



RESTAURANT INDUSTRY COMMENTARY AND SAME-STORE SALES DATA

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Same-Store Sales Discussion (Q3 2021)

Since the beginning of the pandemic, restaurants, like the rest of the economy, have been subject to ebbs and flows in the spread of Covid. The third quarter of 2021 began with the lowest number of cases since the summer of 2020. According to *The New York Times*, the 7-day average of U.S. Covid cases was 20k on July 1st. The Delta variant spread rapidly from that point to a peak of 176k cases on September 13th, and cases dipped to 111k by the end of the quarter on September 30th. Restaurants performed well, building on momentum from Q2 2021, as millions of Americans got vaccinated and felt comfortable going out again. Average same-store sales (“SSS”) for the brands we track were up 32.9%. On a 2-year basis, compared to 2019, SSS were up 6.2%.

All segments of the industry reported SSS growth for the quarter as shown in the chart below. Segment growth was proportionate to the decreases suffered in 2020 at the peak of the pandemic, before vaccines were available, as the segments hit the hardest bounced back the most. Notably, on a 2-year basis, compared to 2019, all segments except for family dining were up. It is not likely that restaurant traffic has returned to pre-pandemic levels. Supply constraints in food and labor pushed restaurant prime costs up, and restaurants were forced to raise prices to survive. As such, most if not all, of the growth over pre-pandemic levels is due to increased prices. Structural shifts in the economy caused by the pandemic are still unfolding, and it will likely be some time before things return to normal for restaurants.

QSR: QSR (+6.1%) SSS continued to grow as operators increased prices to offset significant increases in food and labor costs. QSR segment was the only segment with positive SSS in Q3 2020. As a result, 2-year SSS growth was 7.7%.

- Chicken segment (+4.4%) SSS increased thanks to strong performances from Pollo Tropical (+13.8%) and KFC (+4.0%), partially offset by a second consecutive decline from Popeyes (-4.5%). Popeyes still led the segment on a 2-year basis after posting massive growth in 2020 driven by the continued popularity of its chicken sandwich.
- Burger concepts (+3.5%) produced modest growth, likely due to price increases similar to the rest of the industry. The Habit Burger Grill (+11.0%) and McDonald’s (+9.6%) were the strongest performers in the segment.
- Pizza segment (+8.0%) performed well as Pizza Inn (+25.0%), Papa John’s (+6.9%) and Pizza Hut (+2.0%) all delivered strong results. After 41 consecutive quarters of SSS growth dating back to Q1 2011, Domino’s (-1.9%) suffered a minor setback.

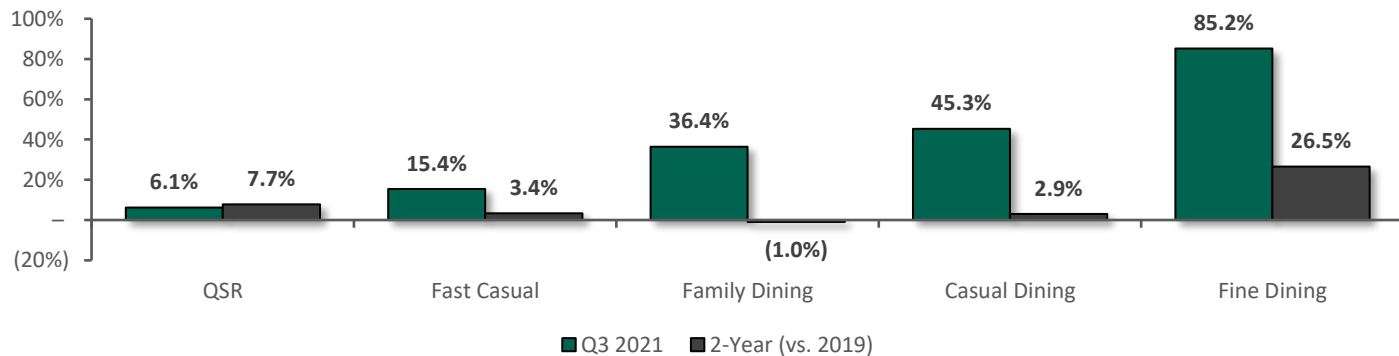
Fast Casual: Fast casual restaurants (+15.4%) maintained positive momentum after struggling during the early days of the pandemic. Top performers in the segment were Potbelly (+33.7%) and Shake Shack (+24.8) for the second straight quarter.

Family Dining: All three brands in family dining (+36.4%) produced SSS growth as Denny’s (+50.2%) and IHOP (+40.1%) led the way.

Casual Dining: All 26 casual dining (+45.3%) concepts in our SSS index produced positive SSS growth in Q3, recovering from disastrous results in the prior year.

Fine Dining: Fine dining (+85.2%) increased primarily due to another incredible quarter from STK (+130.6%). On a 2-year basis, STK was up an astounding 74.8% compared to 2019. All fine dining concepts we track were up on a 2-year basis compared to 2019.

RESTAURANT SAME-STORE SALES BY SEGMENT (Q3 2021)



Source: Technomic, Inc.

Restaurant Same-Store Sales Data

	2019				2020				2021 vs. 2020			2021 vs. 2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Chicken														
KFC	2.0%	2.0%	(1.0%)	1.0%	(3.0%)	7.0%	9.0%	8.0%	14.0%	11.0%	4.0%	10.6%	18.8%	13.4%
Pollo Tropical	(2.6%)	(1.3%)	(3.8%)	0.6%	(7.3%)	(31.6%)	(11.1%)	(8.2%)	4.3%	43.5%	13.8%	(3.3%)	(1.8%)	1.2%
Popeyes	0.4%	2.9%	10.2%	37.9%	29.2%	28.5%	19.7%	(6.4%)	0.9%	(2.5%)	(4.5%)	30.4%	25.3%	14.3%
MEAN	(0.1%)	1.2%	1.8%	13.2%	6.3%	1.3%	5.9%	(2.2%)	6.4%	17.3%	4.4%	12.5%	14.1%	9.6%
Coffee/Snack														
Starbucks	4.0%	7.0%	6.0%	6.0%	(3.0%)	(40.0%)	(9.0%)	(5.0%)	9.0%	83.0%	22.0%	5.7%	9.8%	11.0%
Tim Horton's	(0.6%)	0.5%	(1.4%)	(4.3%)	(10.3%)	(29.3%)	(12.5%)	(11.0%)	(2.3%)	27.6%	8.9%	(12.4%)	(9.8%)	(4.7%)
MEAN	1.7%	3.8%	2.3%	0.9%	(6.7%)	(34.7%)	(10.8%)	(8.0%)	3.4%	55.3%	15.5%	(3.3%)	0.0%	3.2%
Mexican														
Del Taco	(0.1%)	2.2%	1.0%	0.4%	(3.1%)	(10.1%)	4.1%	3.8%	9.1%	17.8%	1.8%	5.7%	5.9%	6.0%
Taco Bell	4.0%	7.0%	4.0%	4.0%	1.0%	(8.0%)	3.0%	1.0%	9.0%	21.0%	5.0%	10.1%	11.3%	8.2%
MEAN	2.0%	4.6%	2.5%	2.2%	(1.1%)	(9.1%)	3.6%	2.4%	9.1%	19.4%	3.4%	7.9%	8.6%	7.1%
Pizza														
Domino's	3.9%	3.0%	2.4%	3.4%	1.6%	16.1%	17.5%	11.2%	13.4%	3.5%	(1.9%)	15.2%	20.2%	15.3%
Papa John's	(6.9%)	(5.7%)	1.0%	3.5%	5.3%	28.0%	23.8%	13.5%	26.2%	5.2%	6.9%	32.9%	34.7%	32.3%
Pizza Hut	0.0%	2.0%	(3.0%)	(4.0%)	(7.0%)	5.0%	6.0%	8.0%	16.0%	4.0%	2.0%	7.9%	9.2%	8.1%
Pizza Inn	3.3%	2.2%	3.1%	2.4%	(7.8%)	(39.0%)	(22.0%)	(18.0%)	(3.1%)	0.0%	25.0%	(10.7%)	(39.0%)	(2.5%)
MEAN	0.1%	0.4%	0.9%	1.3%	(2.0%)	2.5%	6.3%	3.7%	13.1%	3.2%	8.0%	11.3%	6.3%	13.3%
Burger														
Burger King	0.4%	0.5%	5.0%	0.6%	(6.5%)	(9.9%)	(3.2%)	(2.9%)	6.6%	13.0%	(1.6%)	(0.3%)	1.8%	(4.7%)
Good Times Burgers & Frozen Custard	(7.5%)	2.8%	(0.4%)	5.8%	3.0%	11.9%	(10.0%)	22.1%	22.9%	2.9%	(0.2%)	26.6%	15.1%	(10.2%)
Habit Burger Grill	3.2%	3.9%	3.1%	0.0%	(9.0%)	(18.0%)	(3.0%)	(5.0%)	13.0%	31.0%	11.0%	2.8%	7.4%	7.7%
Jack in the Box	0.2%	2.7%	3.0%	1.7%	(4.2%)	6.6%	12.2%	12.5%	20.6%	10.2%	0.1%	15.5%	17.5%	12.3%
McDonald's	4.5%	5.7%	4.8%	5.1%	0.1%	(8.7%)	4.6%	5.5%	13.6%	25.9%	9.6%	13.7%	14.9%	14.6%
Wendy's	1.2%	1.3%	4.5%	4.5%	0.0%	(4.4%)	7.0%	5.5%	13.5%	16.1%	2.1%	13.5%	11.0%	9.2%
MEAN	0.3%	2.8%	3.3%	3.0%	(2.8%)	(3.8%)	1.3%	6.3%	15.0%	16.5%	3.5%	12.0%	11.3%	4.8%
MEAN TOTAL QSR	0.6%	2.3%	2.3%	4.0%	(1.2%)	(5.6%)	2.1%	2.0%	11.0%	18.4%	6.1%	9.6%	9.0%	7.7%
Fast Casual														
BurgerFi	N/A	N/A	N/A	N/A	(11.8%)	(20.0%)	(9.2%)	(2.9%)	4.0%	44.0%	8.0%	(8.3%)	15.2%	(1.9%)
Chipotle	9.9%	10.0%	11.0%	13.4%	3.3%	(9.8%)	8.3%	5.7%	17.2%	31.2%	15.1%	21.1%	18.3%	24.7%
El Pollo Loco	2.4%	0.7%	1.1%	3.9%	(1.5%)	(9.7%)	1.8%	(0.2%)	7.4%	21.0%	9.3%	5.8%	9.3%	11.3%
Freshii	(0.9%)	(4.0%)	(3.7%)	(2.0%)	(14.3%)	(51.4%)	(26.8%)	(28.4%)	(18.5%)	46.7%	10.6%	(30.2%)	(28.7%)	(19.0%)
Pie Five	(4.4%)	(7.3%)	(12.2%)	(11.0%)	(21.4%)	(37.9%)	(23.0%)	(16.0%)	(21.0%)	0.0%	18.0%	(37.9%)	(37.9%)	(9.1%)
Potbelly	(4.7%)	(4.0%)	(3.0%)	0.1%	(10.1%)	(41.5%)	(21.0%)	(19.7%)	(3.1%)	70.0%	33.7%	(12.9%)	(0.6%)	5.6%
Shake Shack	3.6%	3.6%	2.0%	(3.6%)	(12.8%)	(49.0%)	(31.7%)	(17.4%)	5.7%	52.7%	24.8%	(7.8%)	(22.1%)	(14.8%)
Wingstop	7.1%	12.8%	12.3%	12.2%	9.9%	31.9%	25.4%	18.2%	20.7%	2.1%	3.9%	32.6%	34.7%	30.3%
MEAN	1.9%	1.7%	1.1%	1.9%	(7.3%)	(23.4%)	(9.5%)	(7.6%)	1.6%	33.5%	15.4%	(4.7%)	(1.5%)	3.4%

Restaurant Same-Store Sales Data (Cont.)

	2019				2020				2021 vs. 2020			2021 vs. 2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Family Dining														
Cracker Barrel ⁽¹⁾	1.3%	3.8%	2.1%	3.8%	(41.7%)	(39.2%)	(16.4%)	(21.9%)	(8.6%)	0.0%	19.0%	(46.7%)	(39.2%)	(0.5%)
Denny's	1.3%	3.8%	1.1%	1.7%	(6.3%)	(56.9%)	(33.6%)	(32.9%)	(9.7%)	117.0%	50.2%	(15.4%)	(6.5%)	(0.3%)
IHOP	1.2%	2.0%	0.0%	1.1%	(14.7%)	(59.1%)	(30.2%)	(30.1%)	(0.9%)	120.1%	40.1%	(15.5%)	(10.0%)	(2.2%)
MEAN	1.3%	3.2%	1.1%	2.2%	(20.9%)	(51.7%)	(26.7%)	(28.3%)	(6.4%)	79.0%	36.4%	(25.9%)	(18.6%)	(1.0%)
Casual Dining														
Applebee's	1.8%	(0.5%)	(1.6%)	(2.5%)	(10.6%)	(49.4%)	(13.3%)	(17.6%)	11.9%	102.2%	27.7%	0.0%	2.3%	10.7%
Bad Daddy's Burger Bar	1.3%	(0.7%)	(0.2%)	(3.4%)	(15.7%)	(36.7%)	(12.2%)	(11.8%)	9.1%	61.4%	22.8%	(8.0%)	2.2%	7.8%
Bahama Breeze	(3.7%)	1.9%	(4.2%)	(3.4%)	(0.5%)	(66.1%)	(39.0%)	(28.6%)	(36.9%)	160.7%	65.8%	(37.2%)	(11.6%)	1.1%
BJ's Restaurants	2.0%	2.0%	(0.3%)	0.4%	(15.5%)	(57.2%)	(30.2%)	(32.3%)	(13.0%)	121.9%	41.8%	(26.5%)	(5.0%)	(1.0%)
Bonefish	1.9%	0.1%	(2.2%)	0.5%	(13.9%)	(56.8%)	(22.5%)	(27.1%)	(2.9%)	141.2%	36.6%	(16.4%)	4.2%	5.9%
Carrabba's Italian Grill	0.3%	(1.6%)	0.1%	1.4%	(8.7%)	(36.7%)	(9.0%)	(11.4%)	8.9%	84.3%	28.8%	(0.6%)	16.7%	17.2%
Cheddar's Scratch Kitchen	(2.7%)	(3.2%)	(5.4%)	(1.2%)	(1.6%)	(58.5%)	(39.0%)	(28.6%)	(36.9%)	160.7%	65.8%	(37.9%)	8.2%	1.1%
Cheesecake Factory	1.3%	1.0%	0.4%	0.6%	(12.9%)	(56.9%)	(23.3%)	(19.5%)	2.8%	150.0%	41.1%	(10.5%)	7.8%	8.2%
Chili's Grill & Bar	2.7%	1.3%	2.3%	1.7%	(5.4%)	(33.0%)	(7.0%)	(6.1%)	0.6%	62.1%	13.8%	(4.8%)	8.6%	5.8%
Chuy's	3.2%	1.9%	2.6%	2.9%	(9.7%)	(39.0%)	(19.8%)	(18.3%)	(3.2%)	60.0%	20.5%	(12.6%)	(2.4%)	(3.4%)
Dave & Buster's	2.9%	(0.3%)	(1.8%)	(4.1%)	(4.7%)	(58.6%)	(87.0%)	(66.0%)	(70.0%)	(35.0%)	3.6%	(71.4%)	(73.1%)	(86.5%)
Famous Dave's	(0.7%)	0.5%	1.9%	0.9%	(13.1%)	(30.0%)	(10.0%)	(5.5%)	16.0%	51.0%	18.0%	0.8%	5.7%	6.2%
FAT Brands Inc.	(0.4%)	0.7%	(0.1%)	0.2%	(10.0%)	(24.6%)	N/A	(8.4%)	8.7%	54.6%	17.3%	(2.2%)	16.6%	N/A
Granite City	N/A	N/A	N/A	N/A	N/A	(65.5%)	(25.9%)	(40.7%)	3.0%	138.6%	31.4%	N/A	(17.7%)	(2.6%)
Kona Grill	0.0%	0.0%	0.0%	3.9%	(15.5%)	(52.8%)	(7.3%)	(8.0%)	26.6%	160.6%	36.8%	7.0%	23.0%	26.8%
Kura Sushi	6.8%	7.6%	9.4%	7.9%	10.8%	(85.4%)	(72.7%)	(50.8%)	(60.2%)	456.0%	291.4%	(55.9%)	(18.8%)	6.9%
LongHorn Steakhouse	3.8%	3.3%	2.6%	6.7%	3.9%	(45.3%)	(18.1%)	(11.1%)	(12.6%)	107.5%	47.0%	(9.2%)	13.5%	20.4%
Maggiano's	0.4%	(0.2%)	(1.8%)	(1.4%)	(9.9%)	(66.7%)	(38.6%)	(47.0%)	(29.6%)	147.9%	62.6%	(36.6%)	(17.4%)	(0.2%)
Noodles & Company	3.0%	4.6%	2.1%	1.5%	(7.2%)	(30.9%)	(3.8%)	(4.7%)	10.7%	56.8%	16.3%	2.7%	8.3%	11.9%
North Italia	N/A	N/A	N/A	4.0%	(12.0%)	(59.0%)	(22.0%)	(18.0%)	5.0%	182.0%	38.0%	(7.6%)	15.6%	7.6%
Olive Garden	4.3%	2.4%	2.2%	1.5%	2.1%	(39.2%)	(28.2%)	(19.9%)	(25.8%)	61.9%	37.1%	(24.2%)	(1.6%)	(1.6%)
Outback	3.5%	1.3%	0.2%	2.7%	(9.5%)	(32.9%)	(10.4%)	(15.2%)	4.1%	65.8%	18.3%	(5.8%)	11.3%	6.0%
Red Robin	(3.3%)	(1.5%)	1.6%	1.3%	(20.8%)	(41.4%)	(25.1%)	(29.0%)	10.0%	66.3%	34.3%	(12.9%)	(2.5%)	0.6%
Seasons 52	(1.3%)	(2.1%)	(4.2%)	(3.5%)	3.0%	(69.9%)	(39.0%)	(28.6%)	(36.9%)	160.7%	65.8%	(35.0%)	(21.5%)	1.1%
Texas Roadhouse	5.2%	4.7%	4.4%	4.4%	(8.4%)	(32.8%)	(6.3%)	(8.9%)	18.5%	80.2%	30.2%	8.5%	21.1%	22.0%
Yard House	(2.1%)	(1.4%)	(1.9%)	0.7%	1.8%	(70.7%)	(39.0%)	(28.6%)	(36.9%)	160.7%	65.8%	(35.8%)	(23.6%)	1.1%
MEAN	1.3%	0.9%	0.3%	0.9%	(7.4%)	(49.8%)	(25.9%)	(22.8%)	(8.8%)	116.2%	45.3%	(17.3%)	(1.2%)	2.9%
Fine Dining														
Capital Grille	4.3%	2.9%	1.5%	1.8%	4.2%	(62.5%)	(39.1%)	(31.0%)	(45.2%)	143.6%	84.6%	(42.9%)	(8.7%)	12.4%
Eddie V's Prime Seafood	3.7%	2.0%	1.2%	0.5%	3.9%	(65.2%)	(39.1%)	(31.0%)	(45.2%)	143.6%	84.6%	(43.1%)	(15.2%)	12.4%
Fleming's	0.6%	1.6%	0.4%	0.9%	(13.2%)	(56.3%)	(20.3%)	(29.7%)	(2.3%)	182.6%	59.6%	(15.2%)	23.5%	27.2%
Ruth's Chris	1.8%	(0.5%)	0.6%	1.4%	(13.5%)	(74.1%)	(36.7%)	(39.7%)	(14.8%)	286.6%	66.8%	(26.3%)	0.1%	5.6%
STK	8.6%	6.4%	9.3%	8.9%	(12.8%)	(81.4%)	(24.2%)	(20.7%)	20.8%	725.7%	130.6%	5.3%	53.6%	74.8%
MEAN	3.8%	2.5%	2.6%	2.7%	(6.3%)	(67.9%)	(31.9%)	(30.4%)	(17.3%)	296.4%	85.2%	(24.4%)	10.7%	26.5%

(1) Cracker Barrel 2021 fiscal year ended July 30, 2021

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

Selected Recent Transactions

Palo Alto, Inc.
A FRANCHISEE OF PIZZA HUT



HAS COMPLETED THE SALE OF 30+ RESTAURANTS TO

AYVAZ PIZZA, LLC

Financial Advisor to the Seller

DECEMBER 2021

BURGERBUSTERS INC.

A FRANCHISEE OF




HAS COMPLETED THE SALE OF 78 RESTAURANTS TO

CHARTER CENTRAL, LLC


Financial Advisor to the Seller

DECEMBER 2021

CalJax, Inc.
A FRANCHISEE OF JACK IN THE BOX



HAS COMPLETED THE SALE OF 20 RESTAURANTS TO



YADAV ENTERPRISES
RESTAURANTS AND RESORTS

Financial Advisor to the Seller

DECEMBER 2021

J & R Hock Enterprises, Inc.
A FRANCHISEE OF TACO BELL



HAS COMPLETED THE SALE OF 42 RESTAURANTS TO



DRG
DIVERSIFIED RESTAURANT GROUP

Financial Advisor to the Seller

NOVEMBER 2021

Century Fast Foods, Inc.
A FRANCHISEE OF TACO BELL



TACO BELL

HAS COMPLETED THE SALE OF 33 RESTAURANTS TO



DRG
DIVERSIFIED RESTAURANT GROUP

Financial Advisor to the Seller

NOVEMBER 2021

PACIFIC BELLS
A FRANCHISEE OF TACO BELL

A PORTFOLIO COMPANY OF



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

ACQUIRED BY


ORANGEWOOD

Financial Advisor to the Seller

NOVEMBER 2021

Arby's

HAS COMPLETED THE SALE OF 9 RESTAURANTS TO





SUN HOLDINGS, INC.

Financial Advisor to the Seller


AUGUST 2021

Mitra QSR
A FRANCHISEE OF TACO BELL and KFC

TACO BELL

HAS COMPLETED A RECAPITALIZATION WITH



MUFG

Financial Advisor to the Borrower

JULY 2021

MEET OUR SENIOR TEAM

Kevin Burke
Managing Director
310-231-3100
kevin.burke@citizensbank.com

David Stiles
Managing Director
310-231-3110
david.stiles@citizensbank.com

Howard Lo
Managing Director
310-231-3119
howard.lo@citizensbank.com

Geno Orrico
Director
310-231-3116
geno.orrico@citizensbank.com

Zach Olson
Director
310-231-3123
zach.olson@citizensbank.com

Aaron Edwards
Vice President
310-231-3111
aaron.edwards@citizensbank.com

For more information, visit tcib.com

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