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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

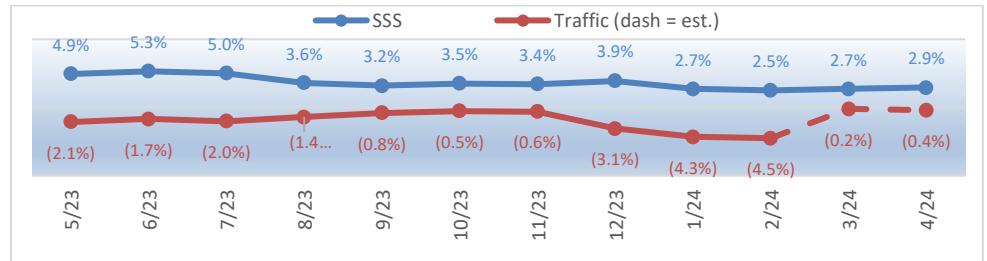
CASUAL

Applebee's	DIN	19
IHOP	DIN	20
Chili's	EAT	21
Chuy's	CHUY	22
Longhorn	DRI	23
Olive Garden	DRI	24

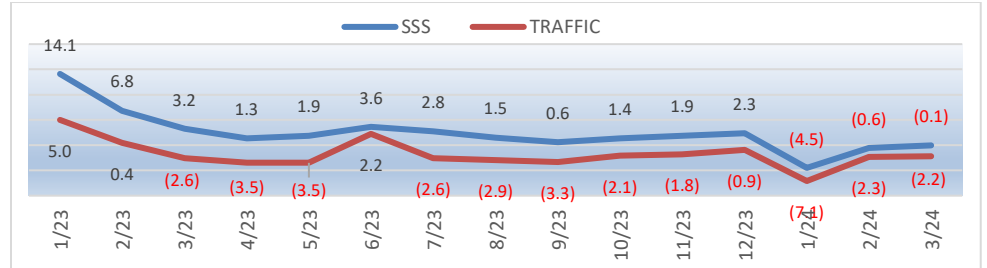
*Charts on pages 6-24 "Mean" Source – Company Filings

SALES & TRAFFIC

Compass RCR coverage average:

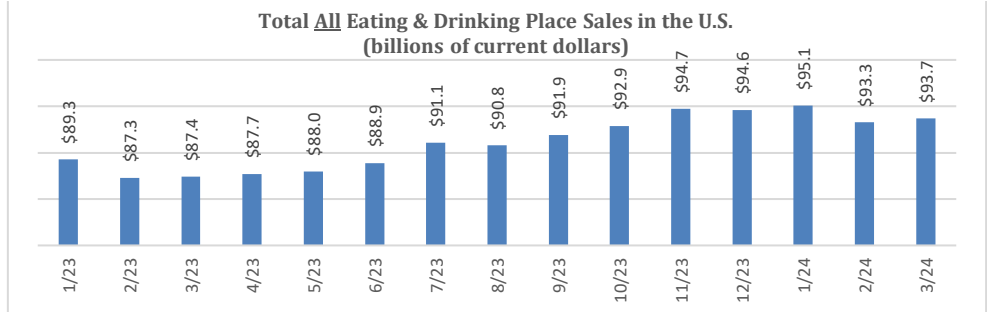


Black Box



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

National Restaurant Association Sales



Total Restaurant Industry sales increased 0.4% in February.

Spotlight On Most Noteworthy Developments:

Economic News:

- LEI 102.4 Decrease of 0.3% from February
- PPI (Inflation Rate) 2.1% Largest advance since April 2023
- CPI 3.5% Up from 3.2 in February

Gasoline Prices:

\$3.69 Up 18¢/gal in April

Food Away From Home:

4.2%

Food At Home:

1.2%

Wholesale Food Prices:

93.7 Billion – rose 0.4% over February

Federal Reserve News: Chairman Powel on 4/17/24 stated conditions to cut rates are likely to take longer ... no rate cuts in foreseeable future.

Labor News:

- Unemployment Rate 3.8% down 0.1%
- JOLTS Report: Job openings: 8.756 million
- Rest. Ind. Employment: 37,000 above 2020 peak
- U6 Rate 7.4% down 0.4%
- Separations: 3.5%

RPI:

99.2 up 0.2%

NFIB:

88.5 a 0.9 pt decline

Personal Income/Outlay

0.5%/0.8%

Consumer Sentiment

77.2 decline of 2.2 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.

ECONOMIC NEWS:

- The Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.
 - U.S. LEI fell <0.3%> in March after an increase of 0.2% in February. Over the last 6 months the LEI has contracted by 2.2%.
- GDP – Growth came in below expectations at 1.6% for QTR-1. The main growth engine – personal spending rose at a slower pace than forecast at 2.5% (estimate was 3.0%).

Higher than expected inflation rate of 3.4% compared to QTR-1 of 2023 inflation rate of 1.8%. This coincides with consumer prices increasing 3.4% for the quarter.
- The annualized inflation rate has accelerated for a second straight month to 3.5%. This is the highest since September.

LABOR NEWS:

- The restaurant industry saw a moderate job growth in March, overall, hiring surged 303,000 jobs while wage gains remain restrained.
 - Job openings in the industry continue to tick down; 37,000 jobs above February 2020 numbers.
- In general, the labor market had little changes in the last several months. While the non-farm payroll employment rose by 303,000 jobs in March 2024, most of those job gains were in government jobs and closer look at those jobs reveal that a significant number of those jobs are part-time jobs due to economic reasons (i.e. needed to supplement current income because of rising costs impact).
- On April 25, 2024 the U.S. Department of Labor gave its final ruling on new overtime requirements and exemptions of overtime eligibility. Starting July 1, the minimum eligibility requirement will increase from \$35,568 to \$55,068 or from \$684 per week to \$844 per week. Additionally, the overtime compensation changes workers paid \$21 per hour or less would now be eligible for overtime pay; up from \$17 per hour.

This ruling is the latest burdensome regulation that has more of an impact on small businesses. It comes as many business owners struggle in today's business climate – inflation, increases in regulations. The immediate impact will be a financial one.

GENERAL RESTAURANT NEWS:

- A new study by Placer.ai (which tracks traffic at retail establishments).

Reported that restaurants are losing traffic to Grocers and Convenience Stores. This report notes that traffic has increased at Grocery Super Stores and Convenience Stores since 2019; easily outperforming restaurants; even though restaurants are generating more sales. Since the pandemic these sales are primarily driven by price increases.

Traffic at Convenience Stores was up 17% in 2023 compared to 2019, while QSR was up 5% and Full Service was down 8%. At Grocers, traffic was up 12% and Super Stores 7%.

In short, restaurants are losing customers to retailers for food. Prices for Food At Home increased 1.2% in March but increased 4.2% for restaurants.

INDUSTRY OBSERVATIONS:

- The entire QSR segment is beginning to lose market share to many challengers due to pricing themselves out of consumers "willingness to pay" range. Since its inception, one of the main draws to QSR establishments has been inexpensive food served fast and convenient locations. But in recent years the rapid rise in menu prices has (as mentioned by many publicly traded chains CEO's) driven off the original QSR customer base – the lower/fixed income clientele. Menu prices have risen faster than income for this group. Yet many of these companies report record profits. Pushing away the lower income, value/affordable clientele and becoming dependent on the middle and upper income solely for sales will end badly for these companies. The middle and upper income clientele are historically fickle consumers of QSR segment. So with rising prices to the point that now its cheaper to go to Chili's for their 3 for Me \$10.99 promotion than go to Burger King or Wendy's or McDonald's for their flagship burger combos (McDonald's Big

Restaurant Industry Summary Report // April 2024

Mac Combo's national average is \$13.00 vs. Chili's 3 for Me \$10.99) and the majority of middle and upper income consumers would rather go to Chili's than a McDonald's for a burger meal. Add to this the growing/improving food offerings from Convenience Stores; especially chains like WAWA – 1,032 locations, Sheetz – 700 locations, Buc-ee's – 48 locations, Casey's – 2,660 locations, 7-Eleven – 9,492 locations to name the top five have all made major strides at improving their food offerings, raising both quality and variety. In many instances their food is priced cheaper than major QSR chains.

So the QSR sector is in a self-inflated dilemma. To woo back their original core clientele they will have to offer aggressively priced products but this will cut into profits. And if they don't – the future doesn't look that promising. Sales are weakening, and traffic continues to be elusive.

CRCR * BUSINESS ECONOMICS REPORT

	2023											2024		
	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC		JAN	FEB	MAR
OUTPUT & PRICES														
GDP (Qtrly)	1.1	1.3	2.0				3.0		4.9	3.3		3.3		
CPI	5.0	4.9	2.8	3.0	3.2	3.7	3.7	3.2	3.1	3.4		3.4	3.2	3.5
PPI	3.6	2.3	4.0	0.1	3.6	1.6	0.7	(0.5)	(0.5)	(0.1)		(0.1)	1.6	2.1
Food Away from Home	8.8	8.6	5.8	7.7	7.1	6.5	6.0	5.4	5.3	5.2		5.2	4.5	4.2
Food at Home	8.4	7.1	8.3	4.7	3.2	3.0	2.4	2.1	1.7	1.3		1.3	1.0	1.2
PCE - Consumer Spending	4.2	4.7	3.8	3.0					3.2					
Gasoline	3.65	3.54	3.52	3.66	3.79	3.81	3.45	3.22	3.11	3.03		3.03	3.54	3.69
LEI (Leading Economic Ind)										103.1		103.1	102.8	102.4
LABOR MARKET														
Openngs		9,680	10,103	9,800	9,600	8,827			9,553	8,700	8,790	8,790	8,863	8,756
Hires		4.0	4.0	4.0	5.9	3.7		3.7	3.7	3.5		3.5		
Turnover		3.8	3.8	3.8	3.6	3.5		3.5	3.6	3.4		3.4	3.4	3.5
Unemployment Rate	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.9	3.7	3.7		3.7	3.9	3.8
U6 Rate	6.8	6.1	6.4	7.2	6.7	7.2	7.0	7.2	6.7	7.0		7.0	7.3	7.4
INTEREST RATE														
Fed Rate	5.00	5.00	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50		5.50	5.25	5.25
Monthly Prime Rate													8.5	
Monthly Avg Rent (Zillow)													\$2,050	
Operator Confidence													89.8	88.5
Consumer Confidence													79.4	77.2
NFIB													89.4	88.5
RPI													99.0	99.2

* Current month or most recent reporting data available

Food At Home / Food Away (Restaurants) Comparisons

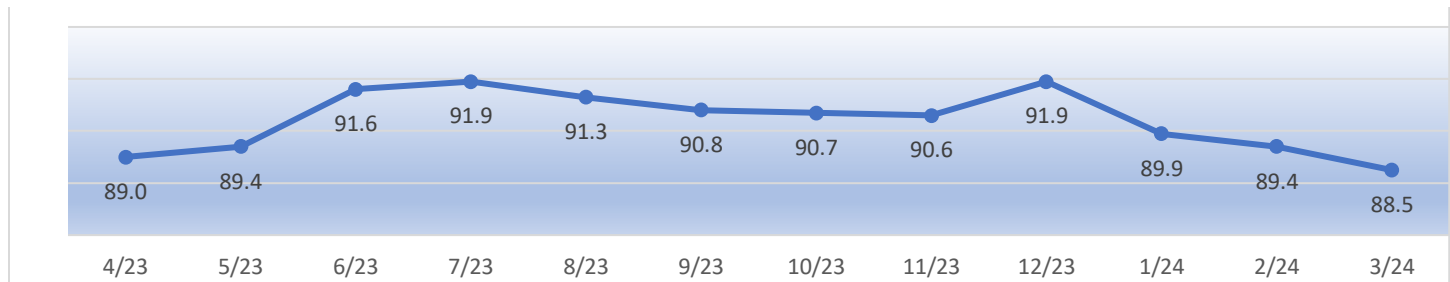
2024	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HOME	1.2	1.0	1.2									
AWAY	5.1	4.5	4.2									
DIFFERENCE	(3.9)	(3.5)	(3.0)									
2023	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
HOME	11.3	10.2	8.4	7.1	8.3	4.7	3.6	3.0	2.4	2.1	1.7	1.3
AWAY	8.2	8.4	8.8	8.6	5.8	7.7	7.1	6.5	6.0	5.4	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

5/23	6/23	7/23	8/23	9/23	10/23	11/23	12/23	1/24	2/24	3/24	4/24
3.53	3.52	3.77	3.79	3.81	3.45	3.22	3.11	3.03	3.26	3.54	3.69

SMALL BUSINESS OPTIMISM



RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

		8/23	9/23	10/23	11/23	12/23	1/24	2/24	2/24
	RESTAURANT PERFORMANCE INDEX	100.5	100.4	99.7	100.1	99.8	98.7	99.0	99.2
	CURRENT SITUATIONS INDEX:	99.5	100.8	98.9	102.6	99.8	96.6	98.3	98.2
\$	SSS Increase/Decrease	45%/47%	47%/36%	31%/51%	58%/32%	51%/40%	24%/69%	28%/51%	36%/52%
	Capital Spending	64%	54%	50%	40%	50%	49%	44%	43%
	EXPECTATIONS INDEX:	101.5	100.0	100.4	100.7	99.8	100.8	99.7	100.4
\$	Sales Outlook Improvement	49%	33%	29%	45%	30%	29%	28%	40%
	Economy Outlook Improvement	26%	3%	12%	13%	8%	11%	8%	14%

OPERATORS SURVEY (Source: NFIB and Compass RCR)

- Current Month Sales (nationally):
 - 36.0% ↑ Increase over last year
 - 52.0% ↑ Decrease over last year
- Current Traffic:
 - 31.0% ↑ Increase over last year
 - 57.0% ↑ Decrease over last year
- Future Outlook for Sales:
 - 40.0% ↑ More optimistic over last year
 - 24.0% ↑ Less optimistic over last year
- Future Outlook for Business Conditions over next 6 months:
 - 14.0% ↑ Expect conditions to improve
 - 33.0% ↑ Expect conditions to worsen
- Capital Spending:
 - 43.0% ↓ Made equipment expenditures
 - 31.0% ↓ Expansion/Remodel
- Margin Impact:
 - 45.0% ↑ Reported F/C Increase
- Menu Prices:
 - 64.0% ↓ Higher than LY
 - 1.0% ↔ Lower than LY
 - Menu prices increased 3.2% over last 12 months
- Staffing Issues:
 - 97.0% ↔ Fully Staffed (Chains/Independents)
 - 3.0% ↔ Understaffed
- Top Concerns – Internal:
 - 68.0% Recruiting Quality Employees
 - 44.0% Building Traffic
 - 32.0% Building & Maintaining Sales
- Top Concerns – External:
 - 75.0% The Economy
 - 52.0% Govt Regulations/new Labor Regulations
 - 46.0% Rising Costs of Credit

COMMENTARY SMALL BUSINESS:

The NFIB Small Business Optimism Index declined by 0.9 pts in March. It's the 27th consecutive month below the 50-Year average of 98. The Small Business Optimism Index has reached its lowest level since 2012 as owners continue to face economic headwinds.

Several key findings – The net percentage of owners who expect sales to be higher decreased by 8 pts from February to a net negative 18%. The majority reported inflation was their single most important problem.

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

	5/23	6/23	7/23	8/23	9/23	10/23	11/23	12/23	12/23	1/24	2/24	3/24
Consumer Sentiment	59.2	64.4	71.6	69.5	68.1	63.8	61.3	69.7	79.0	76.9	79.4	77.2
Current Economy	64.9	69.0	76.6	75.7	71.4	70.6	68.3	73.7	81.9	79.4	82.5	79.0
Consumer Expectations	55.4	61.5	68.3	65.5	66.0	59.3	56.8	67.4	77.1	75.2	77.4	76.0

COMMENTARY:

- For April's report, concerns increased for middle aged and older adults but decreased for younger consumers.
- Another report from the Morning Consult found that consumer spending for the higher income brackets are spending more while lower income brackets were saving – more frugal spending. Overall spending decreased modestly.
- Yet another report by Michael Halen, Senior Industry Analyst at Bloomberg, views the current consumer spending patterns as “K shaped.” Where inflation and aggressive price hikes in the restaurant industry is fueling a widening spread between low and high income consumers.

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