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	PAGE
HEADLINES:	
Industry	1
SSS/Traffic	1
Economic	1
Consumer/Operator	1
Supply Chain	1
Current Trends	1
HEADLINE DETAILS:	
Economic	2
Operator Survey	3-4
Consumer Survey	4
Supply Chain	5

COMPANIES MENTIONED IN THIS REPORT:

CORE COVERAGE

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
Noodles & Co.	NDLS	19

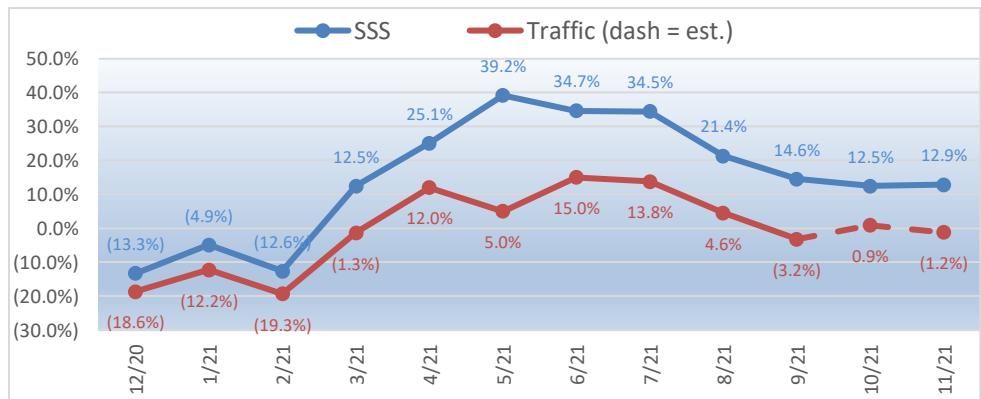
CASUAL

Applebee's	DIN	20
IHOP	DIN	21
Chili's	EAT	22
Chuy's	CHUY	23
Longhorn	DRI	24
Olive Garden	DRI	25
Red Robin	RRGB	26

INDUSTRY: HEADLINES / BUSINESS CONDITIONS/TRENDS

SALES & TRAFFIC: (Compass RCR coverage average):

Industry avg. SSS +12.9%
Industry avg. Traffic <1.2%> (estimated)



ECONOMIC HEADLINES:

- Inflation impact on consumers – cutting back on holiday spending.

BRAND HEADLINES:

- Burger King buys Firehouse Subs
- Just reported – Jack in the Box to acquire Del Taco.

CONSUMER HEADLINES:

- Consumer confidence falls to a 40-year low.

OPERATOR HEADLINES:

- Operators are concerned over ramifications from the new Tipping Laws; puts additional pressure on the operator.

SUPPLY CHAIN HEADLINES:

- Overall, product shortages were not as severe in November.

WORKFORCE ISSUES:

- Understaffing issues eased in November.

Please see Page 27 for Important Disclosure

ECONOMIC NEWS (BREAKDOWN):

- CPI/Inflation Rate - Annualized 8.6%
- Commodities wholesale prices rose 8.6%
- Unemployment 4.6%



SOURCE: TRADINGECONOMICS.COM US Bureau of Labor Statistics

CPI/12 Month % Change: Overall (annualized) increase of 8.6%.

INFLATION – Update: Restaurant Industry expected to grow sales throughout 2022 according to multiple sources (Federal Reserve and several top economists).

UNEMPLOYMENT – Rate dropped to 4.6%.

WHOLESALE COMMODITIES UPDATE	November 2021	October 2021
Beef	\$3.06	\$3.60
Dairy	\$2.01	\$2.08
Pork	\$14.29	\$3.39
Poultry	\$2.55	\$3.01
Produce	\$24.25	\$29.25
Seafood	N/A	N/A
Chicken Wings	\$2.77	\$3.11
Thighs	\$0.62	\$0.72
Basket (limited)	\$7.07	\$6.45

SOURCE: Commodities: USDA / Gasoline: AAA

Wholesale food prices rose 8.6% YOY in November; the highest annual pace in the last eleven years. The biggest jump occurred in pork.

NATIONAL GAS AVERAGE - PER AAA

2/21	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21	11/21
2.68	2.87	2.9	3.04	3.09	3.17	3.19	3.18	3.38	3.41

Gasoline prices peaked in early November at \$3.43 per gallon and have been on a gradual decline since news of the new Covid variant which led to many cautions to institute travel restrictions and U.S. population slowed travel plans.

RETAIL COMMODITIES UPDATE	November 2021	November 2020	October 2021
Ground Beef	\$5.23	\$4.55	\$6.79
Milk	\$3.66	\$3.38	\$3.59
Bacon	\$7.31	\$5.72	\$7.22
Bread	\$1.53	\$1.52	\$1.58
Coffee	\$4.80	\$4.52	\$4.73
Whole Chicken	\$1.53	\$1.58	\$1.50
Eggs	\$1.82	\$1.41	\$1.84
Potatoes	\$0.81	\$0.80	\$0.80
Basket	\$3.34	\$2.94	\$3.50

Elevated demand for goods over service led to the rise in prices. According to the USDA, “Food Price Outlook” Report of October 2021, Food at Home prices are expected to increase between 2.5% and 3.5% for the remainder of 2021.

Restaurant Summary Report // November 2021

▪ OPERATORS:

- **Current Month Sales (nationally):**
 - 85.0%  Increase over last year
 - 11.0%  Decrease over last year
- **Current Traffic:**
 - 80.0%  Increase over last year
 - 13.0%  Decrease over last year
- **Future Outlook for Business Conditions over the next 6 mos.**
 - 30% expect business conditions to improve
 - 22% expect business conditions to worsen
 - 48% expect business conditions to remain same
- **Future Outlook for Sales:**
 - 50.0%  Increase over last year
 - 2.0%  Worse than LY
- **Margins Impact:**
 - 93.0%  Reported food cost increase (rose 7.7% YOY)
- **Menu Prices:**
 - 83.0%  Higher than LY
 - Menu prices increased 4.8% over last 12 months
- **Staffing Issues:**
 - 74.0%  Fully Staffed
 - 26.0%  Understaffed
- **Top Concerns:**
 - 77% Recruiting/retaining quality employees
 - 72% Food Costs/inflation
 - 66% Building and maintaining sales
 - 53% New Covid strain - Omicron

▪ NFIB Monthly Survey Summary:

- Outlook for Business Conditions over the next six months decreased to a negative <37%>.
- 49% reported job openings that could not be filled -(continues to remain above 48-year average of 22%).
- 44% reported increasing compensation.
- 39% reported supply chain disruptions that have had a significant impact on their business.
- 29% reported moderate impact.
- 21% reported mild impact.
- 10% reported no impact.

SUMMARY: Results indicate operators overall optimism improved. But, as the month drew to a close, new concerns rose concerning the new Covid variant, Omicron, and its potential impact on business.

When comparing SSS to 2019, operators reported the following. By segment:

	CURRENT MONTH		LAST MONTH	
	Higher	Lower	Higher	Lower
QSR	70%	30%	67%	17%
Fast Casual	65%	35%	71%	14%
Casual	56%	39%	56%	39%
Fine Dining	32%	68%	32%	68%

SSS 2-Year Comparison (Higher)

	June	July	August	September	October	November
QSR	71%	47%	64%	75%	67%	70%
Fast Casual	71%	67%	50%	50%	71%	65%
Casual	38%	50%	75%	47%	56%	56%
Fine Dining	5%	80%	50%	38%	32%	32%

Restaurant Summary Report // November 2021

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



RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21
RESTAURANT PERFORMANCE INDEX	105.1	106.3	105.5	105.6	105.2	104.2	102.9	104.5
CURRENT SITUATIONS								
SSS Increase/Decrease	77%/23%	97%/3%	95%/5%	84%/16%	85%/15%	73%/11%/16%	76%/24%	85%/11%
Capital Spending	58%	74%	68%	72%	73%	63%	59%	62%
EXPECTATIONS:								
Sales Outlook Improvement	78%	77%	75%	75%	71%	53%	47%	50%
Economy Outlook Improvement	69%	64%	74%	68%	32%	36%	16%	30%

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

	12/20	1/21	2/21	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21	11/21
Consumer Sentiment	80.4	81.8	76.9	80.7	84.9	82.9	85.5	81.2	70.3	72.8	71.7	67.4
Current Economy	87.8	85.9	87.0	90.0	87.7	89.4	88.6	84.5	78.5	80.1	77.7	73.6
Consumer Expectations	75.6	79.2	70.5	74.6	73.8	78.8	83.5	79.0	65.1	68.1	67.9	63.5

• **Top Concerns of Consumers:**

- Escalating inflation and absence of federal policies that would effectively redress the inflationary damage to household budgets.
- 25% cited inflationary erosion of their living standards and are planning on cutting back on holiday spending this year. (However, consumers have a strong desire to resume more normal holiday gatherings with family and friends.)
- 25% stated economic issues as the most important problem. (It has been more than 20 years since the economy was named as the most important problem according to Gallup.)
- Concerns about Covid have eased in November; down from 26% in August to 13% in November.

	November 2021	October 2021	September 2021	August 2021
Health concerns as related to Covid variant	13%	36%	50%	26%
Financial concerns – (Inflation) increased cost of goods	25%	72%	58%	16%
Immigration	77%	76%	52%	11%

SOURCE: Gallup Poll

SUPPLY CHAIN NEWS:

SUPPLY CHAIN

Overall, product shortages were not as severe in November.

- **AMERICAN TRUCKERS ASSOCIATION** CEO Chris Spears issued the following statement regarding OSHA's emerging Tenary Standard on vaccine mandate: Summary – truck drivers are exempted from the mandate. However, non U.S. truck drivers crossing the borders **must be vaccinated!**
- **ACCORDING TO PORT OFFICIAL**, Danny Wan, as of November 11 there were 80 ships lined up outside Los Angeles and Long Beach ports. System is currently not on 24/7 operations. Stating it's a complicated process that requires time to significantly ramp up cargo movement. Only one terminal at the Port of Los Angeles is operating in the 24/7 mode. Some of the process requires negotiating with the major unions, freight movers (both trucking and rail), and various municipalities. One step that has been taken is restricting boats near the port to 40 and requiring the rest to wait 100 to 180 miles offshore. This is a step in managing the port congestion.

WORKFORCE ISSUES

- **UNDERSTAFFING ISSUES EASED IN NOVEMBER.** Better quality applicants began to emerge thus relieving some of the strain. The restaurant industry added 11,000 jobs in November; remains below pre-Covid numbers.

Restaurant Summary Report // November 2021

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