



T.G.I. Friday's Benchmark Report

Executive Summary

Friday's new management has developed a sensible positioning strategy which seeks to create a new category of a bar focused brand, bringing Friday's back to its roots as an energetic, social atmosphere (In here, it's always Friday) where guests gather together with friends for fun and celebrations. The brand's social/bar heritage works well with Millennials who represent 40% to 45% of guests and its bar theme helps provide an exciting experience which prompts consumers to counter their cocooning home dining instincts. Further, a very large 25% mix for alcohol sales helps to increase check and margin with drink specials helping to drive incremental sales. Plans to pulse-in 3-5 new product intros every month should help drive traffic and 50%+ of the menu has been upgraded with a complete menu overhaul expected by FYE18 (which includes continued menu simplification to offset the added complexity from an increased LTO cadence). The new "Fire-Grilled Meats" platform upgrades include: new Big Ribs (featuring a +30% bolder, meatier, juicier rib); and an updated Burger Bar menu featuring a new patty blend of chuck & brisket. Operations should benefit from a focus on: world class hospitality; frictionless operations & service; personalized guest experience inside & outside of restaurants; and award winning facilities. Incremental off-premise sales have been ramping-up quickly helping the brand to better reach new, younger customers and new occasions. Having said all this, the new management team has its work cut out for itself given that this smaller scale player (11th largest national \$1B+ casual chain) has suffered mostly negative comps since the 2008 Great Recession which reflects the system's fundamental challenges, particularly as it relates to value in our opinion. The brand's nearly \$18 average check before tip and lack of an everyday value platform may impede frequency given consumer price sensitivity and a high level of competitive discounting. Sales challenges have translated into a system low AUV and EBITDAR dollar amount and gross closures have exceeded gross openings over the last 9 years. **In conclusion, while Friday's has a lot going for it because of its unique bar positioning in the crowded casual chain dining space and because of its new management team which is well capable of executing its well-conceived turnaround plan, there is still more work to do around value (which we believe is forthcoming) necessary for Friday's to join in the progress that its competitors have made in better meeting today's consumers where their wallets are at.**

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