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Restaurant Sector

Challenging Operating Conditions Persist in CQ2-2024



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Executive Summary

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Top Level Review

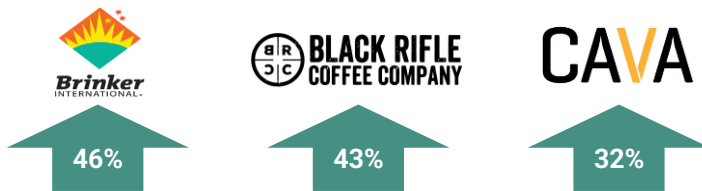
Summary

The restaurant sector experienced a significant contraction during CQ2-2024, **declining 6.85%** and materially underperforming compared to the **S&P 500 (which gained 3.92%)** during the period.

Despite the overall loss across the sector this quarter, companies that managed to increase their respective share prices during CQ2-2024 saw an **average growth of nearly 16%** in their respective stock prices. Companies that experienced a decrease during the quarter **lost an average of 18%** of their total share value.

While the restaurant industry continues to face considerable ongoing challenges, analysts have remained optimistic about the sectors' continued growth and resilience in the second half of 2024 and beyond.

Share Price % Change Winners

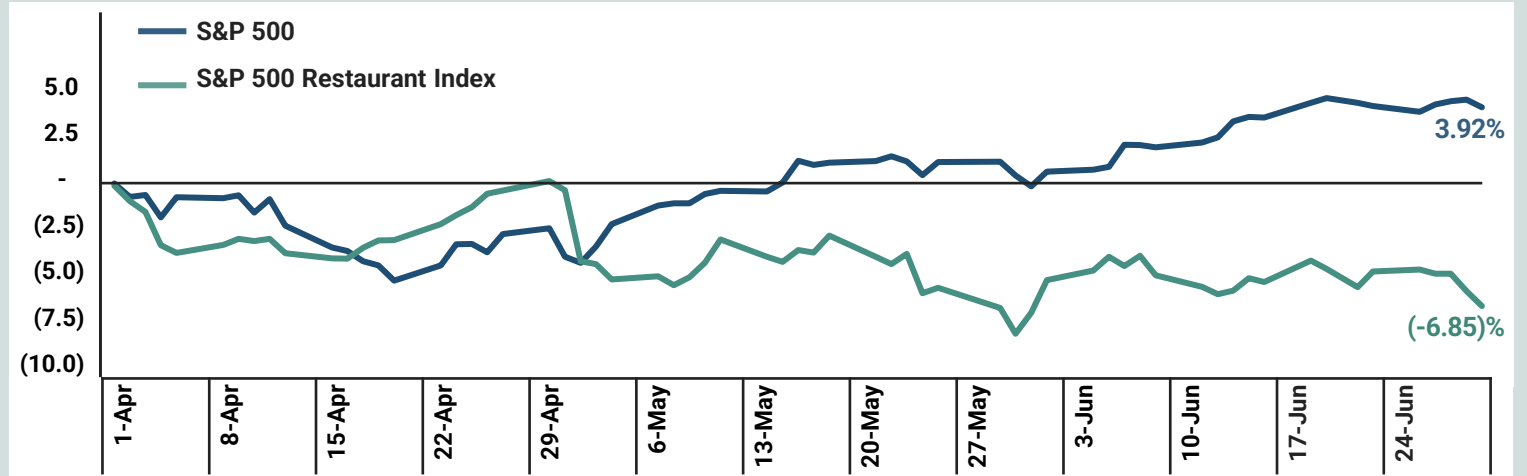


Share Price % Change Losers



Source: Capital IQ; trailing 3 months ending June 30, 2024

CQ2-2024 % 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 June 30, 2024

Key Themes

1

Challenging Top Line, Especially in QSR

Much like CQ1-24, many companies **struggled to meet top-line expectations**, with QSR brands feeling the most pain (see below analysis on Y-o-Y Comp Sales growth vs. Estimates).

Notably, McDonald's posted a negative comp sales for the first time since 2020. The CEO noted **"The QSR sector has meaningfully slowed** in the majority of our markets."

As brands wrestle with factors like global unrest impacting key international markets, "value" has become crucial for **winning back consumers**.

	Comp Sales Growth %			
	CQ1-24		CQ2-24	
Domino's	0.90	↑	2.10	↑
Jack in the Box	(2.50)	↓	(2.20)	↓
McDonald's	2.00	↓	(1.00)	↓
Papa Johns	(3.00)	↓	(4.20)	↓
Starbucks	(4.00)	↓	(3.00)	↓
Wendy's	0.90	↓	0.80	↓
Yum! Brands	(3.00)	↓	(1.00)	↓

Source: CapitalIQ; Ankura Analysis

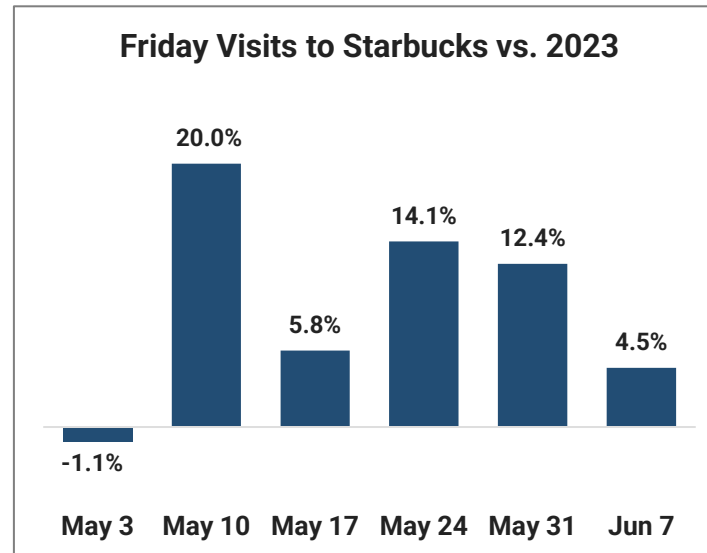
2

"Value, Value, Value" Rallying Cry

A significant driver of declining traffic appears to be **general inflation-weariness, especially among lower-income consumers**. To combat this, "value, value, value" has become the rallying cry for many restaurant brands.

Brands like **TXRH have bucked declining traffic trends** by positioning themselves as value destinations.

However, other brands such as **SBUX are increasingly using promotions** like their 50% off Friday discount in May to lure back lapsed customers (see below for the traffic "bump" SBUX saw during the relevant weeks in May.)



Source: Placer AI

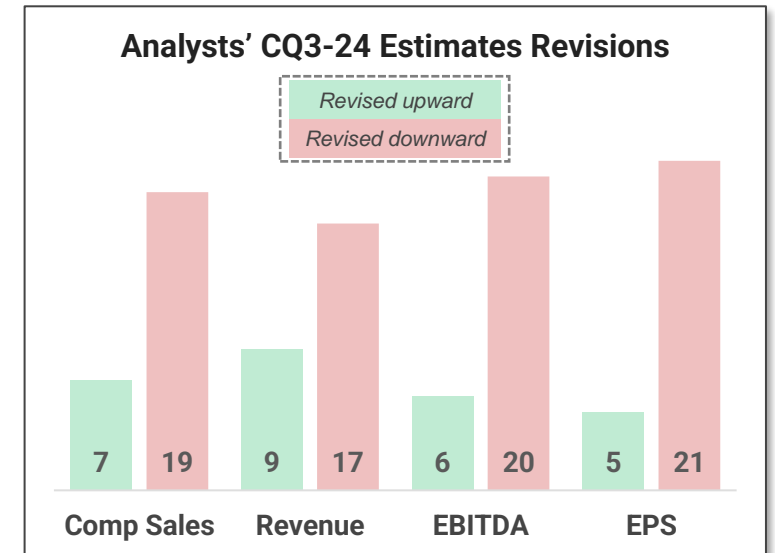
3

Cautious Outlook Moving Forward

While some brands are expecting a strong third quarter of 2024, **many companies have expressed caution** toward this period, as reflected in recent analysts' revisions.

The four KPIs below compare consensus estimates for Q3 **prior to and after Q2 earnings calls**.

For example, of the 26 companies in the sample, analysts **lowered their CQ3-2024 EPS estimates for 21 of the 26** companies.



Source: CapitalIQ; Ankura Analysis

Business Fundamentals: Four-Wall EBITDA

CQ2-2024 KEY TAKEAWAYS



All five tracked companies showed better restaurant profit margins, reflecting varied levels of **operational efficiency from CQ2-23 to CQ2-24** [See below](#)



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



While wage inflation has eased, it remains critical. **California's AB 1228** raised fast food workers' minimum wage to \$20/hour

DETAILED VIEW OF SELECT COMPANIES



\$ in millions	CHIPOTLE MEXICAN GRILL			SHAKE SHACK			DARDEN			TEXAS ROADHOUSE			Brinker INTERNATIONAL		
	CQ2-23	CQ2-24	% B/(W)	CQ2-23	CQ2-24	% B/(W)	CQ2-23	CQ2-24	% B/(W)	CQ2-23	CQ2-24	% B/(W)	CQ2-23	CQ2-24	% B/(W)
Restaurant Revenues	\$2,515	\$2,973		\$262	\$305		\$2,769	\$2,957		\$1,164	\$1,334		\$1,065	\$1,197	
Restaurant Cost Of Sales	\$739	\$874		\$76	\$85		\$855	\$907		\$401	\$436		\$280	\$298	
% of Store Sales	29%	29%	(1 bps)	29%	28%	111 bps	31%	31%	22 bps	34%	33%	176 bps	26%	25%	139 bps
Restaurant Labor	\$612	\$717		\$75	\$87		\$870	\$926		\$391	\$438		\$363	\$393	
% of Store Sales	24%	24%	22 bps	29%	28%	35 bps	31%	31%	10 bps	34%	33%	75 bps	34%	33%	128 bps
Other Restaurant Expenses	\$474	\$523		\$56	\$67		\$470	\$505		\$195	\$223		\$279	\$324	
% of Store Sales	19%	18%	123 bps	21%	22%	(64 bps)	17%	17%	(10 bps)	17%	17%	0 bps	26%	27%	(84 bps)
Restaurant Expenses	\$1,824	\$2,114		\$207	\$239		\$2,195	\$2,338		\$987	\$1,097		\$922	\$1,014	
Restaurant Level Profit	\$691	\$859		\$55	\$67		\$574	\$619		\$177	\$236		\$143	\$182	
% of Store Sales	27%	29%	143 bps	21%	22%	83 bps	21%	21%	22 bps	15%	18%	252 bps	13%	15%	183 bps

Performance to Plan

QSR & Fast Casual

5 of 16 beat EPS and Comp Sales estimates in CQ2-2024*

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

Notable EPS beats included **Potbelly** (beat estimates by 33%), **Papa Johns** (beat estimates by 15%), and **Jack in the Box** (beat estimates by 9%).

CQ2-2024 Actuals vs. Consensus Estimates



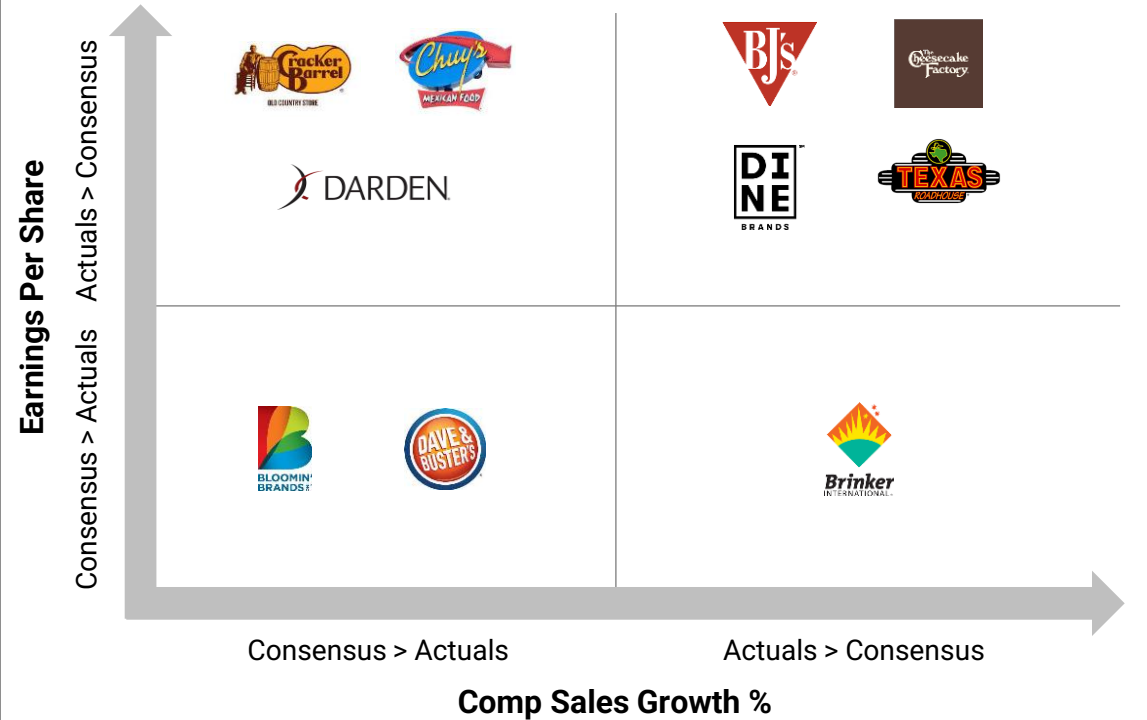
Casual & Fine Dining

4 of 10 beat EPS and Comp Sales estimates in CQ2-2024*

Notable EPS beats included **BJ's Restaurants** (exceeded estimates by 40% with an estimate of 0.53 vs. actual 0.74) and **Texas Roadhouse** (exceeded estimates by 9%).

Bloomin' Brands and Dave & Busters struggled for the second consecutive quarter, ending as the only Casual & Fine Dining companies to **miss both EPS and Comp Sales Growth** each period.

CQ2-2024 Actuals vs. Consensus Estimates



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

Note: includes companies that reported CQ2-2024 results as of August 14, 2024

* Cracker Barrel and Dave & Busters – quarter ended April 2024; DRI – quarter ended May 2024

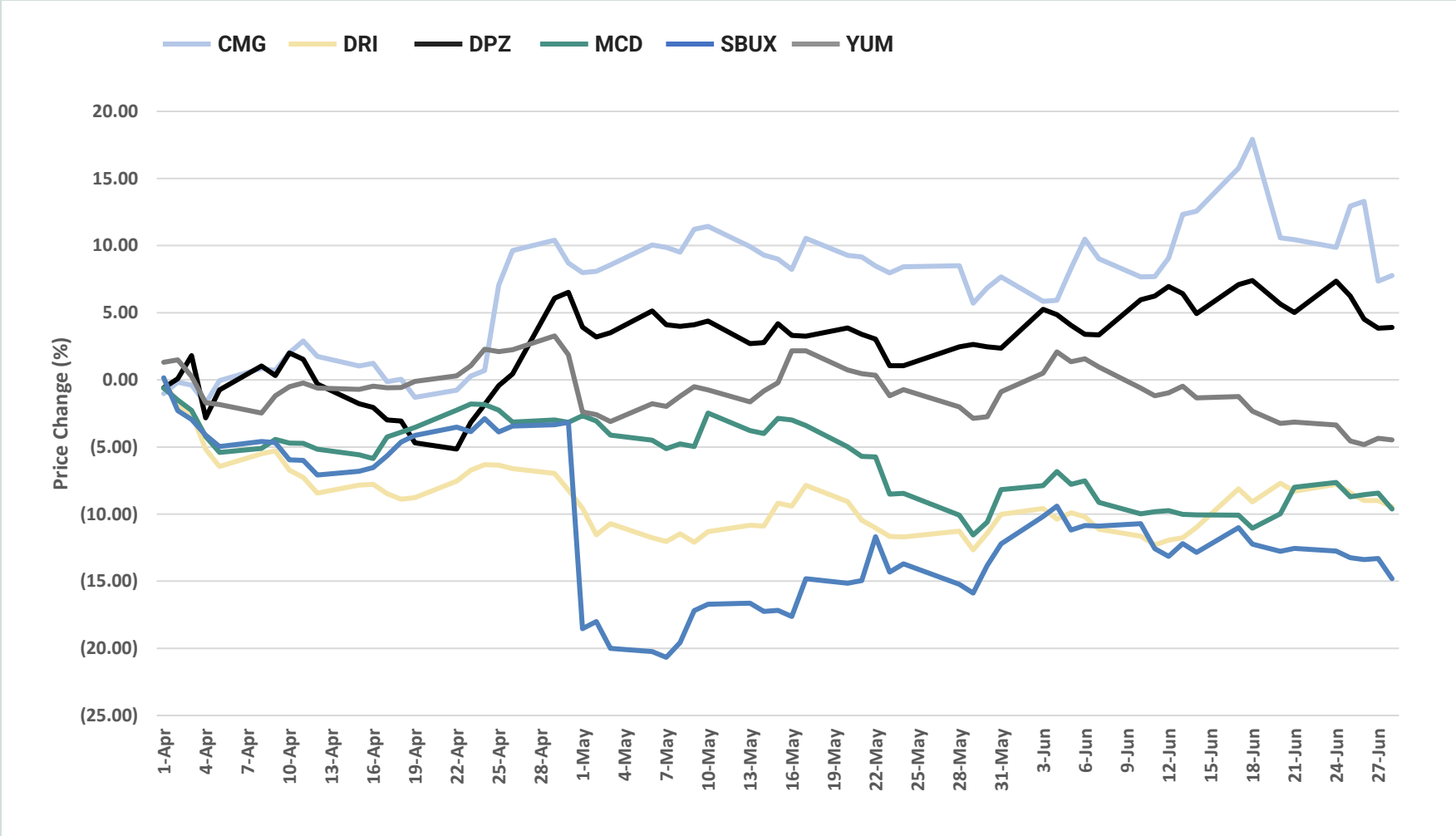
Restaurant Index Performance

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Restaurant Index Performance

CQ2-2024 Price Change: Restaurant Index Stocks



Stock	Price Change
CMG – Chipotle	7.8%
DRI – Darden	(9.5%)
DPZ – Domino’s	3.9%
MCD – McDonald’s	(9.6%)
SBUX – Starbucks	(14.8%)
YUM – Yum! Brands	(4.5%)
Restaurant Index*	(6.9%)

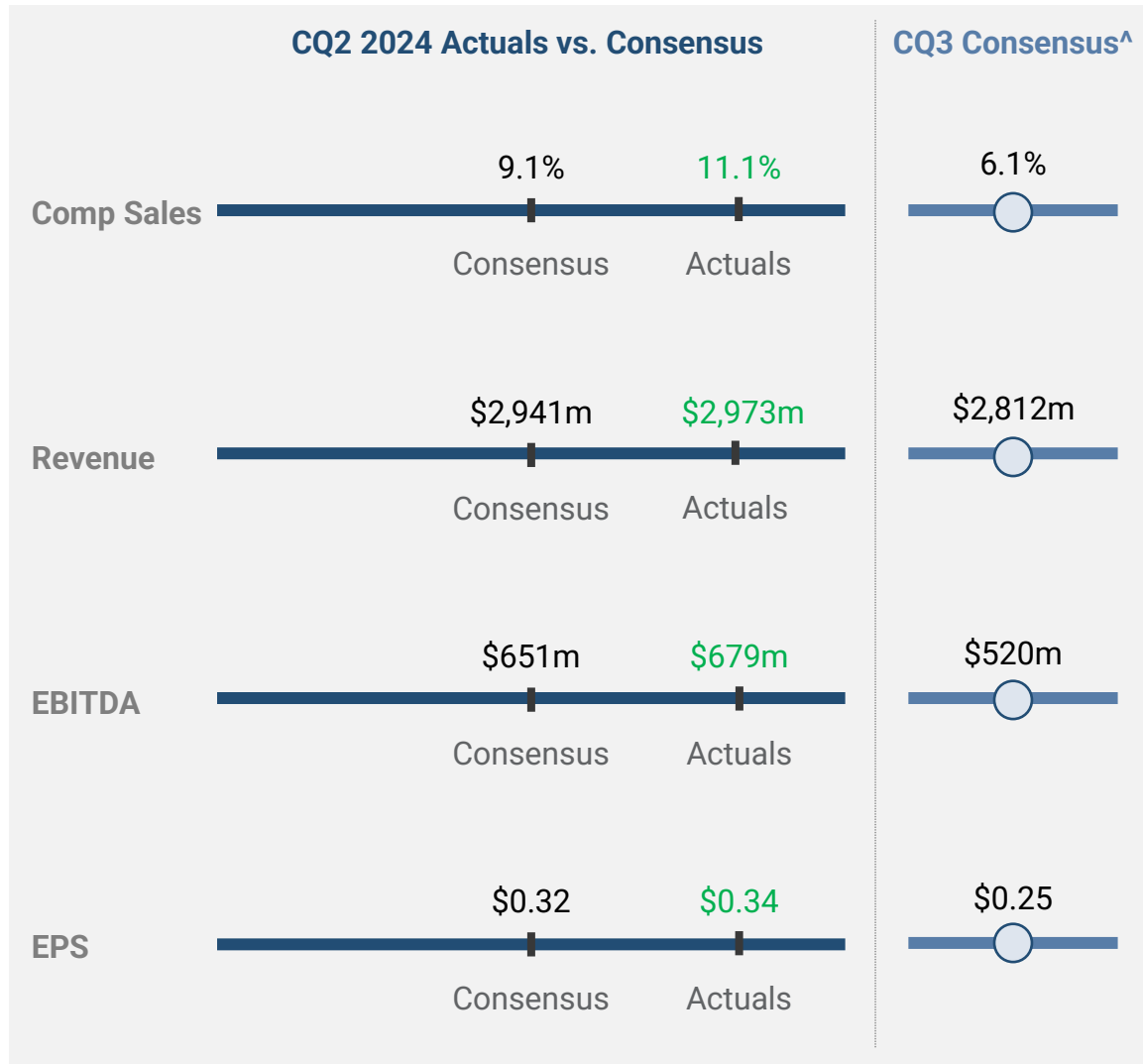
Select Commentary

- Among the six stocks highlighted in the Restaurant Sector Index, **Chipotle was the clear winner of Q2 with a 7.8% gain during the period.**
- CMG experienced a sharp rise in late April, jumping more than **10% on April 25th** following the company’s strong results from its Q1 earnings.
- **Starbucks saw another steep price decrease during Q2.** This is the third consecutive quarter Starbucks stock has dropped. SBUX share price **fell more than 20% from the beginning of 2024** through the end of Q2.

Source: Capital IQ; trailing 3 months ending June 30, 2024

*Weighted change of S&P 500 Restaurants Index

Restaurant Index Performance | Chipotle



[^]Consensus estimates as of August 6, 2024 / Source: Capital IQ

CQ2-2024 Headlines

1

Operational Excellence

- Chipotle reported 8% transaction comp growth and 11.1% comp sales increase
- The brand had a 50-for-1 stock split, one of the largest in NYSE history, and aims to make shares more accessible to employees and investors

2

Market Expansion

- In Q2, Chipotle opened 53 new restaurants, including 46 Chipotlane locations
- The company anticipates opening between 285 and 315 new restaurants in 2024, planning for 80% as Chipotlane locations. Expansion efforts in Kuwait and Dubai have been successful

3

Brand Engagement

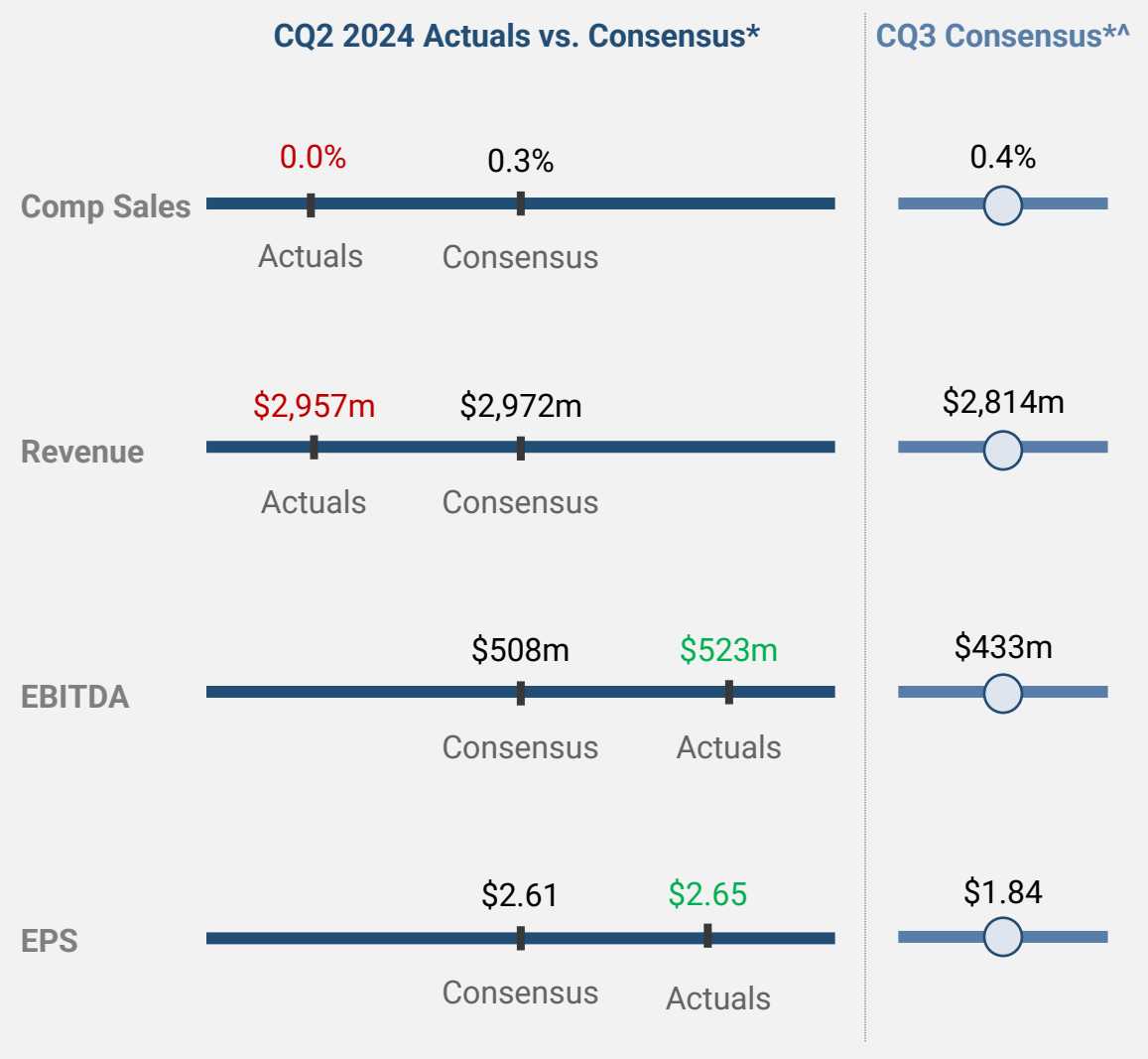
- Chipotle began offering Chicken al Pastor which drove strong demand and record-breaking sales and engagement on National Burrito Day
- Marketing campaigns focused on “real food for real athletes”, featuring athletes competing in events like those in Paris

4

International Outlook

- The company is pilot testing an automated digital make line and Autocado
- The brand is also exploring AI and vision technologies to support forecasting and order accuracy

Restaurant Index Performance | Darden



CQ2-2024 Headlines

1 Financial Performance

- Fiscal Quarter earnings per share met expectations at \$2.65, beating consensus estimates
- Total sales grew 6.8% year-over-year to \$3 billion, driven by new restaurant openings and the acquisition of Ruth's Chris Steak House
- Darden achieved a shareholder return of 14.2% for Fiscal Year 2024

2 Consumer Behavior and Market Trends

- The company noted a pullback from lower-income consumers; the brand plans to maintain modest pricing increases and not engage in deep discounting
- Marketing efforts will emphasize unique offerings and personalization within restaurants

3 Cost Management

- Restaurant level EBITDA grew by 120 basis points for the fiscal year primarily due to cost management through synergies from the integration of Ruth's Chris and mark-to-market expense on deferred compensation
- Olive Garden maintained an industry-leading segment profit margin of 22.8%

4 Future Growth and Expansion

- For fiscal 2025 (ending May-25), Darden expects total sales of \$11.8 to \$11.9 billion, driven by same-restaurant sales growth and the addition of 45-50 new restaurants
- Capital spending is projected to be \$550-\$600 million with leverage below the targeted range, which will provide flexibility for future investments

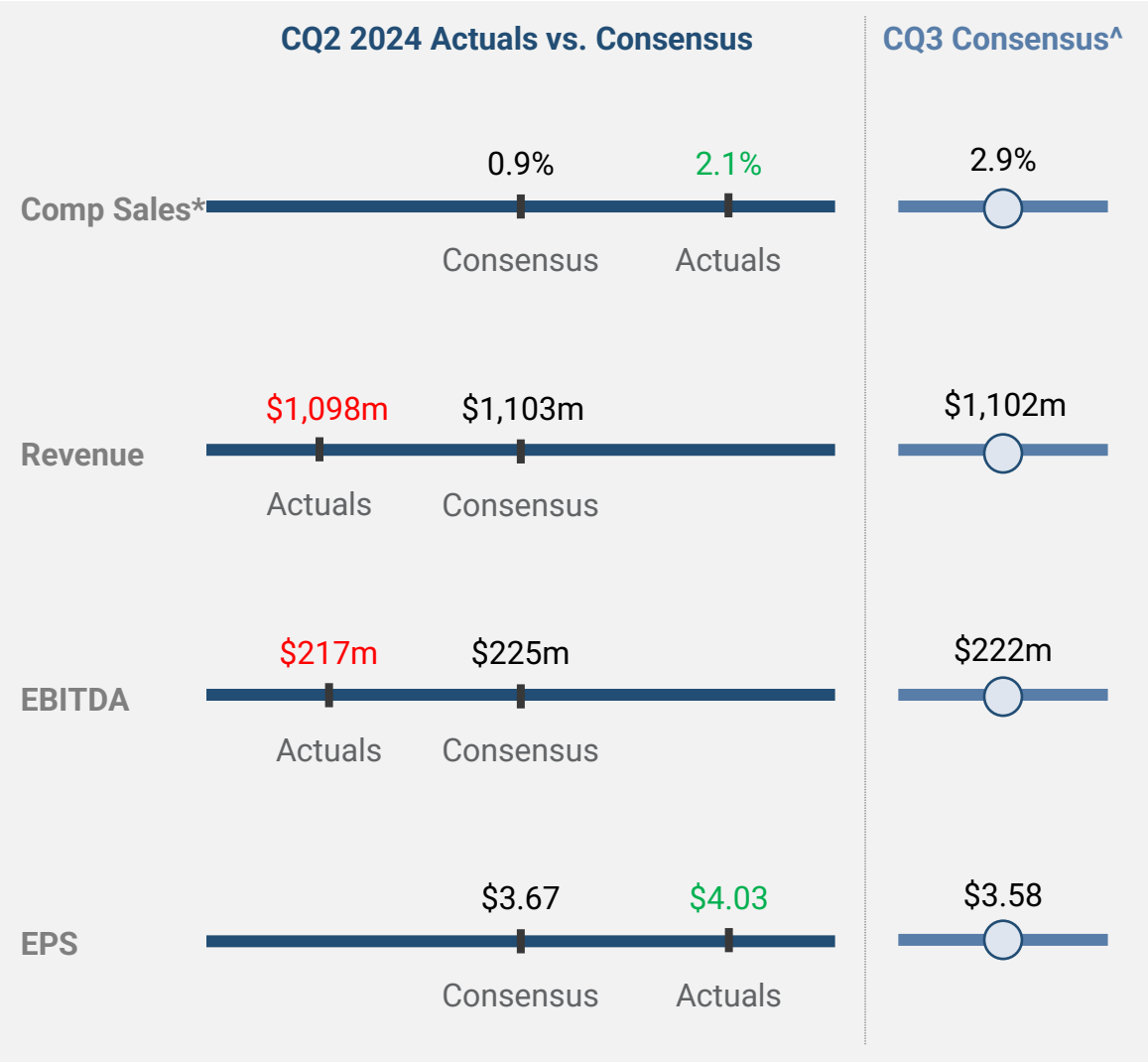
*CQ2 2024 includes DRI's fiscal quarter ended May-24; CQ3 2024 includes DRI's fiscal quarter ending Aug-24

^Consensus estimates as of August 6, 2024 / Source: Capital IQ

Restaurant Index Performance



Domino's



CQ2-2024 Headlines

1 Financial Performance

- Domino's beat consensus estimates on EPS with \$4.03 and has had consistent growth in U.S. comparable sales driven by order count increases across both delivery and carry-out
- International sales also improved, contributing to 7.2% increase in global retail segments

2 Loyalty Program

- The brand revamped its loyalty program and has seen significant increases in the number of users and frequency of orders
- Orders with loyalty redemptions doubled in the first half of 2024 compared to 2023
- Domino's expects the loyalty program to continue driving growth over the next few years

3 Initiatives and Innovation

- "Hungry for MORE" strategy was a success; providing higher quality food at a renowned value
- The introduction of the New York Style Pizza has been a significant driver in new customers and increasing sales
- The company is rolling out new service programs and product trainings

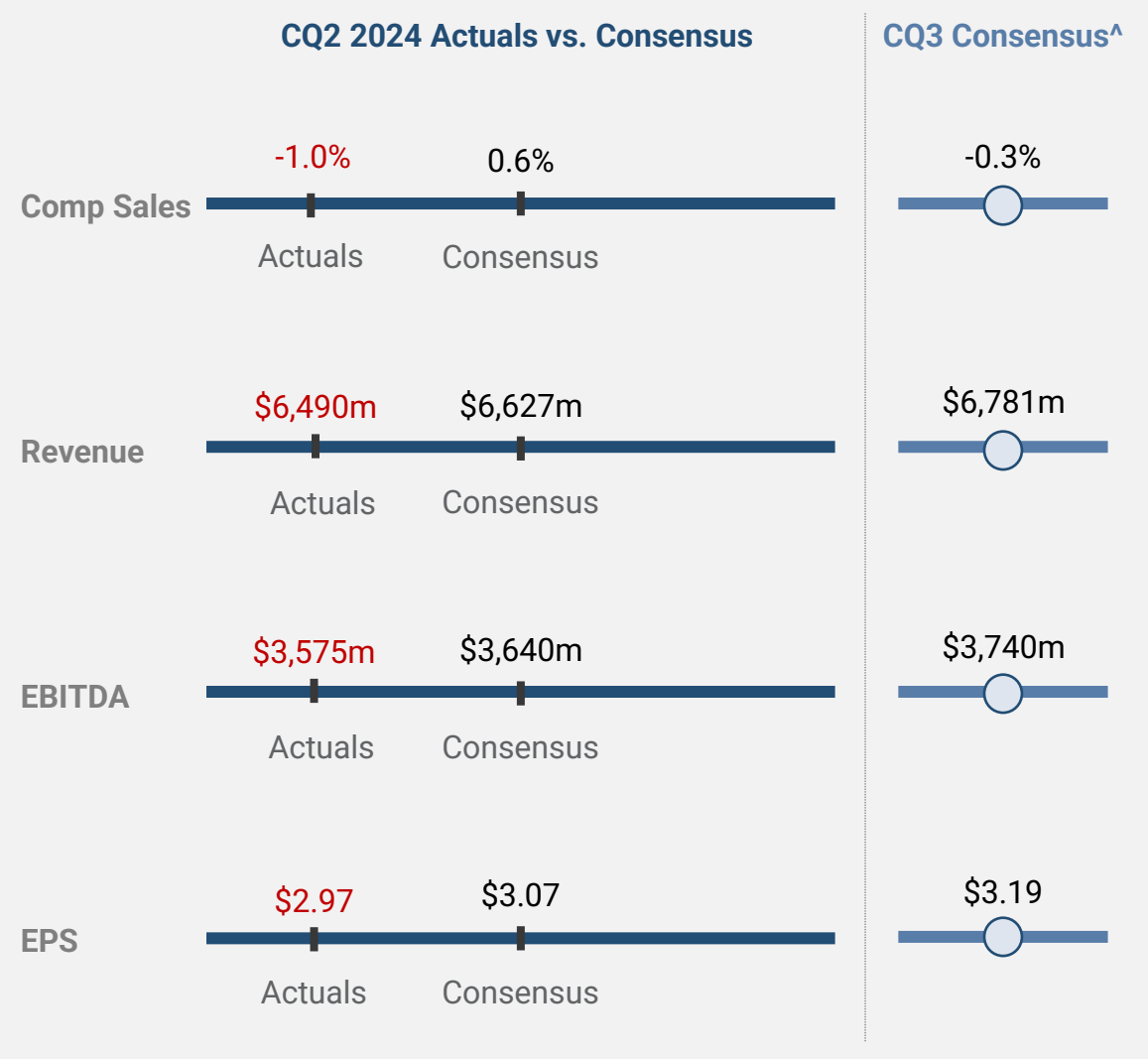
4 Strategic Investments and Outlook

- Despite broader economic concerns, the company remains confident in its ability to achieve financial targets of 7% or more growth in global retail sales and an 8% or more increase in operating income
- Domino's announced a temporary suspension of its net store growth guidance.

*DPZ reports US and Int'l Comp Sales; this figure represents Int'l Comp Sales given it represents majority of system

^Consensus estimates as of August 6, 2024 / Source: Capital IQ

Restaurant Index Performance McDonald's



[^]Consensus estimates as of August 6, 2024 / Source: Capital IQ

CQ2-2024 Headlines

1 Market Conditions

- McDonald's declined in both EPS and revenue
- Macroeconomic conditions are challenging the QSR industry globally as consumer spending is slowing, particularly among lower-income households; the company emphasized the need for better value execution to regain market share

2 Value Offerings

- The company has introduced the \$5 Meal Deal in the U.S. which has shown engagement among lower-income households
- Similar value initiatives are being introduced in international markets such as Germany and the UK
- The offering has not translated to significant sales increase but has increased traffic

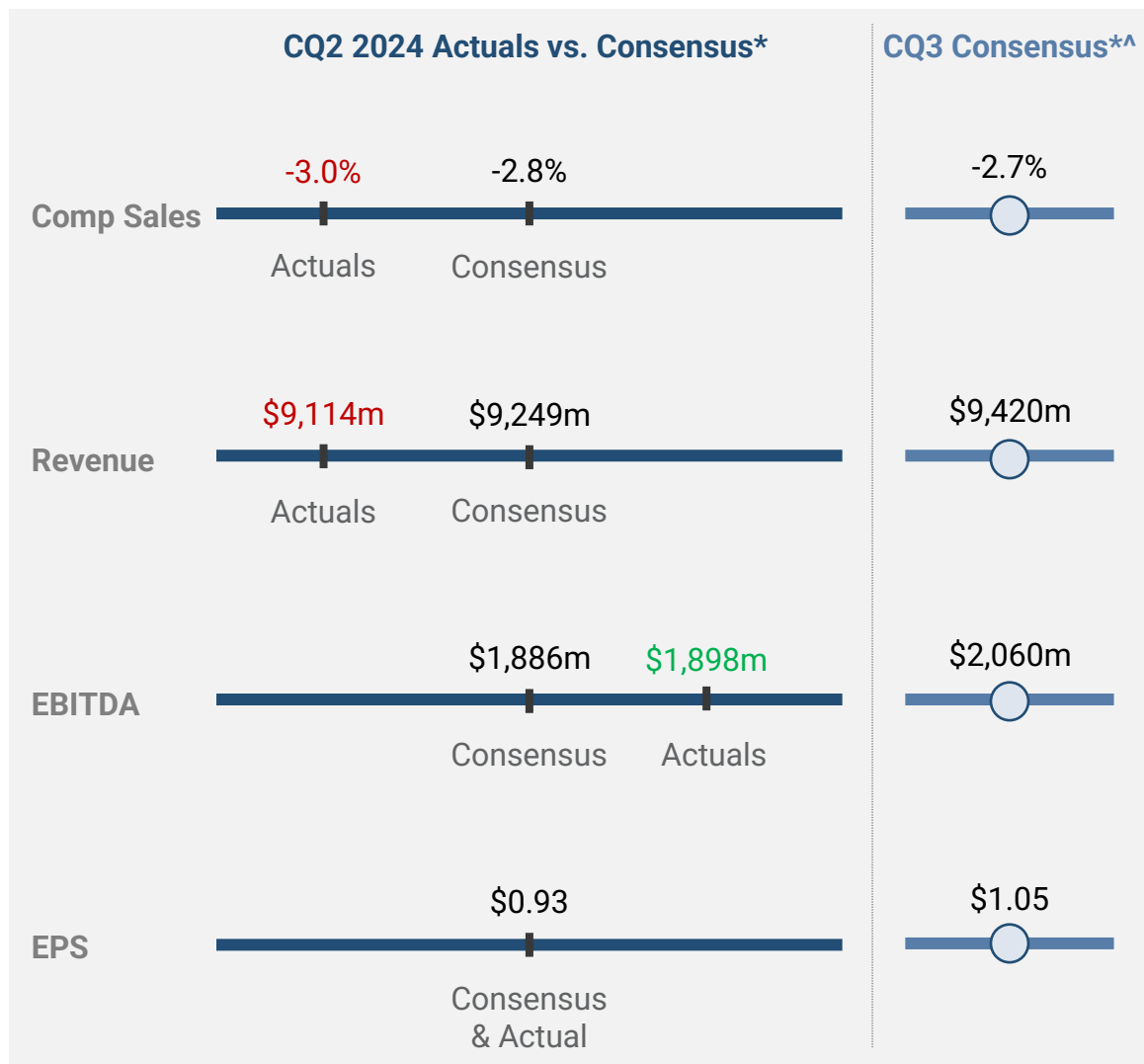
3 Strategic Initiatives

- McDonald's Best Burger deployment and expansion of the McCrispy chicken sandwich have increased customer satisfaction
- The brand is leveraging its extensive restaurant network, brand equity, and marketing capabilities to drive long-term growth and maintain its leadership in the QSR industry

4 Digital Growth

- The company has grown its digital platform, with loyalty membership reaching 166 million members
- Loyalty members represent 25% of system-wide sales, with digital channels driving market share increases

Restaurant Index Performance Starbucks



CQ2-2024 Headlines

1

CEO Change

- On August 13, Starbucks appointed Chipotle CEO Brian Niccol as the new CEO, replacing Laxman Narasimhan after 16 months.
- Activist investors pushed for leadership change; Starbucks shares surged 25%, while Chipotle shares dropped 8%
- Niccol aims to restore stability and improve operations

2

Financial Performance

- Starbucks reported global comparable store sales increasing 10%, driven by a 7% increase in ticket and a 3% increase in transactions
- For revenue, year-over-year growth was 12%, growing to \$9.6 billion
- Adjusted earnings per share came in at \$1.15, reflecting a 15% growth from previous year

3

Strategic Initiatives

- The strategic initiatives include the Oleato line of beverages and new cold brew offerings
- Loyalty membership in the Starbucks Rewards program grew by 18% year-over-year to 33 million active members
- The strategic value pricing initiatives have helped offset inflationary pressures

4

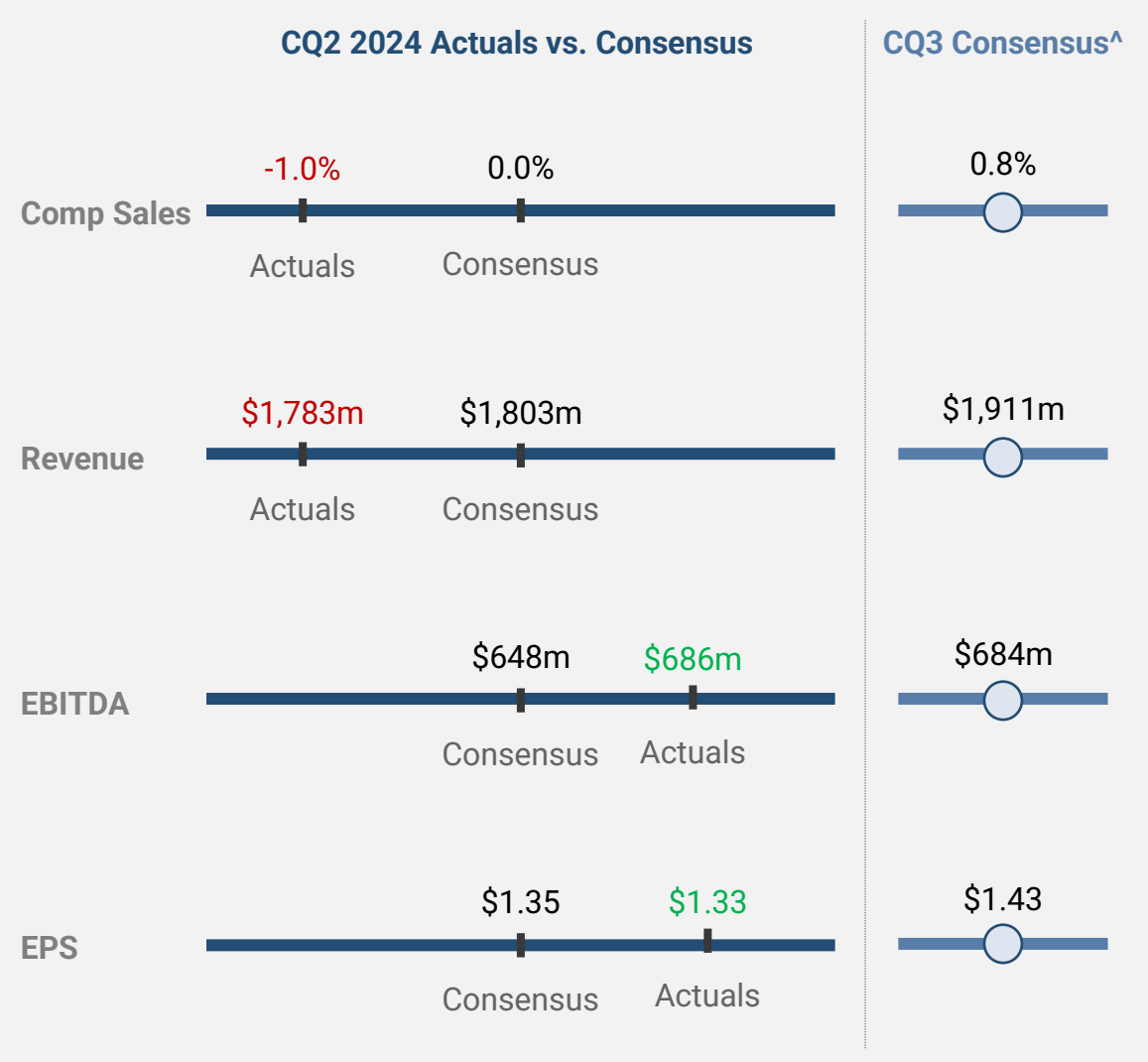
Expansion and Impact

- Starbucks is emphasizing product innovation and digital capabilities. Digital sales are a key growth driver, representing 47% of total global revenue
- The company announced several initiatives aimed at reducing its environmental footprint. Starbucks is on track to reduce waste by 50% by 2030

*Starbucks CQ2 represents company's Fiscal 2024 Q2; CQ3 represents company's Fiscal 2024 Q4.

[^]Consensus estimates as of August 6, 2024/ Source: Capital IQ

Restaurant Index Performance Yum Brands



CQ2-2024 Headlines

1 Sales Growth

- Yum! Brands grew core operating profit 10%, despite the challenging macroeconomic environment
- The company remains confident in achieving 8% core operating profit growth for the full year with improvements in same-store sales expected in future quarters
- Operational efficiencies are expected to drive lower G&A expenses

2 Digital Innovation

- Yum! Brands has deployed technology platforms such as Poseidon POS and Dragontail, and the Yum! E-commerce platform is accelerating
- AI use is expanding, including drive-through Voice AI technology which has shown promising results

3 Key Growth

- Taco Bell U.S. and KFC International continue to be the primary growth engines
- Taco Bell U.S. achieved a 7% increase in sales driven by new menu offerings; KFC International reported 11% growth
- Pizza Hut showed signs of improving trends both in the U.S. and internationally

4 Outlook and Expansion

- Yum! Brands opened 894 units in Q2, putting it on track to achieve 5% unit growth for the full year
- Yum! Is focused on enhancing shareholder value through capital allocation and resuming share repurchases; the long-term strategy involves leveraging digital capabilities, operational efficiencies, and franchisee growth

[^]Consensus estimates as of August 6, 2024 / Source: Capital IQ

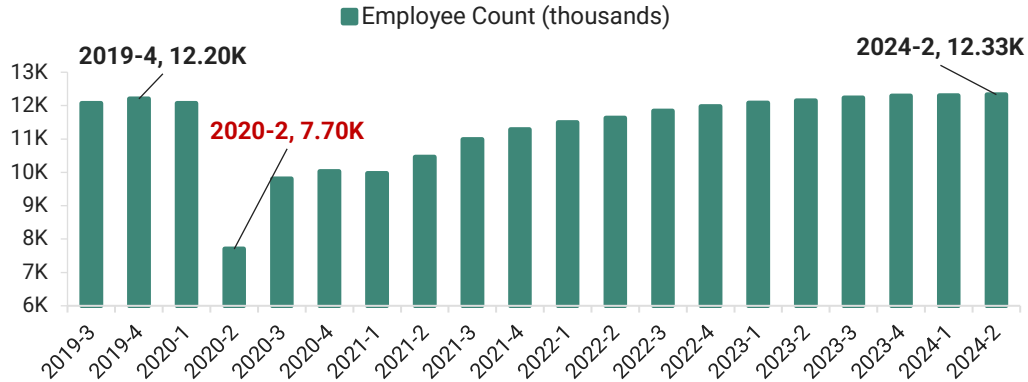
Macro Environment

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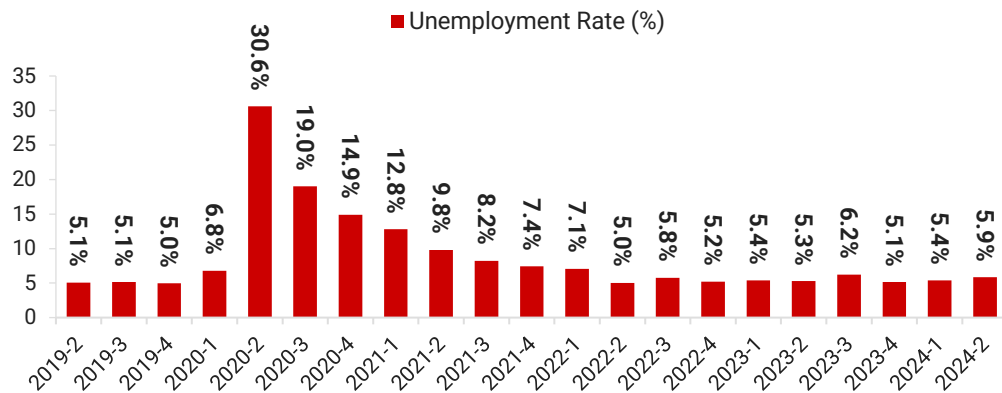
Macro Environment: Food Service Labor Market

All Employees (thousands)



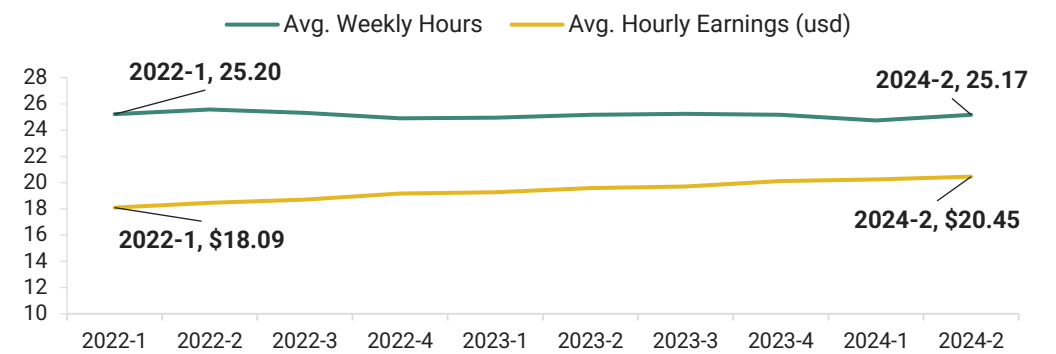
The employee count in Q2 2024 was approximately 0.3% higher than in Q1 2024. This increase is most likely attributed to seasonal factors, such as increased business during the summer months, leading to additional staffing needs.

Unemployment Rate



The unexpected rise in unemployment, despite job growth, can be attributed to factors like increased labor force participation, underemployment, and economic uncertainty.

Average Weekly Hours & Hourly Earnings



The labor market in Q2 2024 showed signs of improvement in terms of wage growth, with average hourly earnings increasing by 1% paired with a 2% increase in average weekly hours worked per employee.

Key Takeaways (% Increase/Decrease)

Timeframe	Employee Count	Unemployment Rate (%)	Avg. Weekly Hours	Avg. Hourly Earnings (usd)
Q2 2024 vs. Q1 2024	0.30%	8.64%	1.80%	1.00%

- Employee count** continued to grow, with a slight increase in Q2 2024.
- Hourly earnings** increase is a positive indicator for workers.
- Unemployment rate** increased in Q2 2024. The slight rise in unemployment is notable, potentially due to seasonal patterns, economic factors, or changes in workforce participation.
- Average weekly hours worked** increased, indicating seasonal factors or a potential increase in workload.

Macro Environment: Commodities











Quarterly Highlights

Overview of key changes in United States commodity prices between Q2 2024 and Q1 2024:

- **Poultry:** Poultry prices increased but are starting to stabilize due to improved supply driven by rising global demand
- **Beef:** Beef prices could continue to fall due to weaker demand and increased supply
- **Freight Costs:** Freight costs dropped as global supply chains recover and economic activity picks up
- **Paper & Plastic Packaging:** Inflation and supply chain issues could keep prices high in 2024 for paper and plastic packaging

2024 Outlook

- **Economic Conditions:** Global economic conditions, including growth rates, inflation, and interest rates, will continue to significantly impact commodity demand and prices
- **Ongoing Supply Chain Challenges:** Such as transportation issues, labor shortages, and logistical bottlenecks, continue to contribute to price volatility in 2024

Key Commodity Trends (Q1 2024 vs. Q4 2023)		
 <p>Poultry</p>	 <p>Beef</p>	 <p>Pork</p>
 <p>Coffee</p>	 <p>Fruits & Vegetables</p>	 <p>Dairy</p>
 <p>Freight</p>	 <p>Packaging</p>	 <p>Fuel</p>
 <p>Restaurant Sales</p>		

Source: U.S. Department of Agriculture
 Source: U.S. Bureau of Labor Statistics
 Source: fred.stlouisfed.org

Macro Environment: International View – China

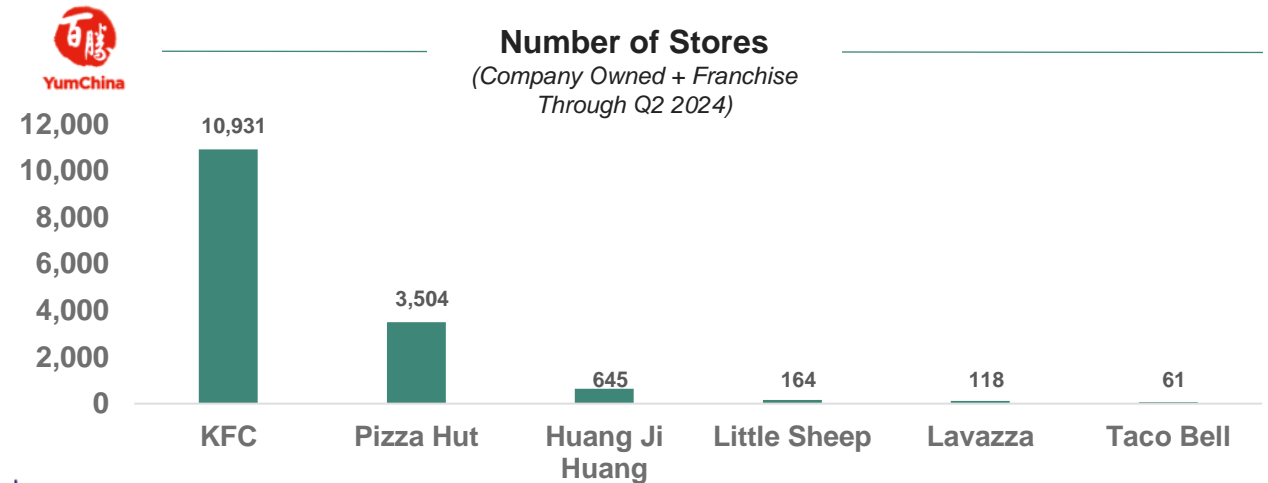
Quarterly Highlights & 2024 Outlook

China remains in focus for US brands

- Ankura [highlighted](#) that brands will continue to expand in North Asia, specifically China. Tier 2 (e.g., Chengdu, Hangzhou, Wuhan), and Tier 3 (e.g., Zhuhai, Yantai, and Quanzhou) cities are in focus to drive more engagement with consumers and address demand in these markets.
- Yum China reported 401 new stores in Q2, bringing the total to 15,423 stores. In addition, the company has a goal of growth target of 20,000 stores by 2026.
- Yum is also positioning Taco Bell to expand in China. At end of Q2, Yum China reported 61 stores but sees growth potential. Outside China, Yum plans to expand Taco Bell in other international markets including India, Spain, and the United Kingdom.
- Restaurant Brands International (RBI) also remains committed to the China market, buying Popeyes China, and making investments in Tim Hortons alongside Cartesian Capital.

However, China's domestic brands are ramping up

- For example, China's Luckin Coffee is presenting more competition to established U.S. brands like Starbucks. Coffee demand is increasing in China and Luckin is responding.
- Nevertheless, U.S. brands are committed to growth in China as demand for western brands remains strong.



Sources

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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 May – July 2024 period

		Cross-Browsing Behaviors																				
		... Also Visited (i.e. Secondary Sites)																				
		Jersey Mike's	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 Johns	Pizza Hut	CAVA	Sweetgreen	
SUBS	Jersey Mike's		4.1%	3.9%	2.2%	1.7%	1.3%	5.2%	N/A	1.4%	2.4%	2.4%	2.0%	2.8%	N/A	3.2%	4.5%	1.8%	2.3%	1.4%	N/A	
	Jimmy John's	4.0%		3.0%	1.9%	1.2%	0.6%	2.3%	N/A	3.9%	2.1%	0.6%		1.9%	N/A	1.4%	2.5%	2.1%	2.0%	N/A	N/A	
	Subway	1.9%	2.2%		2.4%	2.1%	1.0%	2.0%	N/A	1.5%	1.2%	1.9%	1.1%	1.5%	0.3%	2.2%	2.0%	1.9%	1.6%	N/A	N/A	
BURGERS	Arby's	2.9%	2.7%	3.9%		4.3%	3.3%	4.3%	N/A	4.8%	3.4%	3.6%	3.5%	3.3%	1.1%	4.4%	3.9%	3.1%	3.9%	N/A	N/A	
	Burger King	2.2%	0.9%	3.5%	3.6%		3.1%	7.0%	N/A	5.2%	3.3%	3.0%	2.8%	1.5%	1.8%	5.8%	3.7%	2.2%	4.7%	N/A	N/A	
	Jack in the Box	2.4%	N/A	4.2%	4.7%	5.8%		6.0%	1.1%	4.8%	3.6%	4.3%	4.0%	3.3%	4.2%	7.5%	4.3%	N/A	4.2%	N/A	N/A	
	McDonald's	0.4%	0.4%	0.9%	0.9%	1.5%	0.6%		0.5%	1.6%	1.2%	0.7%	0.5%	0.7%	0.4%	1.4%	0.9%	0.5%	0.8%	N/A	N/A	
	Shake Shack	N/A	N/A	N/A	N/A	N/A	1.6%	4.2%		1.6%	5.7%	N/A	1.3%	2.6%		4.8%	N/A	1.3%	N/A	3.0%	N/A	
CHK	Wendy's	2.1%	1.5%	2.9%	4.2%	5.1%	2.1%	6.6%	0.5%		2.8%	2.9%	2.3%	2.0%	1.1%	4.7%	2.6%	1.8%	2.7%	N/A	N/A	
	Chick-fil-A	1.2%	1.1%	1.7%	1.2%	2.0%	1.2%	2.5%	1.2%	1.6%		2.2%	1.4%	2.0%	0.3%	1.6%	1.8%	1.3%	2.2%	1.0%	N/A	
	KFC	2.3%	0.6%	3.5%	4.4%	4.3%	2.7%	4.2%	N/A	3.8%	3.3%		6.0%	1.4%	N/A	5.3%	4.4%	2.6%	3.0%	N/A	N/A	
MEXICAN	Popeyes	2.2%	N/A	3.3%	3.1%	3.6%	2.9%	3.7%	0.8%	5.9%	3.7%	8.0%		2.8%	N/A	4.9%	4.0%	2.8%	3.0%	N/A	N/A	
	Chipotle	1.1%	0.7%	1.3%	0.9%	0.6%	0.6%	1.5%	0.8%	0.8%	2.2%	0.8%	0.9%		N/A	1.4%	1.5%	1.1%	0.8%	1.1%	0.8%	
	Del Taco	4.6%	N/A	4.2%	6.7%	6.5%	12.1%	12.7%	N/A	2.5%	6.2%	1.8%	N/A	N/A		20.2%	N/A	N/A	N/A	N/A	N/A	
PIZZA	Taco Bell	1.6%	1.1%	2.3%	2.1%	2.6%	1.7%	3.2%	0.9%	2.6%	1.9%	2.1%	1.7%	1.8%	1.2%		2.2%	1.3%	1.8%	0.3%	N/A	
	Domino's	0.4%	0.4%	0.7%	0.6%	0.5%	0.3%	0.7%	N/A	0.5%	0.5%	0.7%	0.5%	0.6%	0.1%	0.8%		4.3%	5.4%	N/A	N/A	
	Papa Johns	0.9%	0.9%	0.9%	1.8%	0.8%	0.2%	0.9%	N/A	0.9%	1.0%	0.9%	0.9%	1.1%	N/A	1.1%	11.3%		7.7%	N/A	N/A	
OTHER	Pizza Hut	0.9%	0.7%	1.5%	2.2%	1.2%	0.9%	1.2%	N/A	0.9%	1.1%	1.1%	1.0%	0.8%	0.2%	1.3%	13.0%	6.9%		N/A	N/A	
	CAVA	1.9%	N/A	N/A	N/A	N/A	N/A	1.2%	2.1%	N/A	2.8%	N/A	N/A	4.0%	N/A	N/A	N/A	N/A	N/A		3.2%	
	Sweetgreen	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.7%	N/A	N/A	N/A	N/A	N/A			3.2%

- Generally, Taco Bell, McDonald's, and Domino's had **high audience overlap** across the competitive set.
- Pizza eaters were **set on pizza**, with Domino's being the clear fan favorite (high capture of other restaurants' cross-shoppers).
- Del Taco browsers have **minimal brand loyalty across food types**, cross-browsing with frequency. This quarter demonstrated significantly less cross-browsing activity for Del Taco browsers across Wendy's and KFC compared to last quarter.
- Jack in the Box saw a **decrease in cross-browsers** compared to last quarter.

Source: Ankura Datasets and Analysis; Similarweb data from the 3-month period of May – July 2024 (Data extracted 8/12/24).

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

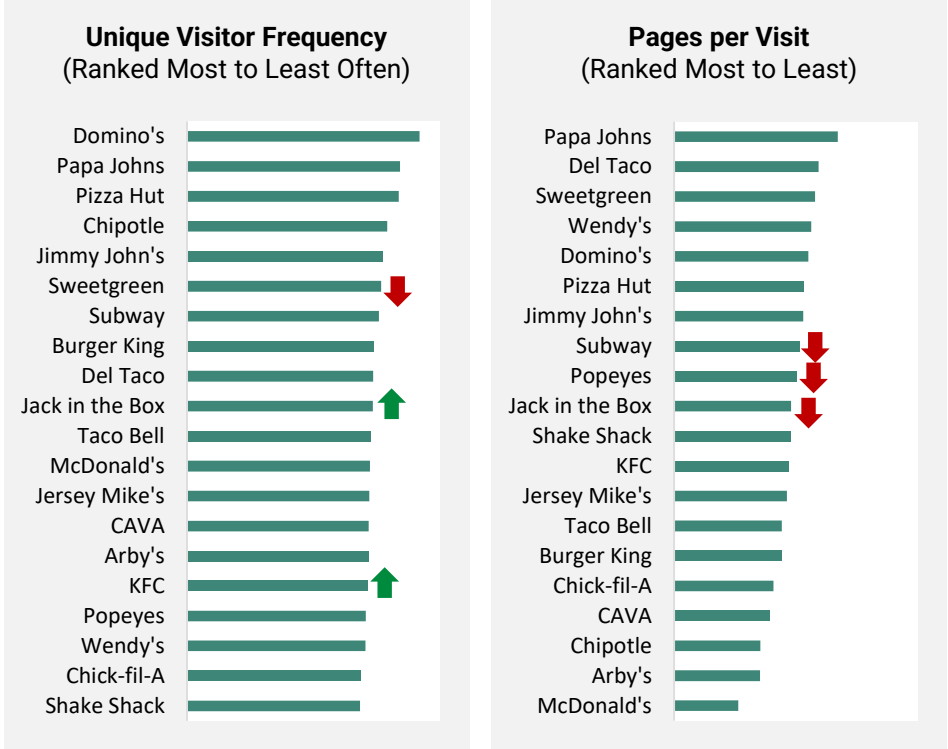
Digital Engagement

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 Mike's	1,812	Average	2.3	5.1	3.5	Average	Average	Lagging	Average
		Jimmy John's	1,800	Average	5.1	4.7	3.1	Average	Average	Leading	Average
		Subway	1,082	Lagging	5.7	10.9	7.2	Average	Average	Average	Average
Burgers		Arby's	2,045	Lagging	1.8	5.6	3.9	Average	Lagging	Lagging	Lagging
		Burger King	1,657	Average	5.1	5.9	4.0	Average	Average	Lagging	Lagging
		Jack in the Box	3,723	Average	4.1	2.3	1.6	Average	Average	Average	Average
		McDonald's	1,130	Average	1.8	21.1	14.6	Average	Lagging	Lagging	Lagging
		Shake Shack	6,687	Lagging	3.0	1.5	1.1	Lagging	Average	Leading	Lagging
CHX		Wendy's	1,210	Average	2.0	7.3	5.2	Lagging	Leading	Average	Average
		Chick-fil-A	611	Leading	3.0	13.6	9.9	Lagging	Average	Average	Lagging
		KFC	1,899	Average	8.9	5.3	3.7	Average	Average	Average	Average
Mexican		Popeyes	2,288	Lagging	7.7	3.9	2.8	Lagging	Average	Average	Average
		Chipotle	1,125	Average	7.8	10.4	6.6	Leading	Lagging	Leading	Average
		Del Taco	7,595	Leading	2.8	0.9	0.6	Average	Leading	Average	Average
Pizza		Taco Bell	736	Average	2.6	12.3	8.5	Average	Average	Average	Average
		Domino's	249	Average	4.2	31.3	17.0	Leading	Average	Average	Leading
		Papa John's	566	Leading	8.0	12.7	7.5	Leading	Leading	Leading	Leading
Other		Pizza Hut	537	Average	5.1	15.4	9.2	Leading	Average	Average	Leading
		CAVA	7,005	Average	1.3	1.6	1.1	Average	Lagging	Average	Average
		Sweetgreen	7,031	Average	2.1	1.2	0.8	Average	Leading	Leading	Average

- Chick-fil-A, Del Taco, and Papa Johns showed strong quarterly improvement in U.S. rank, indicating popularity.
- Burger restaurants generally showed lagging to average site engagement metrics, Arby's and McDonald's being among the lowest – these brands may have a competitive app, or users tend to speed through checkout.
- Papa Johns demonstrated the most competitive traffic and engagement metrics across the restaurant set, indicating an engaging website journey and loyal customer base.

Sites Unique Visitor Frequency and Pages/Visit



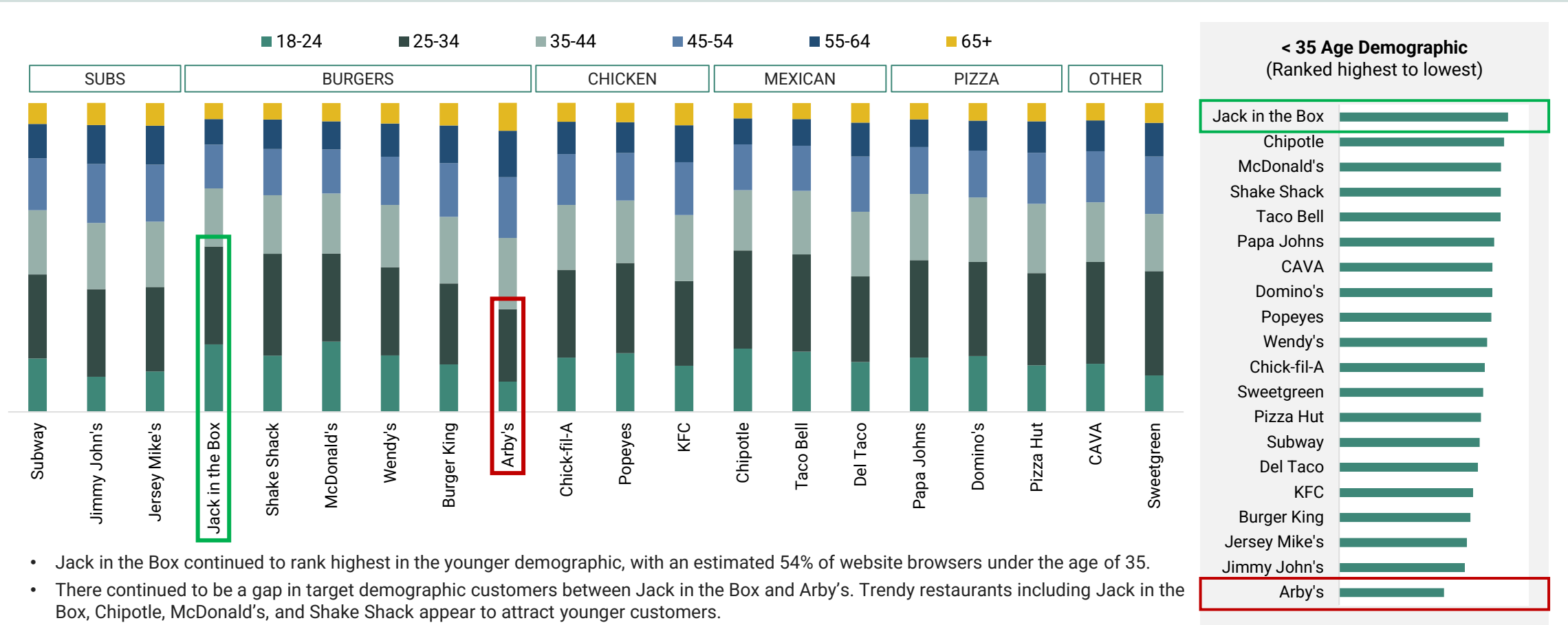
- Pizza restaurants ranked above average in unique visitor frequency, indicating a strong user experience that encouraged repeat visits.
- Coming off a strong start to New Year's resolutions, healthy alternative Sweetgreen saw a lower unique visitor frequency in Q2.
- All restaurants across the competitive set experienced a decrease in pages per visit compared to Q1, with Subway, Popeyes, and Jack in the Box seeing the steepest decline.

Sources: Site Speed: Largest Contentful Paint (LCP) from Google Site Speed (8/12/24); Traffic and Engagement Data: 3-month (May – July 2024) estimated website traffic data interpreted from Similarweb (8/12/24); Global site ranking QoQ data: Ankura database.

Source: Ankura Datasets and Analysis; Similarweb data from the 3-month period of May – July 2024 (Data extracted 8/12/24).

Digital Engagement: Demographics

Demographic Metrics: Site Visitor Age Brackets



- Jack in the Box continued to rank highest in the younger demographic, with an estimated 54% of website browsers under the age of 35.
- There continued to be a gap in target demographic customers between Jack in the Box and Arby's. Trendy restaurants including Jack in the Box, Chipotle, McDonald's, and Shake Shack appear to attract younger customers.
- Jersey Mike's saw the greatest increase across younger eaters, with customers < 35 increasing 7% compared to last quarter.

Source: Ankura Datasets and Analysis; Similarweb data from the 3-month period of May – July 2024 (Data extracted 8/12/24).

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's Restaurant Practice

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

Ankura Office of the CFO®



Lauren Herder
Senior Managing Director | Georgia



JoLynn Brown
Managing Director | Illinois



Jason Kaspar
Managing Director | Georgia



Brad Portnoy
Senior Director | Ohio



Ryan Patrick
Director | Texas



Jordan Concolino
Associate | New York

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

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- Hong Kong • Houston • Irvine • London • Los Angeles • Melbourne • Miami • Mumbai • Nashville • New York • Orlando • Perth • Philadelphia
- Phoenix • Riyadh • San Francisco • San Juan • Seattle • Shanghai • Singapore • Sydney • Tampa • Toronto • Vancouver • Washington, DC

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