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COMPANIES MENTIONED IN THIS REPORT:

CORE COVERAGE

COMPANY	TICKER	PAGE
QSR		
McDonald's	MCD	6
Sonic	SONC	7
Burger King	BKW	8
Wendy's	WEN	9
Jack in the Box	JACK	10
Bojangles'	BOJA	11
Popeye's	PLKI	12
KFC	YUM	13
Del Taco	TACO	14
Taco Bell	YUM	15
Pizza Hut	YUM	16
Domino's	DPZ	17
FAST CASUAL		
Chipotle	CMG	18
Starbucks	SBUX	19
Wingstop	WING	20
CASUAL		
Applebee's	DIN	21
IHOP	DIN	22
Chili's	EAT	24
Chuy's	CHUY	25
Longhorn	DRI	26
Olive Garden	DRI	27
Red Robin	RRGB	28

INDUSTRY BUSINESS CONDITIONS:

SAME STORE SALES (SSS) & TRAFFIC (Compass RCR Coverage):

- Same store sales were up over last year 1.6%.
- Traffic declined over last year <1.1%>.

SSS	Traffic
Industry = 1.6%	Industry = <1.1%>

CONSUMERS AND OPERATORS PROVIDE THEIR TAKE:

- **OPERATORS:** Confidence continues to increase. As more regulations disappear and sales improve, operator confidence follows.
- **CONSUMERS:** Confidence rose to second highest level since 2004. As more consumers receive bonuses, optimism spreads from them to their circle of friends and relatives.

MARGINS:

- In February 10% of contacts reported an increase in food costs from a shift in product mix and discounts. 20% reported an increase in labor costs due to minimum wage increases.

PROMOTIONS/ADVERTISING:

- Publicly traded restaurant chains utilize multiple platforms for brand messaging:
 - **Fine Dining** – 80% special occasion; 50% apps/loyalty program; 30% gift cards.
 - **Casual Dining** – 60% LTOs; 40% price point; 40% dining off premises (carryout, curb service, catering); 35% loyalty program; 60% app.
 - **Fast Casual** – 65% menu offerings; 60% fresh ingredients; 30% loyalty program.
 - **QSR** – 80% price point; 70% LTOs; 60% app/loyalty program; 30% delivery.

HEADLINE NEWS (see pg. 5 for details):

- **NLRB Rescinds Changes – Reverts back to original Obama order.**
- **NPD Survey – Restaurant store count down 2% in 2017 (chain & independent)**
- **Delivery – New Study: Estimates that 40% of all restaurant business will be delivery by the year 2020.**
- **Lamb Weston has recently developed a Fry that will hold heat for 30 minutes. Will offer it to the restaurant industry by late spring.**

MARCH OUTLOOK/TRENDS

- **Brands that will perform well:**
 - Burger King
 - Del Taco
 - Longhorn
 - McDonald's
 - Olive Garden
 - Wingstop
- **Brands that will perform poorly**
 - Bojangles'
 - Chuy's
 - Pizza Hut

▪ "Mean" Source on Charts on pages 6-25 – Company Filings