

Industry Data Report

Remodeling 2018 - 2019

Report Highlights

- Remodel data and analysis on 50+ national chains, including: (1) remodel progress/system condition; (2) investment costs; (3) post remodel sales increases; (4) estimated return on investment; (5) program scope; and (6) franchisor remodel incentives.

Conclusion

- 2018 represents a transition year for remodels as 24% of the \$1B+ chains recently unveiled new or revised programs. As a result, the % of system stores that reflect the current image fell to a 5-year low as chains held-off on remodels until the new image. Notably, it will take some time to determine how effective these remodels will be at driving incremental sales and ROI which have been trending down over the last several years.

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| Data in spreadsheet form available at http://www.ChainRestaurantData.com | |

Chain Remodel Progress Summary

| Chain | System Age in Years | % System Built from 2011 - 2017 | % of Stores at Current Image ⁽¹⁾ | Remodel Start Date | Anticipated End Date | Stipulated Frequency (Years) |
|-----------------------|---------------------|---------------------------------|---|--------------------|----------------------|------------------------------|
| Applebee's | | | | | | |
| Buffalo Wild Wings | | | | | | |
| Cheesecake Factory | | | | | | |
| Chili's Grill & Bar | | | | | | |
| LongHorn | | | | | | |
| Olive Garden | | | | | | |
| Outback | | | | | | |
| Red Lobster | | | | | | |
| Red Robin | | | | | | |
| Ruby Tuesday | | | | | | |
| T.G.I. Friday's | | | | | | |
| Texas Roadhouse | | | | | | |
| Casual | | | | | | |
| Chipotle | | | | | | |
| Corner Bakery Café | | | | | | |
| Moe's Southwest Grill | | | | | | |
| Panera Bread | | | | | | |
| Qdoba | | | | | | |
| Fast Casual | | | | | | |
| Bob Evans | | | | | | |
| Cracker Barrel | | | | | | |
| Denny's | | | | | | |
| Golden Corral | | | | | | |
| IHOP | | | | | | |
| Perkins | | | | | | |
| Family | | | | | | |
| Domino's | | | | | | |
| Little Caesars | | | | | | |
| Papa John's | | | | | | |
| Pizza Hut | | | | | | |
| Pizza | | | | | | |
| Bojangles' | | | | | | |
| Church's | | | | | | |
| KFC | | | | | | |
| Popeyes | | | | | | |
| Wingstop | | | | | | |
| Chicken | | | | | | |
| Firehouse Subs | | | | | | |
| Jersey Mike's | | | | | | |
| Jimmy John's | | | | | | |
| Subway | | | | | | |
| Sub-Sandwich | | | | | | |
| Dunkin Donuts | | | | | | |
| Krispy Kreme | | | | | | |
| Tim Horton's | | | | | | |
| Starbucks | | | | | | |
| Coffee/Bakery | | | | | | |
| Arby's | | | | | | |
| Burger King | | | | | | |
| Carl's Jr. | | | | | | |
| Checkers/ Rally's | | | | | | |
| Chick-fil-A | | | | | | |
| Culver's | | | | | | |
| Dairy Queen | | | | | | |
| Five Guys | | | | | | |
| Hardee's | | | | | | |
| Jack in the Box | | | | | | |
| McDonald's | | | | | | |
| Sonic Drive-In | | | | | | |
| Taco Bell | | | | | | |
| Wendy's | | | | | | |
| Zaxby's | | | | | | |
| Sandwich | | | | | | |
| Total QSR | | | | | | |
| Total FSR | | | | | | |
| Grand Total | | | | | | |

(1) Including new builds.

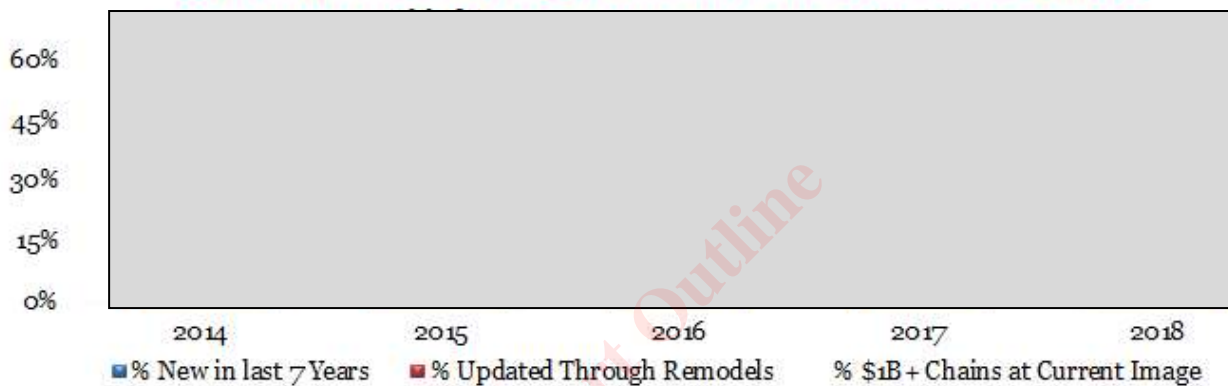
(2) Dairy Queen remodel data reflects only "Grill & Chill" stores which was introduced in 2002.

Source: RR Estimates, FDDs and company reports

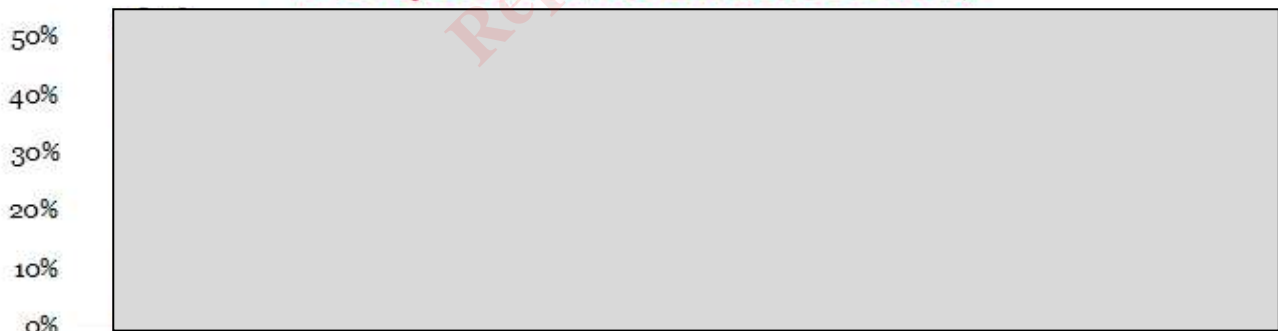
Percent of System at Current Image



Estimated Total System Units at Current Image



% of System Units Built 2011-2017



Estimated % of System at Current Image (Including New Builds)





Chain Remodel Benchmarking Stats (Ranked by Average ROI)

| Chain | Estimated Remodel Cost | | Cost/ Sq. Ft. | | Remodel Cost/AUV ⁽¹⁾ | | Major Remodel/ New Build Cost | Remodel Sales Bump | | Incremental Cash Flow-thru % (2) | Remodel ROI ⁽³⁾ | | |
|-----------------------|------------------------|-------|---------------|-------|---------------------------------|-------|----------------------------------|--------------------|-------|-------------------------------------|----------------------------|-------|---------|
| | Minor | Major | Minor | Major | Minor | Major | | Minor | Major | | Minor | Major | Average |
| Chili's Grill & Bar | | | | | | | | | | | | | |
| Olive Garden | | | | | | | | | | | | | |
| T.G.I. Friday's | | | | | | | | | | | | | |
| Texas Roadhouse | | | | | | | | | | | | | |
| Buffalo Wild Wings | | | | | | | | | | | | | |
| Applebee's | | | | | | | | | | | | | |
| Red Robin | | | | | | | | | | | | | |
| Casual | | | | | | | | | | | | | |
| Panera Bread | | | | | | | | | | | | | |
| Moe's Southwest Grill | | | | | | | | | | | | | |
| Qdoba | | | | | | | | | | | | | |
| Fast Casual | | | | | | | | | | | | | |
| Denny's | | | | | | | | | | | | | |
| IHOP | | | | | | | | | | | | | |
| Perkins | | | | | | | | | | | | | |
| Family | | | | | | | | | | | | | |
| Little Caesars | | | | | | | | | | | | | |
| Domino's | | | | | | | | | | | | | |
| Pizza Hut | | | | | | | | | | | | | |
| Pizza | | | | | | | | | | | | | |
| KFC | | | | | | | | | | | | | |
| Popeyes | | | | | | | | | | | | | |
| Bojangles' | | | | | | | | | | | | | |
| Chicken | | | | | | | | | | | | | |
| Firehouse Subs | | | | | | | | | | | | | |
| Jimmy John's | | | | | | | | | | | | | |
| Jersey Mike's | | | | | | | | | | | | | |
| Subway | | | | | | | | | | | | | |
| Sub-Sandwich | | | | | | | | | | | | | |
| Dunkin Donuts | | | | | | | | | | | | | |
| Coffee/Bakery | | | | | | | | | | | | | |
| Checkers/ Rally's | | | | | | | | | | | | | |
| Dairy Queen | | | | | | | | | | | | | |
| Taco Bell | | | | | | | | | | | | | |
| Arby's | | | | | | | | | | | | | |
| Five Guys | | | | | | | | | | | | | |
| Burger King | | | | | | | | | | | | | |
| Wendy's | | | | | | | | | | | | | |
| McDonald's | | | | | | | | | | | | | |
| Sonic Drive-In | | | | | | | | | | | | | |
| Carl's Jr. | | | | | | | | | | | | | |
| Zaxby's | | | | | | | | | | | | | |
| Chick-fil-A | | | | | | | | | | | | | |
| Sandwich | | | | | | | | | | | | | |
| Total FSR | | | | | | | | | | | | | |
| Total QSR | | | | | | | | | | | | | |
| Grand Total | | | | | | | | | | | | | |

(1) Average remodel cost/estimated useful life (7 years for a minor & 10 years for a major)/AUV.

(2) Estimated incremental cash flow-thru margin (= 2x concept EBITDAR margin) reflects the benefit of sales leverage given a restaurant's significant level of fixed costs.

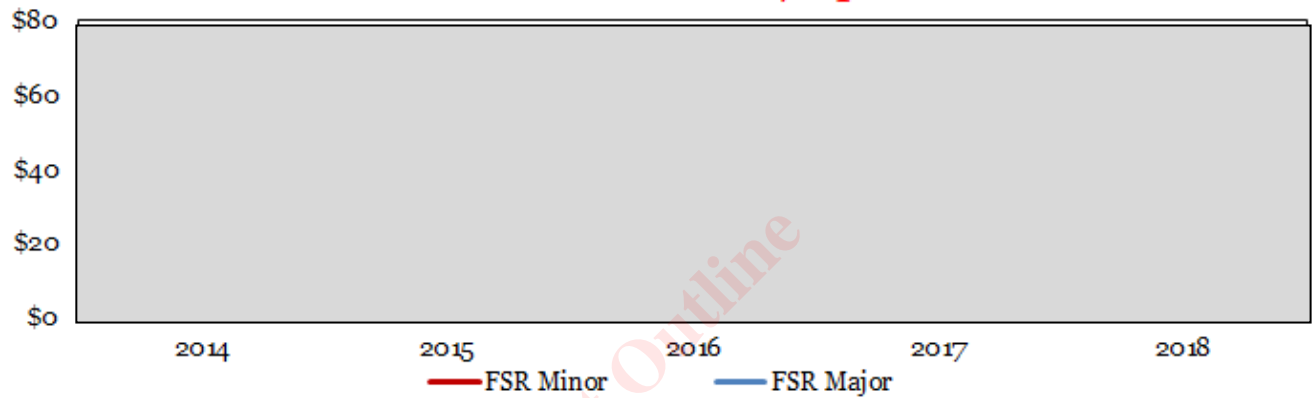
(3) Return on investment (ROI) = (year 1 % sales lift * AUV * estimated incremental cash flow-thru margin)/cash remodel investment.

Remodel Trends

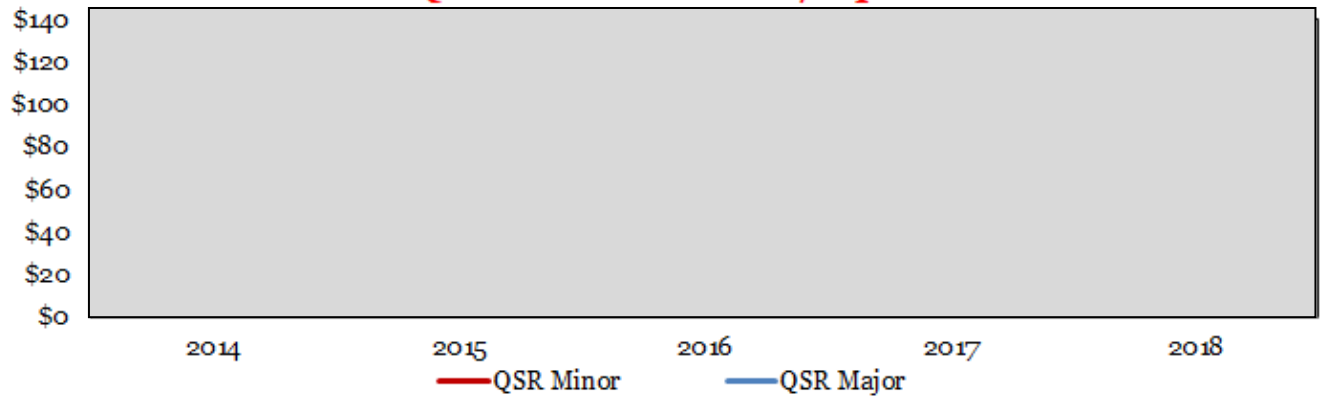
Remodel Costs



FSR Remodel Cost/Sq. Ft.



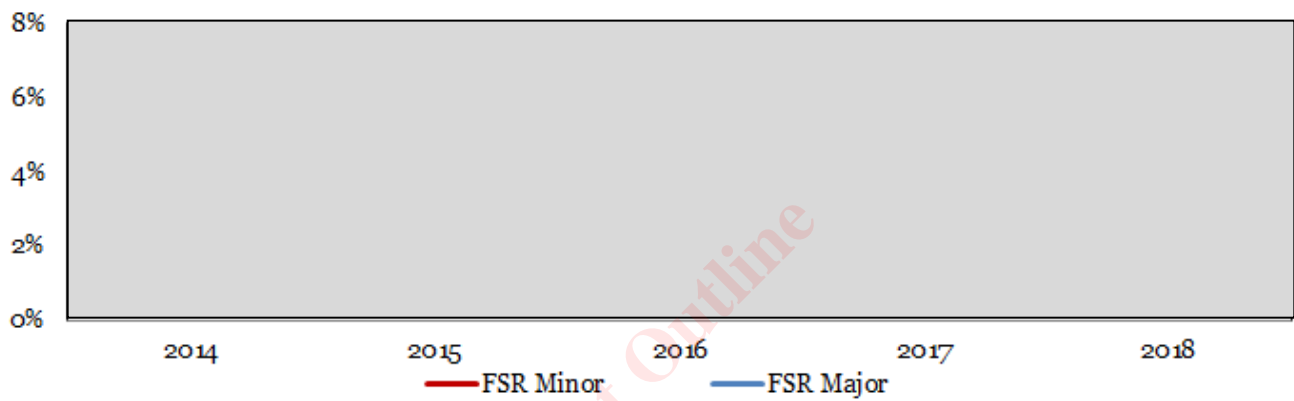
QSR Remodel Cost/Sq. Ft.



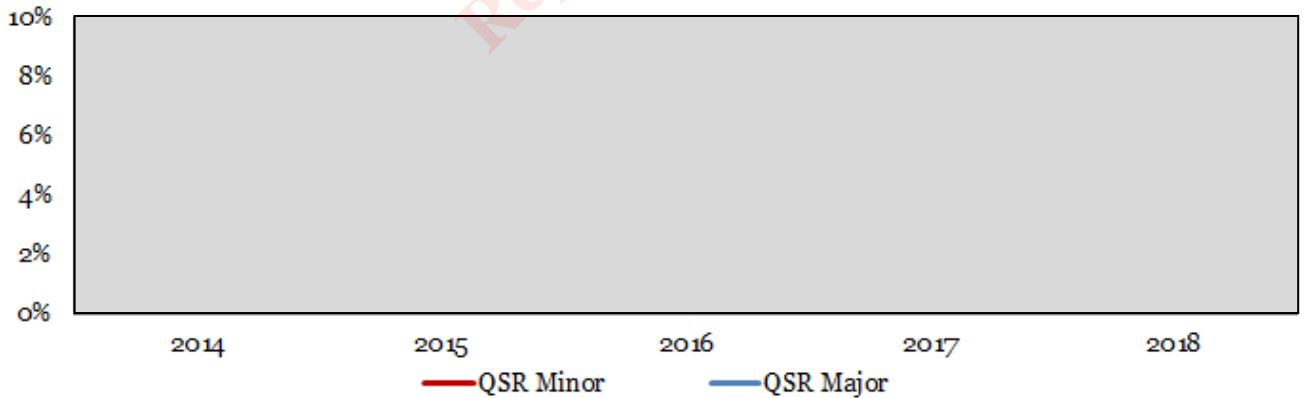
Post Remodel Sales Lift

-
-
-

FSR Post Remodel Sales Lift



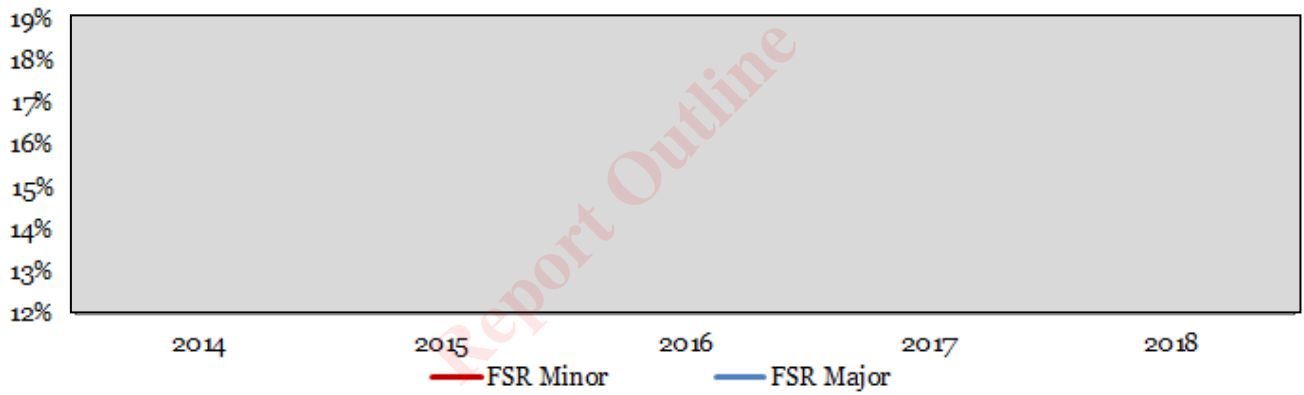
QSR Post Remodel Sales Lift



Remodel ROI

-
-
-
-

FSR Remodel ROI



QSR Remodel ROI



| Chain | Remodel Program Description |
|---------------------|------------------------------------|
| Applebee's | Casual |
| Buffalo Wild Wings | Report Outline |
| Cheesecake Factory | |
| Chili's Grill & Bar | |

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| LongHorn | |
| Olive Garden | |
| Outback | |
| Red Lobster | |
| Red Robin | |

Report Outline

| Chain | Remodel Program Description |
|-----------------------|------------------------------------|
| T.G.I. Friday's | |
| Texas Roadhouse | |
| Fast Casual | |
| Chipotle | |
| Corner Bakery Café | |
| Moe's Southwest Grill | |

| Chain | Remodel Program Description |
|----------------|------------------------------------|
| Panera Bread | |
| Qdoba | Report Outline |
| Family | |
| Bob Evans | |
| Cracker Barrel | |

| Chain | Remodel Program Description |
|---------------|------------------------------------|
| Denny's | |
| Golden Corral | |

Report Outline

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| IHOP | |
| Perkins | Report Outline |
| Pizza | |
| Domino's | |

| Chain | Remodel Program Description |
|----------------|------------------------------------|
| Little Caesars | |
| Papa John's | |
| Pizza Hut | |

Report Outline

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| Bojangles' | Chicken |
| Church's | |
| KFC | Report Outline |

| Chain | Remodel Program Description |
|---------------------|------------------------------------|
| Popeyes | |
| Wingstop | |
| Sub-Sandwich | |
| Firehouse Subs | |
| Jersey Mike's | |

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| Jimmy John's | |
| Subway | <i>Report Outline</i> |

| Chain | Remodel Program Description |
|---------------|------------------------------------|
| Dunkin Donuts | Coffee/Bakery |
| Krispy Kreme | |
| Starbucks | |
| Tim Horton's | |

Report Outline

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| Arby's | Sandwich |
| Burger King | |

Report Outline

| Chain | Remodel Program Description |
|----------------------|------------------------------------|
| Carl's Jr. | |
| Checkers/ Rally's | |
| Chick-fil-A | |
| Culver's | |

Report Outline

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| Dairy Queen | |
| Five Guys | |
| Hardee's | <p><i>Report Outline</i></p> |

| Chain | Remodel Program Description |
|-----------------|------------------------------------|
| Jack in the Box | |
| McDonald's | |

Report Outline

| Chain | Remodel Program Description |
|----------------|------------------------------------|
| Sonic Drive-In | |
| Taco Bell | |

Report Outline

| Chain | Remodel Program Description |
|--------------|------------------------------------|
| Wendy's | |
| Whataburger | |
| Zaxby's | |

Report Outline

| Chain | Remodel Incentives |
|----------------------|--------------------|
| Burger King | |
| Checkers/ Rally's | |
| Dairy Queen | |
| Denny's | |
| Domino's | |
| Dunkin Donuts | |
| Jersey Mike's | |
| KFC | |
| McDonald's | |
| Qdoba | |
| Sonic Drive-In | |
| Subway | |
| T.G.I. Friday's | |
| Wendy's | |

Report Outline

Remodel Appendix

| Remodel Classification Overview | | |
|--|--|-----------------------------|
| Remodel Type | Scope of Work | Frequency (in Years) |
| Refresher | A cosmetic touch-up which may include paint, signs, refurbishing of dining area and completion of deferred maintenance. | 5 |
| Minor Remodel | All the components of a refresher but also more extensive design element upgrades, new equipment and possibly a restroom overhaul. | 7 |
| Major Remodel | A substantial renovation of the store including major interior and exterior updates and some structural modifications. | 10 |
| Scrape & Rebuild | Complete knockdown and rebuilding of an existing store at the same location. | 25 |

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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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