



INTERNATIONAL MEAL COMPANY

## MANAGEMENT REPORT

### MESSAGE FROM MANAGEMENT

We are happy to announce significant improvements in our 2018 results, reflecting the many initiatives that we implemented since the beginning of the year. Furthermore, there is still large room for improvement in terms of both margins and top line.

Consolidated Adjusted EBITDA accrued R\$136M in 2018, up 13% YoY, with an improvement of 50bps in margins and reaching 8.6%. Net revenues totaled R\$1,582.1M, an increase of 6% compared to 2017. Operating Cash Generation – after maintenance Capex – reached R\$74M, or a 54% conversion rate from EBITDA. Net income amounted to R\$8M, an improvement compared to R\$4M reported in 2017.

Results improved in all regions: In Brazil, operating income (including holding expenses) was up 7% compared to 2017 (+R\$2.6M), reaching R\$42M with a 20bps expansion in margins. In the US, there was a 28% growth in operating income, with a 70bps margin improvement. In the Caribbean, operating income increased 6%, with a 90bps growth in margin.

We continue to implement the Company's strategy based on 3 pillars: i) improve margins (in Brazil), ii) improve same store sales and iii) selective growth; and are very happy with the results and also with the prospects for the future.

### Consolidated Results

(R\$ '000)	2018	2017	Chg. %
NET REVENUES	1,582,081	1,494,511	5.9%
GROSS PROFIT	509,069	465,575	9.3%
NET INCOME (LOSS)	7,894	3,666	115.3%

#### Net Revenues

In 2018, IMC's net revenues totaled R\$1,582.1 million, a 5.9% growth compared to 2017. Such evolution is due to the positive performance in same store sales in all regions, and positive performance from new stores inaugurated in the period (in Brazil and the US).

#### Costs of Sales and Services

In 2018, Company's costs of sales and services amounted to R\$1,073.0 million, representing 67.8% of net revenues compared to 68.8% in 2017, therefore a 1 bps increase. Such reduction reflects the higher efficiency gain on food cost in the period.

### Gross Profit

Consequently, IMC's gross profit reached R\$509.1 million in 2018, a 9.3% increase compared to 2017, with a 32.2% gross margin, up 1bps from 2017.

### Operating Expenses

*Sales and Operating Expenses:* sales and operating expenses amounted to R\$334.9 million in 2018, representing a 6.5% increase compared to 2017, or a 20bps drop.

*G&A:* G&A expenses totaled R\$114.2 million in 2018, compared to R\$104.1 million in 2017, which represents a 30bps decline.

*Depreciation and Amortization:* D&A expenses were reduced from R\$28.7 million in 2017 to R\$27.7 million in 2018, a 3.5% reduction.

*Impairment:* there was also an increase on impairment expenses to a negative R\$6.0 million in 2018, compared to a positive R\$0.8 million in 2017.

*Other income (expenses):* in 2018, other expenses totaled R\$7.9 million, compared to an income of R\$4.6 million in 2017.

*Equity Income:* in 2018, equity income increased 39.2%, totaling R\$6.9 million compared to R\$4.9 million in 2017.

*Financial Result:* in 2018, net financial result was negative R\$17.4 million, compared to R\$9.1 million in 2017.

### Income Taxes

Reversal in income taxes reached R\$0.2 million in 2018, compared to taxes' expenses that totaled R\$16.1 million in 2017.

### Net Income (Loss)

Consequently, IMC posted a net income of R\$7.9 million in 2018, compared to a net income of R\$3.7 million in 2017.