

**AUTHOR:**

**Steve Crichlow**  
Founder & CEO  
(251) 370-7011  
[steve@compassrcr.com](mailto:steve@compassrcr.com)  
[www.compassrcr.com](http://www.compassrcr.com)  
[info@compassrcr.com](mailto:info@compassrcr.com)

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**COMPANIES MENTIONED IN THIS REPORT:**

**CORE COVERAGE**

| COMPANY         | TICKER | PAGE |
|-----------------|--------|------|
| <b>QSR</b>      |        |      |
| 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  | 23 |
| Chuy's       | CHUY | 24 |
| Longhorn     | DRI  | 25 |
| Olive Garden | DRI  | 26 |
| Red Robin    | RRGB | 27 |

**INDUSTRY BUSINESS CONDITIONS:**

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

|          | SSS |      | Traffic           |
|----------|-----|------|-------------------|
| Industry | =   | 2.4% | Industry = <0.1%> |

**CONSUMERS AND OPERATORS PROVIDE THEIR TAKE:**

- **OPERATORS:** Confidence remains at an all-time high – improved focus on sales and traffic.
- **CONSUMERS:** Confidence continues at levels not seen in years. Settling down on economic outlook – “good as it’s going to get.”

**MARGINS:**

- 15% of our contacts reported an increase in costs during May.

**SALES DRIVING INITIATIVES:**

- Publicly traded restaurant chains utilize multiple platforms for brand messaging:
  - **Fine Dining** – Primary focus: 75% Mother’s Day. Secondary focus: 60% Loyalty Program; 30% Happy Hour; 25% Mobile App.
  - **Casual Dining** – Primary focus: 60% new menu items – price value. Secondary focus: 40% LTO’s; 40% Curb Service; 50% Delivery.
  - **Fast Casual** – Primary focus: 60% Menu Ingredients. Secondary focus: 50% LTO’s; 40% App.
  - **QSR** – Primary focus: 70% Value Menu. Secondary focus: 60% Price Point; 40% Mobile App – Order & Pay; 20% Delivery.

**HEADLINE NEWS (see pg. 5 for details):**

- **Gasoline prices surge to highest levels since December 2014** at \$2.95 and are expected to peak around \$3.20 per gallon for the Summer.
- **National Restaurant Assoc. estimates Industry will add 490,000 jobs this Summer.**
- **National Restaurant Association Show – Automation dominates this year.**

**OBSERVATIONS:**

**National Restaurant Association Show / Article by: Nancy Luna**

This year’s show was dominated by Technology and Automation vendors – such things as robotic busboys and bartenders to drone delivery.

It appears that the Restaurant Industry is responding at a rapid pace to provide the kind of digital wizardry and convenience that today’s consumers are wanting.

**JUNE OUTLOOK/TRENDS**

- **Brands that will perform well:**
    - Burger King
    - Chipotle
    - Del Taco
    - Domino’s
    - McDonald’s
    - Wingstop
  - **Brands that will perform poorly:**
    - Bojangles’
    - Chili’s
    - Red Robin
- “Mean” Source on Charts on pages 6-25 – Company Filings