

# Industry Data Report

## Unit Economics – 2018

- **RR’s Industry Data Report on Unit Economics** provides: (1) FYE 2017 unit level AUV along with COGS, labor, royalty, advertising, other operating and EBITDAR margin estimates for 46 chains; (2) a 5-year history of unit economic performance; (3) an analysis of food and labor cost drivers; and (4) aggregate G&A margins, rent margins and leverage ratios based on RR’s annual lender survey.
- **Report highlights:** (1) Average 2017 EBITDAR margin for the \$1B+ chains declined -60 bps due to higher labor costs; (2) higher rent expense based on our lender survey suggests 2017 EBITDA (post G&A) also contracted; (3) franchisee leverage levels increased, but coverage ratios remain solid with lenders reporting minimal delinquencies; and (4) 2018 EBITDAR margin pressure reflects expectations that moderate sales growth will be insufficient to keep pace with higher labor & commodity costs.

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<b>Data in spreadsheet form available at <a href="http://www.ChainRestaurantData.com">http://www.ChainRestaurantData.com</a></b>		

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## RR's 2017 Franchisee Unit Economic Estimates <sup>(1)</sup>

Concept	As of Date	AUV	Food & Paper	Labor & Benefits	Royalty	Advertising	Other Operating	EBITDAR (Pre G&A)
Cheesecake Factory	Dec-17							
Red Robin	Dec-17							
Buffalo Wild Wings	Dec-17							
Chili's Grill & Bar	Jun-17							
T.G.I. Friday's	Dec-17							
Texas Roadhouse	Dec-17							
Applebee's	Dec-17							
<b>Casual</b>	<b>7</b>							
Moe's Southwest Grill	Dec-17							
Qdoba	Sep-17							
Corner Bakery Café	Dec-17							
Chipotle	Dec-17							
Panera Bread	Dec-17							
<b>Fast Casual</b>	<b>5</b>							
IHOP	Sep-17							
Denny's	Dec-17							
Perkins	Dec-17							
Cracker Barrel	Jul-17							
Golden Corral	Dec-17							
<b>Family</b>	<b>5</b>							
Dunkin Donuts	Oct-17							
Krispy Kreme	Dec-17							
<b>Coffee/Bakery</b>	<b>2</b>							
Popeyes	Dec-17							
Bojangles'	Dec-17							
KFC	Dec-17							
Wingstop	Dec-17							
Church's	Dec-17							
<b>Chicken</b>	<b>5</b>							
Taco Bell	Dec-17							
McDonald's	Dec-17							
Jack in the Box	Sep-17							
Burger King	Dec-17							
Carl's Jr.	Dec-17							
Wendy's	Dec-17							
Arby's	Dec-17							
Five Guys	Dec-17							
Hardee's	Dec-17							
Checkers/ Rally's	Dec-17							
Culver's	Dec-17							
Dairy Queen	Dec-17							
Sonic Drive-In	Aug-17							
Zaxby's	Dec-17							
<b>Sandwich</b>	<b>14</b>							
Firehouse Subs	Dec-17							
Jimmy John's	Dec-17							
Jersey Mike's	Dec-17							
Subway	Dec-17							
<b>Sub-Sandwich</b>	<b>4</b>							
Pizza Hut	Dec-17							
Domino's	Dec-17							
Little Caesars	Dec-17							
Papa John's	Dec-17							
<b>Pizza</b>	<b>4</b>							
<b>Average</b>	<b>46</b>							

(1) RR's unit economic figures represent estimated franchisee results derived from surveys and FDD's. Texas Roadhouse, Chipotle, and Cracker Barrel company results have been adjusted to include a royalty fee for comparability purposes.

(2) Yellow shaded cells represent preliminary RR estimate.



## RR Unit Economic Summary (Ranked by Change in EBITDAR 2013 - 2017)

Concept	2013				2014				2015				2016				2017				Change in EBITDAR Since 2013	
	AUV	COGS	Labor	EBITDAR	AUV	COGS	Labor	EBITDAR	AUV	COGS	Labor	EBITDAR	AUV	COGS	Labor	EBITDAR	AUV	COGS	Labor	EBITDAR	Margin	EBITDAR \$
Texas Roadhouse																						
Red Robin																						
Buffalo Wild Wings																						
Chili's Grill & Bar																						
Applebee's																						
T.G.I. Friday's																						
<b>Casual</b>																						
Qdoba																						
Corner Bakery																						
Moe's																						
Panera Bread																						
Chipotle																						
<b>Fast Casual</b>																						
Cracker Barrel																						
Perkins																						
Denny's																						
Golden Corral																						
IHOP																						
<b>Family</b>																						
Dunkin Donuts																						
Krispy Kreme																						
<b>Coffee/Bakery</b>																						
KFC																						
Popeyes																						
Bojangles'																						
Church's																						
<b>Chicken</b>																						
Burger King																						
Wendy's																						
Checkers/ Rally's																						
McDonald's																						
Arby's																						
Jack in the Box																						
Taco Bell																						
Sonic Drive-In																						
Carl's Jr.																						
Hardee's																						
Five Guys																						
Zaxby's																						
<b>Sandwich</b>																						
Jersey Mike's																						
Firehouse Subs																						
Subway																						
Jimmy John's																						
<b>Sub-Sandwich</b>																						
Domino's																						
Papa John's																						
Little Caesars																						
Pizza Hut																						
<b>Pizza</b>																						
<b>Average</b>																						

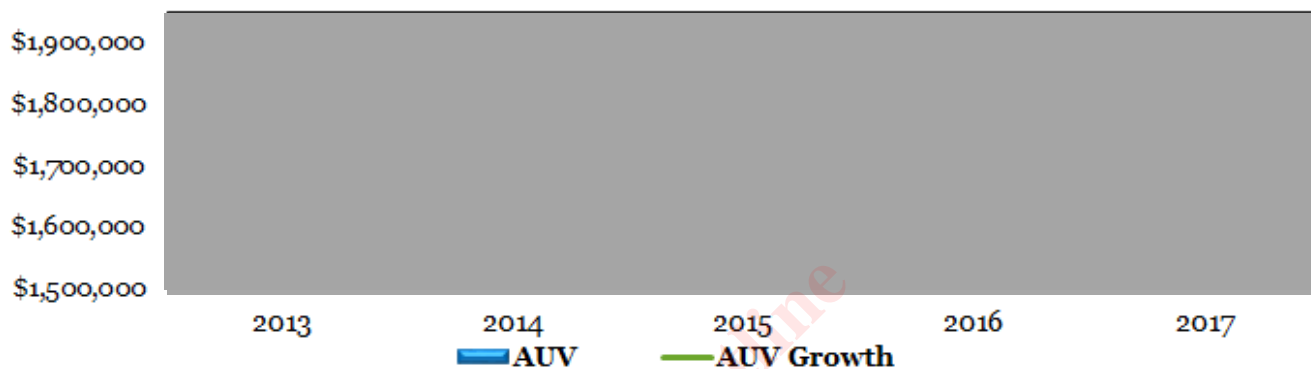
(\*) Yellow shaded cells represent preliminary RR estimate.

# 2017 Sales Overview

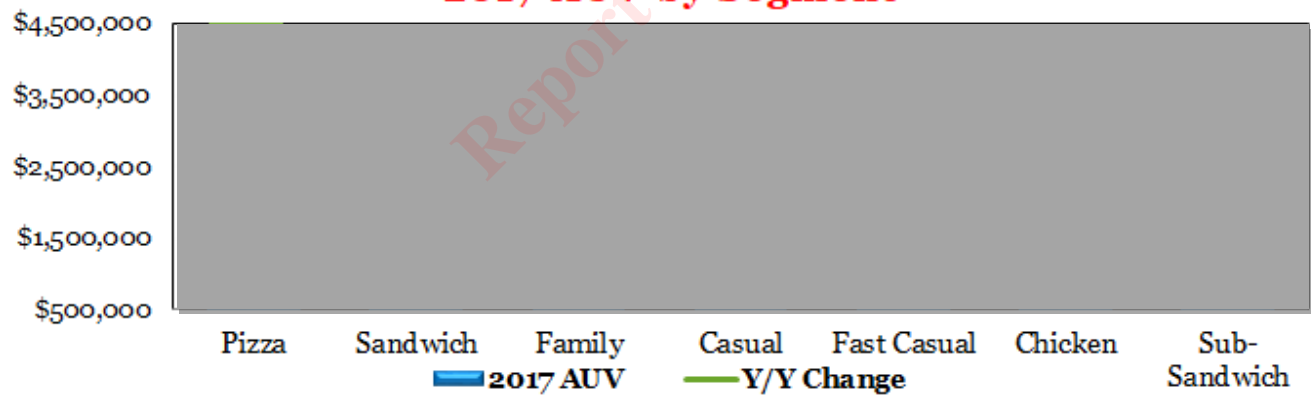
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## Aggregate AUV Trends



## 2017 AUV by Segment



## Delta Between New Build AUV & Existing AUV



# 2018 Sales Outlook

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## Change in \$1B+ Chains Same Store Sales YTD March 2018



## 2018 Same Store Sales Outlook

FSR		QSR	
Applebee's		Bojangles'	
Cheesecake Factory		Domino's	
Chili's Grill & Bar		Dunkin Donuts	
Chipotle		Jack in the Box	
Cracker Barrel		Papa John's	
Denny's		Sonic Drive-In	
IHOP		Starbucks	
LongHorn		Wendy's	
Olive Garden		Wingstop	
Outback			
Red Robin			
Texas Roadhouse			
		Increase from Last Quarter	
		Decrease from Last Quarter	

Based on 1Q:18 Company Guidance

## 2018 Pricing Outlook

Concept	2018 Pricing
Applebee's	
Bojangles'	
Burger King (Carrols)	
Cheesecake Factory	
Chili's Grill & Bar	
Chipotle	
Denny's	
Jack in the Box	
Olive Garden	
Outback	
Red Robin	
Sonic Drive-In	
Texas Roadhouse	
Wingstop	
Lower than last quarter	
Higher than last quarter	

Based on 1Q:18 Company Guidance

## Y/Y Change in Consumer Price Index



Source: Bureau of Labor Statistics

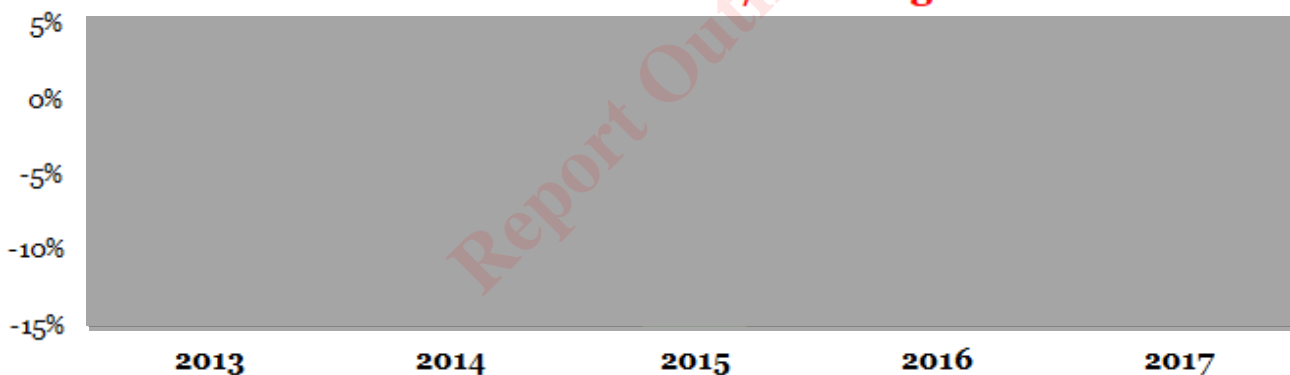
## 2017 COGS Overview



### Aggregate COGS Margin Trends



### BLS Foodstuffs Y/Y Change



### 2017 COGS Margin by Segment



## 2018 COGS Outlook



### Key Commodity Costs

Commodity	Year over Year % Change		
	FYE '17	YTD Apr. '18	2018 Outlook
<b>BLS Foodstuffs</b>			
Chicken Eggs PPI			
Wheat Cash (CBOT)			
Chicken (Slaughter)			
Corn Cash (CBOT)			
Ground Beef (73% Lean)			
Cheese (40 Lb. Block)			
Pork (USDA)			
Class III Milk			
Coffee (ICO) Composite			

(1) 2018 outlook based on USDA Economic Research Service for the primary commodity (beef, chicken, pork, eggs, wheat & dairy).

### 2018 Commodity Outlook

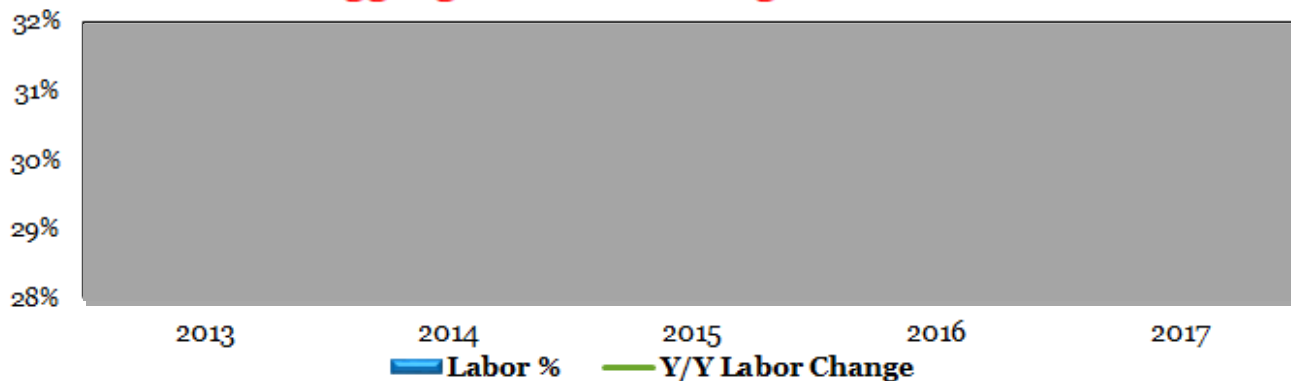
Concept	2018 Commodities
Bojangles'	
Burger King (Carrols)	
Cheesecake Factory	
Chipotle	
Cracker Barrel	
Denny's	
Domino's	
Jack in the Box	
McDonald's	
Olive Garden	
Outback	
Red Robin	
Sonic Drive-In	
Texas Roadhouse	
Wendy's	
Wingstop	
<b>Lower than last quarter</b>	<b>Higher than last quarter</b>

Based on 1Q:18 Company Guidance

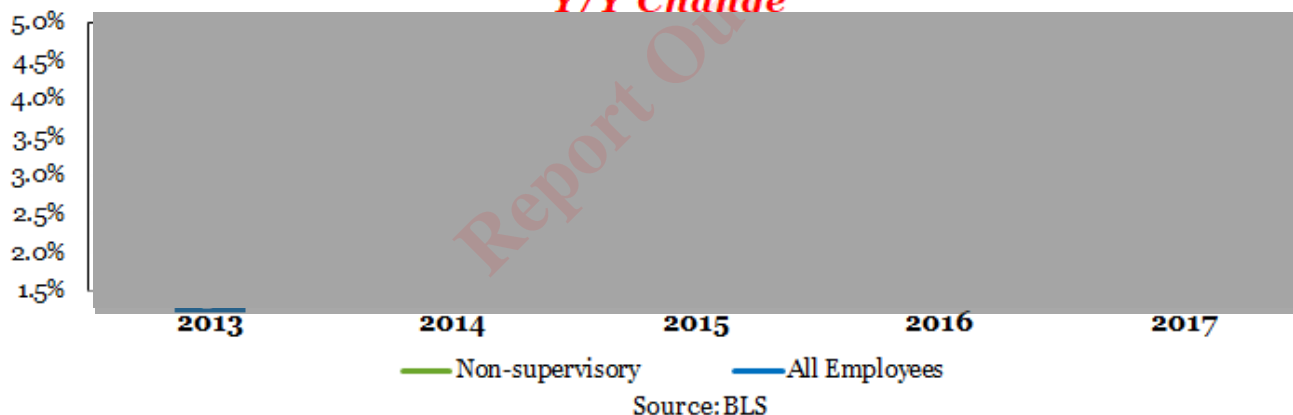
## 2017 Labor Overview



### Aggregate Labor Margin Trends



### Avg. Hourly Earnings of Food Service Employees Y/Y Change



### 2017 Labor Margin by Segment

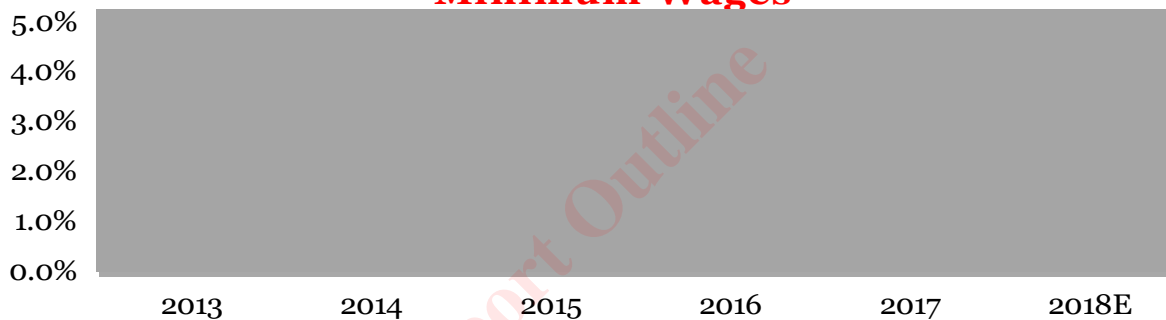




# Labor Outlook

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## Average Annual Increase in State Minimum Wages



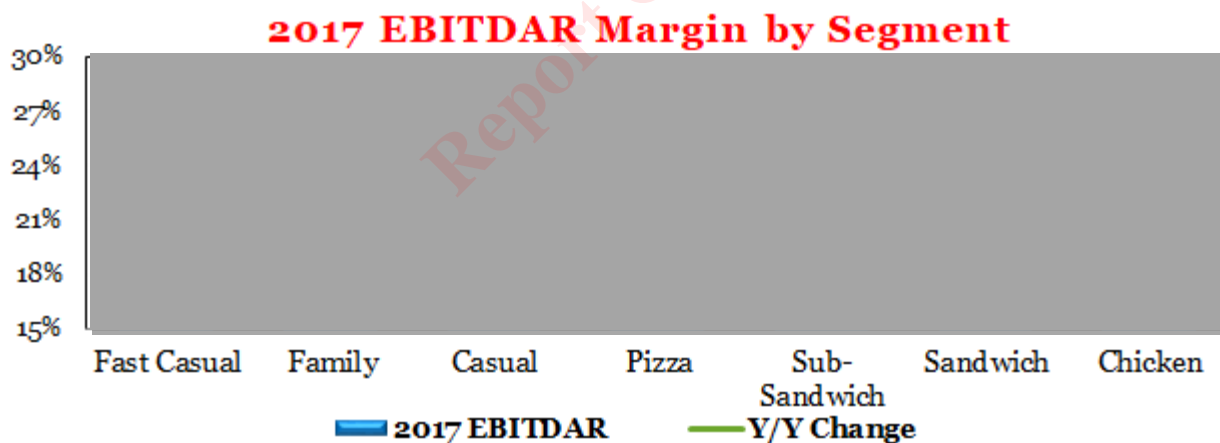
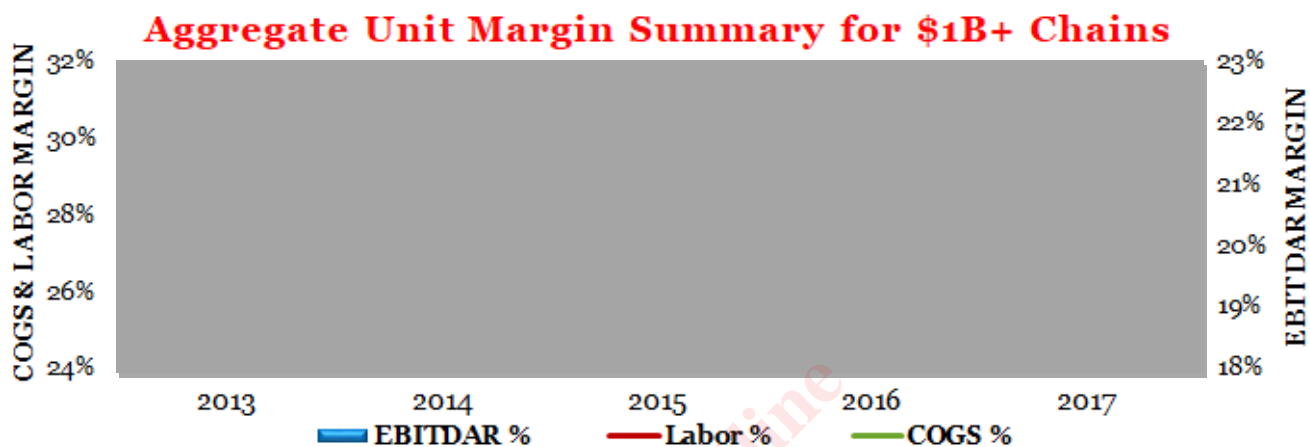
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## 2018 Labor Outlook

Concept	2018 Wage Inflation
Bojangles'	
Burger King (Carrols)	
Cheesecake Factory	
Chili's Grill & Bar	
Chipotle	
Denny's	
Jack in the Box	
Olive Garden	
Outback	
Red Robin	
Sonic Drive-In	
Texas Roadhouse	
Wendy's	
Lower than last quarter	Higher than last quarter

Based on 1Q:18 Company Guidance

## 2017 EBITDAR Overview



## Franchisee G&A, Rent & Leverage Benchmark Data

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**G&A as a % of Sales**



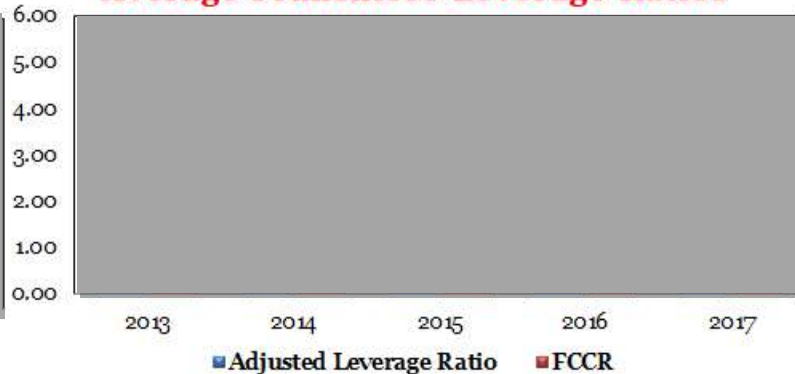
**Rent as a % of Sales**



**EBITDA (Post G&A) as a % of Sales**



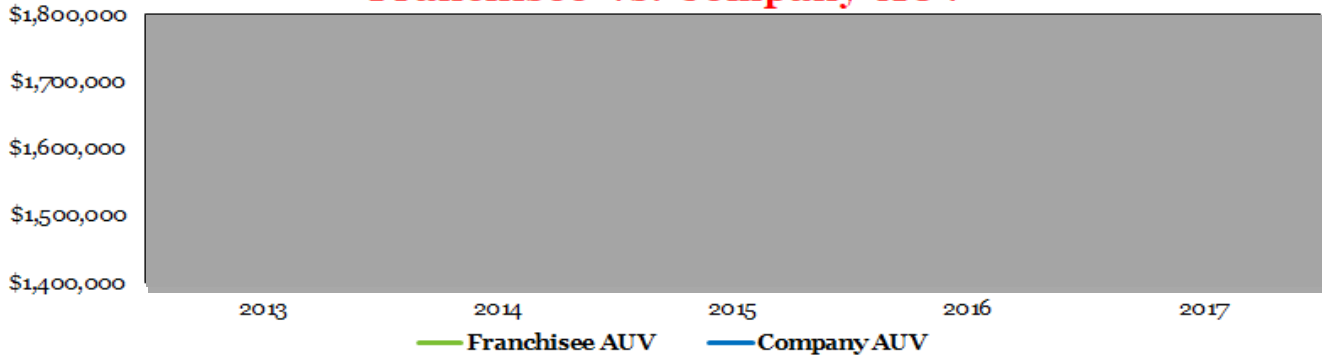
**Average Franchisee Leverage Ratios**



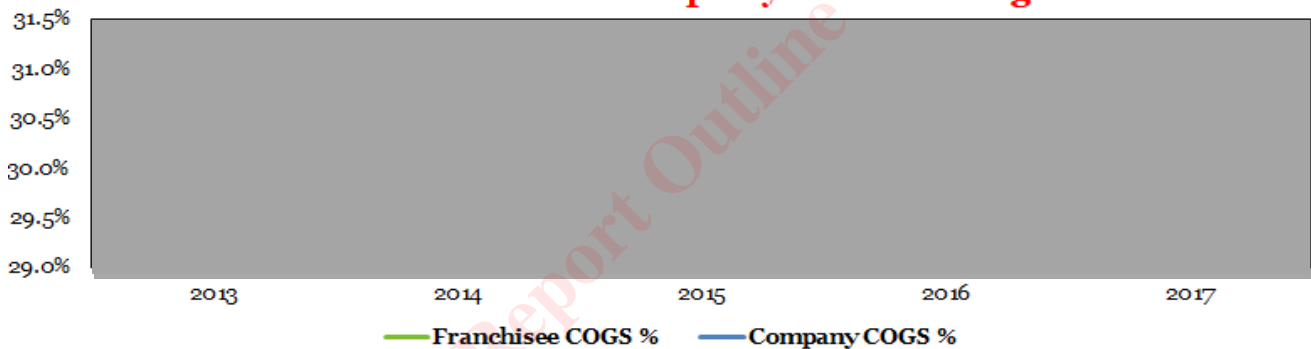
## Franchisee vs. Company Unit Economic Performance



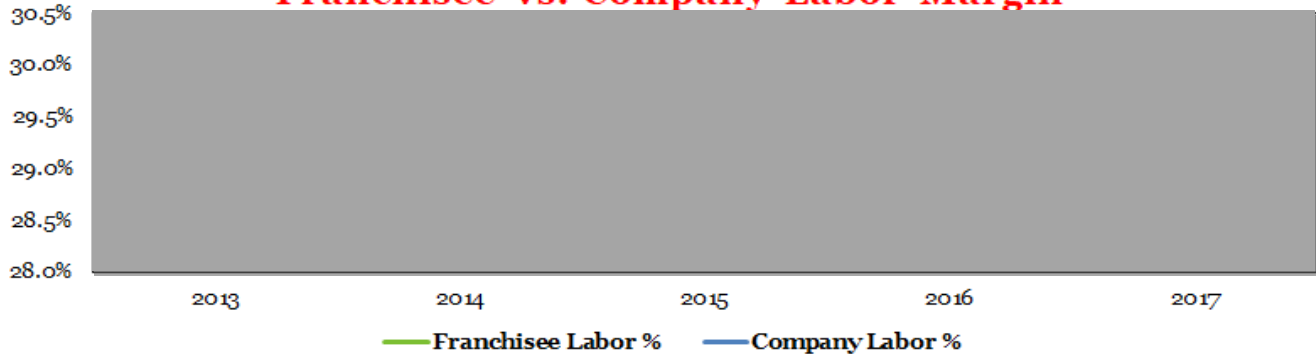
**Franchisee vs. Company AUV**



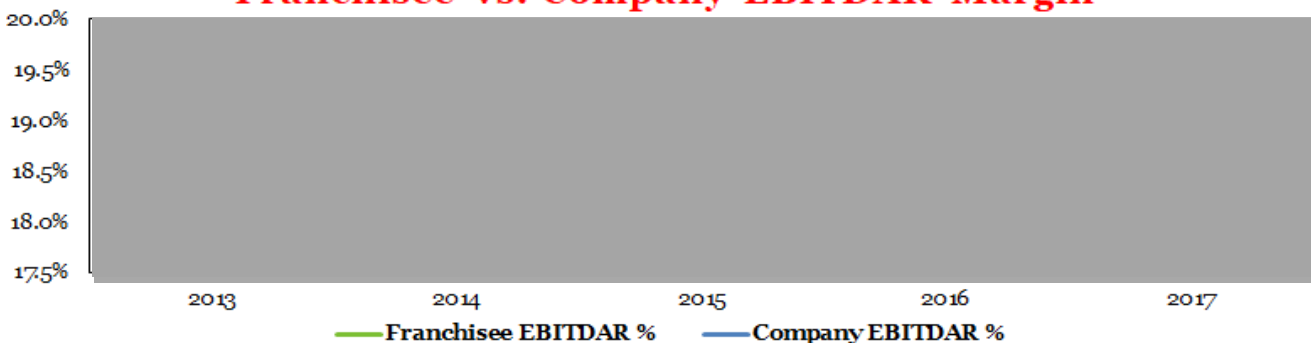
**Franchisee vs. Company COGS Margin**



**Franchisee vs. Company Labor Margin**



**Franchisee vs. Company EBITDAR Margin**



## Appendix - Minimum Wage & Tip Credits by State

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### Change in Minimum Wage by State (2014 - 2018)

State	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2018/ 2017	July 2018	% Change Since 2014
DC							
MD							
HI							
MA							
AR							
ME							
AZ							
NY							
CO							
AK							
RI							
MI							
NE							
WA							
CA							
SD							
WV							
MN							
VT							
OR							
CT							
DE							
MT							

State	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2018/ 2017	July 2018	% Change Since 2014
MO							
OH							
NJ							
FL							
IL							
NM							
NV							
IA							
ID							
IN							
KS							
KY							
NC							
ND							
NH							
OK							
PA							
TX							
UT							
VA							
WI							
GA							
WY							
<b>Avg.</b>							

**Minimum Wage Outlook by State (2016 - 2018) (\*)**

State	Min. Wage July 2016	Min. Wage July 2017	Min. Wage July 2018	Aggregate % Increase
ME				
AZ				
CO				
WA				
HI				
NY				
MD				
DC				
OR				
CA				
MA				
VT				
MI				
AR				
CT				
RI				
SD				
MT				
NJ				
MO				
FL				
OH				
MN				
AK				
24				
<b>% Increase</b>				

(\*) Includes only those states which have approved a specific increase.

**Tipped Wages by State**

**Ranked by Highest Minimum Cash Wage**

State	Min. Wage July 2018	Tipped Credit '18	Minimum Cash Wage '18	State	Min. Wage July 2017	Tipped Credit '17	Minimum Cash Wage '17
WA				DC			
CA				NH			
OR				PA			
AK				AR			
MN				WV			
HI				WI			
MT				DE			
NV				NJ			
AZ				NM			
CO				IN			
CT				KS			
VT				KY			
FL				NC			
ME				NE			
IL				OK			
ND				TX			
IA				UT			
SD				VA			
OH				WY			
MO				GA			
RI				AL			
MA				LA			
MD				MS			
MI				SC			
ID				TN			
NY				51			

The maximum Federal Tip Wage Credit is \$5.12.

# All Inclusive Subscription Package

*Value-Added Data & Insight for \$1B+ Chains*

## Concept Benchmarking Reports

Applebee's	Arby's	Burger King	Carl's Jr.
Chili's Grill & Bar	Church's	Denny's	Domino's
Hardee's	IHOP	Jack in the Box	KFC
McDonald's	Panera Bread	Papa John's	Pizza Hut
Popeyes	Sonic Drive-In	Subway	Taco Bell
TGI Friday's	Wendy's	Quarterly Concept Updates*	

## Industry Benchmarking (49 Chains)

Store Level	Systemwide	Finance
New Unit Investment Report	Quarterly Same Store Sales Database*	Unit Level Valuations
Remodeling Report	Annual RR Databook*	Report
Unit Economics Report	Unit & Sales Growth Analysis Report	Franchise Finance
Operations Matrix Report	Menu & Promotions Report	Report
Marketing Spend Report	Annual State Unit Databook*	
	Commodities Database*	

\* Only available as part of subscription.

## FDD/UFOC library for 37 Chains

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