

	PAGE
I Industry SSS & Traffic	1
II. Restaurant Industry Outlook	1
III. Industry Headlines	2
IV. Economic/Operator/Consumer Surveys	3
V. Operator/RPI	4
VI. Promotional Focus	5
VI. Disclosures & Disclaimers	6

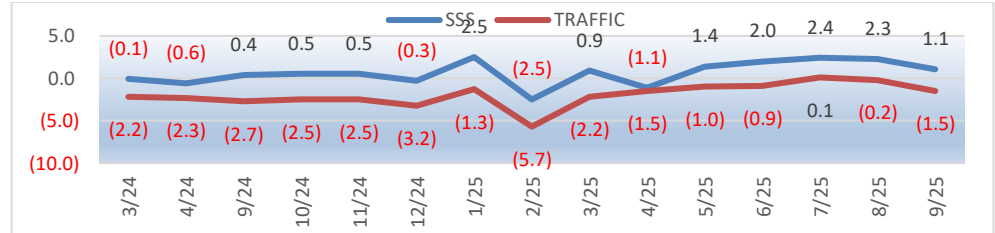
CompassRCR navigates the often conflicting news on the economy and the restaurant industry. Filtering the information to identify trends and provide meaningful insights for restaurant operators, as well as all industry stakeholders looking to stay informed on the current state of the restaurant industry.

This report provides regular updates on the key economic indicators. These data points are valuable for providing relevant insights into economic trends and operator, as well as consumer expectations.

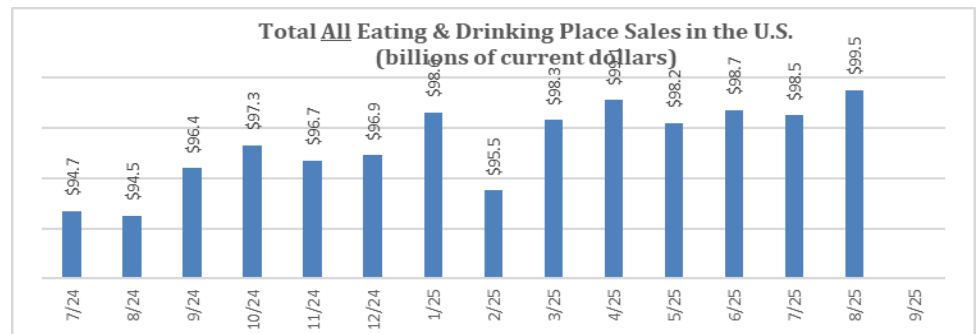
AUTHOR:
Steve Crichlow
Founder & CEO
(251) 370-7011
steve@compassrcr.com
www.compassrcr.com
info@compassrcr.com

INDUSTRY SALES & TRAFFIC

Black Box Sales & Traffic



National Restaurant Association Sales



NRA Operators reported: Sales 54% up YOY Traffic 34% up YOY

Restaurant Industry Outlook

	Current Mo	Last Mo
▪ Restaurant Performance Index:	99.4%	99.8%
▪ Operator Confidence:	11.0%	17.0%
▪ Wholesale Food Prices:	N/A	3.7%
▪ Consumer Confidence	N/A	94.2%
▪ Consumer Sentiment	53.6%	55.1%
▪ Planned Capital Expenditures	50.0%	48.0%
▪ NFIB:	98.8	100.8

Spotlight On Most Noteworthy Developments:

Economic Headlines:

	Current Mo	Last Mo
▪ Leading Economic Indicator	N/A	98.4
▪ CPI (Inflation Rate)	3.0%	2.9%
▪ Food Away From Home:	3.7%	3.9%
▪ Food At Home:	2.7%	2.7%
▪ Gasoline Prices:	\$3.02	\$3.17
▪ Prime Interest Rate:	4.00%	4.25%
▪ GDP	3.8%	3.8%
▪ PCE	2.7%	2.6%

Labor News:

▪ Unemployment Rate - U3	N/A	4.3%
▪ Unemployment Rate - U-6	N/A	8.1%
▪ Jobs Added	N/A	22,000
▪ Rest Ind Employment Cut	N/A	11,000

INDUSTRY HEADLINES (SALES):

- **Restaurant Industry Sales & Traffic declined in September** according Blackbox Intelligence and the monthly National Restaurant Association data.
- **For October SSS, several publicly traded restaurant chains have made their quarterly earnings report.** Collectively, they offer a choppy glimpse into what October sales might be – weak momentum.

INDUSTRY HEADLINES (ECONOMICS):

- **Economic and Labor Data** – Majority are not available due to the government shutdown.
- **The CPI Index rose slightly in September to 3.0 from 2.9** – well below economists expectations.
 - Food Away From Home declined by 0.2%.
 - Food At Home was flat
 Together these two indexes suggest consumers were eating out less often (varified by numerous restaurant chains earnings calls stating “traffic down” as well as many notable professional survey firms – consumers eating out less.)

What we are hearing from consumers is most restaurant offerings have lost their value – i.e., worth / the price attribute. Even when the consumer can afford it, they do not feel it’s worth the price. Take this group and those who really can’t afford the current prices and you have a better picture of overall consumer sentiment for restaurants. Another caveat that has been discovered is how sensitive consumers are to price being reflective when the Guest Experience is below expectations (i.e., with higher prices the anticipation is for better than average Guest Experience. When the Guest Experience matrix is missing, it’s another reason people are eating out less.

- **Consumer Sentiment dropped to 53.6; a <2.7%> change Month over Month and a <24.0%> YOY.** This is the lowest the Sentiment Index has been since June/July of 2022 where Index was at 50.0 and 51.5, respectively.

“Consumers perceive few material changes in economic circumstances . . .” according to the Survey. However, from what we are hearing, consumers are increasingly becoming fatigued with the lack of progress on controlling/ending inflation. Inflation over the last five years has risen 34% but wages have only risen 28%. Consumers can’t keep up and are continually falling behind.

A recent report by TransUnion finds more consumers are shifting to either extreme side of credit risk; i.e., credit scores 14.4% of consumers are now considered high risk and face higher interest rates.

Consumers listed their top concerns as: Inflation – consumers continue to feel the strain of higher costs for everyday essentials – groceries, housing and transportation. Secondly, the job market – consumers expressed increased anxiety about job availability and future income.

Overall economic uncertainty – inflation, tariffs, interest rates, recession risk all are weighing heavy on consumers at this time; causing a growing number to pause on eating out.

Even the Stock Market is losing interest in the restaurant industry. The S&P Restaurant Index reports:

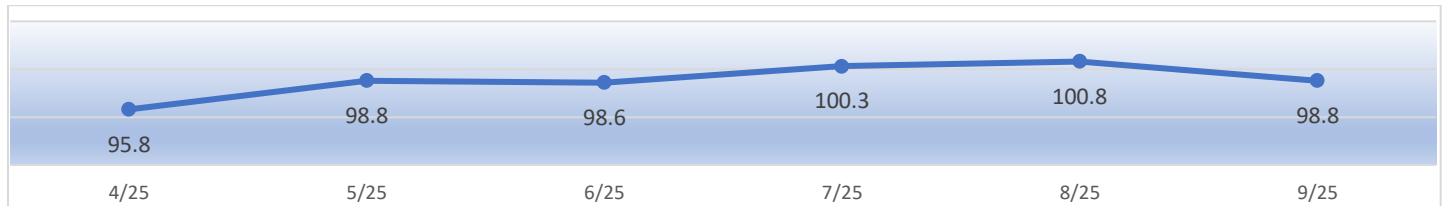
Last:	5 Days	30 Days	180 Days	YTD
	<4.13%>	<5.77%>	<5.9%>	<5.14%>

CRCR * BUSINESS ECONOMICS REPORT:

	2024				2025								
	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT
OUTPUT & PRICES													
GDP (Qtrly)		2.8		3.1		2.3	(0.3)	(0.2)	(0.2)	3.0	3.0	3.8	3.8
CPI		2.4	2.6	2.6	2.3	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0
Food Away from Home		3.9	3.9	3.6	2.5	3.7	3.8	3.9	3.8	3.8	3.9	3.9	3.7
Food at Home		1.3	1.3	1.6	1.9	1.9	2.4	2.0	2.2	2.4	2.2	2.7	2.7
Gasoline		3.10	3.01	3.03	3.04	3.14	3.15	3.12	3.09	3.11	3.12	3.13	3.02
LEI (Leading Economic Ind)		99.7	99.5	99.7	101.5	101.1	100.5	99.4	99.0	98.8	98.7	98.4	N/A
LABOR MARKET													
Hires	N/A	3.5	3.5	3.3	3.4	3.4	3.4	3.4, 3.2	3.5	3.4	3.3	3.2	N/A
Turnover		3.3	3.3	3.3	3.4	3.3	3.3		3.3	3.3	3.2	3.2	N/A
Unemployment Rate		4.1	4.1	4.1	4.5	4.1	4.2	4.2	4.2	4.2	4.2	4.3	N/A
U6 Rate		7.3	7.7	7.3	8.4	8.0	7.9	7.8	7.8	7.7	7.9	8.1	N/A
INTEREST RATE													
Monthly Prime Rate		8.0	6.9	7.75	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.25	7.00
Monthly Avg Rent (Zillow)		\$2,050	\$2,115	\$2,000	\$2,073	\$2,078	\$2,085	\$2,100	\$2,100	\$2,100	\$2,100	\$2,045	\$2,000
Operator Confidence					49.0	32.0	18.0	23.0	33.0	30.0	15.0	17.0	11.0
Consumer Sentiment		70.5	70.5	74.0	64.7	57.0	52.2	52.2	60.7	61.7	58.2	55.1	53.6
Consumer Confidence	98.7	108.7	112.8	109.5	104.1	92.9	92.9	98.0	93.0	97.2	97.4	94.2	N/A
NFIB		91.5	93.7	93.7	102.8	100.7	92.4	95.8	98.8	98.6	100.3	100.8	98.8
RPI		98.6	98.8	101.2	101.1	98.8	98.9	99.7	100.1	100.0	99.7	98.8	99.4

* Current month or most recent reporting data available

SMALL BUSINESS OPTIMISM:






CONSUMER SENTIMENT/CONFIDENCE:

	11/24	12/24	1/25	2/25	3/25	4/25	5/25	6/25	7/25	8/25	9/25	10/25
Consumer Sentiment	71.8	74.0	71.1	64.7	57.0	52.2	57.2	60.7	61.7	58.2	55.1	53.6
Current Economy	63.9	75.1	74.0	65.7	63.8	59.8	58.9	64.8	68.0	61.7	60.4	58.6
Consumer Expectations	76.9	73.3	69.3	64.0	52.6	47.3	47.9	58.1	57.7	55.9	51.7	50.3
	11/24	12/24	1/25	2/25	3/25	4/25	5/25	6/25	7/25	8/25	9/25	10/25
Consumer Confidence	112.8	109.5	104.1	100.1	92.9	86.0	98.0	93.0	97.2	97.4	94.2	N/A

OPERATORS SURVEY (Source: NFIB and Compass RCR, NRA, and Bar & Restaurant News)

- **Operator Confidence:**
 - 11.0% ↓ Increase over last year
- **Current Month Sales (nationally):**
 - 54.0% ↑ Increase over last year
 - 44.0% ↑ Decrease over last year
- **Current Traffic:**
 - 34.0% ↓ Increase over last year
 - 52.0% ↑ Decrease over last year
- **Future Outlook for Business Conditions over the next 6 months**
 - 54.0% ↑ Better
 - 44.0% ↑ Worse
- **Future Outlook for Sales:**
 - 34.0% ↓ More optimistic over last year
 - 20.0% ↓ Less optimistic over last year
- **Capital Spending:**
 - 50.0% ↓ Made equipment expenditures
 - 30.0% ↓ Expansion/Remodel
- **Margin Impact:**
 - 45.0% ↓ Reported F/C Increase 4%
- **Menu Prices:**
 - 66.0% ↓ Higher than LY
 - Menu prices increased 3.2% over last 12 months
- **Staffing Issues:**
 - 92.0% ↓ Fully Staffed (Chains/Independents)
 - 8.0% ↑ Understaffed
- **Top Concerns Internal:**
 - 92.0% Rising Costs
 - 91.0% Thin Margins
 - 89.0% Consumer Price Fatigue
- **Top Concerns External:**
 - 98.0% Inflation/Economy
 - 86.0% Tariff Uncertainty

RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

		2/25	3/25	4/25	5/25	6/25	7/25	8/25	9/25
	RESTAURANT PERFORMANCE INDEX	98.8	98.9	99.7	100.1	100.0	99.7	99.8	99.4
	CURRENT SITUATIONS INDEX:								
	SSS Increase/Decrease	18%/63%	43%/45%	45%/41%	52%/38%	49%/41%	48%/42%	46%/43%	54%/44%
	Capital Spending	45%	47%	49%	49%	51%	49%	51%	50%
	EXPECTATIONS INDEX:								
\$	Sales Outlook Improvement	31%	22%	23%	33%	30%	29%	40%	34%
	Economy Outlook Improvement	32%	18%	24%	20%	23%	15%	17%	11%

PROMOTIONAL FOCUS:

	<u>October 2025</u>	<u>September 2025</u>
• LTO's	14.0%	16.0%
• APP/Loyalty	23.0%	18.0%
• Meal Combos	8.0%	2.0%
• Value Messaging	15.0%	9.0%
• Off Premise	8.0%	8.0%
• Menu/New Items	16.0%	40.0%
• Core Menu	13.0%	28.0%
• Price Point	5.0%	5.0%
• Merchandise	1.0%	1.0%

COMMENTS:

October saw an increase in restaurant chains promoting App and Loyalty Programs – October = 23%, September = 18%. Other notable areas of increased promotional focus were Meal Combos at 8% in October and 2% in September. With skyrocketing costs of TV advertising and no real tangible means of tracking TV's impact, more retailers are shifting to various forms of Social Media/Digital Marketing. Social Media can be more targeted to specific demographics, is cheaper, and has an easier means of tracking its impact.

Things to consider, the move to more focus on App/Loyalty Program promotions is done to attract more customers by offering a benefit for their allegiance. A known fact – a "loyal" customer visits more frequently and tends to share their experiences with friends.

DISCLOSURES AND DISCLAIMERS

Analyst Certification and Independence of Research.

The Compass Restaurant Consulting and Research analyst(s) whose names appear on the front page of this report hereby certify that all the views expressed in this Report accurately reflect our personal views about any and all of the subject securities or issuers and that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views of in this Report.

Compass Restaurant Consulting and Research (the “Company”) is an independent research provider. The Company is not a member of the FINRA or the SIPC and is not a registered broker dealer or investment adviser. The Company has no other regulated or unregulated business activities which conflict with its provision of independent research.

Limitations of Research and Information.

This Report has been prepared for distribution to only qualified institutional or professional clients of Compass Restaurant Consulting and Research. The contents of this Report represent the views, opinions, and analyses of its author(s). The information contained herein does not constitute financial, legal, tax or any other advice. All third-party data presented herein were obtained from publicly available sources which are believed to be reliable; however, the Company makes no warranty, express or implied, concerning the accuracy or completeness of such information. In no event shall the Company be responsible or liable for the correctness of, or update to, any such material or for any damage or lost opportunities resulting from use of this data.

Nothing contained in this Report or any distribution by the Company should be construed as any offer to sell, or any solicitation of an offer to buy, any security or investment. Any research or other material received should not be construed as individualized investment advice. Investment decisions should be made as part of an overall portfolio strategy and you should consult with a professional financial advisor, legal and tax advisor prior to making any investment decision. Compass Restaurant Consulting and Research shall not be liable for any direct or indirect, incidental, or consequential loss or damage (including loss of profits, revenue, or goodwill) arising from any investment decisions based on information or research obtained from Compass Restaurant Consulting and Research.

Reproduction and Distribution Strictly Prohibited.

No user of this Report may reproduce, modify, copy, distribute, sell, resell, transmit, transfer, license, assign or publish the Report itself or any information contained therein. Notwithstanding the foregoing, clients with access to working models are permitted to alter or modify the information contained therein, provided that it is solely for such client’s own use. This Report is not intended to be available or distributed for any purpose that would be deemed unlawful or otherwise prohibited by any local, state, national or international laws or regulations or would otherwise subject the Company to registration or regulation of any kind within such jurisdiction.

Copyrights, Trademarks, Intellectual Property.

Compass Restaurant Consulting and Research and any logos or marks included in this Report are proprietary materials. The use of such terms and logos and marks without the express written consent of Compass Restaurant Consulting and Research is strictly prohibited. The copyright in the pages or in the screens of the Report, and in the information and material therein, is proprietary material owned by Compass Restaurant Consulting and Research unless otherwise indicated. The unauthorized use of any material on this Report violates numerous statutes, regulations, and laws, including, but not limited to, copyright, trademark, trade secret or patent laws.