competitive advantage that is the operational execution.

Daniel Schleiniger
Vice President of Investor Relations

Thanks, Luis. I'm going to stay with you. We have a question from Alvaro from BTG. And he's asking if we can comment on the market share dynamics in Brazil?

Luis Raganato
Chief Executive Officer

Okay. Alvaro, market share among the players didn't shift materially for us. The most important takeaway according to CREST is that although the broader restaurant industry remains under pressure, the QSR segment was resumed -- has resumed growth in this quarter, and we outperformed the sector. So for us, that is a very good news.

Daniel Schleiniger
Vice President of Investor Relations

Great. The next question -- and so I'm doing this a little bit out of order, but just trying to stick to the same topic, so we don't bounce around too much. Thiago Bortoluci from Goldman Sachs. Question on prices in Brazil. He says we're seeing McDonald's significantly more promotional on certain aggregators over the past few weeks. What does it mean in terms of pricing strategy, your assessment of demand elasticity and price relativeness versus peers and substitutes?

Luis Raganato
Chief Executive Officer

All right. Thiago, thank you for the question. It is important to remark that we manage pricing by channel, occasion and customer segments. And we use targeted promotional activities, and you will see more or less intensity depending the moment of the year and depending in our needs. but that is part of a broader revenue management strategy. Our focus is to remain data-driven, using advanced pricing and elasticity, as you mentioned, to balance traffic affordability and, of course, profitability.

Daniel Schleiniger
Vice President of Investor Relations

Thanks, Luis. Shifting now to Mariano. We have a few questions related to margins, typically Brazil, I'm going to break these up a little bit for you, Mariano. And I'll start with Eric Huang from Santander. And he says, Brazil margin outlook, Brazil delivered another quarter of significant EBITDA margin expansion, benefiting from lower food and paper costs and strong operating leverage. As commodity and FX tailwinds normalized, what do you see as the main drivers of further margin expansion in Brazil over the next few years?

Mariano Tannenbaum
Chief Financial Officer

Perfect. Good morning, everybody, and thanks, Eric, for the question. I will start by highlighting a bit the performance of Brazil during this quarter. Of course, we're very pleased Brazil was the standout performer for Arcos during this quarter. EBITDA margin expanded 180 basis points with an EBITDA margin of 14.6%. The EBITDA grew by $23 million or 43% increase. The performance in Brazil was primarily driven by lower food and paper. The good news here is that this is the third quarter where we have seen improvements in food and paper costs after a tough 2025 where beef cost increases affected that line. But this was not the only reason why the margin expanded. First, of course, sales. Sales grew above inflation, and that allowed leverage on fixed costs.

Then the G&A expenses after the restructuring we did by the end of last year, we are seeing now the results and a very disciplined cost management allowed us to have leverage on G&A as well. And all this, of course, supported by the appreciation of the Brazilian Real. So, this is what we have seen, and this is -- these are the trends we are seeing in Brazil so far this year. But looking forward, we will be focused on our long-term strategy, which is strong marketing campaigns, gaining market share, growing sales above inflation, so we can leverage on fixed costs. Of course, returns on investments. You know that Brazil is a market where we are deploying a relevant part of our total CapEx by opening new stores.

And then in terms of food and paper, we -- and well, of course, we don't know what will happen with the FX. But in terms of food and paper, we are -- the majority of the gains were not only related to beef. We have cost gains related to other items such as dairy and potatoes and our supply chain team is very focused on keeping every item under control. And on top of that, all the revenue management work that Luis already mentioned, is bringing, of course, benefits to the gross margin line. So, everything combined, we think that will provide a margin expansion in the future. And we are very -- all the company, as I already mentioned, marketing, supply chain, finance, operations, development, we're all focused on that, and we are confident that we will achieve good results going forward.

Daniel Schleiniger
Vice President of Investor Relations

Perfect. Let's stick with the theme, and we have a couple of questions related also to Brazil margins, maybe a little more specific to Food and Paper, Mariano. One is from Eric Huang of Santander -- sorry, Eric I already mentioned. One is from Melissa from Bank of America and the other one we have from Froy Mendez of JPMorgan. So, Melissa asks, -- can you describe -- can you discuss the drivers and sustainability of margin expansion in Brazil, particularly given the investments you've made in pricing in the value segment? And Froy asked a related question, can you explain the composition of the margin uplift in Brazil between input costs and operational leverage? So, some of the drivers of the margin expansion and so on.

Mariano Tannenbaum
Chief Financial Officer

Perfect. Well, thanks, Melissa, and Froylan, for the questions. Part of them, I already answered on Eric's question. But going specifically to food and paper, we delivered this quarter, the third consecutive quarter of year-over-year food and paper improvement in Brazil. We are very pleased with that. As I mentioned, this is not only that beef costs are -- we are having less pressures on beef costs. We are having improvements in dairy, potatoes. Of course, the FX is supporting the food and paper line on the imported goods. And last but not least, all the revenue management initiatives we are doing in Brazil are bringing benefits to the gross margin line as well.

And we are very focused, even though we are being promotional and we have a very effective promotional platform that Luis already mentioned, EconoMéqui in Brazil is doing extremely well. We are very careful with keeping our margins and at the same time, not being too aggressive with the pricing. And this is something which, of course, is not easy, but we have a solid revenue management team that is focusing on not growing prices above inflation but also keeping the margins on all the offerings that we have on our menu, specifically on the value platforms.

Now going to Froylan question regarding drivers of Brazil improvements. Again, I mentioned some of them, but our food and paper, in terms of costs, I will highlight the G&A efforts that we made. And again, sales growing above inflation with solid comparable sales growth, it's easier to leverage on all the fixed costs that we have in our P&L.

Daniel Schleiniger
Vice President of Investor Relations

Thanks, Mariano. I'm going to come back to you now, Luis. I have another question from Julia Rizzo of Morgan Stanley. And she asked if we can provide any visibility on NOLAD same-store sales improvement?

Luis Raganato
Chief Executive Officer

Thank you again, Julia, for the question. And even though we had a challenging comparison base during the second quarter of 2025, we had a full impact of Holy Week last year. And we had a very, very positive impact of the license Minecraft that is especially relevant in the Nordic markets and in Mexico also. So, we saw also in the market intense competitive environment and that the macroeconomic situation is challenging. But despite that, the division, as you saw, remained resilient. For this was key, the strength of the brand and the effectiveness of our value proposition. These 2 factors helped us to maintain positive comparable traffic and reinforce our competitive position in key markets of the division. We were able to maintain the gap versus our main competitors in each market.

Giving you a little bit more of color, sales in the division came more from volume than average check. And across channels, sales growth was strongest in delivery and dessert centers. What we are seeing, we do have for the second semester, a solid marketing plan. We are adjusting some operational executions that where we have opportunities. And what we are seeing in the beginning of the third quarter is that the trends are in line with our expectations.

Dan?

Daniel Schleiniger
Vice President of Investor Relations

Thanks, Luis. And now we have a couple of questions, one from [Melissa Buno] of [Bank of America] and the other one from Froylan Mendez of JPMorgan and maybe a little bit of a double-click on what you just discussed with respect to NOLAD more broadly. They asked specific questions with respect to Mexico. So, Melissa asks -- can you provide some additional detail on Mexico? How much of the slowdown is attributable to the World Cup or other factors specific to the quarter? And are you seeing any recovery in third quarter to date? How are you thinking about driving traffic in a more challenging consumption environment? That's from Melissa. And Froy asked a somewhat related question, can you share granularity on the same-store sales performance in Mexico for NOLAD and how the trends -- how have the trends evolved into early third quarter?

Luis Raganato
Chief Executive Officer

Okay. All right. Well, I will give you a little bit more details on Mexico. Thank you very much for the question. In Mexico specifically, the economic environment remained pressured by high uncertainty, I would say, and this is driven by external and internal factors. This level of uncertainty has put pressure on the family's disposable income and this has affected several industries. This includes the retail sector as a whole. But despite this, the food service showed resilience in the country, and we managed to outperform the industry with positive comparable volumes that even outperformed the QSR sector. So, the food service was resilient. We -- the QSR outperformed the sector and we -- the industry, and we were able to outperform the QSR sector. That for us is very important because as a consequence, we were able to gain market share.

Some of the main activities were the World Cup sponsorship. This was coupled with our value platform, McBaratos that is very, very successful, and it has been on the market for the last, I would say, year plus the continued growth of our loyalty program, all combined helped us mitigate the environment headwinds, letting us grow the top line, our sales and help the brand perception remain strong and resilient. And we remain optimistic about the performance in the market, given that we do have a solid marketing plan for the rest of the year and because we have a strong operational execution that is demonstrated throughout the first semester. Mexico today has all-time high operational indicators and it's become one of the benchmark markets for some of our other Arcos Dorados markets. So, what we're seeing in the first part of the quarter is that, as I said, for NOLAD in general and for Mexico specifically now, we are -- the trends are in line with our expectations.

Daniel Schleiniger
Vice President of Investor Relations

Great. Thanks, Luis. I give you a breather, and we'll give one to Mariano now. We have a question from Jeronimo de Guzman, INCA, and he asked, what was the weighted average inflation in SLAD? And assuming your same-store sales was above inflation given positive traffic and sales in line with inflation in Venezuela and Argentina, what limited margin gains? And what's the outlook for margins going forward in the division?

Mariano Tannenbaum
Chief Financial Officer

Perfect. Thanks, Jeronimo, for the question. Actually, the inflation in -- weighted average inflation in SLAD was around 46%, 47%. So, our sales were slightly below inflation, I would say, in line with inflation. In SLAD, the EBITDA grew in the quarter around $3 million or 6.6%. The margin remained stable at around 10% during the quarter. In terms of composition of margins, I would say very -- we're very pleased with G&A, which continues to reflect the benefits from the actions we took over the past year. We are encouraged by food and paper trends in Chile, Colombia and Uruguay. I'm talking about, of course, SLAD division. We had some headwinds in Argentina regarding food and paper. Overall, in the company, food & paper was very accretive to the margin expansion we experienced. Argentina, I would say, was the one that had more headwinds, but we are confident that this is something tactical and that happened during the quarter. We are not expecting this to deteriorate further in the coming months.

Of course, in Argentina, as the consumption environment is still tough, we are very prudent with price increases. And in terms of market share, what Luis discussed that, we are very focused on maintaining market share, and we are doing extremely well, but being very conservative in price increases. And that's mainly the reason why we had some headwinds in terms of food and paper. The rest of the lines are more or less in line with what we had last -- in the previous quarter of last year. And we are confident that in the second half of the year, SLAD will continue the growth story.

Daniel Schleiniger
Vice President of Investor Relations

Thanks, Mariano. Come back to Luis now. A couple of related questions from Alvaro Garcia of BTG and Froylan Mendez of JPMorgan. Alvaro asks if we can comment on traffic trends in Argentina? And Froy similarly asked if we can provide some same-store sales performance granularity on Argentina in SLAD and how it's evolved into the third quarter?

Luis Raganato
Chief Executive Officer

All right. Thanks again for the question, Alvaro and Froy. And – okay, in Argentina, economic conditions were more challenging than what we expected. Consumer spending remained under pressure, contributing to a 3% decline in the overall retail sector. But despite those headwinds, we managed to deliver positive sales growth, and we managed to keep guest counts nearly flat. So that was very important for the country, for the market. In the second quarter, we had the opportunity, as you know, to leverage from the sponsorship of the World Cup. And this was the biggest event of the year for this market. The mechanic was different than other ones that had [think] sandwiches by country. In this case, the mechanic was that we partnered with some of the most recognized players of the national team.

And so, the market launched 3 signature burgers. That, combined with a powerful communication strategy and real-time marketing actions became one of the most successful campaigns in our company's history. We had record high sales in May and all-time highs in market share and brand preference. So, it was a very good quarter for the market.

Those burgers were so successful that we are still selling some of them, and we are in the phasing out process. So -- and what we are seeing in the beginning of the third quarter is that we are having similar trends, and we are optimistic for what is going to happen for the rest of the year.

Daniel Schleiniger
Vice President of Investor Relations

Well, on that topic, Luis, since you've already commented on kind of what we're seeing so far in NOLAD and SLAD in the third quarter, we have a question about that for Brazil from Froy Mendez of JPMorgan. He says have the second quarter same-store sales momentum in Brazil permeated into early third quarter readings?

Luis Raganato
Chief Executive Officer

Okay. As I said before, the result of the second quarter was the -- was a combined situation. It wasn't -- we do not have a silver bullet. We had 3 main levers. The first one had to do with the -- that we were able to boost the value platform, EconoMéqui, that we targeted specific digital campaigns and that we had actions, marketing actions about -- around the World Cup. We saw that the industry remained highly promotional. We focused on a balanced strategy that, as I said, was based on value, innovation and relevant brand experiences. So, what we are seeing is -- and something that was very important was that the local team was very proactive, very assertive and the impact that they had in the second quarter is -- we're starting to see a trend.

We're starting to see a relationship with that and what is happening in the first weeks of the third quarter. So it was that important, the impact that has in the market share according to CREST, we remain the clear leader in market share with more than twice the guest traffic of our nearest competitor. And in addition, we were able to improve brand attributes like brand preference, top-of-mind awareness and value perception. So that was also very, very important. What we've seen in the first weeks is that the consumer disposable income remains limited. But the good news is that from third-party data, we have the numbers that indicate that QSR industry volumes are starting to turn positive. We're maintaining that momentum. And we're going to keep focusing on offering a compelling value proposition.

We're going to be very careful with our pricing. We do need to keep on improving our margins. So, some of the increase in transactions and sales in the near future is going to come from the delivery of a better execution, operational execution in every channel. So having said that and seeing how the evolution in the first weeks of the third quarter are coming, I would say that we are optimistic for what's going to happen by the end of the year.

Daniel Schleiniger
Vice President of Investor Relations

Great. And I'm going to stick with you, Luis. One more from Alvaro Garcia from BTG Pactual. There's some speculation about McDonald's potentially changing their kitchen structure in the United States so as to increase competitiveness in chicken. Can you comment on whether this would make sense in your markets?

Luis Raganato
Chief Executive Officer

All right. Thank you again, Alvaro, for the question. It's true that there is ongoing conversations about possible innovation in the chicken category, but the idea is to use the already existing kitchen equipment. Having said that, when the time comes, we will evaluate where or how to implement it if it makes sense for our business and for our region.

Dan?

Daniel Schleiniger

Vice President of Investor Relations

Thanks, Luis. Back to Mariano now, another question from Thiago Bortoluci from Goldman Sachs. One more from us. He says, now on capital allocation, could you give us the split between corporate openings and franchisees and a broad sense on what magnitude of improvement you have been able to capture on the average CapEx per store level?

Mariano Tannenbaum

Chief Financial Officer

Perfect. Thanks, Thiago. Company-operated restaurants represented more than 65% of openings in the first half of 2026 versus around 60% on the first half of 2025. Therefore, the lower CapEx is not explained by a change of mix. In terms of cost reductions, I would say that it's between 15% to 20%. The only thing I would like to mention is the cost -- our main focus here is to increase return on investments. We are doing that by reducing costs, but also to improve the income and the sales of the new stores and the profitability of them. So, we're looking at everything together combined, and we are very pleased with the results we have seen so far.

Daniel Schleiniger

Vice President of Investor Relations

Great. Thanks, Mariano. And then we have one final one from Eric. It's kind of a broad question. I think you may have already touched on some of these points, Luis, but maybe it's a good one to wrap up with here. And -- two questions, he says from his side, traffic and market share sustainability. You highlighted the strongest guest traffic performance of the last 6 quarters and market share gains across the region. How much of the traffic acceleration do you attribute to temporary factors such as FIFA-related campaigns versus structural drivers? And how confident are you that market share gains can be sustained into the second half of 2026? I think it's more of a company-wide question rather than something specific.

Luis Raganato

Chief Executive Officer

Yes. All right. Thank you, Eric, for the question again. The traffic performance is mainly a result of our value platforms, like I already talked about EconoMéqui in Brazil or McBaratos in Mexico or McXMenos in Chile. The main objective of these platforms is to increase traffic and to shield our market share. And even though we saw more promotional activity in the industry and we implemented a more comprehensive plan. And this is where the World Cup activities have a role. They tend to strengthen the engagement with our guests, improving brand attributes, as I just mentioned, and they aim to increase average check and improve or shield our margins, as Mariano was mentioning.

Having said that, during June, for example, we did have a negative impact in volume during the matches, for example. So that's why we started talking about the World Cup and the sponsorship and launching activities 3 months before with the anticipation activities that we put in place. So even though we still see a challenging environment, we are confident that we're going to be able to keep our market shares and the trend that we're having in sales across the region regarding the management that we have in every market because we are going to be prudent with prices because we do have a solid marketing plan, and we are -- even though we do have strong operational indicators, we do know that we have opportunities in some markets that we are addressing. So, so far, as I said, we are seeing a positive trend in the first weeks of the third quarter, and those are in line with our expectations, and we're going to talk more about that in our next call in November.

Daniel Schleiniger

Vice President of Investor Relations

Thanks, Luis. And with no more questions in the queue, we've reached the end of the Q&A session. Thank you again for your interest in Arcos Dorados and for joining today's webcast. We look forward to seeing you at our Investor Day on October 1, and have a great rest of your day.

Read more current ARCO analysis and news

View all earnings call transcripts

Comments

Sort by Newest ▼

If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the $ in the comment.