

Industry Data Report

Unit Economics – 2020

- **RR's Industry Data Report on Unit Economics** provides: (1) FYE 2019 unit level AUV along with COGS, labor, royalty, advertising, other operating and EBITDAR margin estimates for 49 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 2019 EBITDAR margin for the \$1B+ chains improved slightly to 18.8% (but remains near the 17 year low) due to slightly lower COGS and flat labor costs; (2) solid 2019 AUV growth (+2.2%) resulted in a higher average EBITDAR dollar amount for the 2nd year in a row (+2.5% to \$386k); (3) franchisee leverage levels remain elevated and both G&A and rent expense increased but coverage ratios were solid with lenders reporting minimal delinquencies at the end of 2019; and (4) significant 1H:20 EBITDAR margin pressure reflects dramatic sales declines as a result of lock-downs & dining restrictions, somewhat off-set by government stimulus and franchisor relief programs.
- A key consideration is determining how long it will take to return to 2019 sales & profit levels with QSR obviously recovering much faster than FSR. The silver lining is that FSR will likely retain its newfound off-premise sales which should be incremental to an eventual dine-in recovery.

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

2019 Franchisee Unit Economics - Sorted by EBITDAR Margin ⁽¹⁾

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

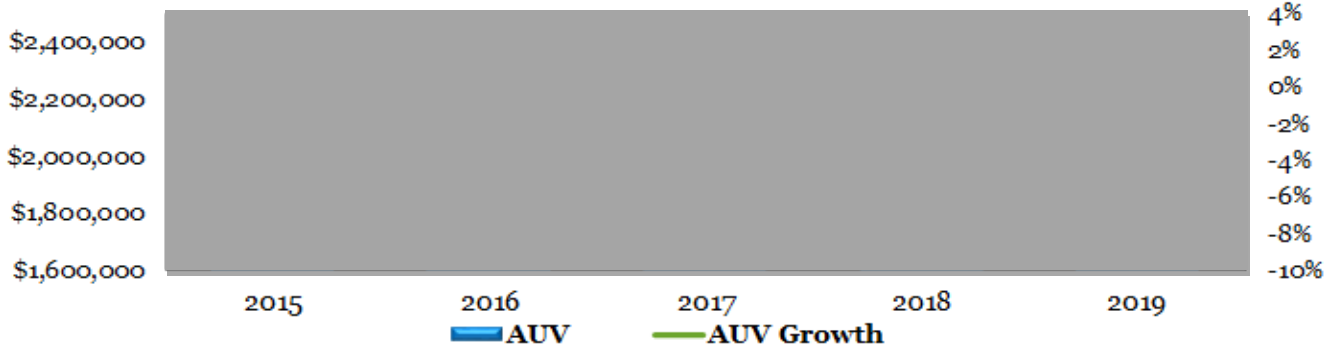
Preliminary Estimate

- (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) Dairy Queen unit economic estimates represent Grill & Chill format.
- (3) Sonic has a scaled royalty fee ranging from 2% to 5% of sales that averaged 4.3% as of FYE 2019.
- (4) Dunkin's new royalty rate is 5.9% but effective royalty rate was 5.5% as of FYE 2019.
- (5) The royalty fee for new Pizza Hut unit is 6%. However, most franchisees operate under older agreements and pay 5% to 6%.

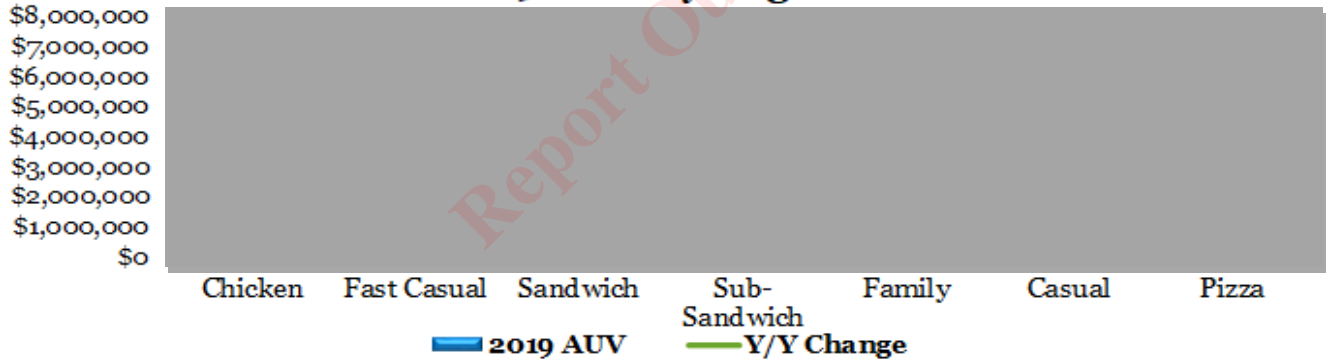
2019 Sales Overview



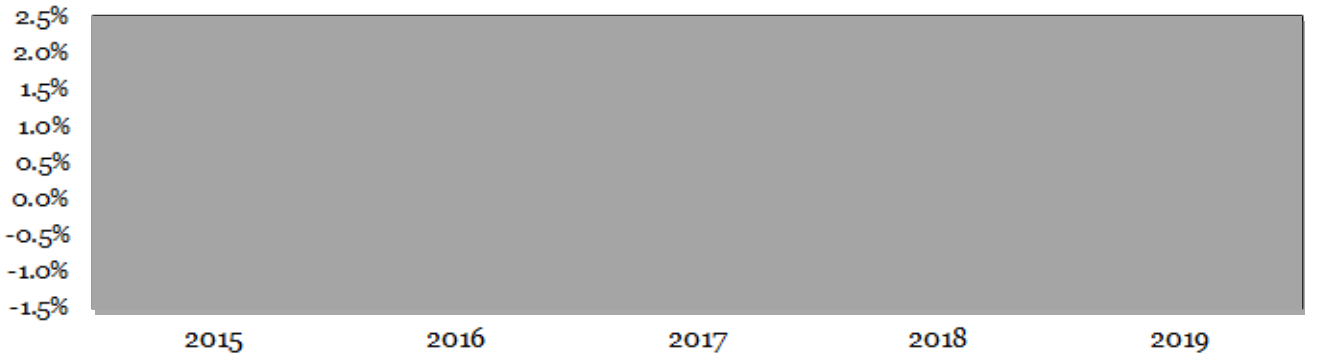
Aggregate AUV Trends



2019 AUV by Segment



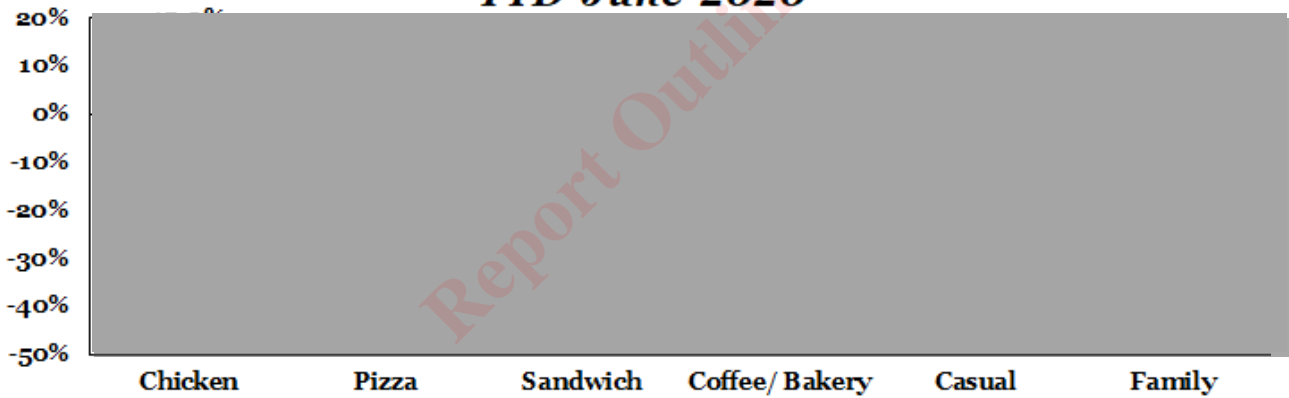
Delta Between New Build AUV & Existing AUV



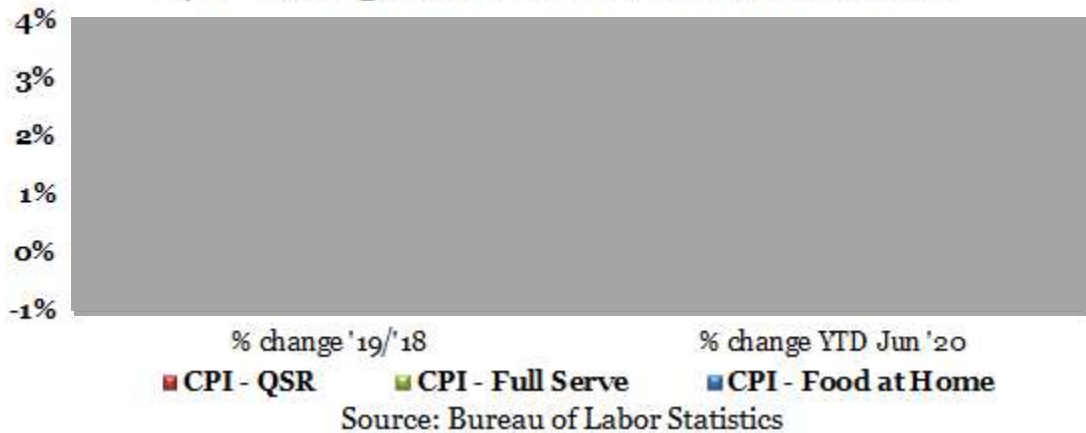
2020 Sales Outlook

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**Change in \$1B+ Chains Same Store Sales
YTD June 2020**



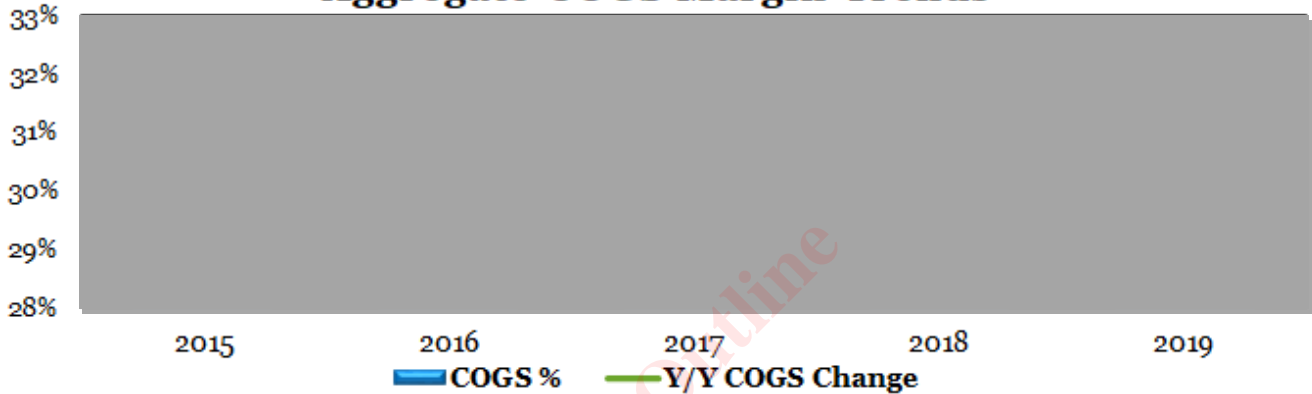
Y/Y Change in Consumer Price Index



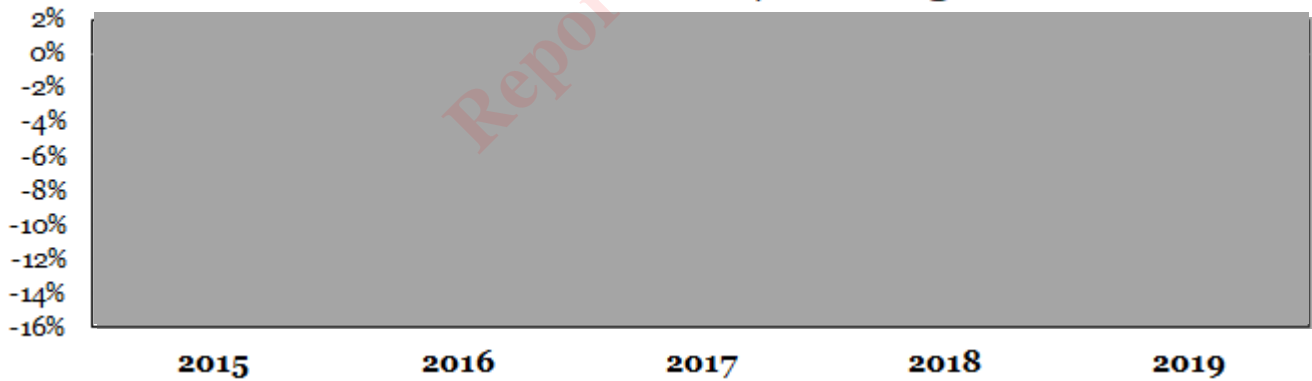
2019 COGS Overview

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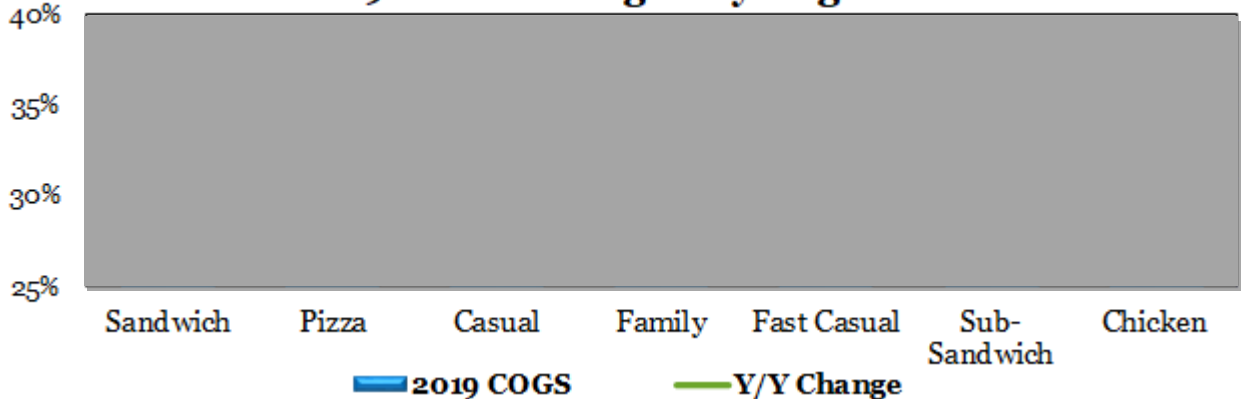
Aggregate COGS Margin Trends



BLS Foodstuffs Y/Y Change



2019 COGS Margin by Segment



2020 COGS Outlook

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Company	COGS Margin		
	YTD 6/19	YTD 6/20	Change
Wingstop Inc.			
BJ's Restaurants, Inc.			
Domino's			
Bloomin' Brands, Inc.			
Chipotle			
Denny's Corporation			
The Cheesecake Factory			
Average			

Key Commodity Costs

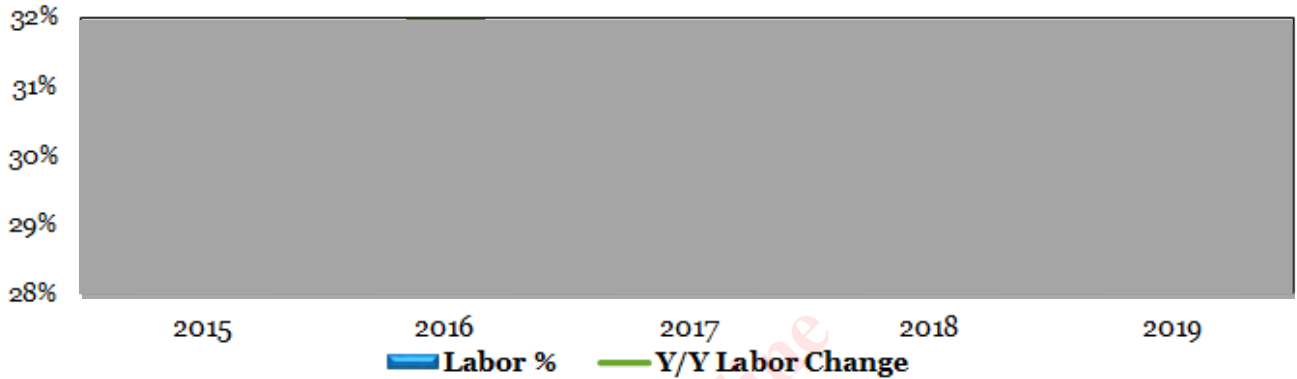
Commodity	Year over Year % Change		
	FYE '19	YTD Jun. '20	2020 Outlook
BLS Foodstuffs			
Ground Beef (73% Lean)			
Chicken Eggs PPI			
Cheese (40 Lb. Block)			
Wheat Cash (CBOT)			
Coffee (ICO) Composite			
Class III Milk			
Corn Cash (CBOT)			
Chicken (Slaughter)			
Pork (USDA)			

(1) 2020 outlook based on USDA Economic Research Service for the primary commodity (chicken, pork, eggs, wheat & dairy).

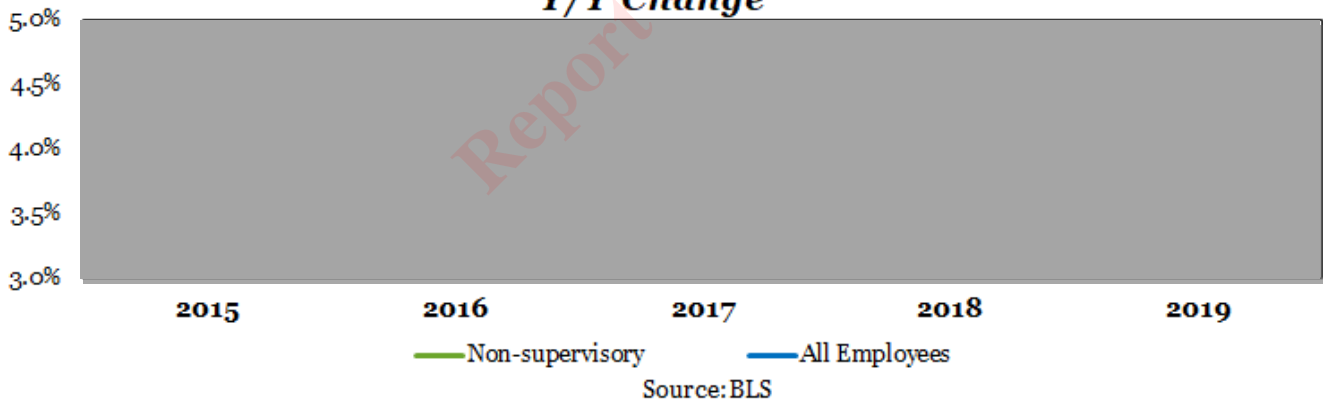
2019 Labor Overview



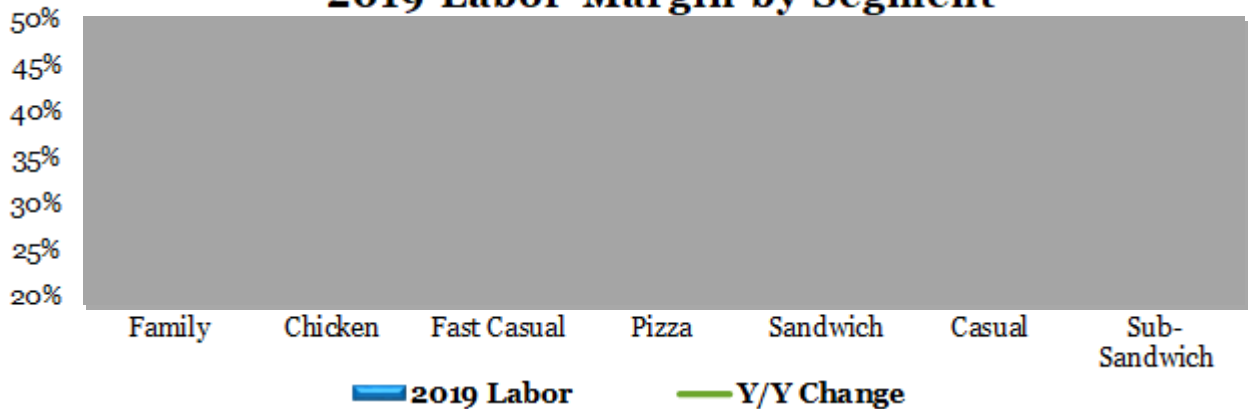
Aggregate Labor Margin Trends



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



2019 Labor Margin by Segment



2020 Labor Outlook

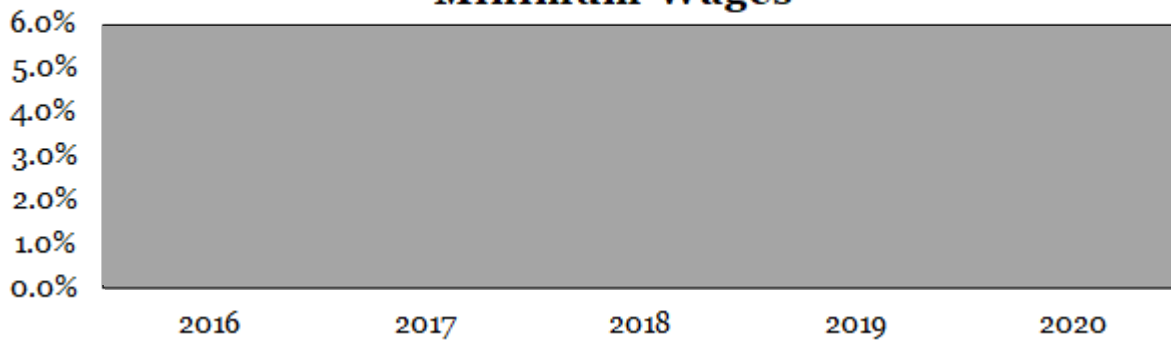
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Company	Labor Margin		
	YTD 6/19	YTD 6/20	Change
Domino's			
Wingstop Inc.			
Chipotle			
The Cheesecake Factory			
Bloomin' Brands, Inc.			
Denny's Corporation			
BJ's Restaurants, Inc.			
Average			

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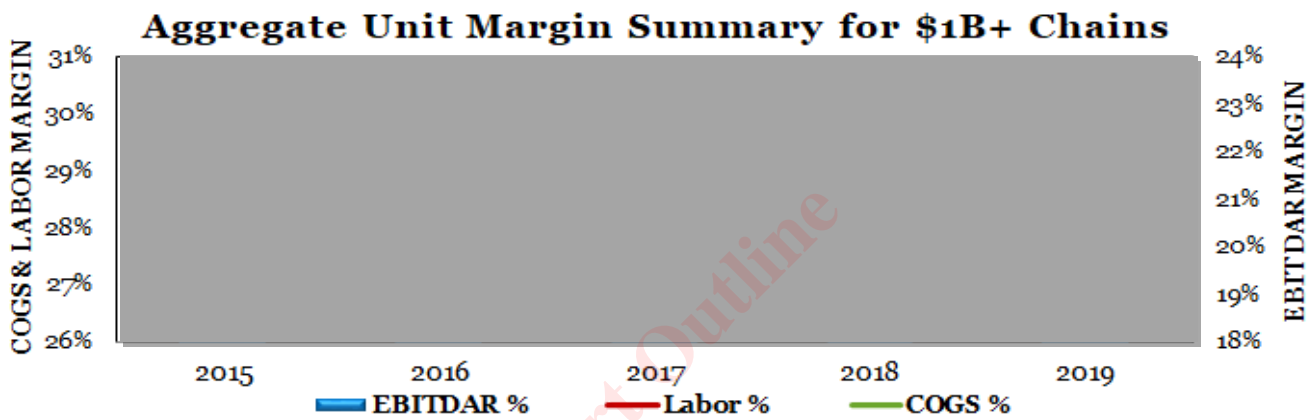
Report Outline

**Average Annual Increase in State
Minimum Wages**

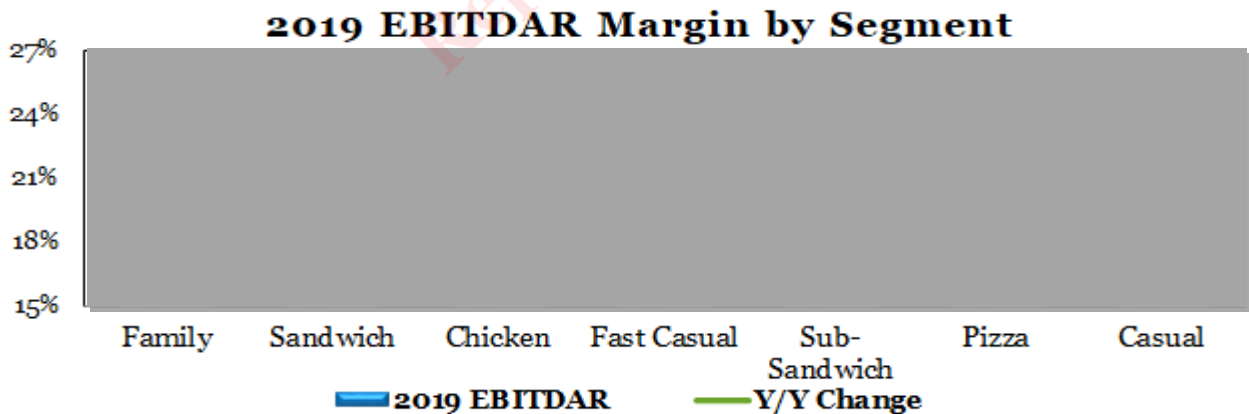


EBITDAR Overview

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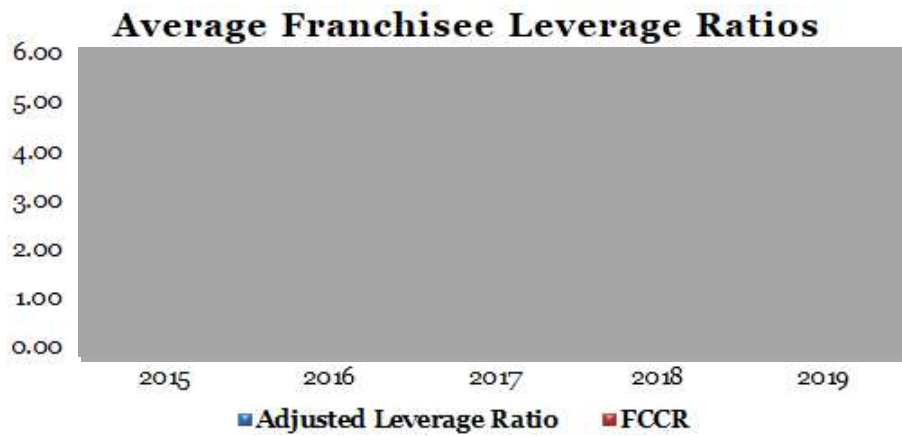
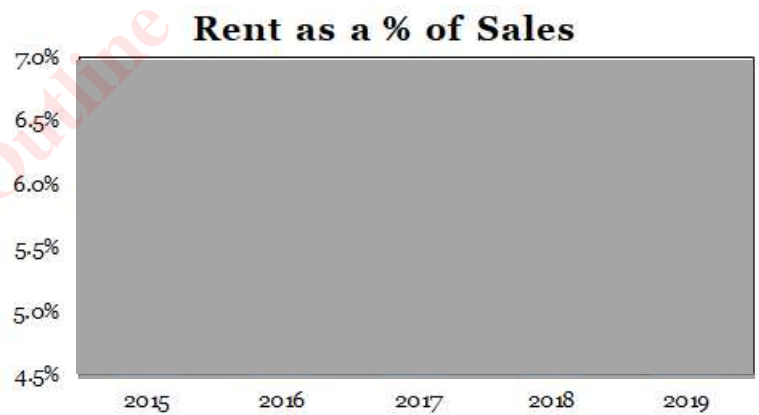
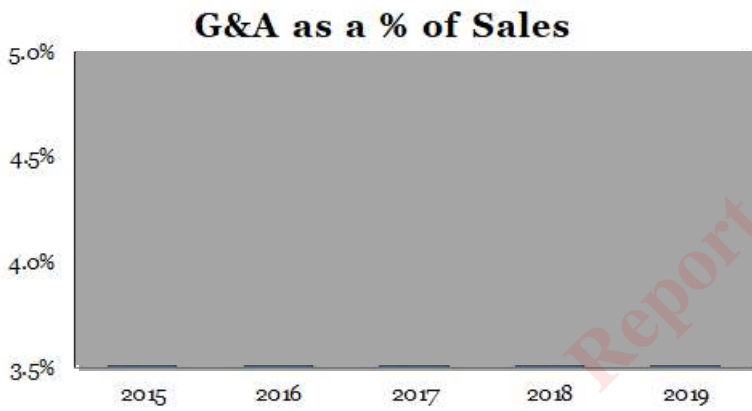
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Company	Store Level Operating Margin		
	YTD 6/19	YTD 6/20	Change
Wingstop Inc.			
Domino's			
Chipotle			
Bloomin' Brands, Inc.			
BJ's Restaurants, Inc.			
The Cheesecake Factory			
Denny's Corporation			
Average			

Franchisee G&A, Rent & Leverage Benchmark Data

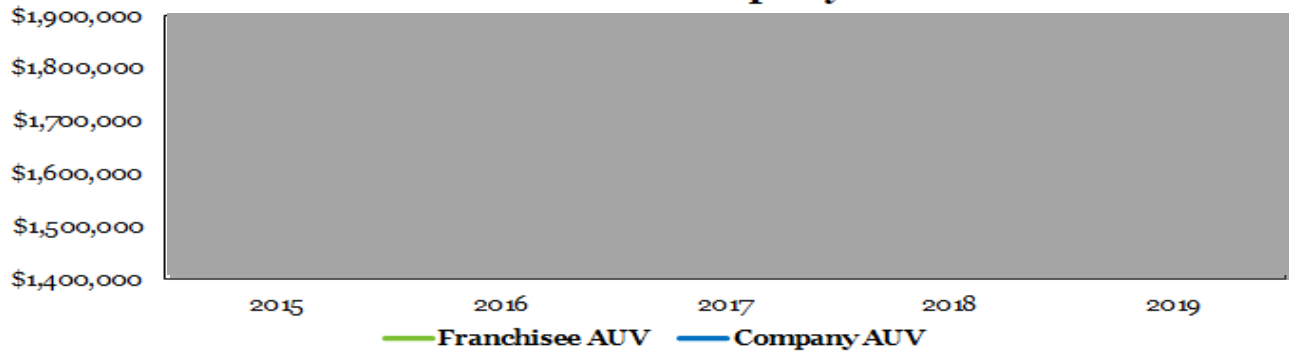
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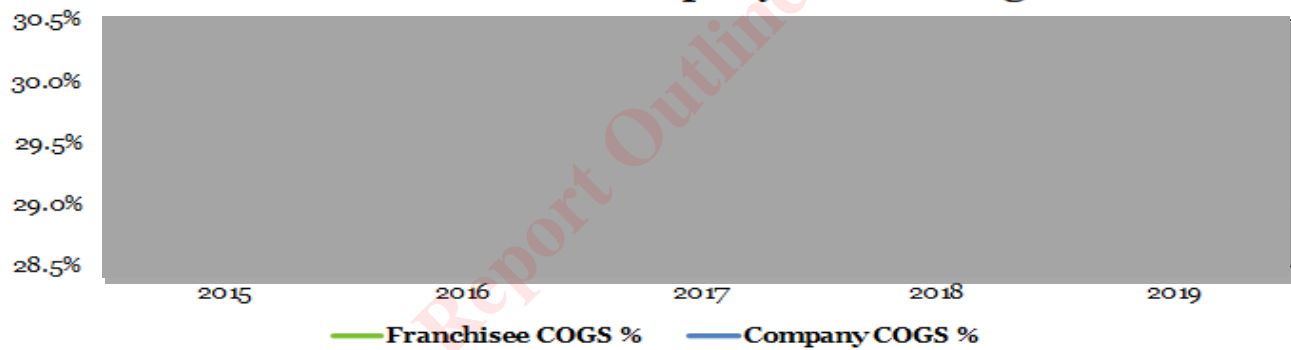
Franchisee vs. Company Unit Economic Performance



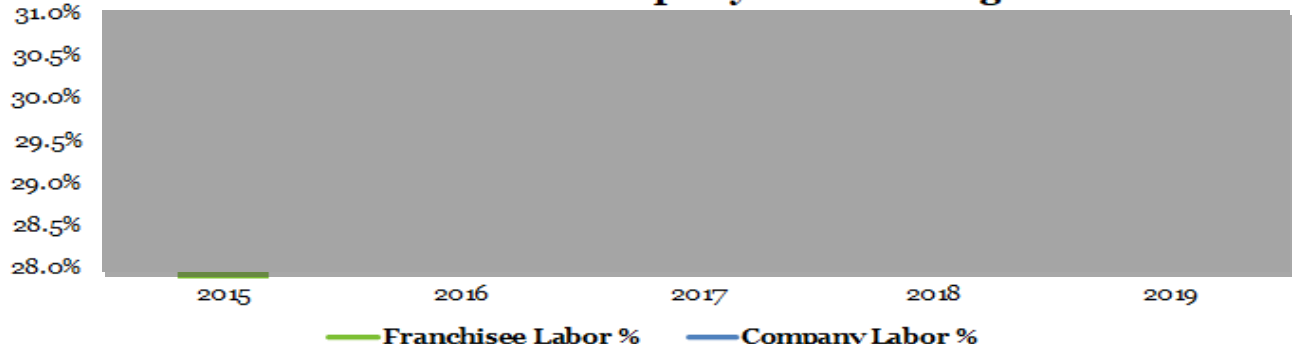
Franchisee vs. Company AUV



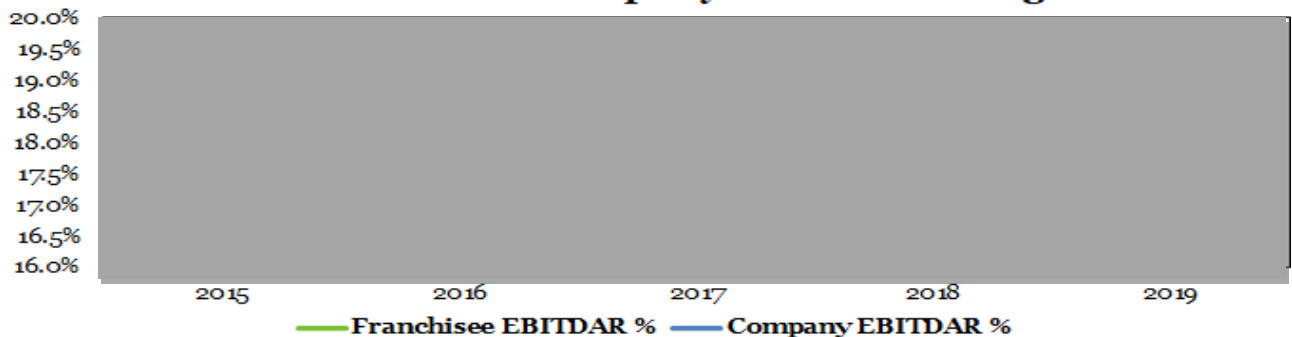
Franchisee vs. Company COGS Margin



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 (2016 - 2020)

State	2016/ 2015	2017/ 2016	2018/ 2017	2019/ 2018	2020/ 2019	July 2020	% Change Since 2016
ME							
AZ							
CO							
WA							
GA							
NJ							
NY							
DC							
CA							
MA							
MD							
AR							
MO							
OR							
IL							
NM							
HI							
CT							
VT							
MI							
DE							
RI							
NV							

State	2016/ 2015	2017/ 2016	2018/ 2017	2019/ 2018	2020/ 2019	July 2020	% Change Since 2016
SD							
MT							
OH							
FL							
MN							
AK							
NE							
WV							
IA							
ID							
IN							
KS							
KY							
NC							
ND							
NH							
OK							
PA							
TX							
UT							
VA							
WI							
WY							
Avg.							

Minimum Wage Outlook by State (2018 - 2020) (*)

State	Min. Wage July 2018	Min. Wage July 2019	Min. Wage July 2020	Aggregate % Increase
GA				
NJ				
IL				
MO				
ME				
NM				
CA				
CO				
AR				
WA				
MA				
AZ				
NY				
DC				
DE				
OR				
NV				
CT				
MD				
SD				
OH				
VT				
MI				
MT				
RI				
FL				
MN				
AK				
28				
% Increase				

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

Tipped Wages by State
Ranked by Highest Minimum Cash Wage

State	Min. Wage July 2020	Tipped Credit '20	Minimum Cash Wage '20	State	Min. Wage July 2020	Tipped Credit '20	Minimum Cash Wage '20
WA							
CA							
OR							
AK							
MN							
HI							
AZ							
CO							
MT							
NV							
NY							
CT							
ME							
IL							
FL							
VT							
DC							
MA							
ND							
MO							
SD							
IA							
OH							
RI							
MI							
MD							

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	Church's	Denny's	Domino's
Hardee's	IHOP	Jack in the Box	KFC
McDonald's	Panera	Papa John's	Pizza Hut
Popeyes	Sonic	Subway	Taco Bell
TGI Friday's	Wendy's	Quarterly Concept Updates*	

Industry Benchmarking (50+ Chains)

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

* Only available as part of subscription.

FDD library for 40+ Chains

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