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COMPANIES MENTIONED IN THIS REPORT:

CORE COVERAGE

COMPANY	TICKER	PAGE
QSR		
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:

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

Industry avg. SSS	+12.5%
Industry traffic	<1.3%>

- **March top performers:** Applebee's, IHOP, Olive Garden, Longhorn, Del Taco, Taco Bell, Jack in the Box
- **March bottom performers:** Popeyes, Wendy's
- **Most improved:** Olive Garden, Longhorn, Taco Bell, IHOP

CONSUMERS, OPERATORS, & SUPPLY CHAIN PROVIDE THEIR TAKE:

- **CONSUMERS:**
 - Confidence increased 6.8 points.
 - View of personal income increased 9.0 points.
- **OPERATORS:**
 - Optimism increased 2.4 points.
 - Outlook for next 6-month survival – increased to positive 12%.
 - Restaurant Performance Index was 100.1; an increase of 1.0 point.
- **SUPPLY CHAIN:**
 - Major drop in produce costs and most proteins were lower in March.

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

- Multiple influences impact March's (and beyond) SSS trends.
- The above data has not been reported on each individual brand of our coverage because this information impacted all restaurants. Therefore, the information will be found on Page 4 Details.

PREDOMINANT SALES DRIVING INITIATIVES FOR MONTH:

▪ Menu Innovation	71%	▪ Value/Discounts	33%
▪ Off Premise	35%	▪ Digital App	24%
▪ Dine-In	35%	▪ Messaging	19%
		▪ Digital/Other	10%

APRIL OUTLOOK:

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Brands we expect to out-perform Industry/Peers: Applebee's Longhorn Burger King McDonald's Chili's Noodles Chipotle Olive Garden Del Taco Pizza Hut Domino's Starbucks IHOP Taco Bell Jack Wendy's KFC Wingstop | <ul style="list-style-type: none"> ▪ Brands we expect to under-perform Industry/Peers: Chuy's Popeyes Red Robin |
|--|--|

Please see Page 26 for Important Disclosure

CONSUMERS – OUR TAKE FOR MARCH 2021:

	4/20	5/20	6/20	7/20	8/20	9/20	10/20	11/20	12/20	1/21	2/21	3/21
Consumer Sentiment	71.8	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.2	76.8	84.9
Current Economy	74.3	82.3	82.1	82.8	82.9	87.8	85.9	87.0	90.0	87.7	86.2	93.0
Consumer Expectations	70.1	65.9	72.3	65.9	68.5	75.6	79.2	70.5	74.6	73.8	70.7	79.7

SOURCE: University of Michigan Sentiment Poll

Consumer Sentiment rose in late March reaching its highest level in twelve months due to the third round of Stimulus Checks being received by most (over 20 million will be receiving their third round of Stimulus Checks by early April). Also contributable to this rise in sentiment has been better than expected progress on people getting the Covid vaccine.

One notable factor was the higher level of impatience with the Covid isolation. Over 33% voiced their frustration. This was the highest level reported since the pandemic began. Other data clearly points toward a robust increase in consumer spending. However, the ultimate strength and duration of a spending surge will depend on the rate of draw-down in savings since most consumers anticipate a slower pace of personal income growth in 2021.

OPERATORS - OUR TAKE FOR MARCH 2021:

- **OPERATORS:**
 - Current Month Sales:
 - 96.0% ↑ Increase over LY
 - 4.0% ↓ Decrease over LY
 - Current Traffic:
 - 73.0% ↑ Increase over last year
 - 27.0% ↓ Decrease over last year
 - Future Outlook for Business Conditions over the next 6 mos.
 - Increased to positive 10%
 - Future Outlook for Sales:
 - 93.0% Increase over last year
 - 7.0% Same as last year
 - Margins Impact:
 - 53.0% ↑ Reported food cost increase
 - Menu Prices:
 - 57.0% ↑ Higher than LY
 - Menu prices increased 2.3% over last 12 months
 - Staffing Issues:
 - 23.0% Full Staff
 - 77.0% Understaffed
 - Top Concerns:
 - 81% Recruiting/retaining quality employees
 - 58% Overall impact of Covid-19
 - 34% New taxes/regulations impact

Operator Optimism increased by 2.4 points to 98.2. This was primarily driven by increases in sales as the economy began to re-open and consumers began receiving their third Stimulus Checks. Interesting findings – most Independent restaurants continue to report negative sales while all of our Chain contacts reported positive sales for March.

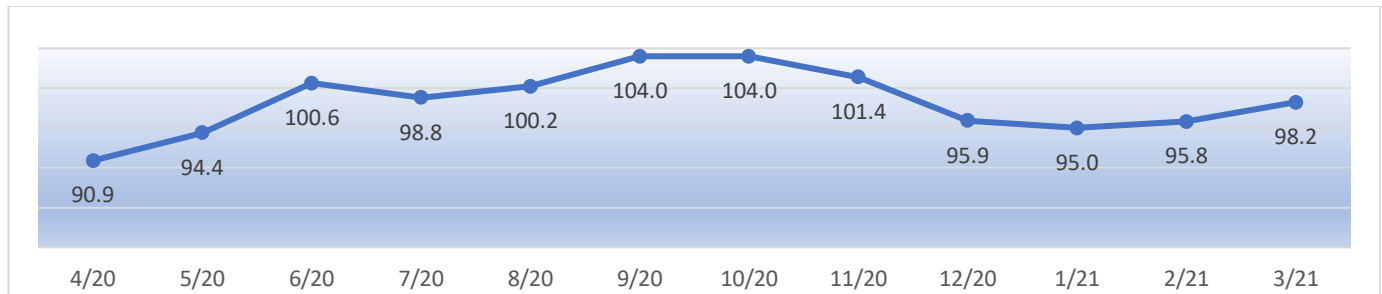
An unexpected consequence from the new Stimulus package is that operators are struggling to find and keep employees. It is more of a problem now than ever before because the Stimulus Unemployment Benefits can pay an employee up to \$3,000 a month in benefits; thus, many employees are refusing to work as they are making more to not work.

Datassentials March Survey:

- 231,328 restaurants opened for Dine-In service (any capacity).
 - 116,292 (50.3%) Chains
 - 115,036 (49.7%) Independents

Summary Report // March 2021

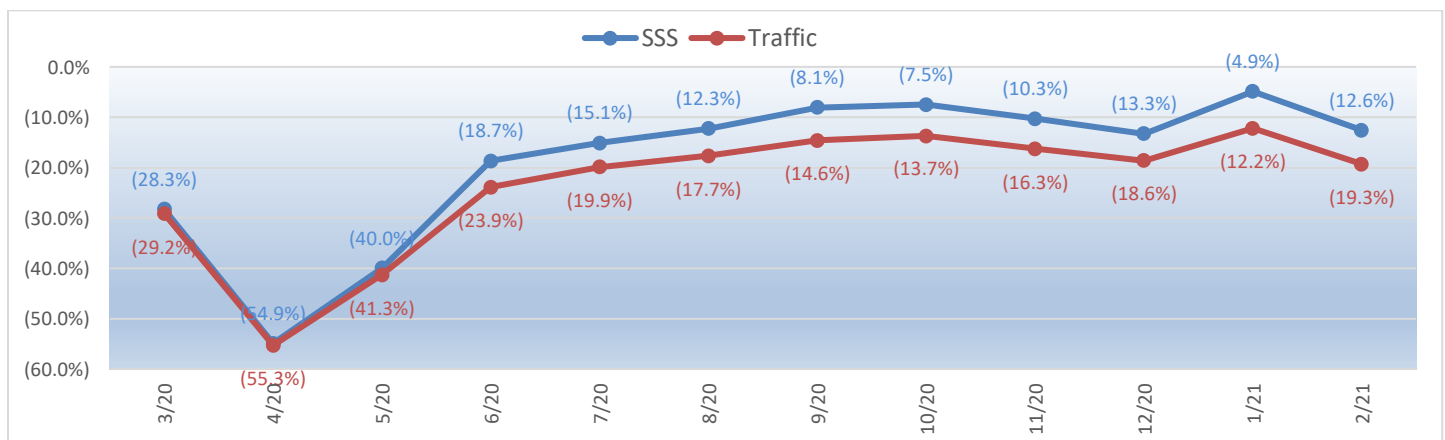
SMALL BUSINESS OPTIMISM INDEX (Source: NFIB and Compass RCR)



RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

	7/20	8/20	9/20	10/20	11/20	12/20	1/21	2/21
RESTAURANT PERFORMANCE INDEX	97.1	97.5	98.1	98.3	97.5	98.6	99.1	100.1
CURRENT SITUATIONS								
SSS Increase/Decrease	25%/75%	27%/73%	32%/68%	30%/70%	19%/81%	17%/83%	29%/71%	73%/27%
Capital Spending	47%	41%	46%	51%	41%	45%	51%	53%
EXPECTATIONS:								
Sales Outlook Improvement	58%	20%	32%	36%	40%	54%	59%	63%
Economy Outlook Improvement	33%	27%	36%	33%	51%	60%	56%	66%

SSS AND TRAFFIC: (Source: Black Box)



SUPPLY CHAIN – OUR TAKE FOR MARCH 2021:

WHOLESALE COMMODITIES UPDATE	Mar 2021	Feb 2021
Beef	\$2.14	\$2.02
Dairy	\$1.79	\$1.89
Pork	\$2.24	\$2.70
Poultry	\$1.83	\$1.85
Produce	\$16.75	\$19.00
Basket (limited)	\$4.95	\$5.49
Gasoline – National Average	\$2.86/Gal	\$2.68/Gal

SOURCE: Commodities: USDA / Gasoline: AAA

Total Basket wholesale prices came down in March primarily due to a major drop in produce costs. Additionally, most proteins were lower in March with the exception of beef.

Gasoline prices were \$2.86 for March; up 18 cents a gallon since March 1. At this time, the major cause of rising prices at the pump are supply and demand. Supply has been low the last several months due to various lockdowns. But with the economy opening back up, demand is spiking.

HEADLINES – WHAT WE HAVE HEARD:

Multiple influences impact March's same store sales growth. While much is being made of the third Stimulus Bill, the American Recovery Plan's \$1,400 Stimulus Checks' impact on March's restaurant sales, that is not the whole story.

We agree the Stimulus Checks given to consumers have had an impact on restaurant sales trends (and will continue to do so). According to a study by Earnest Research, this third Stimulus Check is the largest payment. Last April, consumers received \$1,200 and in December \$600. Earnest Research reported both of these Stimulus payments had a sharp short-term impact on sales. The first Stimulus Check appears to have had about a one or two week impact with the second Check's impact lasting closer to four weeks. Many economists expect the third Check to have at least a seven week impact on sales. We have heard stories from operators of weekly sales being up over 150%. From our own Consumer Survey, we found that approximately 65% of consumers spent 85% of their Stimulus on paying down credit cards and other bills with the balance spent on dining and small household furnishings. Sales for March surpassed two year comparisons.

Our research identified several other components that are influencing restaurant sales:

- **Easy Comparisons** - Most restaurants were closed or partially closed from 3/15/20 through the end of the month creating extremely easy comparable sales.
- **Better. Warmer Weather Conditions** have been another influence across most of the country fueling people's desires to get out of dwellings and move about.
- **Pent Up Demand** - A lot has been made about pent up demand to eat in restaurants again, but beyond this demand, has been a longing to get out of confinement from the lockdown and just move about. The pent up desire to be free to venture out and recapture some of our mobility; in many instances its just getting away from the "4 walls", driving, walking around parks, beaches, neighborhoods, etc. It is not just about a mad dash to go to a restaurant.
- **Relaxing of Restrictions/Re-opening of Businesses** - As lockdown restrictions began to be lifted, more opportunities became available to entice consumers to visit; and they did. With less restaurants available than last year due to permanent closures, those establishments that re-opened/expanded their capacity saw a spike in sales.
- **Vaccine Rollout** - The national rollout of various Covid-19 vaccines is having an increasing positive effect on consumer, operator, and government confidence. With that confidence has come the easing of restrictions by the government and the increase from consumers in their willingness to venture out and socialize with others once again. As the vaccinated numbers rise, the overall confidence will as well.
- **Consumer Confidence** - The above factors have contributed in an intricate way to drive consumer confidence up and with the rise in confidence there is a rise in expectations and outlook, both personal income and for the economy. This confidence has lead to a willingness to spend.

So it hasn't just been the third Stimulus Check (because approximately 60 million people will not receive their check until after April 2, 2021) but a combination of many influences that have driven March sales.

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