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TRINITY CAPITAL
INVESTMENT BANKING
A DIVISION OF CITIZENS CAPITAL MARKETS

RESTAURANT INDUSTRY COMMENTARY AND SAME-STORE SALES DATA

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Same-Store Sales Discussion (Q2 2020)

In Q2 2020, the restaurant industry suffered its worst quarter in recent memory, perhaps ever, as the peak of shutdowns in response to the coronavirus pandemic occurred in April and May. Many restaurants shifted service to takeout and delivery only or, in many cases, closed their doors entirely. As a result, restaurant industry same-store sales ("SSS") declined 32.6% in Q2 2020, by far the largest decrease in the past 10 years. Of the 50 companies that constitute our restaurant SSS index, only 6, or 12%, generated positive SSS growth for the quarter.

As shown in the chart below, all segments of the restaurant industry reported SSS declines in Q2. QSR fared best due to its high percentage of sales at drive-thrus, which largely remained open throughout the shutdowns. QSR's resilience through the pandemic underscored its position as the most stable performer in the restaurant industry. In fact, QSR is the only segment with Q2 2020 sales above 2015 and 2010 levels. Full-service restaurants across all subsectors – family dining (-57.2%), casual dining (-44.8%) and fine dining (-64.3%) – suffered catastrophic SSS decreases in the quarter as dine-in service was prohibited, or restricted to lower capacity, throughout most of the country.

QSR: Though insulated from the carnage inflicted on full-service restaurants, the QSR segment suffered its worst quarter in the past 10 years as the peak of the COVID-19 pandemic shut down much of the country in April and May.

- Chicken concepts produced the second-best result (+1.3%) of any sector in the restaurant industry, only surpassed by the pizza segment, in large part due to yet another massive quarter for Popeyes (+28.5%) following gains of 37.9% and 29.2% in Q4 2019 and Q1 2020, respectively, as customers continued to line up for its new chicken sandwich, now primarily at drive-thrus.
- Burger segment SSS decreased 4.7% on modest declines from every burger chain, except Jack in the Box (+6.6%), which benefitted from its large footprint in California and the adverse impact on restaurants without drive-thrus from the particularly strong restrictions imposed by local and state governments.
- Pizza concepts delivered the best results in the industry (+2.5%) driven by Domino's (+16.1) and Papa John's (+28.0%), which had its best quarter ever. Pizza Hut (+5.0%) had a solid quarter as strong delivery business more than offset lost dine-in business.

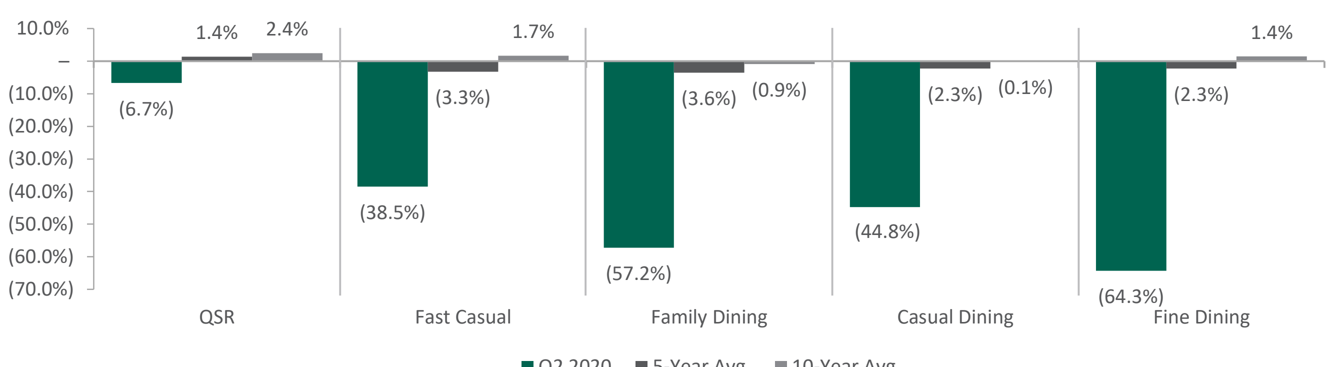
Fast Casual: All fast casual concepts were negative for the quarter. El Pollo Loco (-9.7%) led the segment, and Fuddrucker's (-90.7%) was hardest hit by the pandemic of any company we track.

Family Dining: Family dining (-57.2%) had the second-worst performance of any segment, only surpassed by fine dining.

Casual Dining: Like the fast casual and family dining segments, all casual dining (-44.8%) brands had negative SSS in Q2 2020.

Fine Dining: Fine dining (-64.3%) suffered most from the pandemic, largely due to its dependence on dine-in business and older customers, who are at higher risk for coronavirus.

RESTAURANT SAME-STORE SALES BY SEGMENT



Source: Technomic, Inc.

Restaurant Same-Store Sales Data

	2017		2018				2019				2020	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Chicken												
KFC	1.0%	1.0%	0.0%	1.0%	1.0%	1.0%	2.0%	2.0%	(1.0%)	1.0%	(3.0%)	7.0%
Pollo Tropical	(10.9%)	(0.1%)	2.8%	3.4%	6.5%	(1.9%)	(2.6%)	(1.3%)	(3.8%)	0.6%	(7.3%)	(31.6%)
Popeye's	(2.6%)	(2.5%)	2.3%	1.8%	(0.2%)	(0.1%)	0.4%	2.9%	10.2%	37.9%	29.2%	28.5%
MEAN	(4.2%)	(0.5%)	1.7%	2.1%	2.4%	(0.3%)	(0.1%)	1.2%	1.8%	13.2%	6.3%	1.3%
Coffee/Snack												
Baskin Robbins	0.4%	5.1%	(1.0%)	(4.0%)	1.8%	(3.7%)	(2.8%)	(1.4%)	3.6%	4.1%	1.8%	(6.0%)
Dunkin Donuts	0.6%	0.8%	(0.5%)	1.4%	1.3%	0.0%	2.4%	1.7%	1.5%	2.8%	(2.0%)	(18.7%)
Starbucks	2.0%	2.0%	2.0%	1.0%	4.0%	4.0%	4.0%	7.0%	6.0%	6.0%	(3.0%)	(40.0%)
Tim Horton's	0.3%	0.1%	0.1%	0.0%	0.6%	1.9%	(0.6%)	0.5%	(1.4%)	(4.3%)	(10.3%)	(29.3%)
MEAN	0.8%	2.0%	0.2%	(0.4%)	1.9%	0.6%	0.8%	2.0%	2.4%	2.2%	(3.4%)	(23.5%)
Mexican												
Del Taco	4.1%	2.4%	3.7%	3.3%	1.4%	1.9%	(0.1%)	2.2%	1.0%	0.4%	(3.1%)	(10.1%)
Taco Bell	3.0%	2.0%	1.0%	1.9%	5.0%	6.0%	4.0%	7.0%	4.0%	4.0%	1.0%	(8.0%)
MEAN	3.6%	2.2%	2.4%	2.6%	3.2%	4.0%	2.0%	4.6%	2.5%	2.2%	(1.1%)	(9.1%)
Pizza												
Domino's	8.4%	4.2%	8.3%	6.9%	6.3%	5.6%	3.9%	3.0%	2.4%	3.4%	1.6%	16.1%
Papa John's	1.0%	(3.9%)	(5.3%)	(6.1%)	(9.8%)	(8.1%)	(6.9%)	(5.7%)	1.0%	3.5%	5.3%	28.0%
Pizza Hut	0.0%	2.0%	4.0%	0.0%	1.0%	1.0%	0.0%	2.0%	(3.0%)	(4.0%)	(7.0%)	5.0%
Pizza Inn	1.4%	2.7%	2.3%	2.5%	2.3%	2.7%	3.3%	0.0%	3.1%	2.4%	(7.8%)	(39.0%)
MEAN	2.7%	1.3%	2.3%	0.8%	(0.1%)	0.3%	0.1%	(0.2%)	0.9%	1.3%	(2.0%)	2.5%
Burger												
Burger King	4.0%	5.1%	4.2%	1.8%	(0.7%)	0.8%	0.4%	0.5%	5.0%	0.6%	(6.5%)	(9.9%)
Jack in the Box	(1.0%)	(0.2%)	(0.1%)	0.5%	0.5%	(0.1%)	0.2%	2.7%	3.0%	1.7%	(4.2%)	6.6%
McDonald's	4.1%	4.5%	2.9%	2.6%	2.4%	2.3%	4.5%	5.7%	4.8%	5.1%	0.1%	(8.7%)
Wendy's	2.0%	1.3%	1.6%	1.9%	(0.2%)	0.2%	1.3%	1.4%	4.4%	4.3%	0.0%	(4.4%)
MEAN	2.3%	2.7%	2.2%	1.7%	0.5%	0.8%	1.6%	2.6%	4.3%	2.9%	(2.7%)	(4.1%)
MEAN TOTAL QSR	1.0%	1.6%	1.7%	1.2%	1.4%	0.8%	0.8%	1.8%	2.4%	4.1%	(0.9%)	(6.7%)
Fast Casual												
Chipotle	1.0%	0.9%	2.2%	3.3%	4.4%	6.1%	9.9%	10.0%	11.0%	13.4%	3.3%	(9.8%)
El Pollo Loco	1.7%	1.4%	(1.1%)	(0.9%)	2.6%	4.4%	2.4%	0.7%	1.1%	3.9%	(1.5%)	(9.7%)
Fuddrucker's	(3.6%)	0.6%	0.6%	(5.8%)	(3.9%)	(11.2%)	(5.3%)	(6.1%)	(5.5%)	0.1%	0.4%	(90.8%)
Noodles & Company	(3.5%)	(0.9%)	(0.2%)	5.4%	5.5%	4.0%	3.0%	4.6%	2.1%	2.8%	(7.2%)	(30.9%)
Pie Five	(17.3%)	(13.7%)	(12.6%)	(6.4%)	(1.8%)	(3.6%)	(4.4%)	0.0%	(12.2%)	(11.0%)	(21.4%)	(37.9%)
Potbelly	(4.8%)	(2.4%)	(3.6%)	(0.2%)	(0.2%)	(1.7%)	(4.7%)	(4.0%)	(3.0%)	0.1%	(10.1%)	(41.5%)
Shake Shack	(1.6%)	0.8%	1.7%	1.1%	(0.7%)	2.3%	3.6%	3.6%	2.0%	(3.6%)	(12.8%)	(49.0%)
MEAN	(4.0%)	(1.9%)	(1.9%)	(0.5%)	0.8%	0.0%	0.6%	1.3%	(0.6%)	0.8%	(7.0%)	(38.5%)

Source: Restaurant Research LLC, Capital IQ, Technomic and company filings

Restaurant Same-Store Sales Data (Cont.)

	2017		2018				2019				2020	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Family Dining												
Chuck E Cheese	(6.9%)	(6.0%)	(5.1%)	1.0%	2.2%	3.3%	7.7%	0.5%	(0.9%)	2.6%	(21.9%)	N/A
Cracker Barrel [1]	0.2%	1.1%	1.5%	(2.6%)	1.4%	3.8%	1.3%	1.3%	2.1%	3.8%	(41.7%)	(39.2%)
Denny's	0.6%	2.2%	1.5%	(0.7%)	1.0%	1.4%	1.3%	3.8%	1.1%	1.7%	(6.3%)	(56.9%)
IHOP	(3.2%)	(0.4%)	1.0%	0.7%	1.2%	3.0%	1.2%	2.0%	0.0%	1.1%	(14.7%)	(59.1%)
Luby's	(4.5%)	1.5%	1.5%	2.4%	3.9%	(3.0%)	(2.2%)	(3.1%)	(3.2%)	1.7%	1.3%	(73.6%)
Steak n Shake	(2.2%)	(1.8%)	(1.7%)	(3.4%)	(6.9%)	(5.1%)	(7.9%)	(5.9%)	(6.5%)	(6.9%)	(7.9%)	N/A
MEAN	(2.7%)	(0.6%)	(0.2%)	(0.4%)	0.5%	0.6%	0.2%	(0.2%)	(1.2%)	0.7%	(15.2%)	(57.2%)
Casual Dining												
Applebee's	(7.7%)	1.3%	3.3%	5.7%	7.7%	3.5%	1.8%	(0.5%)	(1.6%)	(2.5%)	(10.6%)	(49.4%)
Bahama Breeze	1.2%	2.5%	0.2%	0.6%	1.1%	(1.1%)	(3.7%)	1.9%	(4.2%)	(3.4%)	(0.5%)	(66.1%)
BJ's Restaurants	(1.7%)	1.6%	4.2%	5.6%	6.9%	4.5%	2.0%	2.0%	(0.3%)	0.4%	(15.5%)	(57.2%)
Bonefish	(4.3%)	0.6%	0.9%	1.5%	1.8%	(1.1%)	1.9%	0.1%	(2.2%)	0.5%	(13.9%)	(56.8%)
Carrabba's Italian Grill	(2.8%)	1.3%	0.9%	(0.6%)	(0.6%)	0.8%	0.3%	(1.6%)	0.1%	1.4%	(8.7%)	(36.7%)
Cheesecake Factory	(2.3%)	(0.9%)	2.1%	1.4%	1.5%	1.9%	1.3%	1.0%	0.4%	0.6%	(12.9%)	(56.9%)
Chili's Grill & Bar	(3.0%)	(1.6%)	(1.1%)	0.4%	1.9%	3.0%	2.7%	1.3%	2.3%	1.7%	(5.4%)	(33.0%)
Chuy's	(2.1%)	1.3%	(1.5%)	1.0%	0.5%	0.9%	3.2%	1.9%	2.6%	2.9%	(9.7%)	(39.0%)
Dave & Buster's	(1.3%)	(5.9%)	(4.9%)	(2.4%)	(1.3%)	2.9%	(0.3%)	(3.3%)	(3.2%)	(4.4%)	(4.7%)	(58.6%)
Famous Dave's	(1.5%)	1.8%	(0.9%)	(1.6%)	(1.4%)	(1.5%)	(0.7%)	0.4%	1.9%	0.9%	(12.3%)	(30.0%)
LongHorn Steakhouse	2.6%	3.8%	2.0%	2.4%	3.1%	2.9%	3.8%	3.3%	2.6%	6.7%	3.9%	(45.3%)
Maggiano's	(2.6%)	1.8%	0.5%	0.3%	0.0%	1.8%	0.4%	(0.2%)	(1.8%)	(1.4%)	(9.9%)	(66.7%)
Olive Garden	1.9%	3.0%	2.2%	2.4%	5.3%	3.5%	4.3%	2.4%	2.2%	1.5%	2.1%	(39.2%)
Outback	0.6%	4.7%	4.3%	4.0%	4.6%	2.9%	3.5%	1.3%	0.2%	2.7%	(9.5%)	(32.9%)
Red Robin	(0.1%)	2.7%	(0.9%)	(2.6%)	(3.4%)	(4.5%)	(3.3%)	(1.5%)	1.6%	1.3%	(20.8%)	(41.4%)
Taco Cabana	(12.6%)	(7.4%)	0.9%	3.1%	12.2%	5.1%	(0.5%)	(3.0%)	(4.8%)	(8.1%)	(13.5%)	(19.2%)
Texas Roadhouse	4.5%	5.8%	4.9%	5.7%	5.5%	5.6%	5.2%	4.7%	4.4%	4.4%	(8.4%)	(32.8%)
MEAN	(1.8%)	1.0%	1.0%	1.6%	2.7%	1.8%	1.3%	0.6%	0.0%	0.3%	(8.8%)	(44.8%)
Fine Dining												
Fleming's	(1.0%)	3.1%	2.9%	0.3%	0.5%	(0.4%)	0.6%	1.6%	0.4%	0.9%	(13.2%)	(56.3%)
Ruth's Chris	(1.6%)	1.5%	1.1%	1.3%	3.7%	(0.1%)	1.8%	(0.5%)	0.6%	1.4%	(13.5%)	(74.1%)
Capital Grille	2.0%	3.8%	2.8%	2.6%	3.9%	3.7%	4.3%	2.9%	1.5%	1.8%	4.2%	(62.5%)
MEAN	(0.2%)	2.8%	2.3%	1.4%	2.7%	1.1%	2.2%	1.3%	0.8%	1.4%	(7.5%)	(64.3%)

1. Fiscal year ends July 31.

Source: Restaurant Research LLC, Capital IQ, Technomic and company filings

Restaurant Drive-thrus: More Important Than Ever

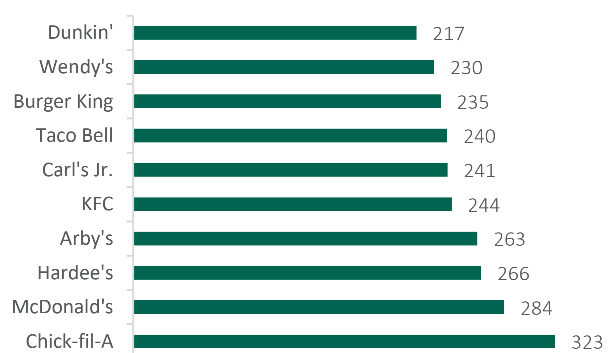
The COVID-19 pandemic has forced restaurant operators to be nimble, resilient and adapt to a rapidly changing environment to survive. During these unprecedented times, restaurant owners have streamlined operations, rationalized costs, converted parking lots into outdoor dining areas, adapted to new health and safety protocols, such as personal protective equipment for employees, invested in off-premise sales channels and rethought the entire dining experience format. One area that is especially important for restaurants in the quick service and fast casual segments is overall drive-thru performance and efficiency.

It does not come as a surprise that restaurants with drive-thru windows have fared much better than those without during the pandemic. Generally, drive-thru restaurants have experienced a substantial increase in traffic count and higher ticket averages. This can be largely attributed to two main factors: 1) the increased safety a drive-thru format offers in terms of limiting contact with others and 2) a sharp decrease in dining options due to state mandated closures and/or indoor dining restrictions. For restaurants to capitalize on this current trend, which may be here to stay, albeit to a lesser extent, brands must further optimize drive-thru operations to achieve maximum efficiency.

Restaurant brands across the country are heavily investing in the drive-thru format and finding innovative ways to increase throughput. Leading restaurant companies, including Chipotle, Chick-fil-A, McDonald's and others, have been focused on improving drive-thru operations for some time, but the onset of the pandemic has accelerated many of these initiatives.

In July, Chipotle opened its 100th "Chipotlane," a drive-thru window where customers pick up orders placed in advance via the company's digital app. Chipotlanes differ from traditional drive-thrus in that customers are not able to order at the drive-thru window but, instead, must order through the app. Chipotle believes the introduction of Chipotlanes is a game changer when compared to the traditional QSR drive-thru format because it drastically improves speed of service, which is the most critical component to any successful drive-thru operation. According to the "2019 QSR Drive-Thru Study" conducted by *QSR Magazine*, the average drive-thru customer spent 255 seconds between the speaker and order window.

AVERAGE DRIVE-THRU SPEED OF SERVICE (IN SECONDS)



Source: QSR Magazine, 2019 QSR Drive-Thru Study

Contrast that with the estimated average Chipotlane speed of service of 10 to 15 seconds and its obvious why Chipotle is so excited about this innovation. In fact, Chipotle is betting that this new format will resonate so well with customers that over 60% of its future stores this year will include a Chipotlane. In addition to faster speed of service, this format can improve profitability through lower labor costs and also allows the brand to capture more customer data through its digital app.

Meanwhile, other restaurant companies are not standing still. There has been a push in the entire segment to improve speed of service without sacrificing accuracy or customer service. Historically, double drive-thru lanes were only reserved for restaurants operating in densely populated metropolitan areas. With consumer preferences shifting because of the pandemic, operators are now contemplating converting existing sites to double drive-thru and adding a lane for future openings. A double drive-thru lane is good at increasing throughput, but where it is most effective is shortening the car stack and giving customers the perception that the wait will not be that long. This is an important consideration because customers often decide to go to another restaurant if they see a long line at the drive-thru and expect a long wait.

Another innovation that brands are incorporating involves restaurant team members walking the line and taking customer orders via handheld devices. Chick-fil-A and In-N-Out Burger have employed this strategy for some time and other brands are now adopting this approach. This strategy gives customers the impression that they are making their way through the line faster and adds a personal touch to the customer service experience. This requires operators to invest in technology such as WiFi extenders and tablets, but the benefit greatly outweighs the cost. Also, digital platforms, including mobile apps, are an absolute must for brands competing in today's fast-paced environment. Apps allow customers to order and pick up their food with limited to no interaction with restaurant staff. This is an extremely efficient way to serve customers and provides a higher level of safety.

With more drive-thru and off-premise customers than ever before, brands need to adapt and capitalize on the changes in the industry to survive. Drive-thrus are the life blood of any QSR business and the traditional drive-thru format is undergoing a paradigm shift towards increased efficiency. For better or worse, the pandemic is forcing entrepreneurs and business leaders to innovate and rethink this mission critical component of the business.

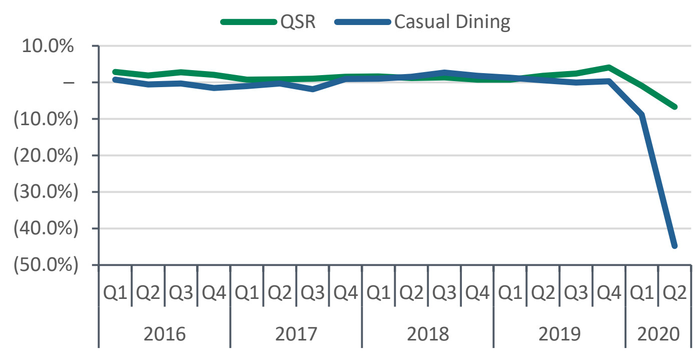
Understanding Restaurant Performance for Calendar Year 2020

As Charles Dickens famously said, "it was the best of times, it was the worst of times." This completely summarizes the restaurant industry in 2020 as it all depended upon your restaurant sector and concept. When the COVID-19 pandemic hit full stride in mid-March most of the nation's noncritical commerce was shut down for two to four weeks. The mandatory shutdowns led to immediate and disastrous declines in sales and cash flow for the restaurant industry across all sectors. However, after a short period of a quasi-national lockdown, many consumers began to lean on restaurants as a small consolation for being "locked up" at home and an escape valve from preparing food at home. This demand heavily skewed in favor of QSR which were already heavily weighted towards drive-thru business and the infrastructure to handle delivery and carry out business with limited disruption. On the other hand, many dining room-only concepts, particularly in the fine dining and casual dining sector, remained closed even beyond the initial lockdown as a precautionary measure. The loss of dine-in customers caused a cataclysmic decline in sales for these concepts in March and April. Fortunately, many of the casual dining concepts were able to pivot quickly to lean on delivery and carry out business which alleviated the initial shock to their sales. While these concepts are not back to normal, many have been able to rebound their sales back above 50% of pre-COVID levels in a reasonably short period of time.

In April, the critical development of the Paycheck Protection Program (PPP) provided a tremendous benefit to restaurant owners nationwide. The National Restaurant Association should be resoundingly commended for their efforts and influence in persuading politicians and government officials to embrace this industry while many other business sectors were not as successful in obtaining financial stimulus or relief. The franchisees of many leading casual dining concepts are fortunate to be in a cash position today to provide a meaningful cushion to weather the limited near-term cash flows and maintain valuable employees. In addition, there appears to be support for another stimulus bill which will hopefully be quickly passed after the election and will undoubtedly provide another round of financial support for the restaurant industry. We do not expect a widespread safe vaccine until mid-next year which will further delay the return to normalcy. Widespread administration of the vaccine will take another 3 to 6 months due to logistics and lingering distrust of a quickly approved vaccine. Additional stimulus for the underperforming restaurants is critical and hopefully will bridge the gap for many operators until we stabilize into the "new normal".

On the other end of the spectrum, QSR establishments made swift adjustments to their product, pricing and promotional set in order to accommodate home meal replacement. The average ticket in many QSR concepts saw increases anywhere from 30% to 80% albeit with lower transaction counts. In some instances, concepts pared back hours of operations to conserve on labor and to a lesser extent controllable cost. QSR concepts that eliminated late night and early morning hours of operation added as much as 1% to 3% incremental cash flow. Moreover, many of these concepts were also prohibited from operating dining rooms which mitigate lost sales through lower labor requirements and eliminated waste on soda fountain, paper goods and condiments. Some of those savings have been offset by personal protection equipment expenses but nonetheless there has been a significant uptick in QSR cash flow in spite of the difficult sales environment during March and April. Finally, demand destruction has lowered commodity costs during the year and is expected by many commodity and co-op experts to continue well into 2021. The complicating factor will be the performance of the U.S. dollar which has been under pressure due to the $3 trillion budget deficit the U.S. ran largely due to the COVID-19 stimulus. As a result, many leading QSR concepts fortunately benefited overall and are now near flat in year-over-year cash flow comparisons and others are modestly up.

RESTAURANT SAME-STORE SALES



Source: Restaurant Research LLC; Technomic, Inc.

On the other end of the spectrum, casual dining operators were initially caught flat footed in March and most of April, but quickly pivoted to delivery and carry out distribution channels. Most of the top 100 casual dining chains were operating in the neighborhood of 50% of prior year sales through delivery, carry out and outdoor seating configurations by early June. During the summer, many of these concepts perfected curbside pickup of high quality attractively priced ingredients and these incremental sales are likely to benefit leading casual dining concepts on a go forward basis. The silver lining for casual dining is that it sustained the highest number of restaurant closures across the board, but the survivors (the leading concepts) will be the benefactors of meaningful incremental traffic over time.

Portability, essentiality, and pricing played a large role in the restaurant sweepstakes during the ongoing COVID-19 pandemic. Certain concepts have been blessed with food which is infinitely more portable and benefited the most from the shift in consumer behaviors. For example, chicken and pizza maintain their quality reasonably well in portability whereas French fries, milkshakes and hamburgers have a shorter portability lifespan. This is no doubt a key component in the extraordinary performance exhibited over the summer by the big three pizza concepts of Dominos, Pizza Hut and Papa John's along with chicken concepts such as Popeyes, KFC and Wingstop. Essentiality also was rewarded as nonessential concepts focused on snacks, desserts and beverages did not fare as well as home meal replacement offerings such as family meal bundles. Complicating the picture for coffee beverage concepts was the development of many offices being largely vacant, along with limited commuting traffic, thus denuding these concepts of most of their transactions, especially when they are located in office buildings.

Similarly, passenger traffic on major U.S. airlines average less than 20% for a good part of the summer and it is now trending around one million passengers a day versus the normal traffic of 2.6 million, or approximately 38% of normal passenger traffic. This has stunned many airport concepts and the resurgence of COVID-19 is likely to further delay the return to normal traffic levels. Finally, QSR concepts with enormous advertising budgets dominated the airwaves over the summer with carefully constructed value propositions (i.e. family meals) which helped support and retain the home meal replacement business that they won over from dining room concepts. As a sector, aggregate QSR performance was up significantly in ticket, down in traffic and close to breakeven overall for the year by the end of the 3rd quarter while dining room concepts in aggregate are still down year to date approximately 20% (with some notable exceptions).

M&A activity was muted during March, April and May as lenders, investors and operators began digesting the shock to the economy, but has seen an uptick starting in June after PPP loans were widely distributed and performance trajectories started a mean reversion. But as the summer wore on it became obvious that temporary home meal replacement fundamentals were firmly embedded in restaurant financial performance. One of the biggest challenges for buyers and sellers is to distinguish recurring performance from temporary performance. What complicates the math further is that brands such as KFC and Arby's have made tremendous marketing, product, and promotional gains going into 2020 and continued throughout the year but they have also benefited to a certain degree from home meal replacement. Most market participants were confident that this anomaly would be short-lived, but the resurgence of COVID-19 is causing us to revisit this assumption and will greatly complicate financial analysis of restaurant performance. Quality-of-earnings providers are going to have to look carefully at traffic, mix, historical performance, and home meal replacement dynamics to sift the recurring financial performance from the aggregate data. While many of us may want to throw out 2020 completely from evaluation, this will undoubtedly be the biggest debate on deal structuring. Inevitably, we may end up seeing more reliance on financial structuring to make sure there are no inequities in the transactions based on nonrecurring performance. Only time will tell what the "new normal" will look like, but we can all agree that we look forward to the days of returning as close as we can to pre-COVID behaviors.

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