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HEADLINES:	PAGE
SSS/Traffic	1
Noteworthy Developments	1

HEADLINE DETAILS:

Industry Observations	
Economics	2-3
Operator Survey	4
Consumer Survey	5

COMPANIES MENTIONED IN THIS REPORT:

**CORE COVERAGE
(Subscription Required)**

COMPANY	TICKER	PAGE
QSR		
McDonald's	MCD	6
Burger King	BKC	7
Wendy's	WEN	8
Jack in the Box	JACK	9
Popeye's	PLKI	10
KFC	YUM	11
Del Taco	TACO	12
Taco Bell	YUM	13
Pizza Hut	YUM	14
Domino's	DPZ	15

FAST CASUAL

Chipotle	CMG	16
Starbucks	SBUX	17
Wingstop	WING	18

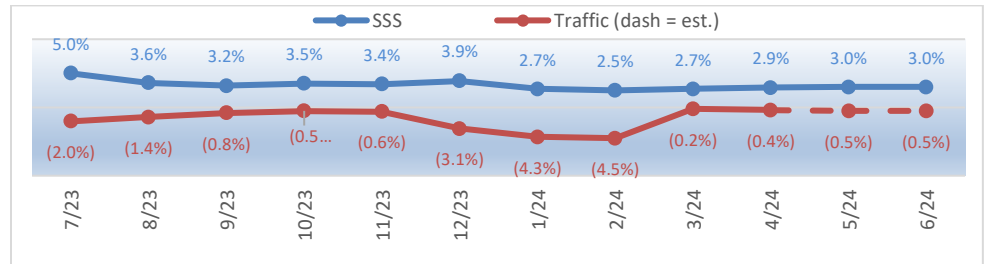
CASUAL

Chili's	EAT	19
Chuy's	CHUY	20
Longhorn	DRI	21
Olive Garden	DRI	22

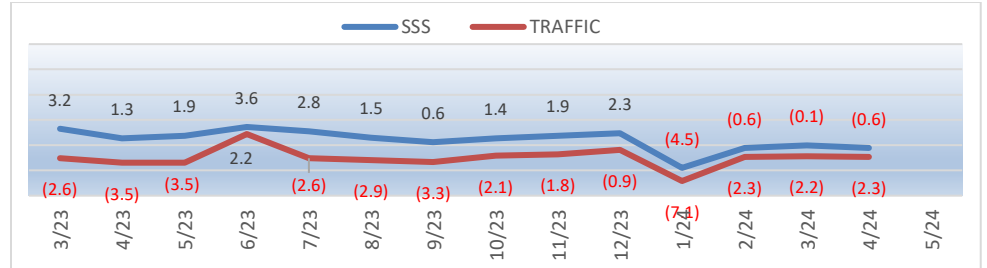
*Charts on pages 6-24 "Mean" Source – Company Filings

SALES & TRAFFIC

Compass RCR coverage average:

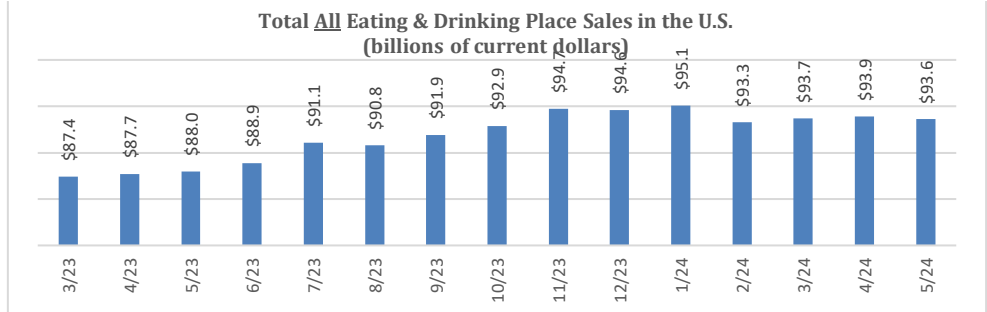


Black Box



(Monthly SSS & Traffic numbers consist of many publicly held and privately held concepts and skews toward Full Service concepts.) May 2024 numbers were unavailable.

National Restaurant Association Sales



Total Restaurant Industry sales decreased 0.3% in May.

Spotlight On Most Noteworthy Developments:

Economic News:

- LEI 101.2 Decrease of 0.5% from April
- PPI (Inflation Rate) 2.2%
- CPI 3.3% Down 0.1 from April

Gasoline Prices:

\$3.46 Down 10¢

Food Away From Home:

4.0%

Food At Home:

1.0%

Wholesale Food Prices:

<0.4%> 0.8% decline

Federal Reserve News:

6/25/24 – Fed sees no interest rate cuts this year.

Current Rate:

5.5% (Rate was 1.58% April 2020)

Labor News:

- Unemployment Rate 4.0% Up 0.1%
- JOLTS Report: Job openings: 3.6%
- Rest. Ind. Employment: 24,000 jobs added
- U6 Rate 7.4%
- Separations: 3.4%

RPI:

99.1 up

NFIB:

90.5 a 0.8 pt incline

Operator Confidence

56.0%

Consumer Sentiment

68.2 decline of 0.9 pts.

- Disclaimer Reminder:** Due to our Compliance Policy, our Channel Checks are limited to maximum 10% of a brand's U.S. store count. Further, we can only provide a range of 2% on our SSS estimates. Please see Page 25 for important disclosures.

INDUSTRY OBSERVATIONS:

- **Department of Labor** – Announced final ruling; defining exceptions for new overtime pay for managers, administrative, and professional employees.
- **Big Shift** away from regular TV to Streaming and Social Media.
- **Price Wars Begin.**

ECONOMIC NEWS:

- **The Leading Economic Indicators (LEI)** declined by 0.5% to 101.2 in May following a 0.6% decline in April. Over the 6-month period between November 2023 and May 2024, the LEI fell by 2.0%. A smaller decrease than the previous 6-month period, according to the Conference Boards latest report. The decline was primarily driven by weak consumer sentiment about future business conditions. While the Index's 6-month growth rate remains firmly negative; the LEI doesn't signal a recession.

The LEI's year over year growth remains negative but continues on an upward trend.
- **CPI/Inflation Rate** – For May the inflation rate (annualized) stood at 3.3%. A 0.1% decline from April. This is the lowest in 3 months.
- **Food Away From Home (restaurant spending) vs Food At Home (grocery store spending)** – Some food for thought: The rate of restaurant inflation outpaced grocery inflation for the 15th consecutive month with the difference between grocery store prices and restaurant prices remaining wide and consumers of most income levels gravitating to price sensitivity/value shopping. Restaurants run the risk of losing more traffic as demand for restaurants softens. Another notable factor is the CFO of Walmart recently said they plan to aggressively go after the price sensitive restaurant consumer; thus creating another component for the restaurant dollar.
- **Wholesale Food Prices Declined in May** to a negative <0.4%>. This brings a relief to restaurants food costs. However, that relief is fading rapidly as the trendline (and early USDA numbers) are pointing higher. Average wholesale prices stood at 2.9% YOY in May. That represents the strongest 12-month increase since March of 2023.
- **As of May's report, the PPI for all foods stood at 29% above February 2020 report.** Until there is more stability in pricing, these indicators will continue to be a serious headwind for restaurants.
- **Gasoline Prices** – Declined 10 cents a gallon in the last 30 days. The main reason for the decline is lackluster demand. Gasoline prices have declined most of this year and analysts believe economic uncertainty is the cause according to AAA Gasoline Prices Report.
- **Restaurant Employment** – The restaurant industry added 24,000 jobs in April (most recent report).
By Segment: Full Service - 234,000 below February 2020 levels
QSR – 117,000 above February 2020 levels
- **NFIB Monthly Summary** – The most recent survey results (May) show the Index rose 0.8 pts to 90.5; the highest reading for 2024 thus far. However, it remains below the 50-year average of 98.

The Uncertainty Index rose 9 pts to 85; the highest since November 2020. The news cycles are now dominated by political events rather than economic news. That being said, the economy seems to be slowing down. The inflation rate appears to be headed below 3%. Most notably, from the CPI Report regarding real income – huge increases in income and wealth were enjoyed by asset holders (stocks, real estate, etc.) but not shared with most of the population who watch groceries, rent, house prices, and auto insurance surges.

Other findings, owners current confidence in the economy continues to decline. My Business 70% in 2021, 56% in 2024. U.S. Economy 59% in 2021, 37% in 2024.

Restaurant Industry Summary Report // June 2024

INDUSTRY HEADLINES:

Department of Labor's new standards for exempt employees, managers, administrators, and professionals goes into effect July 1, 2024.

In summary, restaurant base salary for a manager increases from \$35,888/yr to \$43,888/yr and on January 1, 2025 the base salary of a manager increases to \$58,656/yr. In addition to pay increases, there are a plethora of new guidelines as to who qualifies for salary, overtime, etc. which will increase the administrative burden on operators to insure qualifications are met and adhered to.

Restaurant Industry Outlook – The restaurant industry is under assault from many directions this year. Attempts to control restaurant costs, hire and maintain quality employees, efforts to improve traffic and sales, manage new government regulations – from labor to construction to environmental, not to mention competition from peers, but now with increasing menu prices Fast Casual and Casual Dining have become active competitors for consumers. Added to these pressures, there has been an increase in restaurant closures and bankruptcies. Yes, there has been an even larger amount of new store openings thus far in 2024 but it's the closures and bankruptcies of big names like Red Lobster, Tijuana Flats, Boston Market and store closures among chains as well like Applebee's, Rubio's (all California locations), Cracker Barrel, TGIFridays, Denny's, MOD Pizza, PDQ, Outback Steakhouse, Hardees. Several large franchisees have filed for bankruptcy protection in the last 12 months – Burger King, Wendy's (were the largest so far), and an unknown amount of independent restaurants. While not the level of Doom & Gloom, these closures/bankruptcies do raise a level of concern among operators. A situation to keep on your radar.

For the immediate future, Technomic has lowered their restaurant sales forecast for the remainder of 2024; as well as restaurant stocks (S&P Restaurant Stock Index) is down 2.1% since July 1. July is expected to be a rough month.

CRCR * BUSINESS ECONOMICS REPORT														
	2023									2024				
	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC		JAN	FEB	MAR	APR	MAY
OUTPUT & PRICES														
GDP (Qtrly)	2.0				3.0		4.9	3.3		3.3			1.6	
CPI	2.8	3.0	3.2	3.7	3.7	3.2	3.1	3.4		3.4	3.2	3.5	3.4	3.3
PPI	4.0	0.1	3.6	1.6	0.7	(0.5)	(0.5)	(0.1)		(0.1)	1.6	2.1	2.2	
Food Away from Home	5.8	7.7	7.1	6.5	6.0	5.4	5.3	5.2		5.2	4.5	4.2	4.1	4.0
Food at Home	8.3	4.7	3.2	3.0	2.4	2.1	1.7	1.3		1.3	1.0	1.2	1.1	1.0
PCE - Consumer Spending	3.8	3.0					3.2							
Gasoline	3.52	3.66	3.79	3.81	3.45	3.22	3.11	3.03		3.03	3.54	3.69	3.61	3.46
LEI (Leading Economic Ind)								103.1		103.1	102.8	102.4	101.8	101.2
LABOR MARKET														
Openngs	10,103	9,800	9,600	8,827		9,553	8,700	8,790		8,790	8,863	8,756	8,488	8,488
Hires	4.0	4.0	5.9	3.7		3.7	3.7	3.5		3.5			3.5	
Turnover	3.8	3.8	3.6	3.5		3.5	3.6	3.4		3.4	3.4	3.5	3.3	3.4
Unemployment Rate	3.7	3.6	3.5	3.8	3.8	3.9	3.7	3.7		3.7	3.9	3.8	3.9	4.0
U6 Rate	6.4	7.2	6.7	7.2	7.0	7.2	6.7	7.0		7.0	7.3	7.4	7.4	7.4
INTEREST RATE														
Fed Rate	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50		5.50	5.25	5.25	5.25	5.50
Monthly Prime Rate											8.5		8.5	
Monthly Avg Rent (Zillow)											\$2,050		\$1,987	
Operator Confidence											89.8	88.5	89.7	56.0
Consumer Confidence											79.4	77.2	69.1	68.2
NFIB											89.4	88.5	89.7	90.5
RPI											99.0	99.2	98.8	99.1
* Current month or most recent reporting data available														

Restaurant Industry Summary Report // June 2024

Food At Home / Food Away (Restaurants) Comparisons

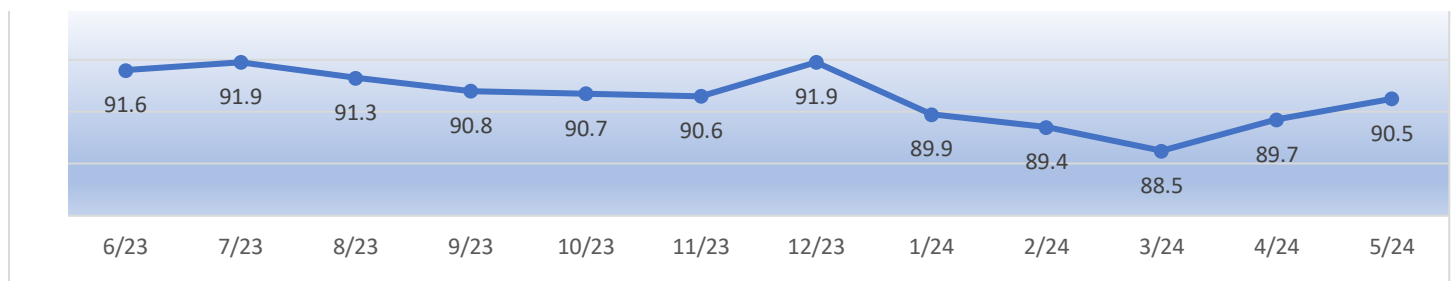
2024	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HOME	1.2	1.0	1.2	1.1	1.0							
AWAY	5.1	4.5	4.2	4.1	4.0							
DIFFERENCE	(3.9)	(3.5)	(3.0)	(3.0)	(3.0)							
2023	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HOME	11.3	10.2	8.4	7.1	8.3	4.7	3.6	3.0	2.4	2.1	1.7	1.3
AWAY	8.2	8.4	8.8	8.6	5.8	7.7	7.1	6.5	6.0	5.4	5.3	5.2
DIFFERENCE	3.1	1.8	(0.4)	(1.5)	2.5	(3.0)	(3.5)	(3.5)	(3.6)	(3.3)	(3.6)	(3.9)
2022	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HOME	7.4	8.6	10.0	10.8	11.9	12.2	13.8	13.5	13.0	12.4	12.0	11.8
AWAY	6.4	6.8	6.9	7.2	7.4	7.7	7.6	8.0	8.5	8.6	8.5	8.3
DIFFERENCE	1.0	1.8	3.1	3.6	4.5	4.5	6.2	5.5	4.5	3.8	3.5	3.5

COMMODITIES:

NATIONAL GAS AVERAGE – PER AAA

7/23	8/23	9/23	10/23	11/23	12/23	1/24	2/24	3/24	4/24	5/24	6/24
3.77	3.79	3.81	3.45	3.22	3.11	3.03	3.26	3.54	3.69	3.61	3.46

SMALL BUSINESS OPTIMISM



RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

		10/23	11/23	12/23	1/24	2/24	3/24	4/24	5/24
	RESTAURANT PERFORMANCE INDEX	100.4	99.7	100.1	99.8	98.7	99.0	99.2	99.1
	CURRENT SITUATIONS INDEX:	100.8	98.9	102.6	99.8	96.6	98.3	98.2	98.7
\$	SSS Increase/Decrease	47%/36%	31%/51%	58%/32%	51%/40%	24%/69%	28%/51%	36%/52%	43%/45%
	Capital Spending	54%	50%	40%	50%	49%	44%	43%	48%
	EXPECTATIONS INDEX:	100.0	100.4	100.7	99.8	100.8	99.7	100.4	99.6
\$	Sales Outlook Improvement	33%	29%	45%	30%	29%	28%	40%	30%
	Economy Outlook Improvement	3%	12%	13%	8%	11%	8%	14%	13%

OPERATORS SURVEY (Source: NFIB and Compass RCR)

- Current Month Sales (nationally):
 - 43.0% ↑ Increase over last year
 - 45.0% ↓ Decrease over last year
- Current Traffic:
 - 18.0% ↓ Increase over last year
 - 57.0% ↑ Decrease over last year
- Future Outlook for Sales:
 - 30.0% ↓ More optimistic over last year
 - 25.0% ↓ Less optimistic over last year
- Future Outlook for Business Conditions over next 6 months:
 - 13.0% ↑ Expect conditions to improve
 - 43.0% ↑ Expect conditions to worsen
- Capital Spending:
 - 48.0% ↑ Made equipment expenditures
 - 35.0% ↑ Expansion/Remodel
- Margin Impact:
 - 48.0% ↓ Reported F/C Increase (down 3.0%)
- Menu Prices:
 - 68.0% ↓ Higher than LY
 - 5.0% ↑ Lower than LY
 - Menu prices increased 3.4% over last 12 months
- Staffing Issues:
 - 94.0% ↓ Fully Staffed (Chains/Independents)
 - 6.0% ↑ Understaffed
- Top Concerns – Internal:
 - 8.0% Rising Costs
 - 72.0% Finding New Customers
 - 69.0% Sufficient Cash Flow
- Top Concerns – External:
 - 79.0% Inflation
 - 65.0% Economic Uncertainty
 - 63.0% Upcoming Election

COMMENTARY SMALL BUSINESS:

- SSS continue to follow a downward trajectory for 2024 as does traffic. Menu prices continue to rise at a faster rate than food costs.
- Overall outlook for economic improvement continues to decline as well as a shift in concerns reveal the catalyst of these declines.
- While the three major components of the Restaurant Performance Index showed a slight improvement, the year-to-date trajectory is flat.
- Smaller operators (20 units or less) feel the impact of inflation far worse than larger operators.

CONSUMER SENTIMENT: (Source: University of Michigan Sentiment Poll)

	8/23	9/23	10/23	11/23	12/23	1/24	2/24	3/24	4/24	5/24	6/24
Consumer Sentiment	69.5	68.1	63.8	61.3	79.0	79.0	76.9	79.4	77.2	69.1	68.2
Current Economy	75.7	71.4	70.6	68.3	73.3	81.9	79.4	82.5	79.0	69.6	65.9
Consumer Expectations	65.5	66.0	59.3	56.8	67.4	77.1	75.2	77.4	76.0	68.8	69.6

COMMENTARY:

- **Main concerns:** 81% - Inflation
48% - Election
41% - Job Security (new to survey)
- **Outlook for Consumers:** According to the latest Michigan Survey of Consumers Report (June 2024) consumer sentiment declined 0.9 pts from May and a decline of 10.8 pts since January. A signal that is reflected in sales declining since January. According to the survey – “Consumers are expressing concerns about the effect of high prices and weakening income on their personal finances.” However, the consumers’ outlook on inflation for the next 12 months improved by 0.8 pts. Another interesting consumer report by Deloitte, State of the Consumer – June 2024, revealed that higher income respondents stated their finances improved over the past year whereas the middle income and lower income respondents stated the opposite. These findings hold a key as to why so many news sources continue to report they are “confused” over why consumer spending remains strong but consumer confidence is declining.

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