

# Restaurant Sector

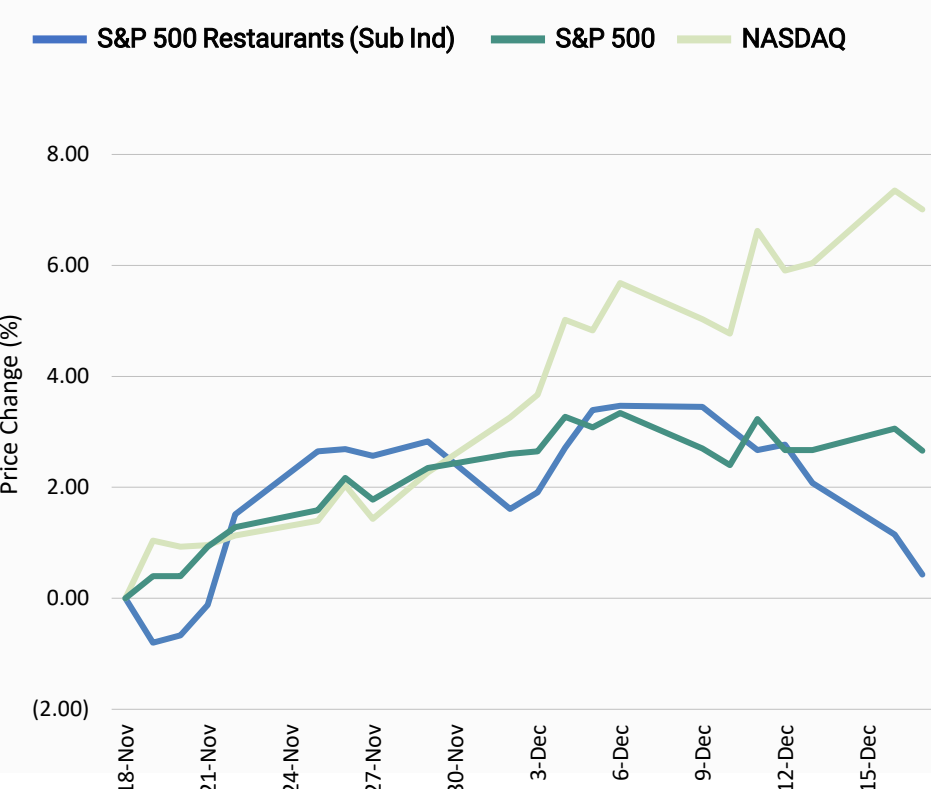
December 2024

## RESTAURANT INDEX PERFORMANCE

The Restaurant Index underperformed compared to the S&P 500 (-2.23%) and Nasdaq (-6.58%) markets over the last month; however, it recorded a gain of 0.43% MoM

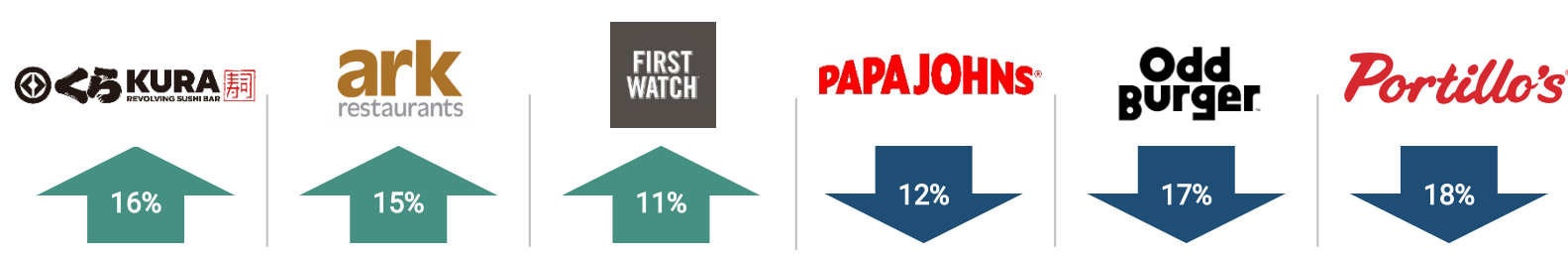
STOCK	PRICE CHANGE
CMG – Chipotle	9.32%
DRI – Darden	0.61%
DPZ – Domino's	0.41%
MCD – McDonald's	1.71%
SBUX – Starbucks	(8.28%)
YUM – Yum Brands	0.54%
<b>RESTAURANT INDEX*</b>	<b>0.43%</b>

\*Weighted change of S&P 500 Restaurants (Sub Ind)  
Source: Capital IQ as of December 17<sup>th</sup>, 2024



## WINNERS, LOSERS ACROSS BROADER INDUSTRY

One month price change as of December 17<sup>th</sup>, 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



Church's Texas Chicken launched its Real Rewards loyalty program, joining a trend across various industries to enhance customer engagement and attract new patrons via loyalty initiatives.

Loyalty programs have been gaining traction in the industry, enabling businesses to gather and monetize valuable data by providing highly personalized interactions with members.

### FAST CASUAL



Chipotle is implementing a nationwide price increase of approximately 2%, marking its first price hike in over a year to address food and labor cost inflation.

Nonetheless, Chipotle's focus on quality and limited-time fan-favorite menu items led to a 13% revenue boost in Q3 2024. The company is investing in automation to sustain customer satisfaction amid rising prices.

### CASUAL DINING



Red Lobster's turnaround continues with its new permanent addition of Happy Hour, as part of an effort to enhance its menu appeal and increase customer traffic following its Chapter 11 bankruptcy exit in September earlier this year.

This initiative follows a recent menu update and is part of the chain's broader strategy to simplify its offerings and reduce limited-time promotions while driving traffic during slower periods and fostering customer loyalty.

### FINE DINING



Maggiano's is enhancing its menu and operations across its 50 locations by revamping classic dishes with premium ingredients and introducing new beverage items to reverse a decade-long decline in alcohol sales.

The chain is also optimizing restaurant decor and dining spaces, aiming to refresh two-thirds of its locations within 20 months to improve the dining experience, attract more customers, and improve profitability.

## The Big Story

Grubhub continues to actively expand its business operations and brand presence with a new partnership deal with Hilton to deliver food and groceries to over 2,600 hotels. The partnership with Hilton, initiated in 2023 to deliver to 500 Homewood Suites and Home2Suites by Hilton, has already led to a doubling of delivery orders to Hilton properties, aided by a QR code system for easy access to Grubhub's marketplace. Hilton guests also receive a free month of Grubhub+, offering benefits such as free delivery. This initiative is part of Grubhub's strategy to expand its market presence and enhance its brand across the U.S., including partnerships with over 360 universities and integration into Amazon's platform.

### ABOUT THE COMPANY

Grubhub is the third-largest delivery provider in the U.S. by market share, connecting diners with a wide range of restaurants and emphasizing a seamless ordering experience for both users and restaurants alike.

### THINGS TO NOTE

Grubhub was acquired by Wonder earlier this year for \$650M from Just Eat Takeaway.com (JET).

## FINANCE FUNDAMENTALS CORNER

The demand for third-party delivery (3PD) providers in the post-COVID-19 landscape, has increased tremendously, as 3PDs are often utilized for the last leg of delivery due to cost efficiencies over hiring full-time drivers. However, restaurant leaders must adeptly navigate the complexities of optimizing the profitability of these services and address the unique challenges they present, such as data management and bookkeeping.

Key strategies to leverage include integrating 3PDs with Point of Sale (POS) systems to streamline order processing and financial reporting, utilizing 3PD data via APIs or downloads to identify trends and inform decision-making, and ensuring accurate bookkeeping by reconciling reports, linking POS data to the General Ledger, and managing accounts receivable, including refunds and cancellations.

By understanding the capabilities of 3PD systems and the areas of risk to prepare for, restaurants can maximize the usage of 3PDs to increase their footprint and customer base.

### Data Analytics

Finance teams can transform standardized data into actionable insights through dashboards and analytics. By leveraging 3PD-analyzed data, Finance can mitigate recurring risks in inaccurate orders, identify promotional opportunities, and align financial decision-making with customer behavior.

### Bookkeeping Accuracy

Restaurants must closely monitor refunded and canceled orders to maintain accurate accounting. This involves determining the responsible party for refunds, preventing overstated sales, and ensuring 3PDs appropriately compensate for canceled orders according to contractual terms.

## HOW WE SUPPORT RESTAURANT CLIENTS

- ✓ Develop analytical dashboards for visibility into operational KPIs; refine long-term forecasts accordingly
- ✓ Incorporate customer trends into long-term business model, providing visibility into unforeseen operational activity; refine/update existing forecast process
- ✓ Ensure accounting is structured with adequate policies and procedures for error-free reporting

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