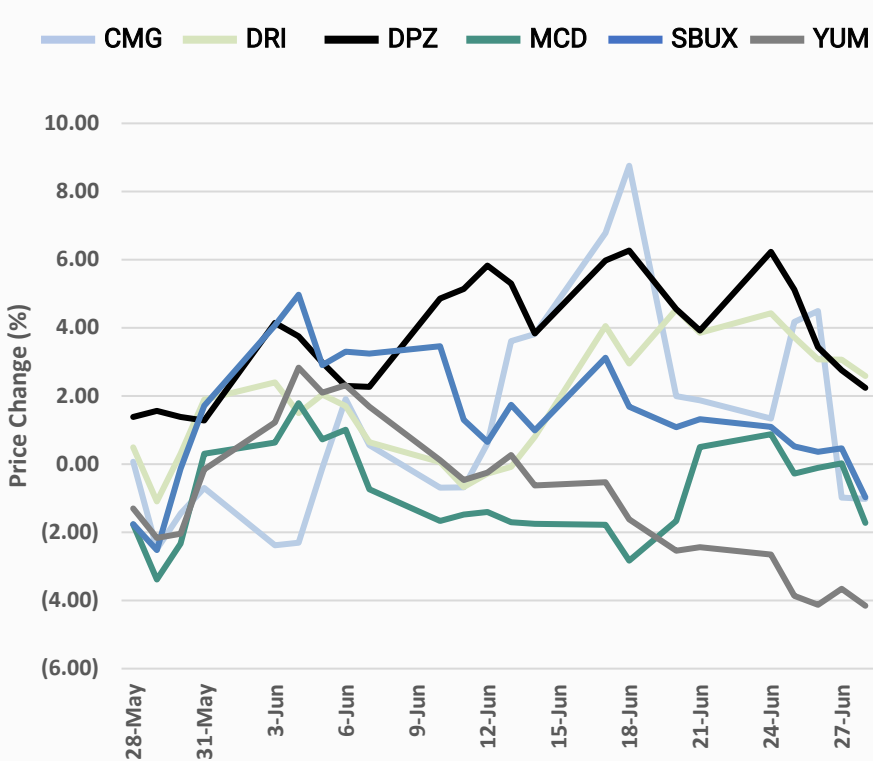


Restaurant Sector

JUNE 2024

RESTAURANT INDEX PERFORMANCE



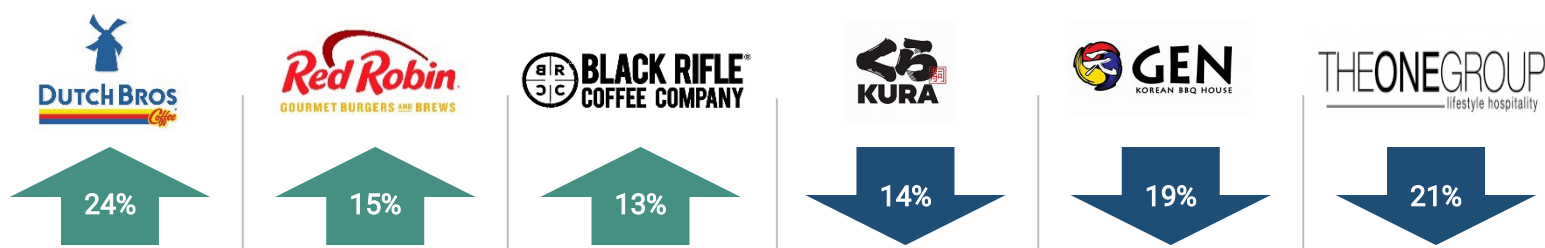
The Restaurant Index outperformed the S&P 500 and Nasdaq markets by 2.21% and 6.45%, respectively, over the last month, recording a gain of 5.24%.

STOCK	PRICE CHANGE
CMG – Chipotle	(-0.64%)
DRI – Darden	3.82%
DPZ – Domino’s	11.23%
MCD – McDonald’s	(-4.45%)
SBUX – Starbucks	(-0.77%)
YUM – Yum Brands	5.72%
RESTAURANT INDEX*	5.24%

*Weighted change of S&P 500 Restaurants (Sub Ind)
Source: Capital IQ as of June 28th, 2024

WINNERS, LOSERS ACROSS BROADER INDUSTRY

One month price change as of June 28th, 2024



* Criteria: market capitalization >\$10m, USA or CAN location; Full service, Fast food or Tea/Coffee shop classification Source: Capital IQ

HAPPENINGS ACROSS THE INDUSTRY

QUICK SERVICE



Starbucks has introduced a “Pairing Menu,” allowing customers the option to save when they pair items, joining competitors following the value meal trend.

The decision by Starbucks, not known for their discounts, reflects the sentiment of customers feeling the impact of inflation – the company saw a 2% revenue decrease in Q2.

FAST CASUAL



Noodles & Company enters support agreement with Hoak & Co. as they continue to struggle with sales and traffic.

Hoak & Co. owns more than 9% of the restaurant company and has placed Hoak investor and vice president, Britain Peakes, on the chain’s board of directors.

CASUAL DINING



Red Lobster filed for Chapter 11 bankruptcy at the end of May, with more than \$1 billion in debt and less than \$30 million cash on hand.

The company struggled to compete with growing fast causal and quick-service chains, and plans to sell the business to its lenders, who in turn will provide financing for the restaurant to stay afloat.

FINE DINING



Australian-based chef Paul Carmichael will open a new Momofuku restaurant in New York’s East Village later this year.

Reports state that the new restaurant will be focused on Caribbean cuisine. The popular noodle chain brand is also set to open a new Los Angeles location in 2025.

The Big Story

Despite fears of widespread job losses due to generative AI, this month, McDonald’s decided to discontinue its AI order-taking technology after a test period in over 100 drive-thrus. The fast-food giant partnered with IBM in 2021, acquiring McD Tech Labs to develop an automated voice ordering system. However, the technology’s performance, with an 85% accuracy rate, required frequent human intervention. This shortfall led to customer frustration, highlighted in viral social media videos showing AI mishaps such as incorrect orders. McDonald’s remains hopeful about AI’s potential and continues to explore scalable voice-ordering solutions. The company aims to decide on a future solution by the end of the year. IBM expressed its ongoing commitment to collaborating with McDonald’s on other projects, despite the end of the current AI test. The decision, communicated to franchisees, emphasizes McDonald’s cautious approach to integrating AI into drive-thru operations while addressing concerns about order accuracy and customer satisfaction. This marks a pause, not an end, in McDonald’s journey toward AI integration.

ABOUT THE COMPANY

Founded in 1940, McDonald’s now serves over 69 million customers daily in over 100 countries, making it the world’s largest restaurant chain by revenue.

THINGS TO NOTE

To help combat recent technology challenges, McDonald’s launched a new loyalty program in several markets, offering rewards and incentives to frequent customers to boost sales and customer retention.

FINANCE FUNDAMENTALS CORNER

Although Artificial Intelligence (AI) has yet to become full-proof in the operational space, companies have demonstrated AI’s ability to unlock essential business insights by leveraging data and technology. In the digital age, restaurants must consider embracing these emerging technologies like AI to remain competitive in an industry that continually seeks to gain an advantage over the competition. Tools equipped with AI capabilities can now grant teams unprecedented access to real-time data analytics across numerous aspects of the business including - sales and revenue performance, customer data, marketing effectiveness, operational efficiency, and much more.

Enhancing Dining Experiences

Artificial intelligence can provide restaurants with significant value by analyzing customer feedback to help identify common complaints or predict potential issues, further enabling the restaurant to promptly enhance its dining experience and improve customer satisfaction and loyalty.

Market Analysis and Customer Insights

Restaurants can also use innovative technology with specific capabilities like localized data intelligence, which provides customer insights regarding local target markets and can inform strategic business decisions such as the option to provide personalized product offerings to attract customers.

HOW WE SUPPORT RESTAURANT CLIENTS

- ✓ Build automated KPI dashboards to provide real-time data analytics and key business insights
- ✓ Deploy automation to business processes to maximize time for high value-add initiatives
- ✓ Institute dynamic tools with driver-based budgeting/forecasting capabilities
- ✓ Operations carve-out of redundant capabilities post AI-implementations