The logo for ankura, featuring the word "ankura" in a lowercase, sans-serif font, followed by a circular icon composed of four overlapping colored segments: blue, green, yellow, and red.

# Restaurant Sector

Challenging Conditions for Restaurant Sector in CQ1-2024



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# Executive Summary

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# Top Level Review

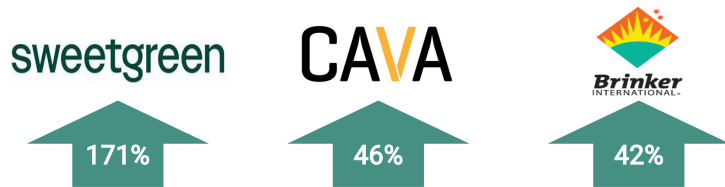
## Summary

The restaurant sector experienced a minor contraction during CQ1-2024 (**declining 2.82%**) and materially underperformed when compared to the **S&P 500 index's performance (gaining 5.76%)** during the same period.

Despite the overall loss across the sector this quarter, companies that managed to increase their respective share prices during CQ1-2024 saw an **average growth of nearly ~24% in their respective stock prices**. Companies that experienced a decrease in growth **lost an average of ~17% of their total share value**.

While there are considerable on-going challenges faced by the restaurant industry today, analysts have remained optimistic about the continued growth of the sector through the remainder of 2024 and beyond.

## Share Price % Change Winners

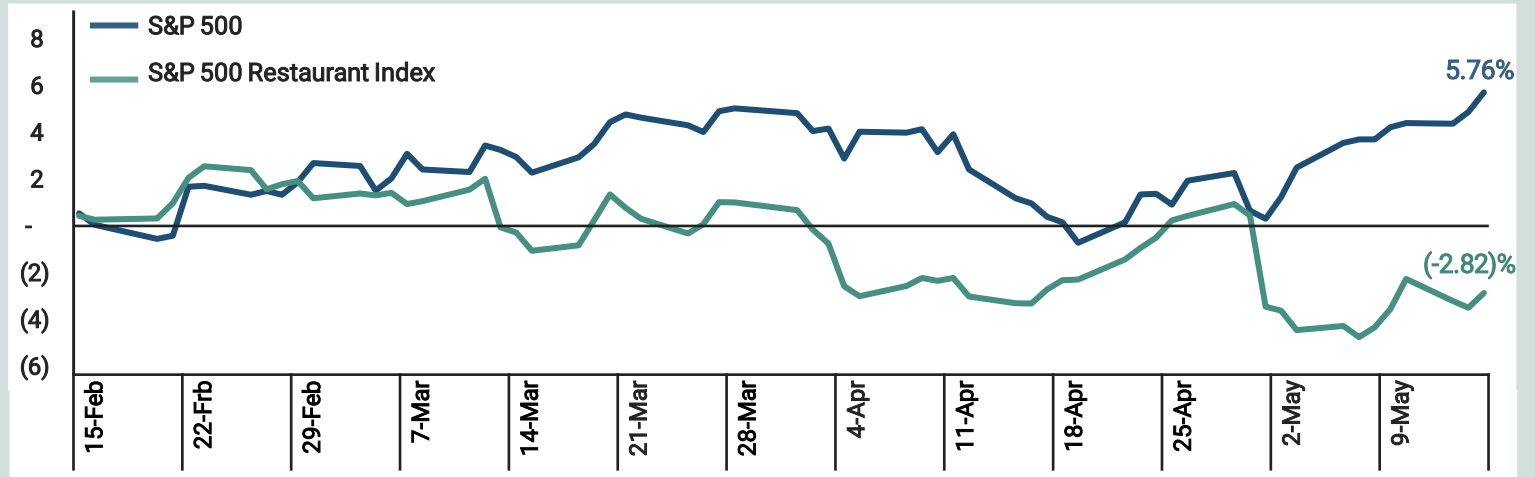


## Share Price % Change Losers



Source: Capital IQ; trailing 3 months ending May 15, 2024

## CQ1-2024 % Price Change: Restaurant Index vs. S&P 500 Index



## Historical EV/EBITDA Multiples: Restaurant Index vs. S&P 500 Index



Source: Capital IQ; includes Q2 2024 calendar data through May 15, 2024

# Key Themes

1

## Challenging Top Line Environment

While there were outliers, **most companies struggled to meet the Street's top-line expectations**, with nine out of the thirteen mid and large-cap companies missing comp sales consensus estimates (*see below*).

Management teams noted an **increasingly price-conscious consumer** - especially concerning lower-income consumers - who is more likely to eat in vs. spend extra cash eating out.

Given that many companies have raised prices in recent years to offset surging cost inflation, there seems to be **little room left for incremental price increases** to boost top-line sales.



Source: CapitalIQ; Ankura Analysis

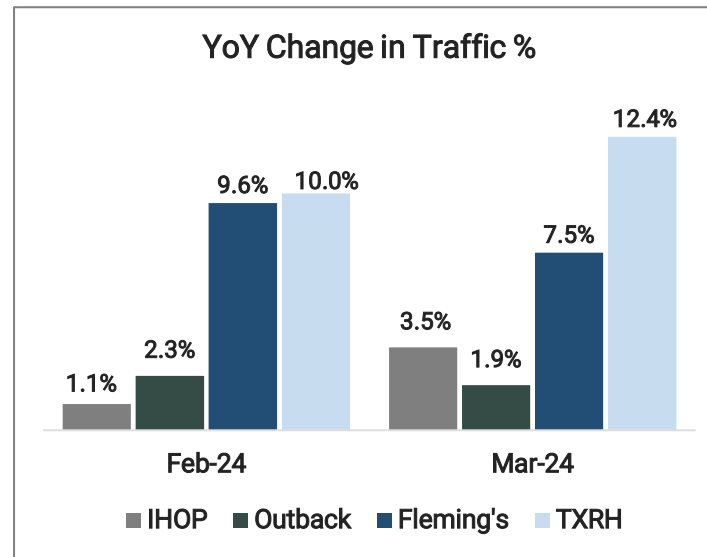
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## Bright Spots Exiting the Quarter

In Q1 2024, IHOP, Fleming's Prime Steakhouse, Outback Steakhouse, and Texas Roadhouse **faced declines in January but rebounded impressively in February and March** (*see below*).

Despite initial setbacks, these restaurants ended the quarter positively, **highlighting their resilience and adaptability**.

This recovery reflects their **ability to navigate challenges, including cooling inflation and changing consumer dining habits**, demonstrating the sector's dynamic capacity to overcome early-year downturns and emerge stronger.



Source: Placer AI

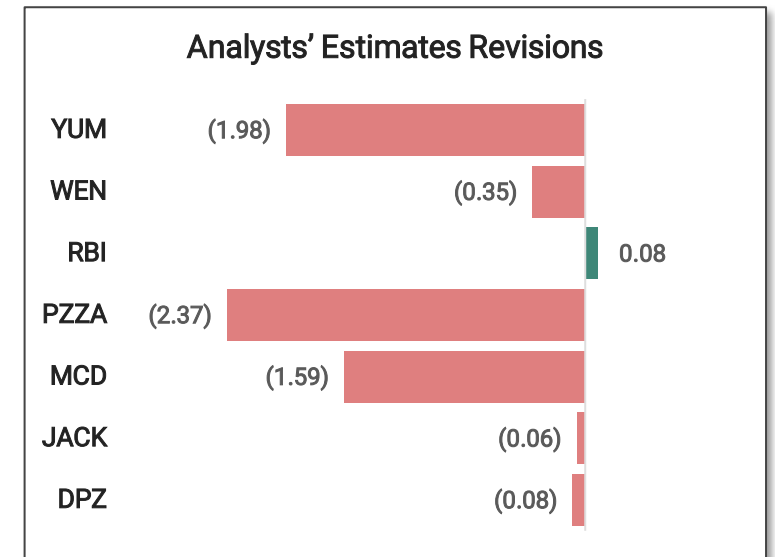
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## Lower-for-longer in QSR

"If I talk specifically about the U.S. in quarter 1, industry comparable traffic was negative, and **we expect it to be negative for the full year.**" – McDonald's CFO on Q1 earnings call discussing near term outlook with analysts.

To illustrate this trend, we tracked QSR comp sales **consensus estimates for Q2 prior to Q1 earnings calls** and compared them to estimates for Q2 **after Q1 earnings calls**.

For example, prior to MCD Q1 earnings call, analysts estimated Q2 comp sales of 2.76%. After its Q1 earnings call, **MCD saw its Q2 estimates trimmed to 1.17%** (1.59 decline).



Source: CapitalIQ; Ankura Analysis

# Business Fundamentals: Four-Wall EBITDA

## CQ1-2024 KEY TAKEAWAYS



All five tracked companies showed better restaurant profit margins, reflecting varied levels of **operational efficiency from CQ1-23 to CQ1-24** [See below](#)



Companies differed in cost of sales and labor efficiency, with **EAT and TXRH notably reducing cost of sales** as a percentage of store sales



As companies navigate uncertainty, management focuses on **labor market dynamics**, notably the increased minimum wage threshold in California.

## DETAILED VIEW OF SELECT COMPANIES



\$ in millions	CHIPOTLE			SHAKE SHACK			DARDEN			TEXAS ROADHOUSE			Brinker INTERNATIONAL		
	CQ1-23	CQ1-24	% B/(W)	CQ1-23	CQ1-24	% B/(W)	CQ1-23	CQ1-24	% B/(W)	CQ1-23	CQ1-24	% B/(W)	CQ1-23	CQ1-24	% B/(W)
Restaurant Revenues	\$2,369	\$2,702		\$244	\$281		\$2,786	\$2,975		\$1,168	\$1,314		\$1,073	\$1,109	
Restaurant Cost Of Sales	\$693	\$779		\$72	\$80		\$887	\$920		\$411	\$445		\$288	\$278	
<i>% of Store Sales</i>	29%	29%	40 bps	29%	29%	78 bps	32%	31%	90 bps	35%	34%	131 bps	27%	25%	174 bps
Restaurant Labor	\$584	\$659		\$74	\$82		\$874	\$937		\$386	\$428		\$361	\$371	
<i>% of Store Sales</i>	25%	24%	24 bps	30%	29%	135 bps	31%	32%	(13 bps)	33%	33%	51 bps	34%	33%	25 bps
Other Restaurant Expenses	\$485	\$521		\$54	\$64		\$469	\$504		\$191	\$221		\$281	\$303	
<i>% of Store Sales</i>	20%	19%	118 bps	22%	23%	(92 bps)	17%	17%	(11 bps)	16%	17%	(49 bps)	26%	27%	(118 bps)
<b>Restaurant Expenses</b>	<b>\$1,761</b>	<b>\$1,960</b>		<b>\$200</b>	<b>\$226</b>		<b>\$2,230</b>	<b>\$2,361</b>		<b>\$987</b>	<b>\$1,094</b>		<b>\$930</b>	<b>\$952</b>	
<b>Restaurant Level Profit</b>	<b>\$607</b>	<b>\$742</b>		<b>\$45</b>	<b>\$55</b>		<b>\$557</b>	<b>\$614</b>		<b>\$180</b>	<b>\$220</b>		<b>\$143</b>	<b>\$157</b>	
<i>% of Store Sales</i>	26%	27%	183 bps	18%	20%	121 bps	20%	21%	66 bps	15%	17%	132 bps	13%	14%	81 bps

\*CQ1 2024 includes DRI's fiscal quarter ended Feb-24

# Performance to Plan

## QSR & Fast Casual

4 of 16 beat EPS and Comp Sales estimates in Q1-2024\*

While many companies beat EPS estimates, more than two-thirds fell short of analysts' comp sales growth expectations for the quarter.

Notable EPS misses included Starbucks (missing estimates by ~15%), YUM Brands (missing estimates by ~4%), and McDonald's (missing estimates by 1%).

### Q1-2024 Actuals vs. Consensus Estimates



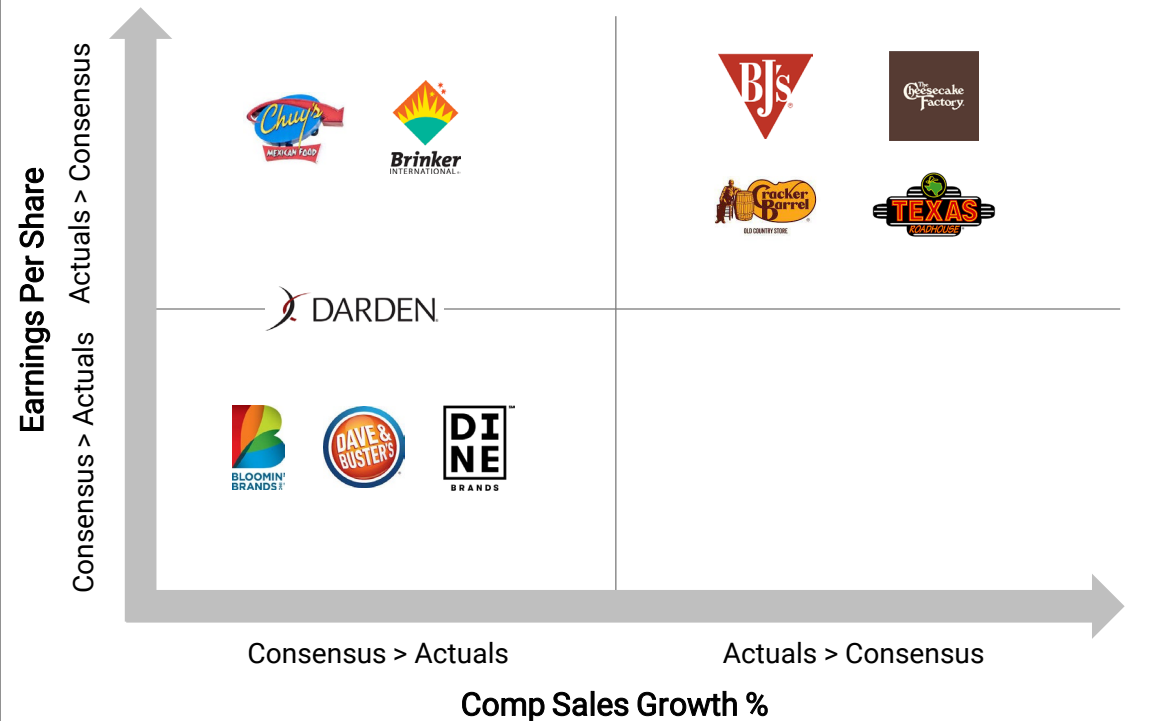
## Casual & Fine Dining

4 of 10 beat EPS and Comp Sales estimates in Q1-2024\*

Notable EPS beats included BJ's Restaurants (exceeding estimates by ~113% with an EPS estimate 0.15 vs. actual 0.32) and Chuy's (exceeding estimates by ~20%).

Bloomin' Brands, Dave & Busters, and Dine Brands struggled in Q1 ending as the only Casual & Fine Dining companies to miss both EPS and Comp Sales Growth.

### Q1-2024 Actuals vs. Consensus Estimates



Source: Capital IQ - "Plan" and "Consensus" and "Estimates" refer to consensus estimates per Capital IQ

Note: includes companies that reported Q1-2024 results as of May 15, 2024

\* Cracker Barrel and Dave & Busters – quarter ended Jan-24; DRI and Brinker Int'l – quarter ended Feb-24

# Restaurant Index Performance

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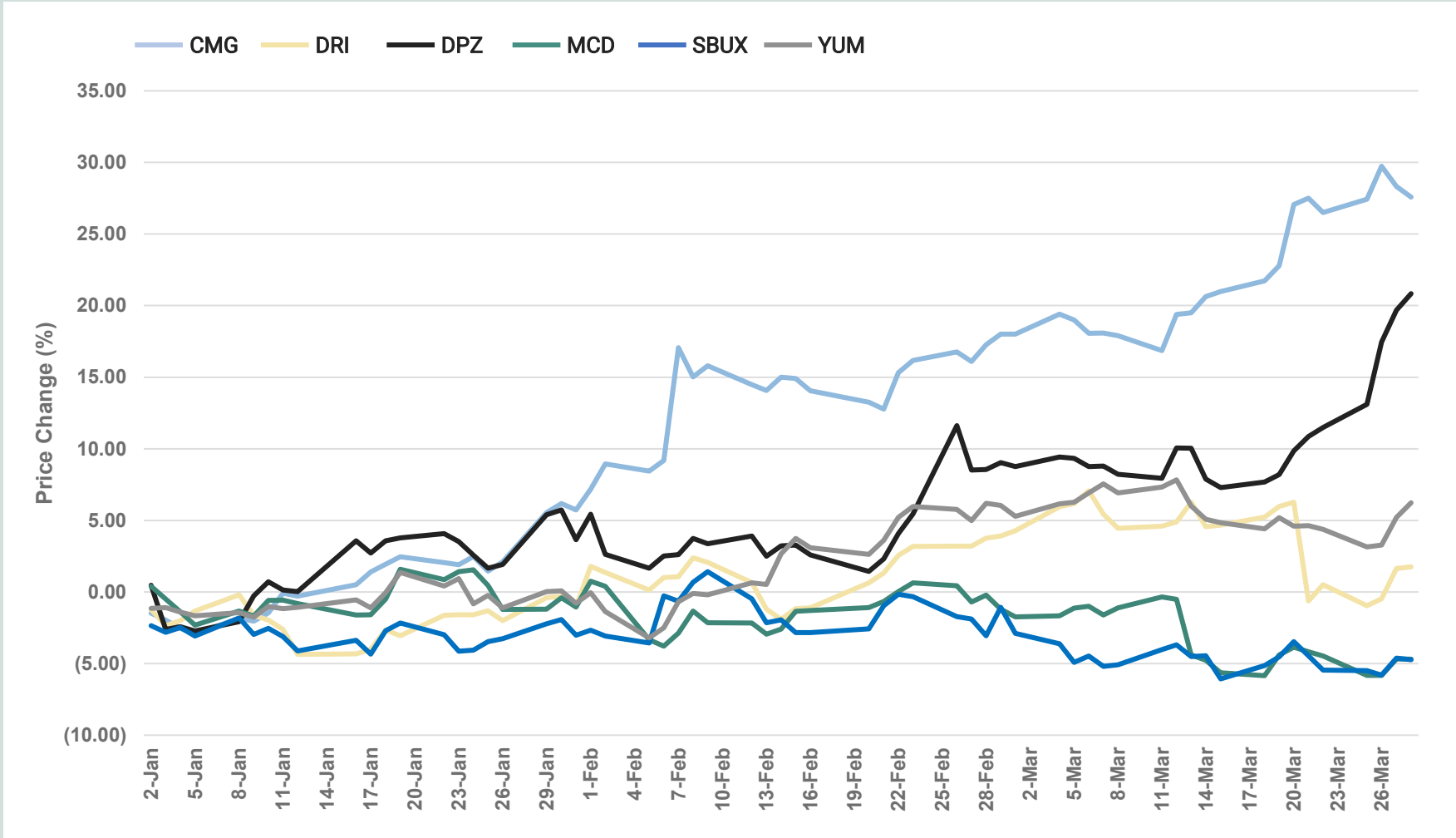
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# Restaurant Index Performance

CQ1-2024 Price Change: Restaurant Index Stocks



Stock	Price Change
CMG – Chipotle	27.6%
DRI – Darden	1.8%
DPZ – Domino’s	20.8%
MCD – McDonald’s	(4.7%)
SBUX – Starbucks	(4.7%)
YUM – Yum Brands	6.2%
<b>Restaurant Index*</b>	<b>1.7%</b>

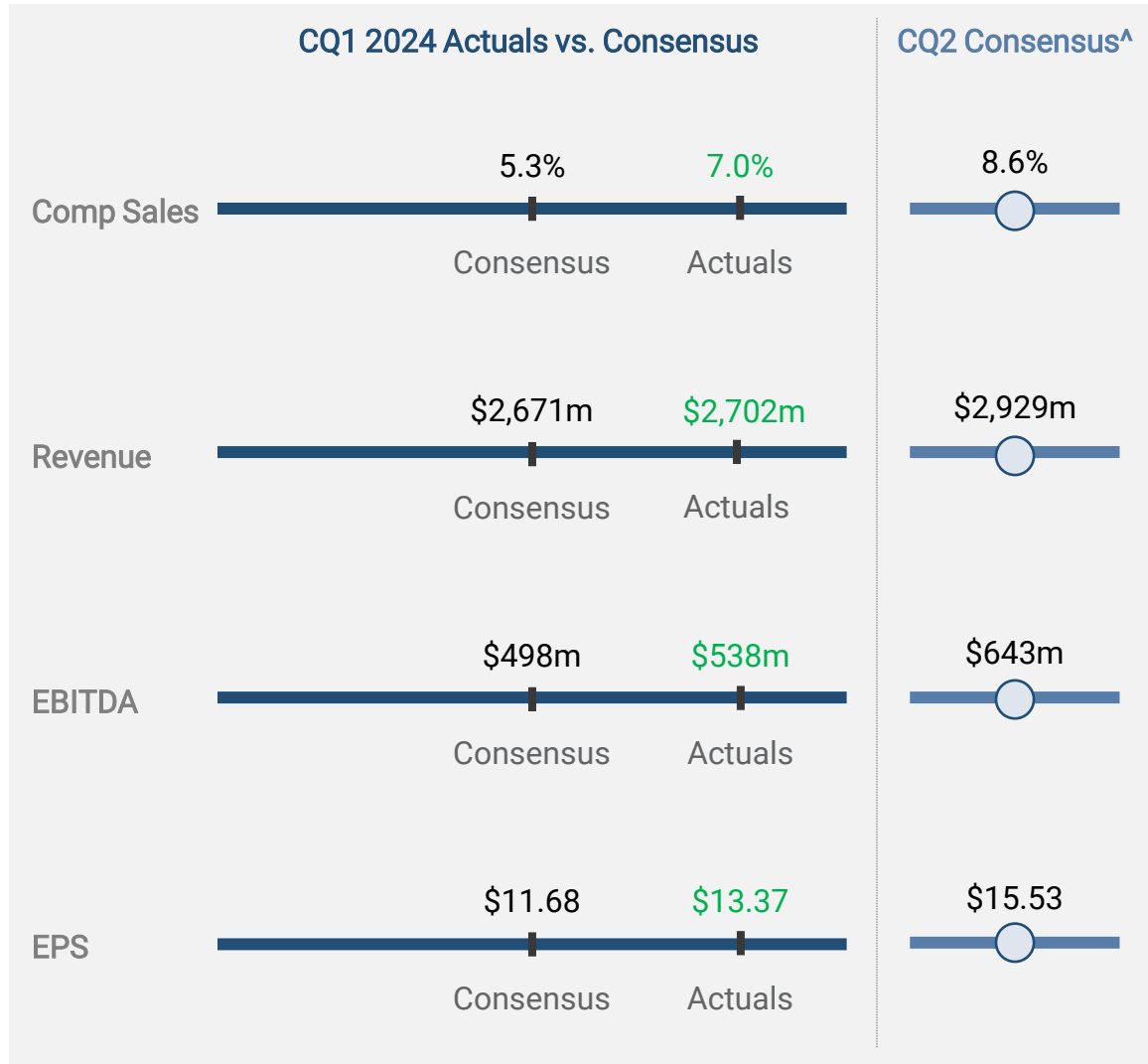
**Select Commentary**

- Among the six stocks making up the Restaurant Sector Index, **Chipotle was the clear winner of Q4 with an 27% gain during the period.**
- CMG experienced a sharp rise in early February, jumping **7.2% on February 7<sup>th</sup>** following the company’s strong results in its Q4 earnings.
- **Starbucks and McDonald’s both saw steep price decreases during Q1.** This is the second consecutive quarter Starbucks’ stock has dropped. Since May 7, 2023, SBUX price has decreased 31.1%.

Source: Capital IQ; trailing 3 months ending March 31, 2024

\*Weighted change of S&P 500 Restaurants Index

# Restaurant Index Performance | Chipotle



## CQ1-2024 Headlines

1

### Strong Financial Performance

- Chipotle reported another robust quarter of sales growth, reaching \$2.7 billion in Q1.
- Earnings per share also far exceeded consensus expectations at \$13.37, indicated strong momentum for the start of 2024.

2

### Market Expansion

- In Q1, Chipotle opened 47 new restaurants, including 43 Chipotlane locations.
- The company anticipates opening between 285 and 315 new restaurants in 2024, planning for 80% of which being Chipotlane locations. Chipotle has marked 8-10% of all restaurants being Chipotlane locations by 2025.

3

### Digital Sales and Rewards

- Digital sales represented 37% of sales for the quarter, on mark with 2023 results, in the brand's continued efforts to increase rewards program engagement.
- Marketing campaigns focused on core menu items like barbacoa and chicken al pastor were designed to drive increases in digital sales.

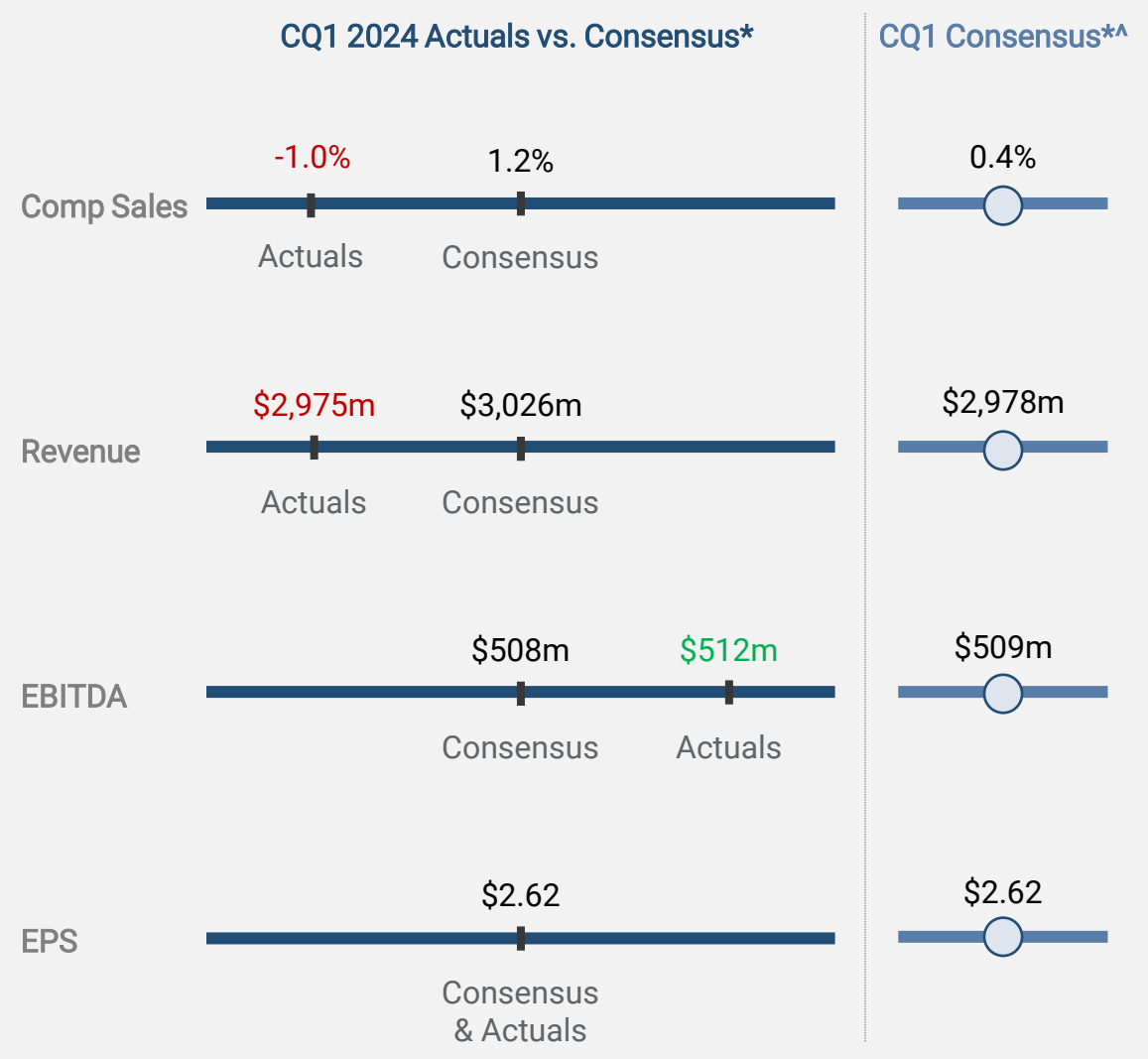
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### International Outlook

- The Company announced efforts to align European operations with North American standards to unlock growth potential following recent success in the Canadian market.
- The brand also opened its first location in Kuwait in Q1, indicating further market expansion in the Middle East.

<sup>^</sup>Consensus estimates as of May 7, 2024 / Source: Capital IQ

# Restaurant Index Performance | Darden



## CQ1-2024 Headlines

### 1 Financial Performance

- Fiscal Quarter earnings per share met expectations at \$2.62.
- Total sales for the quarter topped \$3 billion, marking a 6.8% increase quarter-over-quarter, but still fell short of consensus estimates.
- The company anticipates FY 2024 sales of \$11.4 billion.

### 2 Consumer Behavior and Market Trends

- The company noted a pullback from lower-income consumers while high-income consumer transactions have increased compared to the previous year, aligning with pre-Covid income mix levels.
- Industry-wide, a decrease in same-restaurant sales and guest counts was observed.

### 3 Brand and Segment Performance

- Olive Garden and Longhorn Steakhouse continue to drive sales growth with strategic menu and marketing initiatives.
- Fine Dining and Other Business segments reported mixed results amidst challenging conditions.
- Capital Grille and Eddie V's recorded record high sales performance in the quarter.

### 4 Future Growth and Expansion

- The brand plans to open between 45 and 50 new restaurants in the fiscal year, with a focus on maintaining strategic growth amidst rising construction costs and other challenges.
- Integration of Ruth's Chris Steak House is nearing completion, contribution positively to the brand's restaurant portfolio.

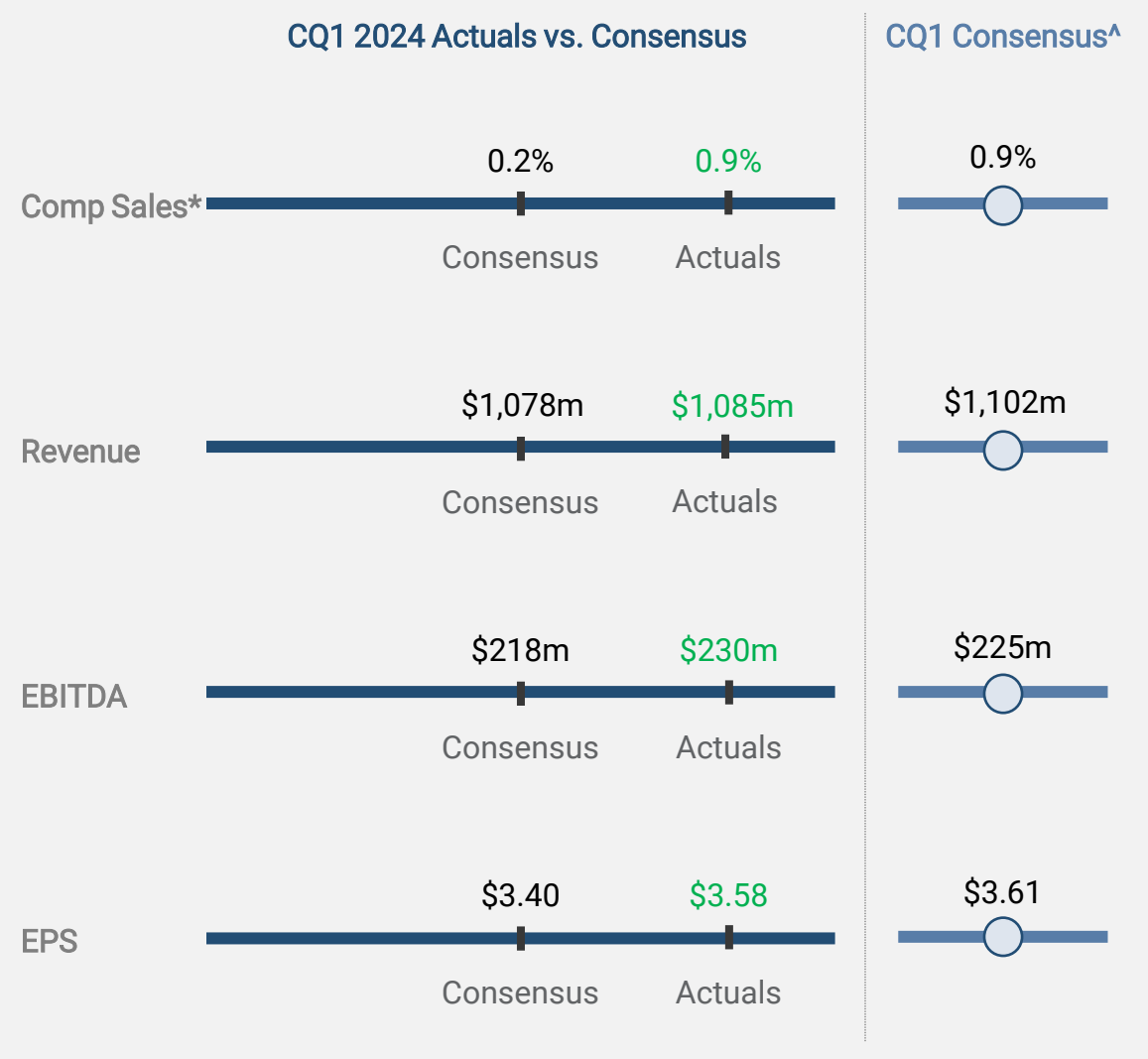
\*CQ1 2024 includes DRI's fiscal quarter ended Feb-24; CQ2 2024 includes DRI's fiscal quarter ending May-24

<sup>A</sup>Consensus estimates as of May 7, 2024 / Source: Capital IQ

# Restaurant Index Performance



# Domino's



## CQ1-2024 Headlines

### 1 Financial Performance

- Domino's beat consensus estimates on all four major financial metrics show to the left, including an impressive \$3.58 earnings per share.
- The success follows the "Hungry for More" strategy launched in Q4 2023, emphasizing delicious tasting food, operational excellence, and the strength of franchisees.

### 2 Menu Diversification

- The brand introduced New York Style Pizza in Q1, targeting customers who prefer a thinner, foldable crust.
- The launch was the first menu change of the year and is expected to increase digital sales through the company's re-vamped loyalty program.

### 3 International Performance and Expansion

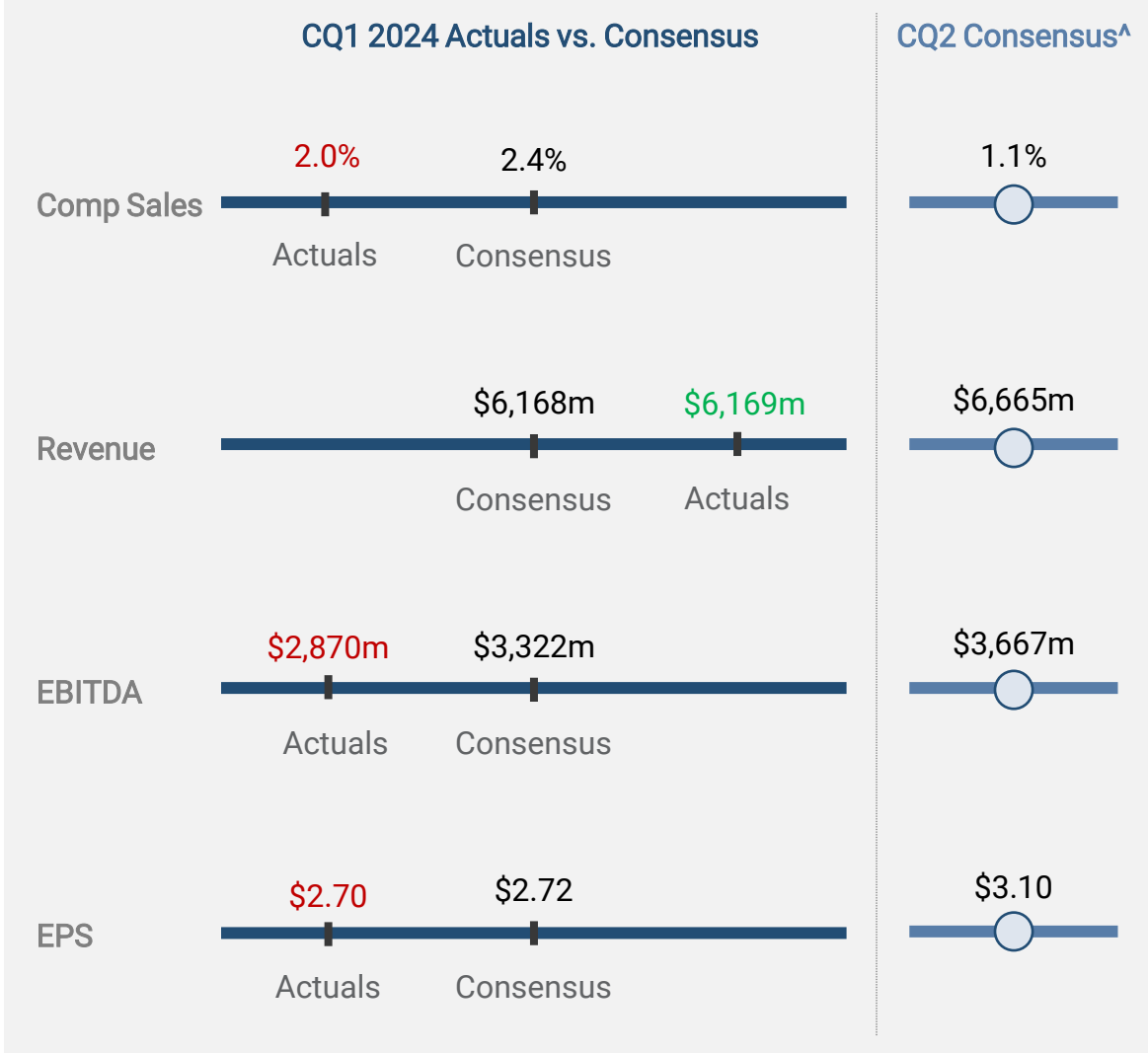
- Domino's saw 6.8% quarterly sales growth in international markets driven by several strategic investments.
- Stores in the Mexican market reported 12.2% growth following the Domino's Mania boost week.
- The company expects to increase net store count by 925 internationally in 2024.

### 4 Strategic Investments and Outlook

- The company reaffirmed its commitment to achieving a 7% or more increase in global retail sales for FY 2024.
- Domino's stated they plan to achieve this growth by continuing strategic investments in consumer and store technology and supply chain capacity.

\*DPZ reports US and Int'l Comp Sales; this figure represents Int'l Comp Sales given it represents majority of system  
<sup>^</sup>Consensus estimates as of May 7, 2024 / Source: Capital IQ

# Restaurant Index Performance McDonald's



<sup>^</sup>Consensus estimates as of May 7, 2024 / Source: Capital IQ

## CQ1-2024 Headlines

### 1 Market Conditions

- McDonald's achieved its 13<sup>th</sup> consecutive quarter of positive comparable sales growth.
- Macroeconomic conditions are challenging the QSR industry globally. Traffic in key markets like the U.S., Canada, Japan, and the U.K. was flat to declining.

### 2 Operational Efficiencies

- Service time has been reduced which has resulted in higher customer satisfaction scores across its markets.
- Loyalty sales and mobile order apps numbers have both increased in Q1-2024.
- The menu has been updated to include the affordability initiatives.

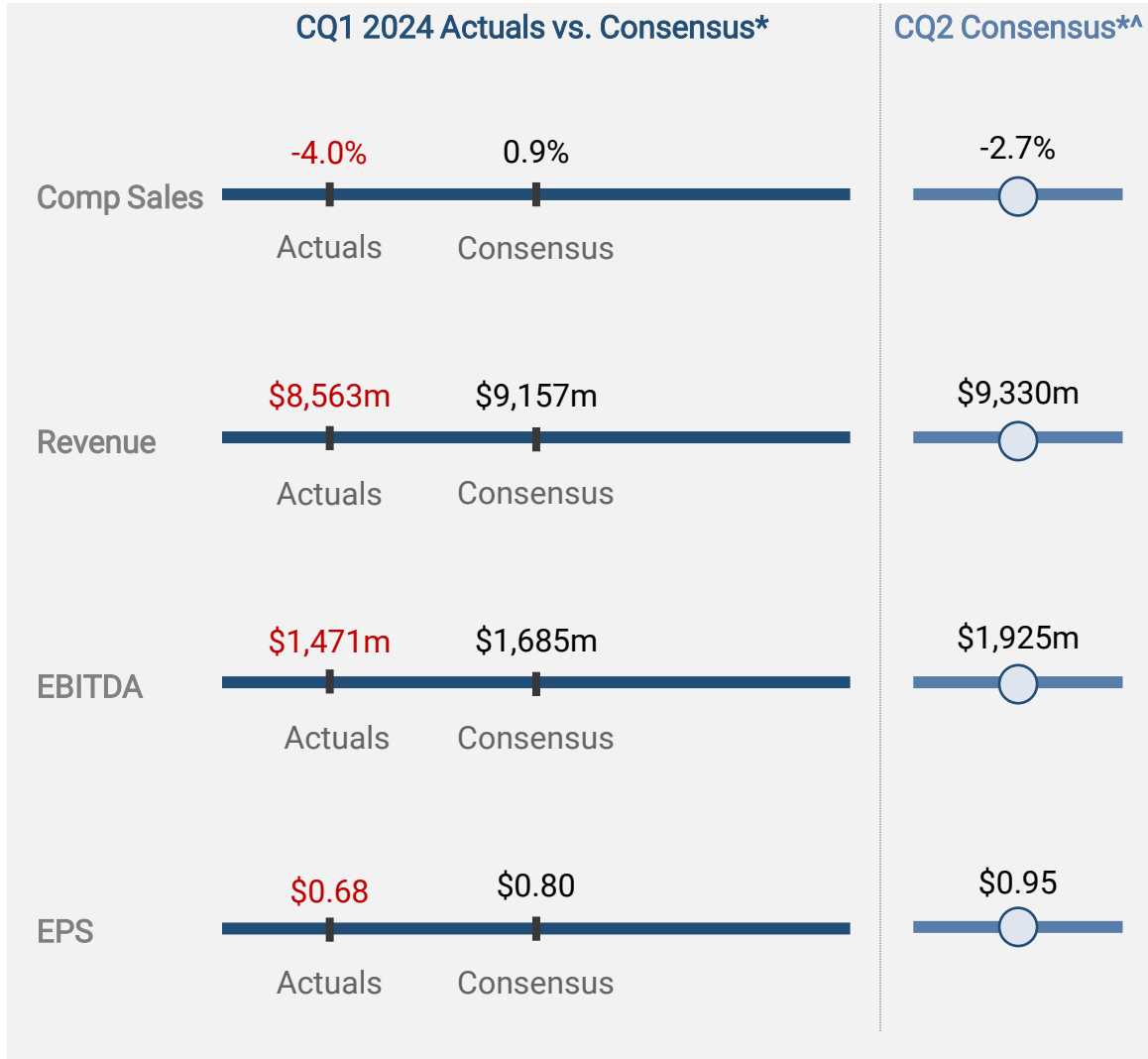
### 3 Strategic Initiatives

- McDonald's launched the "Best Burger" initiative which focuses on improving burger offerings and the quality of meat used.
- There is exploration of new restaurant concepts such as CosMc's which focuses on drinks and snacks rather than larger meal offerings.

### 4 Future Investments

- McDonald's is aiming to reach 50,000 restaurants by the end of 2027. This includes entering new markets and expanding in existing ones.
- Within current markets, McDonald's plans to negotiate better terms with suppliers to improve the availability of menu items worldwide.

# Restaurant Index Performance Starbucks



## CQ1-2024 Headlines

1

### Strategic Challenges

- Starbucks reported challenges such as meeting peak demand, driving afternoon traffic, and reaching occasional customers effectively.
- These challenges outweighed the enduring strength in brand equity and customer loyalty.

2

### International Segment

- International business, particularly China, faced challenges due to economic volatility and market concentration.
- Long-term growth in China and other challenging markets is still expected through strengthening their premium position and market-specific strategies.

3

### Strategic Initiatives

- The strategic initiatives include the Triple Shot with 2 Pumps Reinvention strategy which focuses on elevating the brand, enhancing digital capabilities, and global expansion.
- Starbucks is rolling out the Siren System and leveraging the Toyota Production System to increase store productivity.

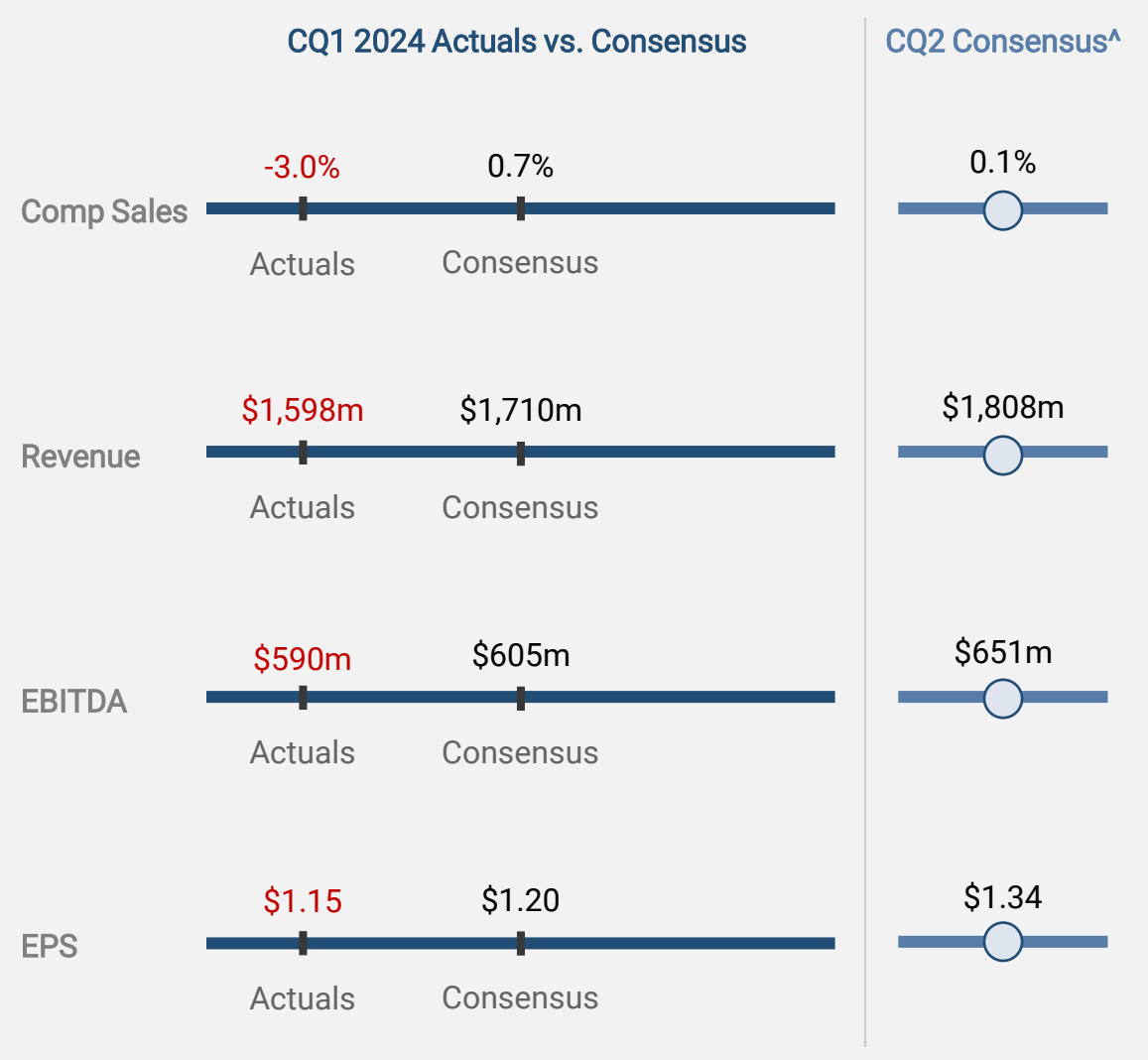
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### Expansion and Impact

- Starbucks is emphasizing product innovation and digital capabilities. The lavender launch this quarter was successful.
- Other investments being made are in sustainability. Starbucks is working to reduce their environmental footprint and contribute to the company's long-term viability.

\*Starbucks CQ1 represents company's Fiscal 2024 Q2; CQ2 represents company's Fiscal 2024 Q3.  
<sup>A</sup>Consensus estimates as of May 7, 2024/ Source: Capital IQ

# Restaurant Index Performance Yum Brands



## CQ1 -2024 Headlines

### 1 Sales Growth

- Yum! Brands grew core operating profit 6%, despite the challenging macroeconomic environment.
- System sales grew by 2% and unit growth by 6%. The Middle East conflict created negative headwind on Yum!’s overall Q1 same-store sales.

### 2 Innovation and Affordability

- One of Yum! Brands, Taco Bell hosted the Live Mas event in Las Vegas, Taco Bell was named the Most Innovative Company in Dining.
- With the challenging Macroeconomic conditions, value menus at franchises are being developed and deployed.

### 3 Key Growth

- Yum! Brands completed the acquisition of 218 KFC franchise restaurants. This is part of their strategy to expand market presence.
- The digital sales mix is now composed of over 50% of sales coming from digital channels, approaching \$30 billion in annualized sales.

### 4 Technology Advancement and Sustainability

- Yum! Brands has over 40 AI initiatives in progress focusing on enhancing consumer experiences, improving operations, and growth.
- Various platforms such as Poseidon POS system, Yum! E-commerce, and Dragontail have been deployed across the brands to drive development momentum.

<sup>^</sup>Consensus estimates as of May 7, 2024 / Source: Capital IQ

# Macro Environment

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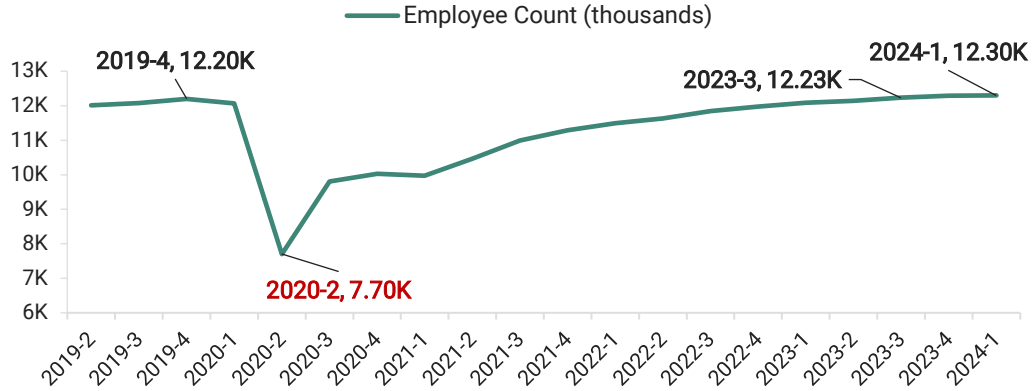
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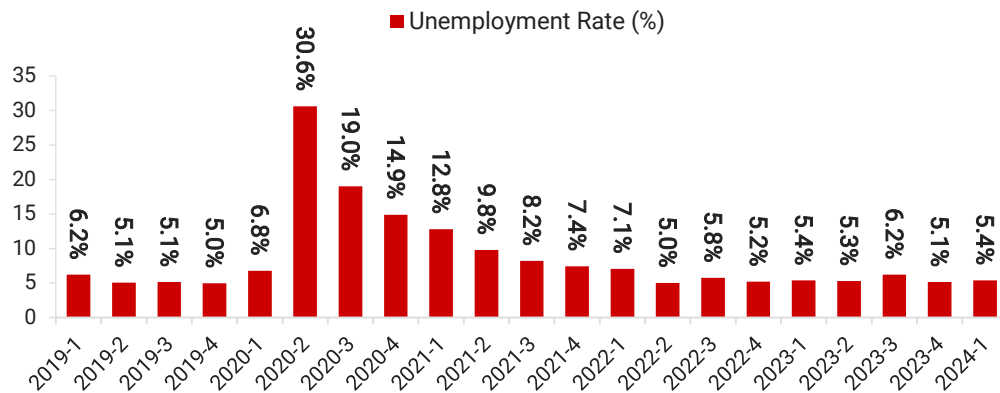
# Macro Environment: Food Service Labor Market

## All Employees (thousands)



Restaurant staffing saw a modest rise in Q1 2024, with employee count increasing 0.08% compared to Q4 2023. This could be due, in part, to smaller chains bulking up their staff to compete with the lure of higher wages offered by larger competitors.

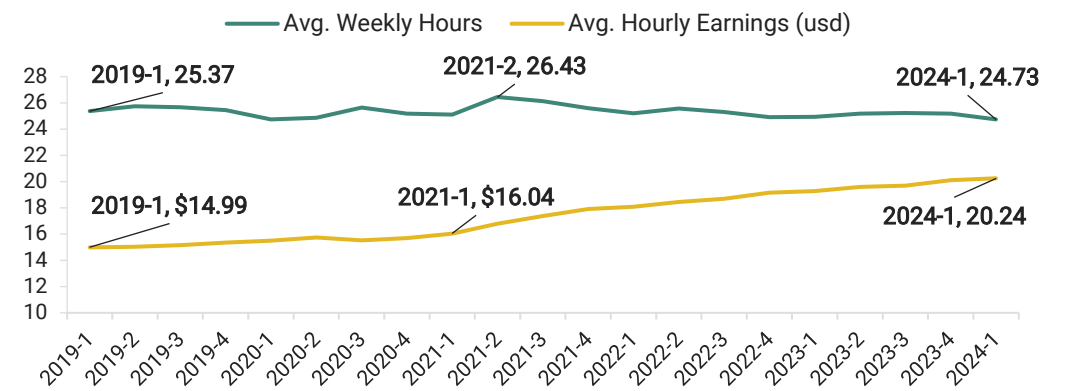
## Unemployment Rate



The restaurant industry's unemployment rate ticked up slightly to 5.4% in 2024. While job openings still exist, automation and streamlining efforts by some brands could lead to short-term layoffs.

Source: <https://www.bls.gov/>

## Average Weekly Hours & Hourly Earnings



As predicted last quarter, California's minimum wage increase that took place in Q1 2024 is observed in the latest average hourly earnings figures with a 0.65% increase in comparison to Q4 2023. Average weekly hours continues to steadily decrease.

## Key Takeaways (% Increase/Decrease)

Timeframe	Employee Count	Unemployment Rate (%)	Avg. Weekly Hours	Avg. Hourly Earnings (usd)
Q1 2024 vs. Q4 2023	▲ 0.08%	▼ 0.27%	▼ -1.75%	▲ 0.65%
2024 vs. 2022	▲ 4.79%	▲ -0.37%	▼ -2.03%	▲ 8.85%

- **Employee count** has recovered to pre-covid totals and continues to slowly rise.
- **Hourly earnings** continue to increase as minimum wages rise.
- **Average weekly hours worked** continues to decrease.
- **Unemployment rate** continues to decrease steadily from 2020 and has reach pre-covid levels.

# Macro Environment: Commodities

## Quarterly Highlights











Overview of key changes in United States commodity prices between Q1 2024 and Q4 2023:

- **Poultry:** Prices continue to steadily increase. Bird flu outbreaks continue to impact supply and adversely impact pricing for operators.
- **Beef:** Prices decreased slightly in Q1 due to various factors. Regions such as Asia have seen softer consumer demand and overflowing stockpiles, leading to a price decrease. This could continue to put downward pressure on US beef prices.
- **Freight Costs:** Prices continue to trend downward in Q1 of 2024 and has been decreasing since 2022.
- **Paper & Plastic Packaging:** Prices are relatively flat when comparing Q1 2024 to Q4 2023, however, prices have steadily inflated since 2020.

## 2024 Outlook

- **Continued upward pressure** on commodity prices due to supply chain challenges, rising production costs, and weather-related factors.
- **Potential for stabilization or slight moderation** in some areas like freight and packaging costs.
- **High volatility** in fuel prices due to global uncertainties.

## Key Commodity Trends (Q1 2024 vs. Q4 2023)

 Poultry	 Beef	 Pork
 Coffee	 Fruits & Vegetables	 Dairy
 Freight	 Packaging	 Fuel
 Restaurant Sales		

Source: U.S. Department of Agriculture

Source: U.S. Bureau of Labor Statistics

Source: fred.stlouisfed.org

# Digital Engagement

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# Digital Engagement: Audience Overlap

Visitors to a "Primary Site" who also visited a "Secondary Site" on the same day over the February – April 2024 period

Cross-Browsing Behaviors																					
		... Also Visited (i.e. Secondary Sites)																			
Visitors to (i.e. Primary Site) ...		Jersey Mikes	Jimmy John's	Subway	Arby's	Burger King	Jack in the Box	McDonald's	Shake Shack	Wendy's	Chick-fil-A	KFC	Popeyes	Chipotle	Del Taco	Taco Bell	Domino's	Papa John's	Pizza Hut	CAVA	Sweetgreen
SUBS	Jersey Mikes		5.0%	3.3%	2.0%	1.1%	0.7%	2.1%	0.7%	2.1%	2.2%	1.6%	1.6%	2.4%	NA	2.3%	4.5%	2.7%	3.6%	0.7%	NA
	Jimmy John's	5.0%		6.7%	2.0%	0.2%	NA	1.8%	NA	1.6%	1.8%	1.1%	0.9%	2.3%	NA	2.0%	4.1%	2.3%	2.2%	NA	NA
	Subway	1.4%	2.7%		1.5%	1.9%	1.0%	2.5%	0.3%	1.1%	1.1%	1.5%	2.1%	0.9%	1.2%	NA	1.9%	2.3%	0.1%	1.7%	NA
BURGERS	Arby's	2.7%	2.8%	3.0%		3.9%	3.3%	3.3%	NA	3.9%	3.3%	3.1%	3.1%	1.5%	NA	5.0%	3.1%	2.5%	3.2%	NA	NA
	Burger King	1.1%	1.5%	3.0%	3.3%		2.4%	6.3%	0.8%	4.3%	2.3%	2.3%	2.7%	2.1%	1.1%	4.3%	2.9%	1.7%	2.2%	NA	NA
	Jack in the Box	1.2%	NA	4.4%	6.5%	6.0%		7.5%	NA	7.1%	7.1%	7.6%	4.5%	4.1%	4.0%	11.9%	3.9%	2.8%	2.5%	NA	NA
	McDonald's	0.4%	0.4%	1.1%	0.8%	1.7%	0.7%		0.4%	1.6%	1.2%	0.7%	0.5%	0.6%	0.5%	1.8%	1.2%	0.7%	0.7%	NA	NA
CHX	Shake Shack	1.4%	NA	1.2%	NA	1.5%	NA	4.0%		3.8%	5.1%	NA	3.2%	4.3%	NA	2.8%	4.5%	2.6%	NA	2.5%	1.2%
	Wendy's	1.6%	1.2%	2.3%	3.3%	4.2%	2.5%	5.8%	1.3%		2.7%	3.8%	2.9%	2.2%	1.1%	4.8%	3.0%	2.0%	2.2%	NA	NA
	Chick-fil-A	1.7%	1.1%	1.6%	1.5%	1.8%	2.5%	2.4%	1.2%	2.1%		1.6%	1.8%	2.2%	0.3%	1.6%	2.7%	1.3%	2.1%	1.1%	NA
	KFC	1.5%	1.4%	4.4%	3.5%	3.4%	2.9%	4.3%	NA	3.8%	2.8%		5.2%	2.5%	1.7%	5.4%	3.8%	2.8%	4.8%	NA	NA
	Popeyes	2.3%	0.9%	2.6%	4.7%	4.0%	2.7%	3.5%	1.8%	3.1%	4.0%	6.1%		2.4%	0.7%	5.1%	4.9%	2.6%	2.6%	NA	NA
MEXICAN	Chipotle	0.8%	0.7%	1.1%	0.5%	0.7%	0.4%	1.1%	0.7%	1.2%	1.6%	0.8%	0.7%		0.2%	1.7%	1.4%	0.8%	0.8%	0.9%	0.7%
	Del Taco	NA	NA	NA	2.7%	6.3%	10.6%	13.2%	NA	9.8%	7.8%	7.5%	3.0%	7.6%		20.0%	3.1%	NA	2.9%	NA	NA
	Taco Bell	1.3%	1.0%	1.7%	2.3%	2.3%	2.2%	3.4%	0.5%	2.6%	1.7%	2.2%	1.5%	2.0%	1.4%		2.2%	1.8%	2.0%	0.3%	NA
PIZZA	Domino's	0.5%	0.4%	0.6%	0.5%	0.6%	0.3%	0.7%	0.3%	0.5%	0.6%	0.5%	0.4%	0.5%	NA	0.6%		4.0%	5.2%	0.1%	0.1%
	Papa John's	0.6%	0.7%	0.9%	0.7%	0.8%	0.4%	0.8%	0.5%	0.8%	0.8%	0.7%	0.8%	0.8%	NA	1.0%	11.1%		7.5%	NA	NA
	Pizza Hut	0.8%	0.8%	1.2%	1.1%	1.2%	0.4%	1.3%	NA	0.8%	1.0%	1.4%	0.8%	0.9%	0.2%	1.2%	13.5%	7.1%		NA	NA
OTHER	CAVA	0.9%	NA	NA	NA	NA	NA	1.1%	2.1%	NA	4.0%	NA	NA	4.4%	NA	1.0%	1.2%	NA	NA		3.4%
	Sweetgreen	NA	NA	NA	NA	NA	NA	NA	1.4%	NA	1.4%	NA	NA	2.9%	NA	NA	0.7%	NA	NA	3.4%	

Generally, McDonald's, Taco Bell, and Domino's had **high audience overlap** across the competitive set

Visitors to **pizza websites** were on a mission! This food type experienced the **lowest cross-browsing** across the sites reviewed

**Del Taco browsers** were the most likely to be both **brand and food type agnostic**, cross-browsing with frequency

**Taco Bell** saw an increase in cross-browsers from Q4 2023 to Q1 2024 ... in other words, **visitors from other company websites were more likely to also visit Taco Bell** in the Feb-Apr timeframe

Source: Ankura database and analysis; SimilarWeb (5/9/24).

Notes: Arrows indicate significant improvement/decline to last quarter. Websites are **boxed** above by Food Type.

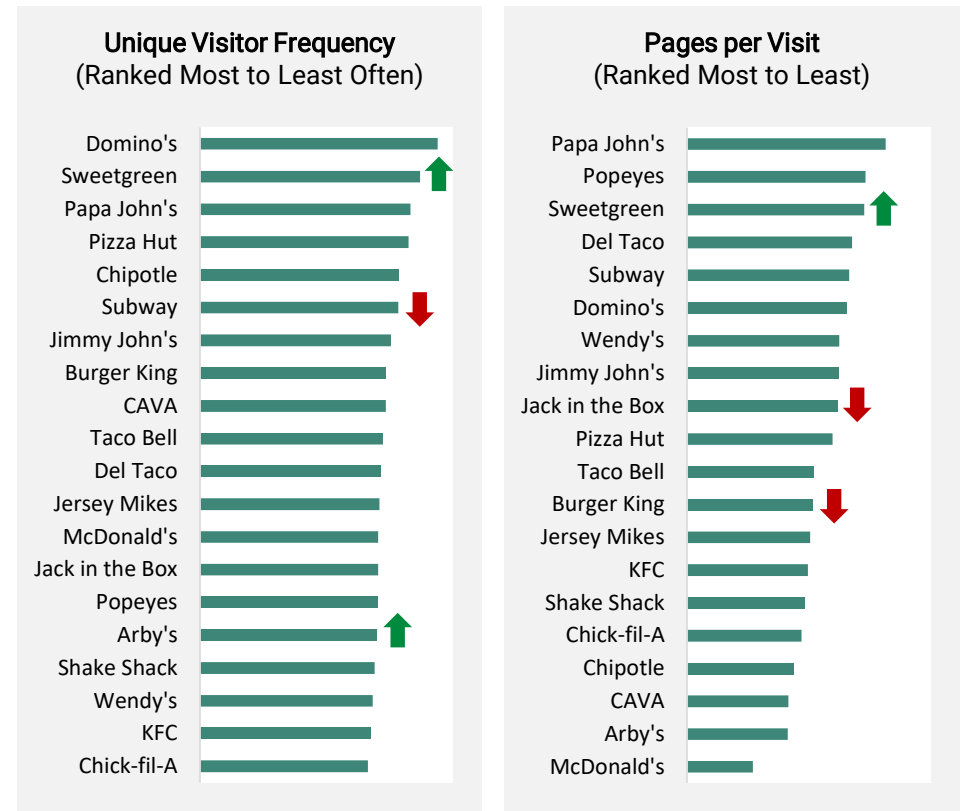
# Digital Engagement

## Key Metrics: Site Speed, Unique Traffic, and Engagement

			LCP			All Traffic						
			All Traffic		Site Speed (Seconds)	Est. Traffic (Millions)		Engagement				
			US Rank	QoQ Improvement	Mobile	Monthly Visits	Monthly UVs	Visits / UV	Pages per Visit	Bounce	Time on Site	
Subs		Jersey Mikes	1,829	Average	2.5	5.1	3.6	Average	Average	Average	Average	
		Jimmy John's	2,091	Average	4.7	3.6	2.4	Average	Average	Leading	Average	
		Subway	780	Lagging	5.7	12.9	8.2	Average	Average	Average	Average	
Burgers		Arby's	1,019	Leading	2.1	8.0	5.7	Average	Lagging	Lagging	Lagging	
		Burger King	1,373	Average	5.5	7.7	5.2	Average	Average	Lagging	Lagging	
		Jack in the Box	4,262	Lagging	4.4	2.0	1.4	Average	Average	Leading	Average	
		McDonald's	1,114	Average	1.9	21.2	15.0	Average	Lagging	Lagging	Lagging	
		Shake Shack	4,966	Leading	3.1	1.7	1.3	Lagging	Average	Average	Lagging	
		Wendy's	1,083	Average	2.6	8.4	6.2	Lagging	Average	Average	Average	
CHX		Chick-fil-A	752	Average	2.9	12.2	9.2	Lagging	Average	Average	Average	
		KFC	1,706	Average	8.8	5.8	4.3	Lagging	Average	Average	Average	
		Popeyes	1,734	Lagging	8.0	4.9	3.5	Average	Leading	Average	Average	
Taco		Chipotle	982	Average	7.5	9.4	6.0	Average	Average	Average	Average	
		Del Taco	9,608	Average	2.9	0.8	0.5	Average	Average	Average	Average	
		Taco Bell	817	Average	2.8	11.8	8.2	Average	Average	Average	Average	
Pizza		Domino's	247	Average	4.6	32.3	17.2	Leading	Average	Average	Leading	
		Papa John's	677	Average	8.9	11.7	7.0	Leading	Leading	Leading	Leading	
		Pizza Hut	581	Average	4.0	14.2	8.6	Leading	Average	Average	Leading	
Other		CAVA	5,620	Leading	1.4	1.7	1.2	Average	Lagging	Average	Average	
		Sweetgreen	7,600	Leading	2.1	1.0	0.6	Leading	Leading	Average	Average	

- Arby's, Shake Shack, and fast-casual health-forward restaurants CAVA and Sweetgreen show strong quarterly improvement in US rank
- Burger and chicken restaurants generally show average to lagging site engagement metrics compared to the competitive set, with average QoQ change in US rank
- Pizza restaurants generally show above-average engagement metrics compared to the competitive set, indicating an engaging website journey and loyal customer base

## Sites Unique Visitor Frequency and Pages/Visit



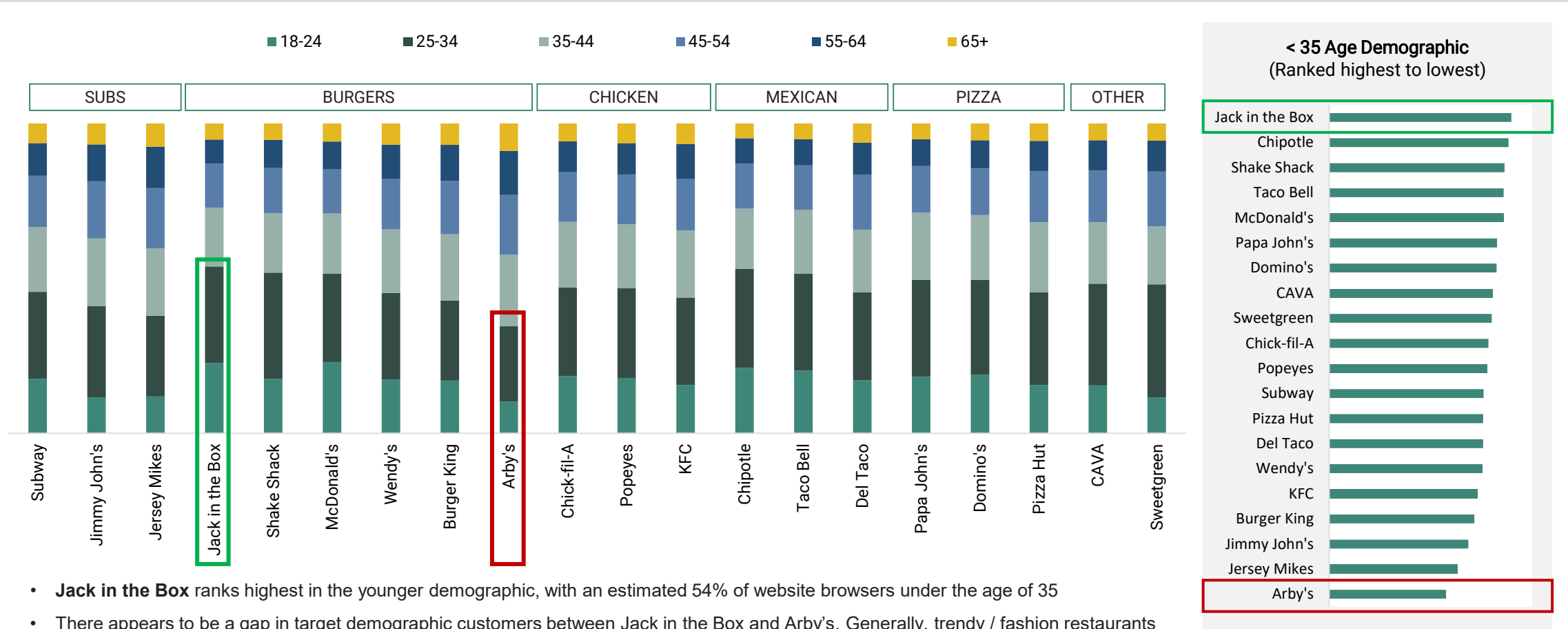
- Pizza restaurants rank above-average in UV frequency, indicating high customer loyalty
- Sweetgreen saw improvement in UV frequency and pages / visit in Q1 2024 vs. Q4 2023

Sources: Site Speed: Largest Contentful Paint (LCP) from Google Site Speed (5/9/24); Traffic and Engagement Data: 3-month (Feb – April 2024) estimated website traffic data interpreted from Similarweb (5/9/24); Global site ranking QoQ data: Ankura database.

Source: Ankura Datasets and Analysis; Similarweb data from the 3-month period of Feb – April 2024 (Data extracted 5/9/24)

# Digital Engagement: Demographics

Demographic Metrics: Site Visitor Age Brackets



- **Jack in the Box** ranks highest in the younger demographic, with an estimated 54% of website browsers under the age of 35
- There appears to be a gap in target demographic customers between Jack in the Box and Arby's. Generally, trendy / fashion restaurants with whimsical appeal attract younger customers

Source: Ankura database and analysis; SimilarWeb (5/9/24)

# Ankura Restaurant Solutions

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# Ankura Restaurant Solutions

## Our Restaurant Experts

We deliver experienced talent to the table. Our operators dig in and get their hands dirty to resolve pressing issues, uncover and fix inefficiencies, and bring strategic initiatives to the finish line. Our restaurant team's in-depth experience includes:

- Operational experts that have sat in the chairs and addressed industry issues first-hand
- Trusted advisors during industry ups and downs, executing business strategies, fostering growth, managing costs, and protecting asset value
- Accounting and finance specialists with restaurant specific knowledge and insights

## Diverse Engagement Profiles

We understand and solve for the issues restaurants are facing at all stages of the business lifecycle. Our clients come from a variety of backgrounds including:

- Multi-Billion Dollar Franchises
- Large Hospitality Groups
- Mid-Sized Regional Chains
- Small Privately-Owned Companies

## Client Partnership Approach

To succeed, the team needs to be deeply involved in the process. Our philosophy is founded on putting people first and working together with our clients to deliver value while fostering lasting partnerships:

- Establishing a communicative relationship to co-navigate the rapidly evolving industry
- Collaborating to drive and enable effective, maintainable, and enduring improvements
- Delivering valuable tools and critical training necessary to ensure self-sufficiency

## How We Provide Support

### Financial Planning & Analysis

- Implement Master Data Management strategy, institute single source of the truth
- Institute driver-based budgeting/forecasting models, build "four-wall" store analysis

### Accounting and Cash Management

- Evaluate controls; develop robust accounting policies and guidelines
- Rationalize bank accounts, develop automated reconciliation and reporting cadences
- Standardize franchisee reporting and implement tools to support management

### Business Process Improvement

- Redesign finance operating model, implement strategies to manage working capital
- Streamline accounting operations enabling restaurants to focus on core activities
- Conduct full technology assessment and provide recommendations/initiatives roadmap

### Digital Solutions

- Develop KPI dashboards to analyze digital engagement and online marketing performance
- Analyze consumer target markets, online customer conversion rates and website/app traffic

### Labor and Capacity

- Develop dashboards to optimize workforce; determine staffing required for effective teams
- Determine turnover drivers; identify potential acquisition and retention strategies

### Third-Party Delivery

- Develop system requirements; identify improvements/enhancement opportunities
- Establish standardized processes to track adjustments, discounts, cancellations, taxes, fees

### Gift Card Programs

- Conduct program assessment, evaluate breakage methodology and recognition process
- Streamline accounting month-end and balance sheet reconciliation processes



# Ankura Restaurant Solutions

## Performance Improvement



**Keith Jelinek**  
Senior Managing Director | New York



**Rick Maicki**  
Senior Managing Director | Florida



**Michael Casey**  
Managing Director | Kansas



**Frank Jones**  
Managing Director | Virginia



**Chris Ventry**  
Managing Director | New York



**Laura Wheeler**  
Managing Director | New York

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**Jordyn Peck**  
Managing Director | Connecticut



**Jason Kaspar**  
Managing Director | Georgia



**Brad Portnoy**  
Senior Director | Ohio

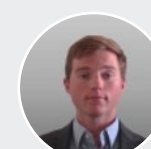


**Ryan Patrick**  
Director | Texas

## Labor Strategy



**John Frehse**  
Senior Managing Director | New York



**Sean Ennis**  
Senior Associate | Illinois

## Global Strategic Advisory



**Chris Caulfield**  
Managing Director | Washington DC



# Ankura Global Reach

35+

offices globally



44

languages spoken

2,000+ professionals

servicing 3,000 clients

across 115+ countries

- Ann Arbor • Atlanta • Beijing • Boston • Brussels • Chicago • Dallas • Dubai • Fairfield • Frankfurt am Main • Gurugram • Hong Kong
- Houston • Irvine • London • Los Angeles • Melbourne • Miami • Mumbai • Nashville • New York • Orlando • Perth • Philadelphia
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