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**COMPANIES MENTIONED IN  
THIS REPORT:**

**CORE COVERAGE**

COMPANY	TICKER	PAGE
<b>QSR</b>		
McDonald's	MCD	5
Burger King	BKC	6
Wendy's	WEN	7
Jack in the Box	JACK	8
Popeye's	PLKI	9
KFC	YUM	10
Del Taco	TACO	11
Taco Bell	YUM	12
Pizza Hut	YUM	13
Domino's	DPZ	14

**FAST CASUAL**

Chipotle	CMG	15
Starbucks	SBUX	16
Wingstop	WING	17
Noodles & Co.	NDLS	18

**CASUAL**

Applebee's	DIN	19
IHOP	DIN	20
Chili's	EAT	21
Chuy's	CHUY	22
Longhorn	DRI	23
Olive Garden	DRI	24
Red Robin	RRGB	25

\*Charts on pages 5-25 "Mean" Source -

**SUMMARY OF INDUSTRY BUSINESS CONDITIONS:**

Due to the fact that some brands are comparing SSS to 2020 while others are comparing SSS to 2019, we are suspending the "Mean" percentage in the individual Brand charts. Once uniformity is restored, we will resume our calculations.

**SAME STORE SALES (SSS)/Traffic (Compass RCR coverage average):**

Industry avg. SSS	+39.2%
Industry avg. Traffic	+5.0% (estimated)

- **May top performers:** Applebee's, Burger King, IHOP, Noodles, Red Robin, Starbucks, Taco Bell
- **May bottom performers:** KFC, Pizza Hut, Popeyes
- **Most improved:** Burger King, Starbucks

**CONSUMERS, OPERATORS, & SUPPLY CHAIN PROVIDE THEIR TAKE:**

- **CONSUMERS:**
  - Confidence fell 5.5 points due to rising prices.
- **OPERATORS:**
  - Optimism increased 0.2 points driven by improvement in sales.
- **SUPPLY CHAIN:**
  - All protein prices rose; Supply Chain is facing shortages.

**HEADLINES: What we have heard around the Industry (see pg. 4 for details)**

- **Workforce Shortage** – Growing exponentially.
- **Price Inflation** – Bigger hit than expected.

**PREDOMINANT SALES DRIVING INITIATIVES FOR MONTH:**

▪ Off premise	96%	▪ Messaging	53%
▪ Dine-In Sales Mix	96%	▪ Digital	52%
▪ Menu innovation	85%	▪ Value/Discounts	43%
		▪ Brand Equity	19%

**JUNE OUTLOOK:**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ <b>Brands we expect to out-perform Industry/Peers:</b></li> <li>Applebee's</li> <li>Burger King</li> <li>Chipotle</li> <li>IHOP</li> <li>KFC</li> <li>McDonald's</li> <li>Noodles</li> <li>Red Robin</li> <li>Starbucks</li> </ul> | <ul style="list-style-type: none"> <li>▪ <b>Brands we expect to under-perform Industry/Peers:</b></li> <li>Chili's</li> <li>Jack in the Box</li> <li>Longhorn</li> <li>Olive Garden</li> <li>Pizza Hut</li> <li>Popeyes</li> </ul> |
|---|--|

Please see Page 26 for Important Disclosure

## CONSUMERS – OUR TAKE FOR MAY 2021:

	6/20	7/20	8/20	9/20	10/20	11/20	12/20	1/21	2/21	3/21	4/21	5/21
<b>Consumer Sentiment</b>	71.8	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	84.9	88.3	82.8
<b>Current Economy</b>	74.3	82.3	82.1	82.8	82.9	87.8	85.9	87.0	90.0	87.7	93.0	88.0
<b>Consumer Expectations</b>	70.1	65.9	72.3	65.9	68.5	75.6	79.2	70.5	74.6	73.8	79.7	75.3

SOURCE: University of Michigan Sentiment Poll

Consumer Sentiment fell in May due to higher inflation which grew at the highest rate in a decade. The rising inflation also meant that real income expectations were the weakest in 5 years. However, Michigan Consumer Sentiment pointed out that they expect consumer spending to continue despite higher prices due to pent up demand and record savings balance accumulated during the crisis lockdowns. However, it is not surprising that consumers anticipate a booming economy over the next year or so including rapid job gains as well as increases in the inflation rate.

According to the most recently published BLS Commissioner's Report: "The Consumer Price Index for all urban consumers (CPI-U) increased 0.8% in April 2021 on a seasonally adjusted basis after rising 0.6% in March. Over the past 12 months, the All Items Index increased 4.2%. This is the largest 12 month increase since the 4.9% increase in September 2008." Ultimately, inflation is related to price increases which will impact consumers' pocketbooks.

Another note, the Federal Reserve stated that as of October 2020, Americans had an extra \$1.1 trillion of savings. This unprecedented sum is due largely to the pandemic's stay-at-home restrictions. Many are expecting the combination of people getting out again with their pent up demand and all this savings will generate an economic boom.

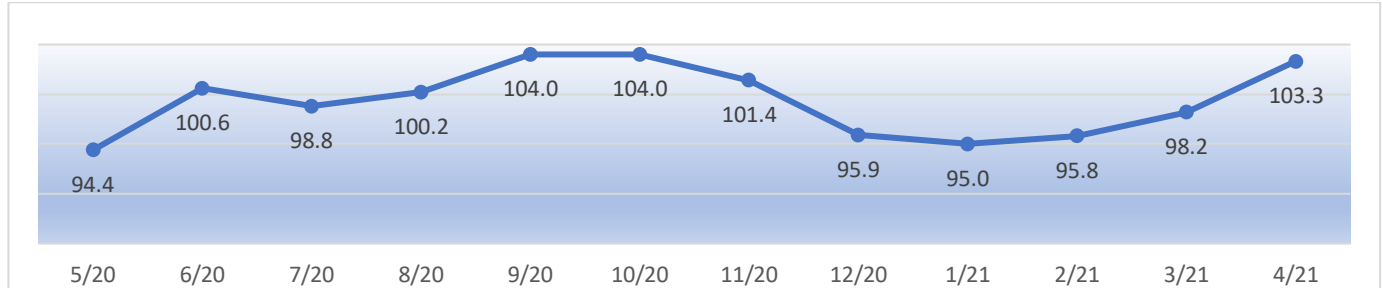
## OPERATORS - OUR TAKE FOR MAY 2021:

### OPERATORS:

- Current Month Sales:
  - 94.0% ↑ Increase over LY
  - 6.0% ↓ Decrease over LY mainly limited service
- Current Traffic:
  - 93.0% ↑ Increase over last year
  - 7.0% ↓ Decrease over last year
- Future Outlook for Business Conditions over the next 6 mos.
  - Not expecting significant changes until late fall
- Future Outlook for Sales:
  - 79.0% ↓ Increase over last year
  - 21.0% ↑ Same as last year
- Margins Impact:
  - 66.0% ↑ Reported food cost increase (rose 3% YOY)
- Menu Prices:
  - 59.0% ↑ Higher than LY
  - Menu prices increased 3.1% over last 12 months
- Staffing Issues:
  - 13.0% ↓ Full Staff
  - 87.0% ↑ Understaffed
- Top Concerns:
  - 95% Hiring/retaining employees
  - 37% New labor/business regulations
  - 35% Covid-19 impact

Operator Optimism increased by 0.2 points to 103.5. This was primarily driven by improvement in sales; but dampened by the increasing workforce shortage problems. Unfilled job openings continue to mount and the strain on operations and current staff is beginning to take a toll.

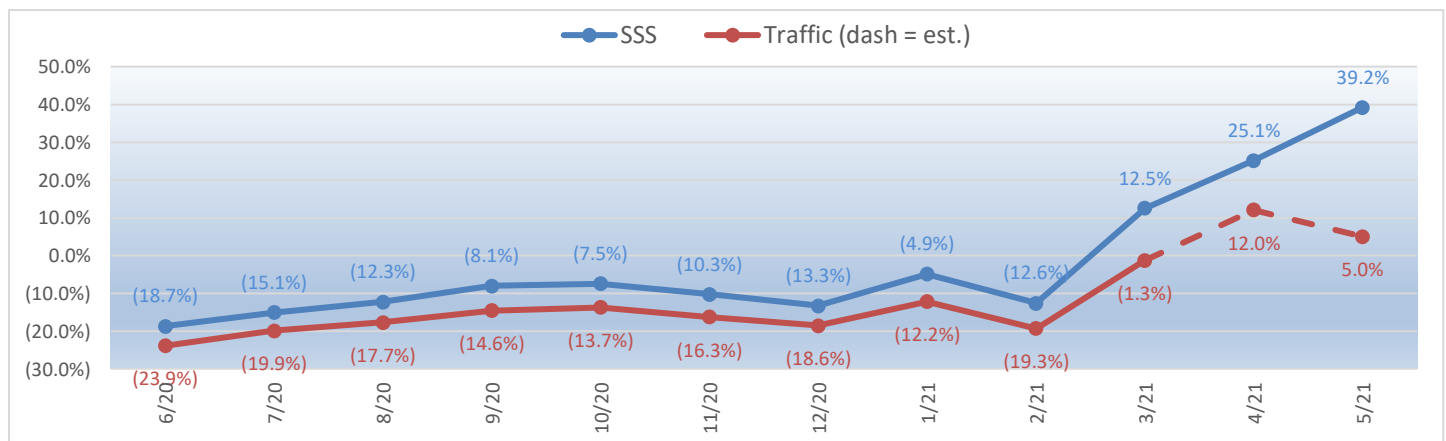
## SMALL BUSINESS OPTIMISM INDEX (Source: NFIB and Compass RCR)



## RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

		9/20	10/20	11/20	12/20	1/21	2/21	3/21	4/21
	<b>RESTAURANT PERFORMANCE INDEX</b>	98.1	98.3	97.5	98.6	99.1	100.1	105.1	106.3
	<b>CURRENT SITUATIONS</b>								
\$	SSS Increase/Decrease	32%/68%	30%/70%	19%/81%	17%/83%	29%/71%	73%/27%	77%/23%	97%/3%
	Capital Spending	46%	51%	41%	45%	51%	53%	58%	74%
	<b>EXPECTATIONS:</b>								
\$	Sales Outlook Improvement	32%	36%	40%	54%	59%	63%	78%	77%
	Economy Outlook Improvement	36%	33%	51%	60%	56%	66%	69%	64%

## SSS AND TRAFFIC: (Source: Compass RCR)



## SUPPLY CHAIN – OUR TAKE FOR MAY 2021:

WHOLESALE COMMODITIES UPDATE	May 2021	Apr 2021
Beef	\$2.70	\$2.06
Dairy	\$1.90	\$2.08
Pork	\$2.73	\$2.49
Poultry	\$2.44	\$1.88
Produce	\$19.75	\$16.00
Seafood	\$5.96	\$5.42
Chicken Wings	\$3.25	\$2.83
Basket (limited)	\$5.53	\$4.98
Gasoline – National Average	\$3.04/Gal	\$2.90/Gal

SOURCE: Commodities: USDA / Gasoline: AAA

Total wholesale Basket prices increased 11% in May. The Supply/Demand imbalance caused from the seasonal, Memorial Day, and reopening of foodservice outlet demands, and weaker supplies from lower margins and labor challenges at supply chain facilities has been the major contributors to the current inflationed prices. Beef is expected to rise to all time highs by mid to late Summer. All food products are expected to increase as well.

Gasoline prices increased 14 cents per gallon; at this point, the rise is attributed more to Summer price increases rather than inflation.

## HEADLINES – WHAT WE HAVE HEARD:

**Chicken Sandwich Wars – May 2021 Survey Update:** During May we conducted our own Chicken Sandwich Survey and compared results with 2 other sources' May surveys. Both Thrillist.com and FastFoodMenuPrices.com included the new Crispy Chicken Sandwich from Burger King. Our Survey utilized the following ratings process: Taste/Flavor, Price/Value, Healthy (perception), and Brand Appeal.

	CRCR	THRILLIST	FAST FOOD MENU
1	Popeyes	Popeye's	Chick fil A
2	Burger King (new)	McDonald's (new)	McDonald's
3	Chick fil A	Burger King (new)	Popeye's
4	McDonald's (new)	KFC	Burger King (new)
5	KFC	Chick fil A	Chick fil A Spicy
6	Shake Shack	Carl's	Shake Shack
7	Church's	Church's	Raising Cane's
8	Checkers	Jollibee	Zaxby's
9	Culvers	Culvers	Culvers
10	Raising Cane's	Arby's	Arby's
11	Wendy's	Checkers	Burger King (Original)
12	Arby's	Wendy's	Wendy's
13		Jack in the Box	What A Burger

**Workforce Shortage – growing exponentially.** The workforce shortage problem has created an unprecedented crisis for all industries; not just restaurants. The most recent Federal Jobs Report (April 2021) reported new job openings/not filled of 8.1 million. The economy is still 5% down in unemployment from February 2020 peak. Overall, restaurant employment rose in May (according to the latest report from the Bureau of Labor Statistics-BLS) as eating and drinking establishments added 186,000 jobs. In total, during the last 5 months, restaurants have added a net 830,000 jobs. This employment gain is a step in the right direction. But to achieve employment levels equivalent to pre-Covid days remains a long, uncertain path. Currently, restaurants are 1.5 million employees (12%) short of pre-pandemic staffing levels. Over 90% of our contacts stated that recruiting and retaining employees is their top challenge.

**Inflation – bigger hit than expected.** Labor Department's recent report shows inflation rose 4.2% over 12 months ending in April 2021; the highest in several years. Based on this and an unexpected food supply shortage, the food-at-home prices (grocery store prices) are expected to rise 2.0 to 2.5% and restaurant prices are expected to rise 3.0-3.5%. All proteins increased by an average of 2.5% and we expect them to rise even further during the summer months.

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