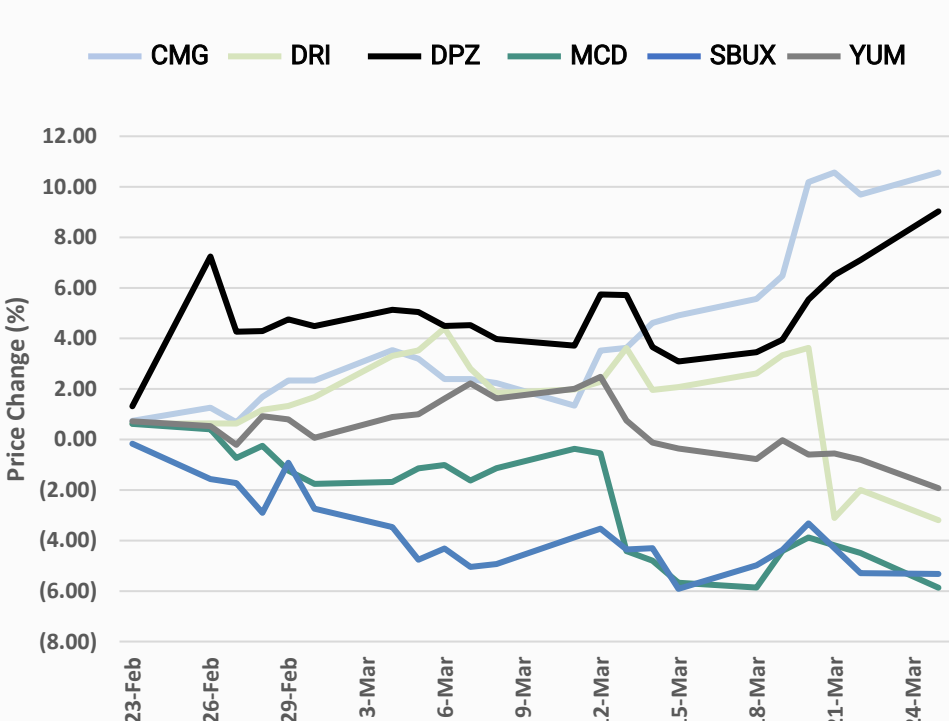


Restaurant Sector

March 2024

RESTAURANT INDEX PERFORMANCE



The Restaurant Index underperformed the S&P 500 and Nasdaq markets both by 5.1%, respectively, over the last month, recording a **loss of -2.38%**.

STOCK	PRICE CHANGE
CMG – Chipotle	9.69%
DRI – Darden	(-1.99%)
DPZ – Domino's	7.10%
MCD – McDonald's	(-4.49%)
SBUX – Starbucks	(-5.29%)
YUM – Yum Brands	(-0.80%)
RESTAURANT INDEX*	(-2.38%)

*Weighted change of S&P 500 Restaurants (Sub Ind)
Source: Capital IQ as of March 25, 2024

WINNERS, LOSERS ACROSS BROADER INDUSTRY

One month price change as of February 25th, 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



Wendy's announced the burger chain will begin testing **dynamic pricing** at some locations in 2025.

The experiment will allow the company to digitally fluctuate the price of some products based on demand; though the company states it has no plans of raising prices at times when customers visit the most.

CASUAL DINING



Applebee's announced a **limited-time** promotion for **50-cent boneless wings** following a taste test.

Last month, the company held a blind taste test competing with wings from Wingstop and BWW. Conducted by a third party, Applebee's won by a "statistically significant margin", leading to the promotion.

FAST CASUAL



Panera Bread is **increasing the price of its Unlimited Sip Club** by 25%.

The soup-and-sandwich chain will keep the cost of an annual subscription at \$119.99, while increasing the monthly fee from \$11.99 to \$14.99 for members who have access to unlimited coffees, teas, and fountain drinks.

FINE DINING



Safflower Holdings Corp., operator of Benihana, will be **acquired by One Group Hospitality, Inc.** in a \$365 million deal.

Along with fellow Safflower company, RA Sushi, Benihana will join One Group's existing portfolio that includes Kona Grill and STK. The hibachi chain has 105 locations globally.

The Big Story

Following the onslaught of earnings calls for the fiscal year end of 2023, on March 21 Darden announced its results for its fiscal quarter ending in February 2024. The company's reported EPS matched Street estimates; however, Darden fell significantly short of the comp sales estimates, with the Street's consensus at 1.2% compared to the actuals at -1.0%. Additionally, the company revised its revenue outlook downward due to the negative trends observed in the first two months of 2024. As top-line growth becomes increasingly uncertain, Darden is likely to focus on driving margin and EBITDA growth by optimizing its cost structure.

ABOUT THE COMPANY

- Darden Restaurants: Owner/operator of ~1.8k restaurants across North America
- Restaurant portfolio includes nine iconic brands including Olive Garden, LongHorn Steakhouse and Ruth's Chris Steakhouse
- Its 2023 Ruth's Chris acquisition expected to be "fully integrated" by May 2024
- Global headquarters in Orlando, FL

THINGS TO NOTE

- Many companies that reported full-year 2023 earnings in February noted a softening among their consumers in the early weeks of 2024.
- Several management teams attributed the declines in traffic to a particularly disruptive weather pattern in early January.
- While weather certainly impacted January traffic, Darden's results appear to indicate a deeper softening in the market as 2024 begins.

FINANCE FUNDAMENTALS CORNER

Amid uncertain revenue growth in 2024, restaurant CFOs aim to offset this with substantial cost savings. When cutting costs, they should consider several factors:

Align Cost-Cutting with Strategic Goals

Review the business strategy within the restaurant industry's market context, identifying cost reduction opportunities without compromising customer experience or brand values. Explore growth avenues like new markets, menu optimization, and improved delivery services to counter revenue declines.

Engage and Empower Employees

Ensure transparent communication with staff about the rationale behind cost-cutting measures, highlighting their significance for business health. Engage employees in identifying savings opportunities, leveraging their frontline expertise. Cultivate a collaborative and innovative culture, motivating staff to propose efficient solutions and trim unnecessary costs.

Implement a Holistic Approach to Cost Management

Analyze existing expenses meticulously to pinpoint opportunities for cost reduction, like renegotiating contracts or minimizing waste. Explore zero-based budgeting to scrutinize spending and align it with strategic goals. Monitor performance metrics closely to fine-tune cost-cutting strategies, preserving customer satisfaction and staff morale.

HOW WE SUPPORT RESTAURANT CLIENTS

- ✓ Institute zero-based and driver-based budgeting/forecasting
- ✓ Build four-wall analysis to evaluate store performance
- ✓ Streamline accounting operations, and enable restaurant team to focus on core capabilities
- ✓ Develop reconciliation and reporting cadence and automation
- ✓ Analyze required staffing to effectively deploy team

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