

Brazil Fast Food Announces Third Quarter 2014 Results

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RIO DE JANEIRO, BR--(Marketwired - November 14, 2014) - **Brazil Fast Food Corp.** (PINKSHEETS: BOBS) ("Brazil Fast Food", or "the Company"), one of the largest food service groups in Brazil with 1,228 points of sale, operating under (i) the Bob's brand, (ii) the Yoggi brand, (iii) KFC and Pizza Hut São Paulo as franchisee of Yum! Brands, and (iv) Doggis as master franchisee of Gastronomia & Negocios S.A. (former Grupo de Empresas Doggis S.A.), today announced financial results for the third quarter ended September 30, 2014.

Q3 2014 Highlights

- System-wide sales totaled R\$ 358 million, up 6.1% from Q3 2013
- Revenue totaled R\$ 74.8 million, up 7% from Q3 2013
- Points of sale totaled 1,228 at September 30, 2014 (including 521 kiosks and 21 temporary points of sale), up from 1,165 on December 31, 2013
- EBITDA was R\$ 10.7 million, up 13.7% from R\$ 9.4 million in Q3 2013
- Operating income was R\$ 8.9 million, up 14.4% from R \$7.8 million in Q3 2013
- Net income was R\$ 8.2 million, or R\$ 1.01 per basic and diluted share

Note that all numbers are in Brazilian currency. (R\$2.2300/US\$ as of 09/30/2013 and R\$2.4510/US\$ as of 09/30/2014)

"The third quarter proved to be a challenging one for Brazil Fast Food as the nation's economy continued to decelerate and consumer purchasing power was eroded by persistent inflation. Given that background we were able to grow our revenues by 7% over Q3 2013 levels, and saw an increase in both operating income and EBITDA," said Mr. Ricardo Bomeny, CEO of Brazil Fast Food.

"Looking in more detail at our brands, revenues from our 1,127 franchised stores continued to do reasonably well, with net franchise revenues up by 16.3% in the quarter. Our operating margins for franchised operations continued to increase to 65.9% in Q3 2014, up from 65.2% in the prior year period, reflecting the scale advantages as we grow that network.

"By contrast, we experienced very sluggish growth at our owned-and-operated stores, where Bob's net revenues decreased by 6.3% due to store closing for renovation. Our operating margin for Bob's stores slipped to 0.1% for Q3 2014, down from 10.2% in Q3 2013.

"We continued the expansion of our Pizza Hut stores, where net revenues grew by 22.6% over Q3 2013, but with declining operating profit due to the maturation process of newly-opened stores. Our KFC stores continued to experience declining revenues and ran at a slight operating loss as we seek to find a new, localized direction for the store format with our partners at Yum! Brands. Our Yoggi's brand made a small but growing contribution to profitability, and has potential for future expansion.

"Despite the current soft economy, we plan to make significant investments in our store network and franchisee incentives in order to increase the popularity and relevance of the Bob's brand as a leading fast food destination in Brazil, explore opportunities in São Paulo, and reduce the concentration of total revenues in one store in Cumbica airport for Pizza Hut. As a result we have made R\$19.3 million of capital expenditures during the first nine months of 2014," Mr. Bomeny said.

Third quarter 2014 Results

System-wide sales grew 6.1% in the third quarter to R\$ 358 million, driven by an increase in the number of franchised points of sale.

Total revenue for the third quarter of 2014 was R\$ 74.8 million, an increase of 7% as compared to R\$ 69.9 million in the third quarter of 2013, primarily due to higher revenues from franchisees.

Net restaurant sales for company-owned restaurants increased 4.9% year-over-year to R\$ 59.8 million in the third quarter of 2014, reflecting the slow economic environment in Brazil, the impact of inflation on consumer purchasing power as well as Bob's store closing for renovation.

Net revenue from franchisees increased 16.3% year-over-year to R\$ 15 million, driven primarily by an increase in number of franchised retail outlets to 1,127, as compared to 1,007 a year ago.

Operating expenses increased 6.1% to R\$ 65.9 million in the third quarter of 2014, compared to R\$ 62.1 million in the third quarter of 2013. As a percentage of revenue, operating costs were 88.1% of total revenue in the third quarter of 2014 as compared to 88.9% of total revenue in the third quarter of 2013.

Operating income for the third quarter of 2014 was R\$ 8.9 million, an increase of 14.4% from R\$ 7.8 million in the third quarter of 2013. Operating margin in the third quarter of 2014 increased to 11.9%, as compared to 11.2% in the third quarter of 2013.

EBITDA in the third quarter of 2014 was R\$ 10.7 million, up by 13.7% as compared to R\$ 9.4 million in the third quarter of 2013. EBITDA margin was 14.3% as compared to 13.5% in the third quarter of 2013. Please refer to Table No. 4 in this press release for a reconciliation of EBITDA to its nearest GAAP equivalent.

Interest expense was R\$ 0.9 million in the third quarter of 2014, as compared to interest income of R\$ 0.2 million in the third quarter of 2013, reflecting the increase of loans to finance our own-stores expansion.

Net income attributable to shareholders in the third quarter of 2014 was R\$ 8.2 million, or R\$ 1.01 per basic and diluted share, as compared to R\$ 5.2 million, or R\$ 0.64 per basic and diluted share in the third quarter of 2013.

Nine Months Results

During the first nine months of 2014, total revenues grew by 15.1% to R\$213.2 million, from R\$185.1 million in the prior year period. EBITDA for the first nine months was R\$30.9, up by 8.3% from EBITDA of R\$28.5 million in the first nine months of 2013. Operating income for the first nine months was R\$25 million, up 3% from \$24.3 million in the first nine months of 2013. Net income for the first nine months of 2014 was \$19.7 million, or \$2.43 per share, up from \$16.4 million, or \$2.01 per share in the first nine months of 2013.

Financial Condition

As of September 30, 2014 the Company had R\$ 54 million in cash and equivalents, compared to from R\$ 50.1 million as of December 31, 2013. Working capital was R\$ 52.4million at September 30, 2014, compared with R\$ 41.9 million as of December 31, 2013. Debt obligations with financial institutions were R\$32.2 million as of September 30, 2014, compared with R\$23.6 million as of December 31, 2013, which reflected recent investments in opening and remodeling our owned-and-operated stores. Total shareholders' equity was R\$ 103.1 million at September 30, 2014, compared to R\$ 80.8 million at December 31, 2013.

Business Outlook

In 2014 and 2015, the company expects to continue to incur in a higher level of capital expenditures due to the ongoing level of investment in facilities, advertising and promotion required in order to support the growth of its brands in Brazil and respond to growing competitive pressures and aggressive pricing in the marketplace by international competitors.

"Brazil's economy continues to be sluggish, with inflation running at about 6.6% and GDP now forecast to grow only 0.2% in 2014. The outlook for 2015 is relatively negative with Brazil's fiscal accounts worsening, a widening current account deficit, accelerated devaluation of the Brazilian currency, high inflationary pressures, and increasing interest rates. In this environment, we will make every effort to manage our expenses and balance sheet in a prudent manner," Mr. Bomeny concluded.

About Brazil Fast Food Corp.

Brazil Fast Food Corp., through its holding company in Brazil, BFFC do Brasil Participações Ltda. ("BFFC do Brasil", formerly 22N Participações Ltda.), and its subsidiaries, manage one of the largest food service groups in Brazil and franchise units in Angola and Chile. Our subsidiaries are Venbo Comércio de Alimentos Ltda. ("Venbo"), LM Comércio de Alimentos Ltda. ("LM"), PCN Comércio de Alimentos Ltda. ("PCN"), CFK Comércio de Alimentos Ltda. ("CFK", former Clematis Indústria e Comércio de Alimentos e Participações Ltda.), CFK São Paulo Comércio de Alimentos Ltda. ("CFK SP"), MPSC Comércio de Alimentos Ltda. ("MPSC"), DGS Comércio de Alimentos Ltda. ("DGS"), CLFL Comércio de Alimentos Ltda. ("CLFL"), Little Boss Comércio de Alimentos Ltda. ("Little Boss"), Separk Comércio de Alimentos Ltda. ("Separk"), Schott Comércio de Alimentos Ltda. ("Schott"), FCK Franquias e Participações Ltda. ("FCK", former Suprilog Logística Ltda.), Yoggi do Brasil Ltda. ("Yoggi"), Internacional Restaurantes do Brasil S.A. ("IRB"), Aerofood Comércio de Alimentos Ltda. ("Aerofood"), Bigburger Caxias Lanchonetes Ltda ("Caxias"), WP Comércio de Alimentos Ltda. ("WP"), DC Américas Comércio de Alimentos ("DC AMERICAS"), Olifreitas Comércio de Alimentos Ltda. IRB and Separk has 40% of its capital held by individuals, including

the CEO of IRB.

Safe Harbor Statement

This press release contains forward-looking statements within the meanings of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, and within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known or unknown risks, uncertainties and other factors that may cause the actual results to differ materially from those expressed or implied by such forward looking statements. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see the disclosures on the Company's website and in the Company's filings with the Securities and Exchange Commission, including the risk factors contained in the Company's previous public disclosures.

FINANCIAL TABLES FOLLOW

	Note	September, 30 2014 (unaudited)	December 31, 2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	R\$ 54.095	R\$ 50.083
Inventories		3.144	3.090
Accounts receivable	5	33.076	31.760
Prepaid expenses		1.451	747
Advances to suppliers		6.052	2.962
Bob's Marketing fund credits	6a	-	717
Other current assets	6 b and 7	5.787	3.761
TOTAL CURRENT ASSETS		103.605	93.120
NON-CURRENT ASSETS:			
Other receivables and other assets	6 b and 7	14.397	13.118
Deferred tax asset, net		10.644	10.644
Goodwill	3,3	1.121	1.121
Property and equipment, net	8	61.534	47.240
Intangible assets, net	9	12.667	13.463
TOTAL NON-CURRENT ASSETS		100.363	85.586
TOTAL ASSETS		R\$ 203.968	R\$ 178.706

	Note	September, 30 2014 (unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Loans and financing	12	R\$ 18.382	R\$ 12.816
Accounts payable and accrued expenses		9.001	13.941
Payroll and related accruals		10.582	6.501
Taxes		6.568	7.884
Current portion of deferred income	11	5.807	7.537
Current portion of litigations and reassessed taxes	10	776	2.381
Other current liabilities		96	144
TOTAL CURRENT LIABILITIES		51.212	51.204
Deferred income, less current portion	11	7.567	8.877
Loans and financing, less current portion	12	13.767	10.744
Litigations and reassessed taxes, less current portion	10	22.364	20.190
Other liabilities	13	2.406	2.170
TOTAL NON-CURRENT LIABILITIES		46.104	41.981
TOTAL LIABILITIES		97.316	93.185

SHAREHOLDERS' EQUITY:

Preferred stock, \$.01 par value, 5,000 shares authorized; no shares issued		-	-
Common stock, \$.0001 par value, 12,500,000 shares authorized; 8,472,927 shares issued for both 2014 and 2013; and 8,104,687 and 8,129,437 shares outstanding for 2014 and 2013		1	1
Additional paid-in capital		61.148	61.148
Treasury Stock (368,240 and 343,490)	15	(3.026)	(2.060)
Retained Earnings		43.162	23.450
Accumulated comprehensive loss		1.852	(1.769)
TOTAL SHAREHOLDERS' EQUITY		<u>103.137</u>	<u>80.770</u>
Non-Controlling Interest		3.515	4.751
TOTAL EQUITY		<u>106.652</u>	<u>85.521</u>
TOTAL LIABILITIES AND EQUITY		<u>R\$ 203.968</u>	<u>R\$ 178.706</u>

	Note	Nine Months Ended September 30,	
		2014	2013
		(unaudited)	(reclassified)
REVENUES FROM RESTAURANTS AND FRANCHISEES			
Net revenues from own-operated restaurants	14	R\$ 170.017	R\$ 149.518
Net revenues from franchisees	14	43.140	35.598
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES		<u>213.157</u>	<u>185.116</u>
Store Costs and Expenses	14	(165.514)	(142.489)
Franchise Costs and Expenses	14	(12.214)	(11.785)
Administrative Expenses		(24.982)	(23.653)
Income from supply agreements		19.090	19.480
Other income		1.574	612
Other Operating Expenses		(6.664)	(5.180)
Net result of assets sold and impairment of assets	7	588	2.208
OPERATING INCOME		<u>25.035</u>	<u>24.309</u>
Interest Expense		(2.969)	(90)
NET INCOME BEFORE INCOME TAX		<u>22.066</u>	<u>24.219</u>
Income taxes		(3.590)	(7.447)
NET INCOME BEFORE NON-CONTROLLING INTEREST		<u>18.476</u>	<u>16.772</u>
Net loss attributable to non-controlling interest		1.236	(421)
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.		<u>R\$ 19.712</u>	<u>R\$ 16.351</u>
NET INCOME PER COMMON SHARE BASIC AND DILUTED		<u>R\$ 2,43</u>	<u>R\$ 2,01</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED		8.120.526	8.129.437

	Note	Three Months Ended September 30,	
		2014	2013
		(unaudited)	(reclassified)
REVENUES FROM RESTAURANTS AND FRANCHISEES			
Net revenues from own-operated restaurants	14	R\$ 59.815	R\$ 56.996
Net revenues from franchisees	14	14.949	12.859
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES		<u>74.764</u>	<u>69.855</u>
Store Costs and Expenses	14	(58.533)	(52.089)
Franchise Costs and Expenses	14	(5.100)	(4.477)
Administrative Expenses		(8.170)	(8.687)
Income from supply agreements		6.087	5.931
Other income		215	238
Other Operating Expenses		(1.064)	(2.592)
Net result of assets sold and impairment of assets	7	714	(388)
OPERATING INCOME		<u>8.913</u>	<u>7.791</u>
Interest Expense		(927)	230

NET INCOME BEFORE INCOME TAX	7.986	8.021
Income taxes	(300)	(2.678)
NET INCOME BEFORE NON-CONTROLLING INTEREST	7.686	5.343
Net loss attributable to non-controlling interest	476	(151)
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R\$ 8.162	R\$ 5.192
NET INCOME PER COMMON SHARE BASIC AND DILUTED	R\$ 1,01	R\$ 0,64

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED	8.114.668	8.129.437
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	Nine Months Ended September 30	
	2014 (unaudited)	2013
CASH FLOW FROM OPERATING ACTIVITIES:		
NET INCOME BEFORE NON-CONTROLLING INTEREST	R\$ 18.476	R\$ 16.772
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	7.596	6.153
(Gain) Loss on assets sold, net	(588)	(2.208)
Deferred income tax	-	144
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1.316)	(904)
Inventories	(54)	605
Prepaid expenses, advances to suppliers and other current assets	(5.103)	(4.426)
Other assets	(1.279)	171
(Decrease) increase in:		
Accounts payable and accrued expenses	(4.940)	1.132
Payroll and related accruals	4.081	4.205
Taxes	(1.316)	(1.817)
Deferred income	(3.040)	12.678
Litigations and reassessed taxes	569	(1.780)
Other liabilities	188	(801)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	13.274	29.924
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Company's shares	(966)	-
Additions to property and equipment, net of proceed of sales	(21.094)	(13.079)
CASH FLOWS USED IN INVESTING ACTIVITIES	(22.060)	(13.079)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net Borrowings (Repayments) under lines of credit	8.589	4.526
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	8.589	4.526
EFFECT OF FOREIGN EXCHANGE RATE	4.209	(562)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4.012	20.809
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	50.083	32.062
CASH AND CASH EQUIVALENTS AT END OF PERIOD	R\$ 54.095	R\$ 52.871

	Nine Months Ended September 30,	
	2014	2013
NET INCOME	R\$ 19.712	R\$ 16.351

Interest expenses, Monetary and Foreign exchange loss	1.783	(289)
Income taxes	3.590	7.260
Depreciation and amortization	5.769	5.174
EBITDA	<u>R\$ 30.854</u>	<u>R\$ 28.495</u>
EBITDA	30.854	28.495

	Three Months Ended September 31,	
	2014	2013
NET INCOME	R\$ 8.162	R\$ 5.192
Interest expenses, Monetary and Foreign exchange loss	580	(346)
Income taxes	300	2.627
Depreciation and amortization	1.658	1.935
EBITDA	<u>R\$ 10.700</u>	<u>R\$ 9.408</u>
EBITDA	10.700	9.408

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