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Bernstein University US 2025

Primer Series
U.S. Restaurants

October 14, 2025

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See Disclosure Appendix of this report for important Disclosures and Analyst Certifications

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U.S. Restaurants – Agenda

+ Why should you consider investing in Restaurants

+ Key Trends

- + Limited service vs full service
- + Scale and consolidation
- + Franchising
- + GLP-1
- + Digital

+ Basic Restaurant economics

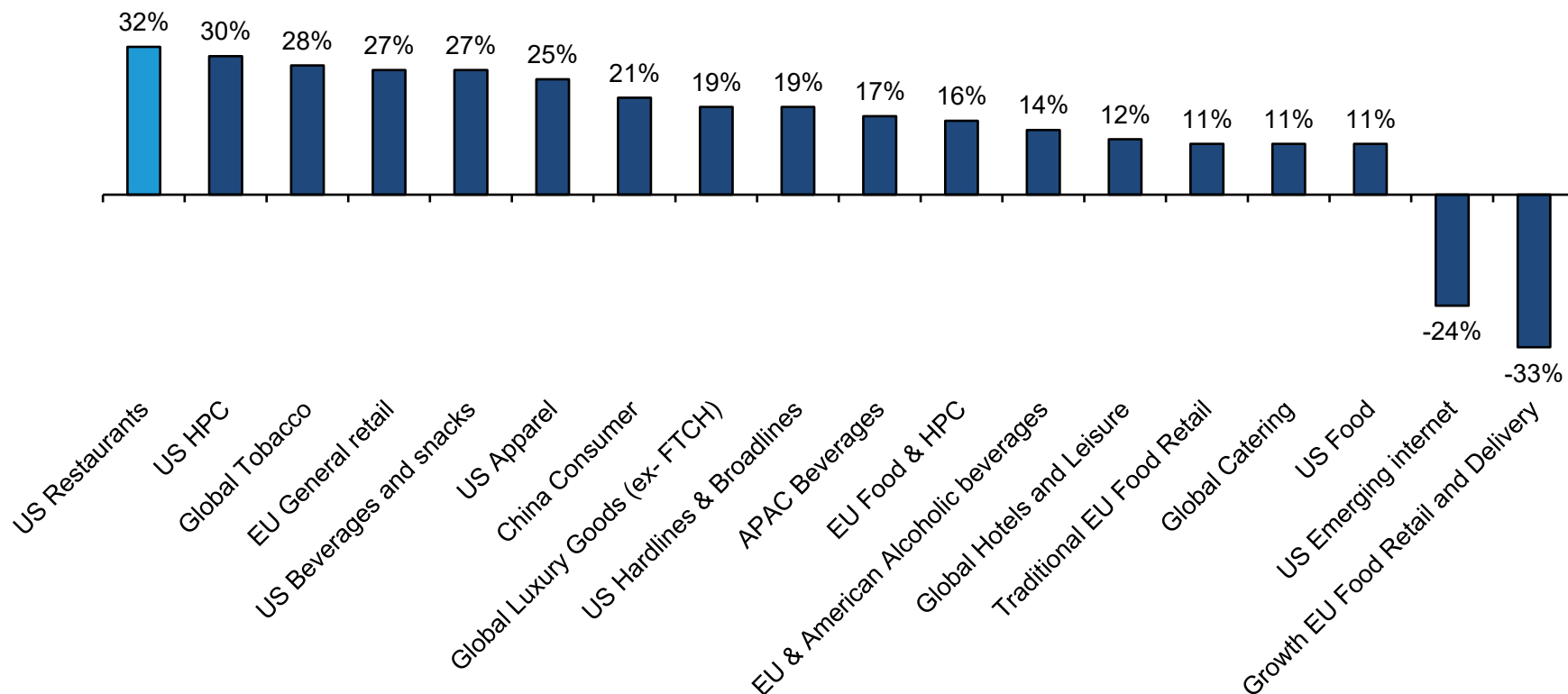
- + Typical P&L

+ Unlocking Value

- + Where we are today
- + How can restaurants grow

For LT investors, Restaurants generate the highest ROIC among the consumer stocks

Global Consumer pre-tax ROIC by Bernstein coverage (2003-2022)



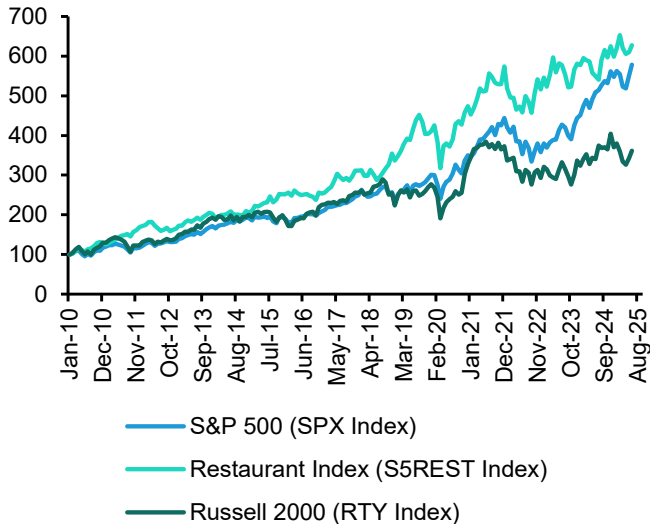
Invested capital not adjusted for leases

Source: Bloomberg, Bernstein analysis.

Yet the also offer opportunities for intra-quarter stock picking

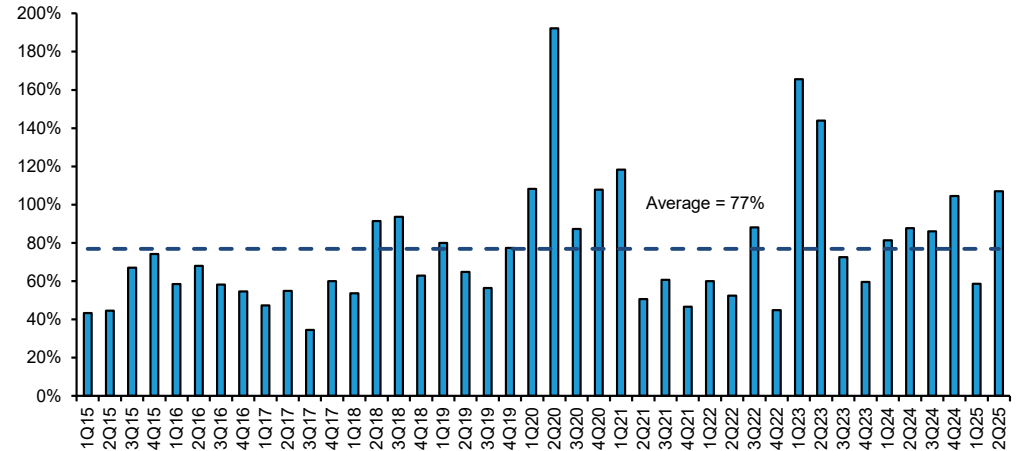
Restaurants' stock performance follows the market

S&P 500 vs Restaurant Index and Russell 2000
Indexed (Jan 2010=100)



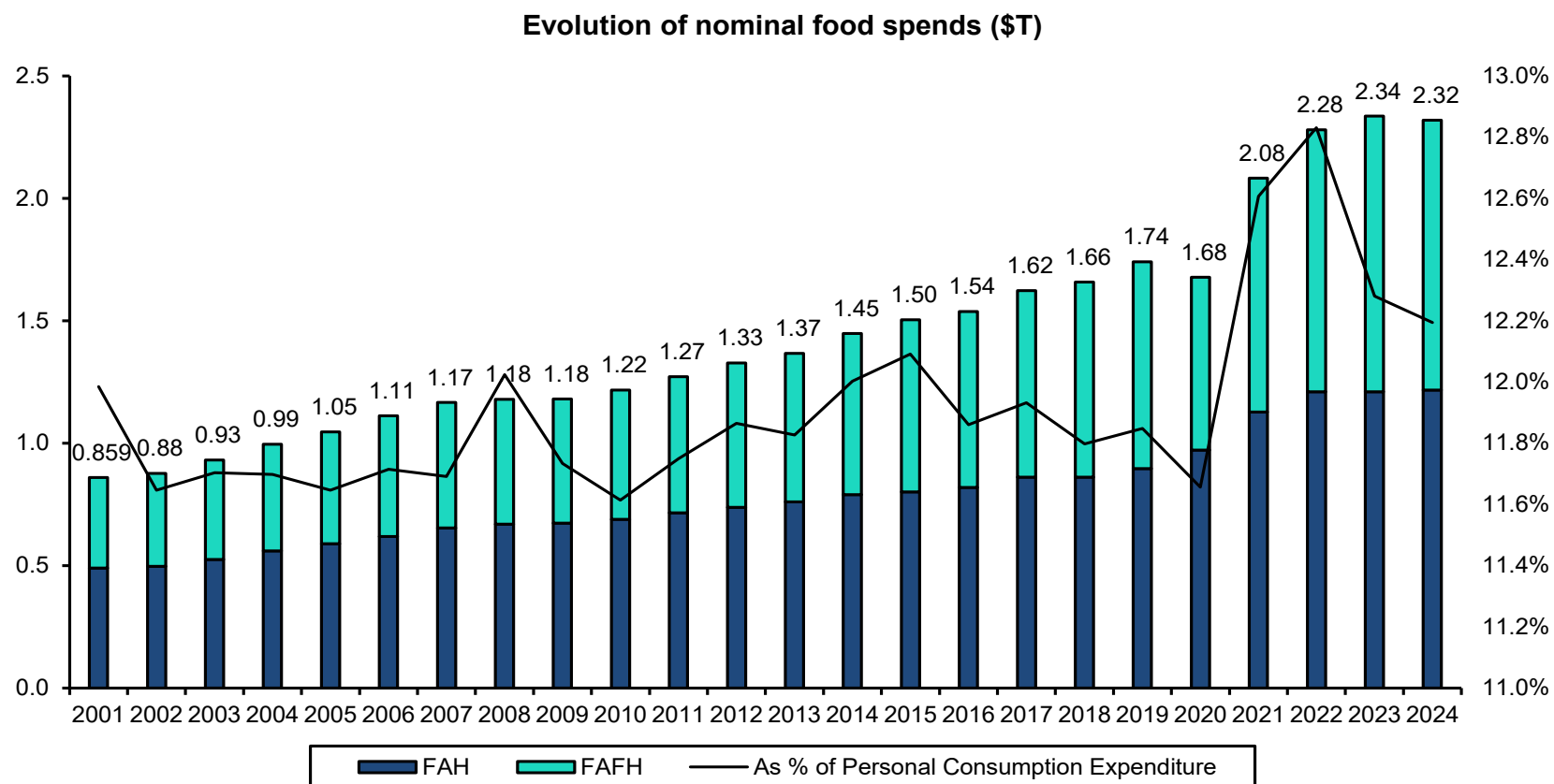
...yet there is significant difference in performance among stocks

Price return (%) delta between best and worst performing restaurant stocks



Source: Bloomberg, Bernstein analysis

We spend more than ever on food



Source: Bureau of Economic Analysis, Bernstein analysis

Consumers spend more in restaurants due to real demand growth and pricing actions

U.S. Food Away from Home CAGR Build Up by Decade

Time Period	1960-1970	1970-1980	1980-1990	1990-2000	2000-2010	2010-2019	2019-2024
Population Growth	1.3%	1.0%	0.9%	1.2%	0.9%	0.7%	0.9%
+ Real Per Capita Purchased Meals & Beverages Growth	2.0%	2.0%	2.1%	0.5%	0.2%	1.9%	1.9%
= Real Food Away from Home Growth	3.3%	3.1%	3.1%	1.7%	1.2%	2.6%	2.8%
+ Food Away from Home CPI Growth	3.8%	7.9%	4.7%	2.4%	3.0%	2.5%	6.7%
= Food Away from Home Growth	7.3%	11.2%	8.0%	4.2%	4.2%	5.2%	9.7%

Demographics + Propensity to spend at restaurants + Restaurant pricing = Restaurant demand

(decelerating) + (accelerating) + (accelerating?) = Accelerating demand?

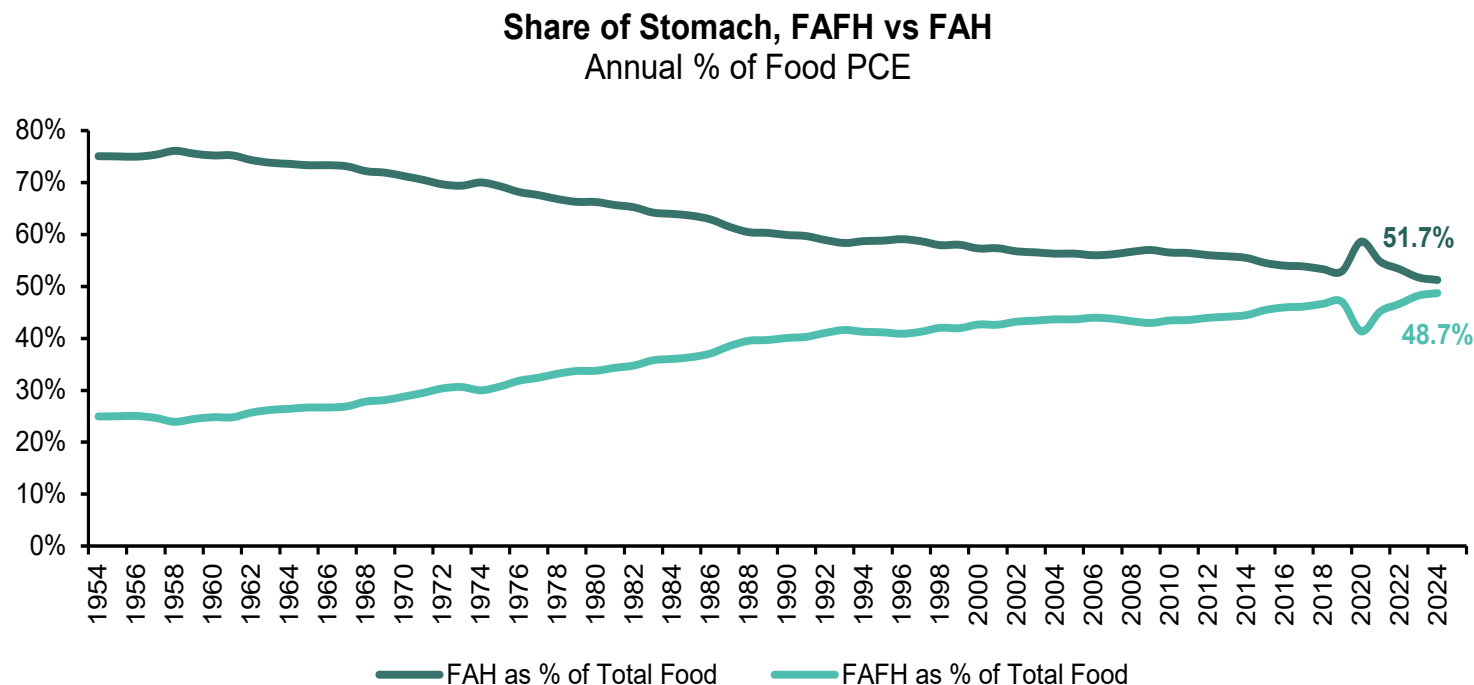
Source: Bureau of Economic Analysis, The World Bank, U.S. Census Bureau, Company Reports, Bernstein estimates and analysis.

Why do we expect structural tailwinds?

	Growth driver	LT Trend
Propensity to spend at restaurants	• Women participation in workforce	
	• Disposable income	
	• Unemployment rate	
	• Food quality (craveability and freshness)	
	• Convenience	
	• GLP-1	
<hr/>		
Restaurant pricing	• Individualized promotions	
	• Relative inflation vs grocery inflation	

Source: Bernstein analysis

As a result, today consumers spend more of their food budget on restaurants than on eating food at home



Source: BEA, Bernstein analysis.

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A few considerations on the industry

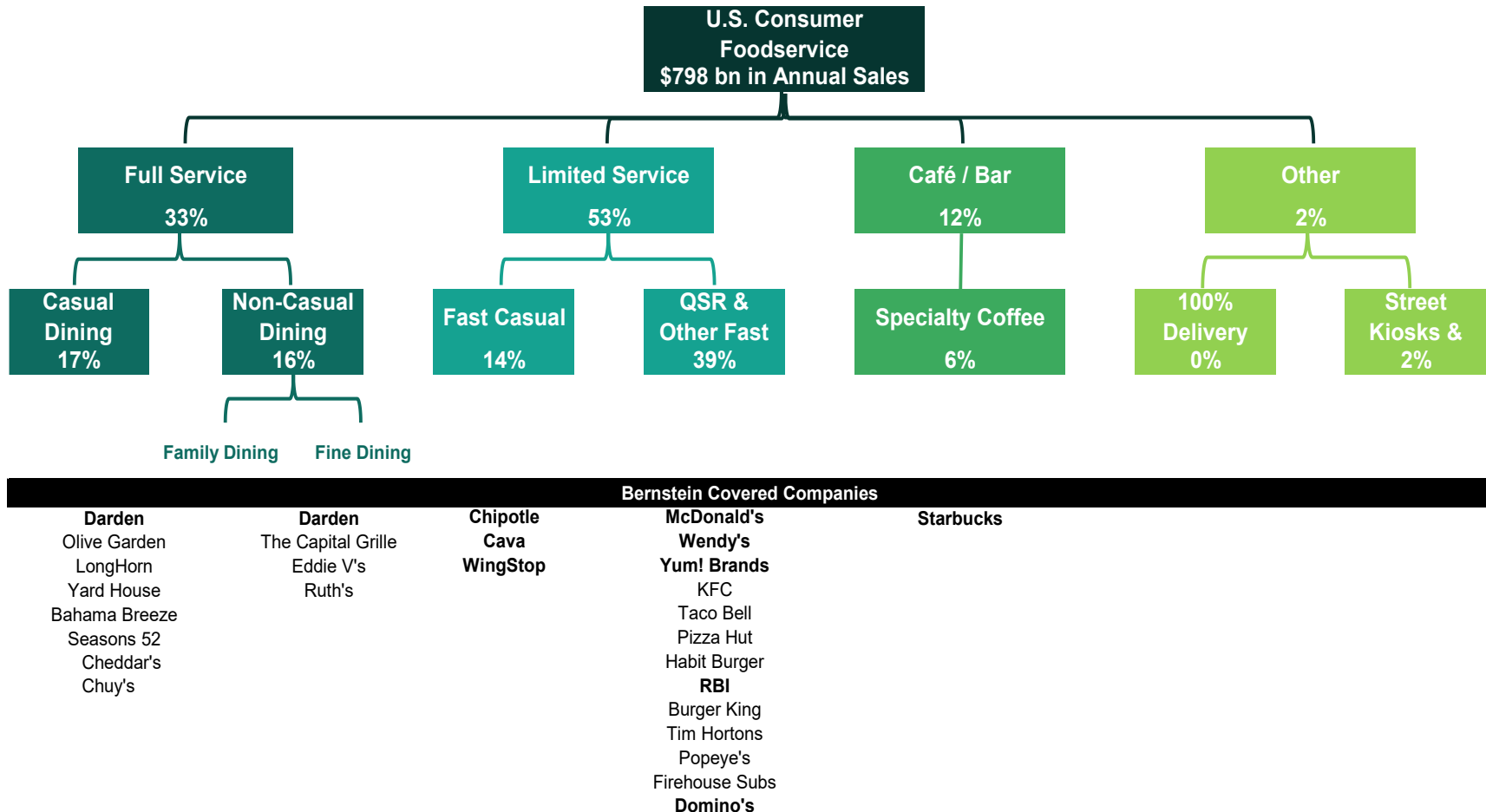
STRUCTURAL TRENDS

- Sector ripe for stock picking
- Restaurant spend taking over from at home food consumption
- Macro factors determine demand for food: watch unemployment, disposable income and relative inflation
- More Limited Service Restaurants, more chains
- Fast casual outpacing peers, but blurring lines

RECENT CONTROVERSIES

- Price wars
- Low units/capita but low access to credit. Who wins?
- Are labor challenges easing off? Are they structural?
- How is the health of franchisees today?
- Does ESG matter?
- Is international exposure an opportunity or a risk?
- Are aggregators here to stay?
- Better to franchise or operate units in today's environment?
- Tariffs!

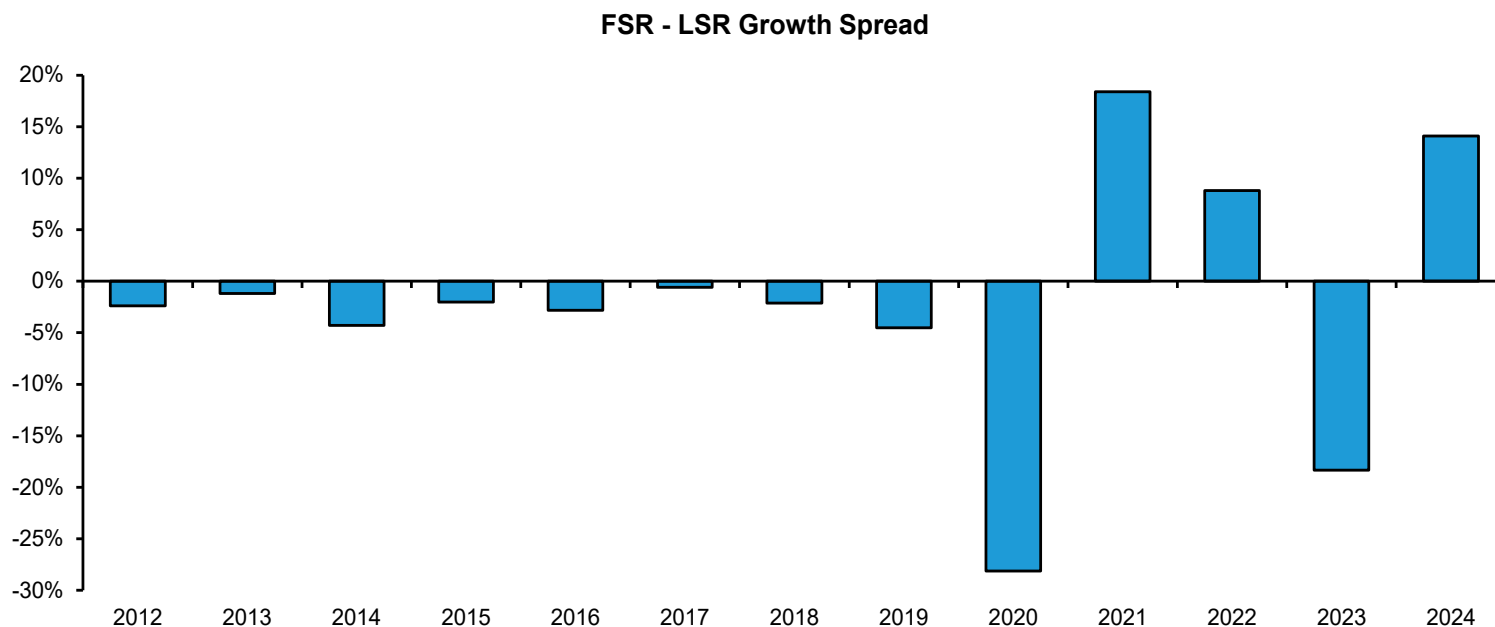
Limited Service Restaurants represent over 50% of US restaurants



Source: Euromonitor and Bernstein Analysis.

Since early 2000s, LSRs have out-grown FSRs

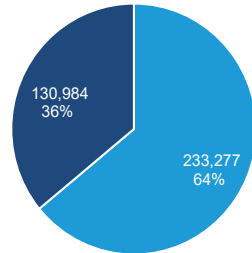
US Foodservice Segment (\$ billion)															
Sales (\$mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	5yr CAGR	10yr CAGR
FSR	202	206	207	213	215	221	224	227	158	207	242	238	265	3.1%	2.5%
LSR	216	223	233	244	254	262	272	287	282	316	342	399	388	6.2%	5.2%
Others	66	69	75	77	80	86	89	90	57	80	97	100	118	5.5%	4.7%
Total	485	497	515	534	549	569	585	604	497	603	680	737	770	5.0%	4.1%



Source: Euromonitor, Bernstein analysis

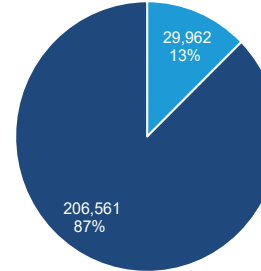
Chains are prevalent among LSR and are growing faster

US Limited-Service Restaurants (LSR)
Market
2024



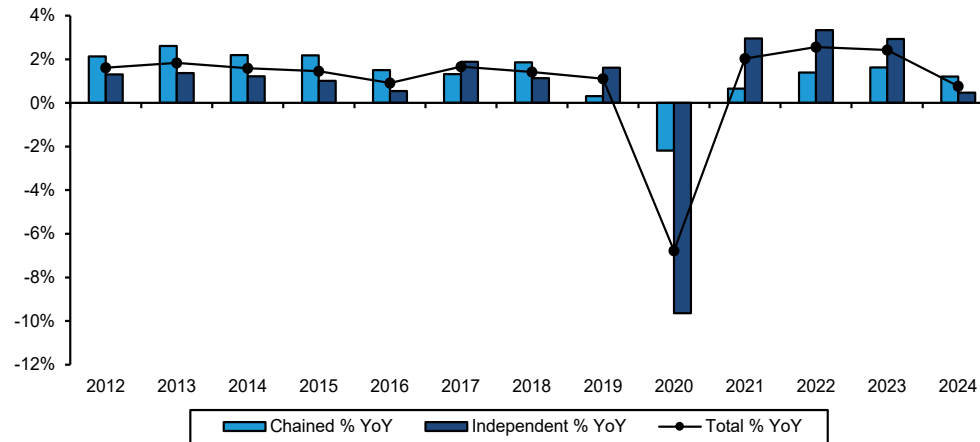
■ Chained ■ Independent

US Full-Service Restaurants (FSR) Market
2024



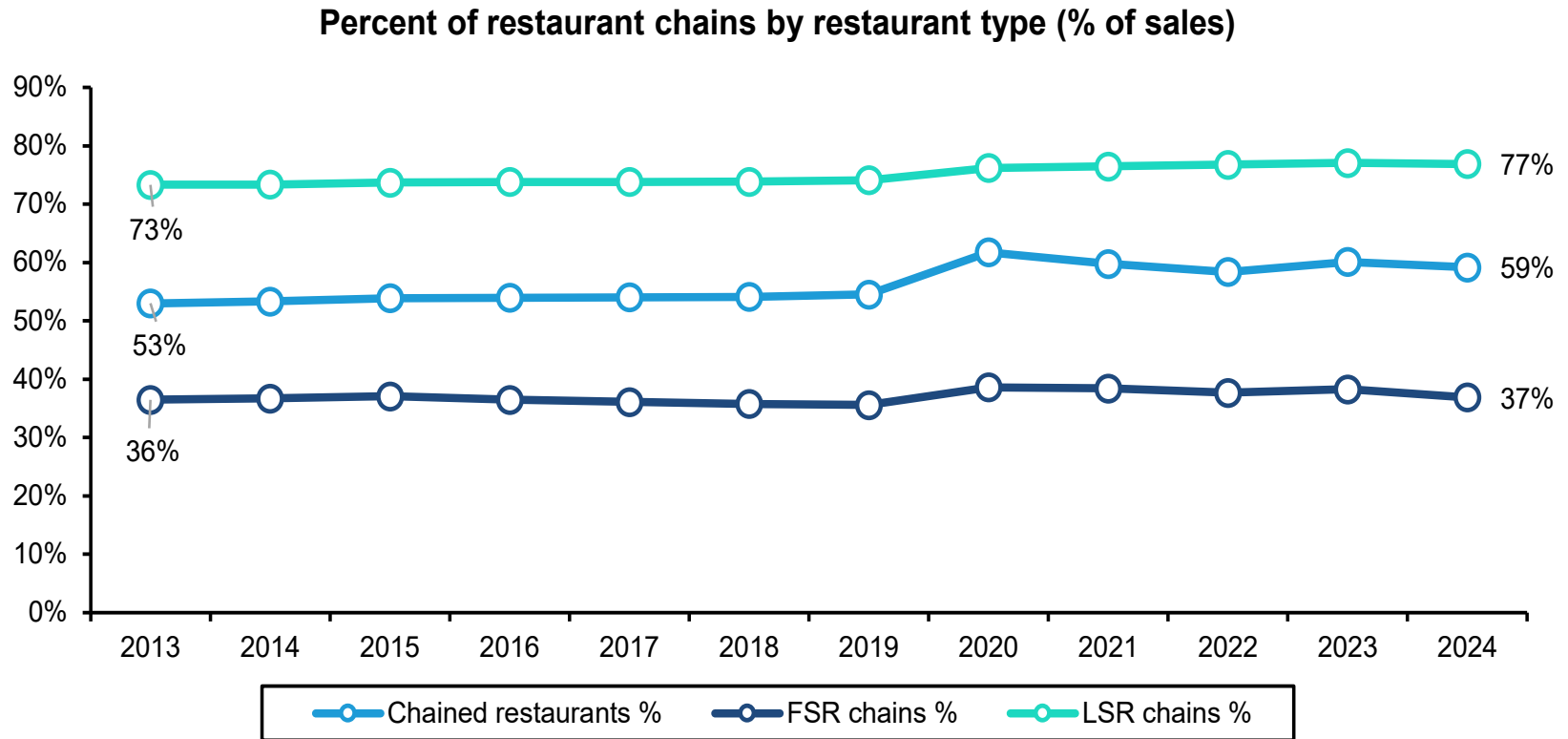
■ Chained ■ Independent

% YoY Unit Growth by Type of Restaurants



Source: Euromonitor, Bernstein analysis

Chains have steadily taken share from independents/smaller chains



Source: Euromonitor, Bernstein analysis

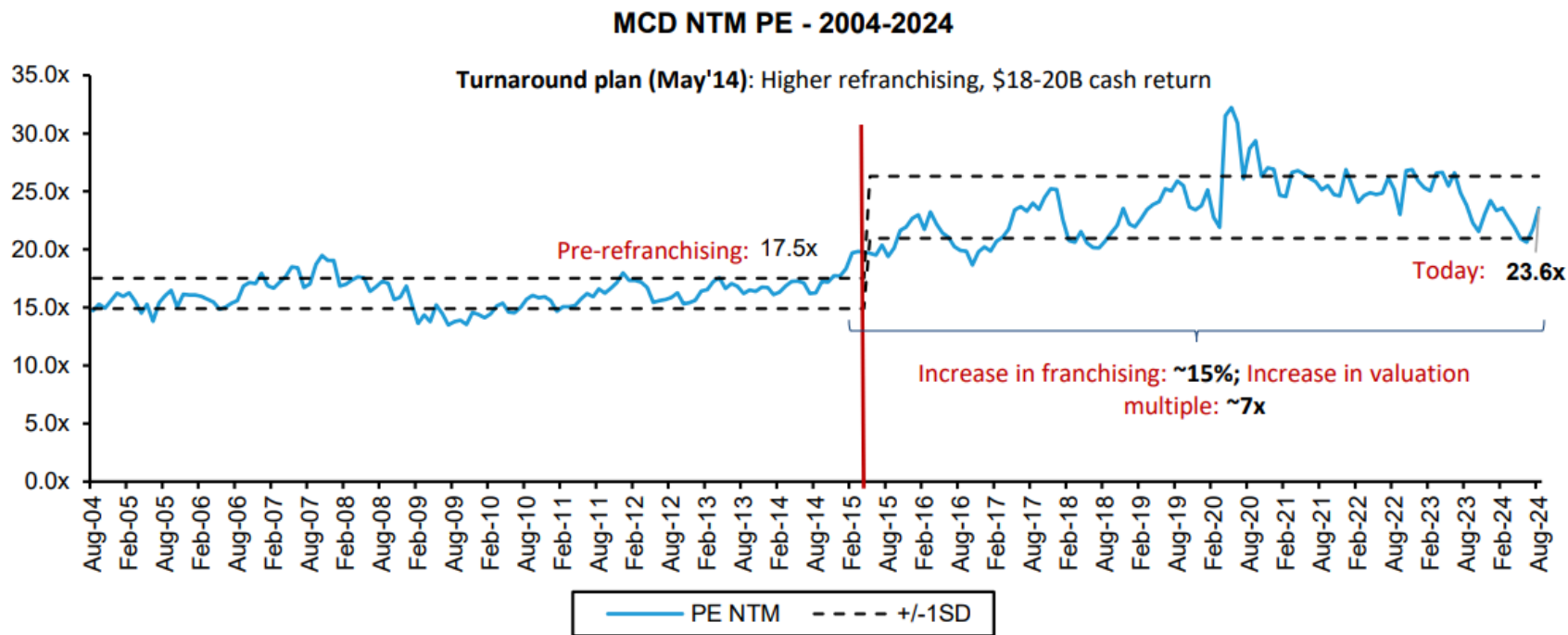
Re-franchising was a major driver of multiples expanding since 2014

Refranchising is an asset-light strategy in which stores are sold to franchisees, creating a stable, recurring revenue stream in the form of royalties and increases debt capacity

	Company operated stores	Franchised stores
Operational control	Greater control: faster changes (menu, tech, equipment, remodels)	Lower control: franchisees must be aligned and vote to approve initiatives
Asset intensity	Higher: company funds operations	Lower: franchisees funds operations
Earnings volatility	Higher: exposure to topline fluctuations, given sales operating leverage/deleverage	Lower: company receives stable royalty stream, but less exposed to upside
Debt capacity	Lower ability to take on debt because cash flow more volatile	Higher: greater capacity to take on debt because cash flow is stable

Source: Company reports and Bernstein Analysis

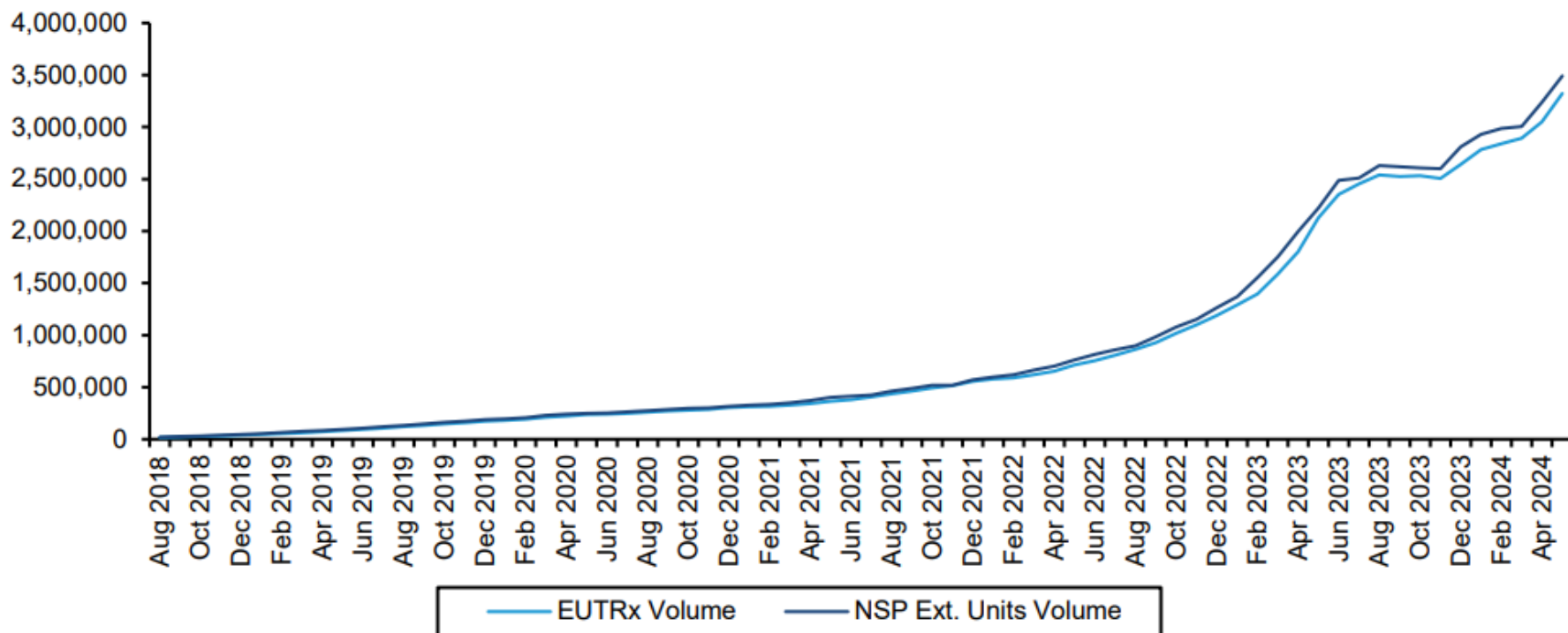
The market tends to reward refranchising strategies with higher multiples



Source: Bloomberg, Company reports and Bernstein Analysis

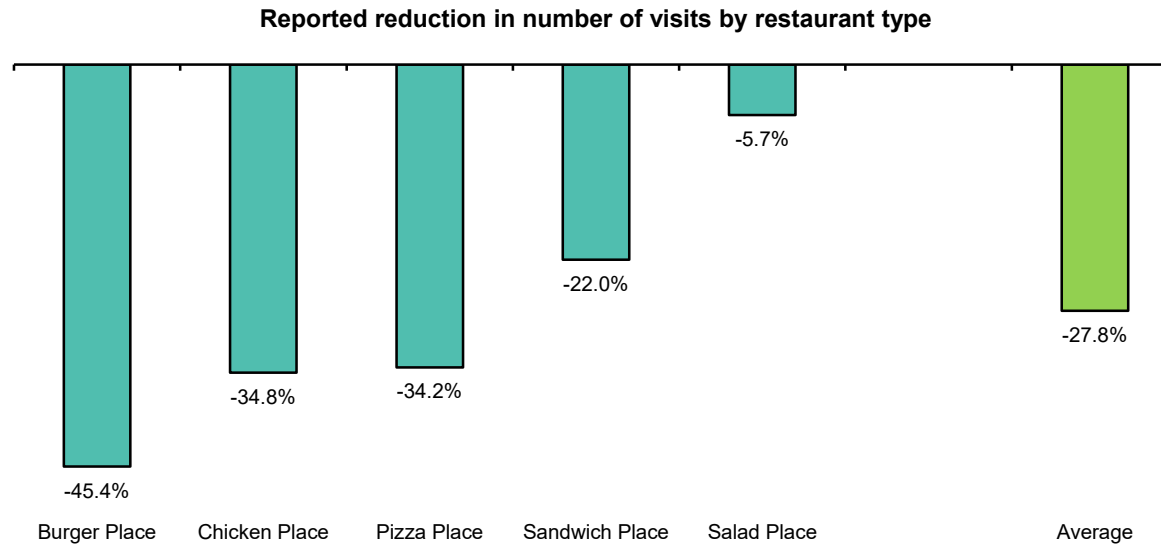
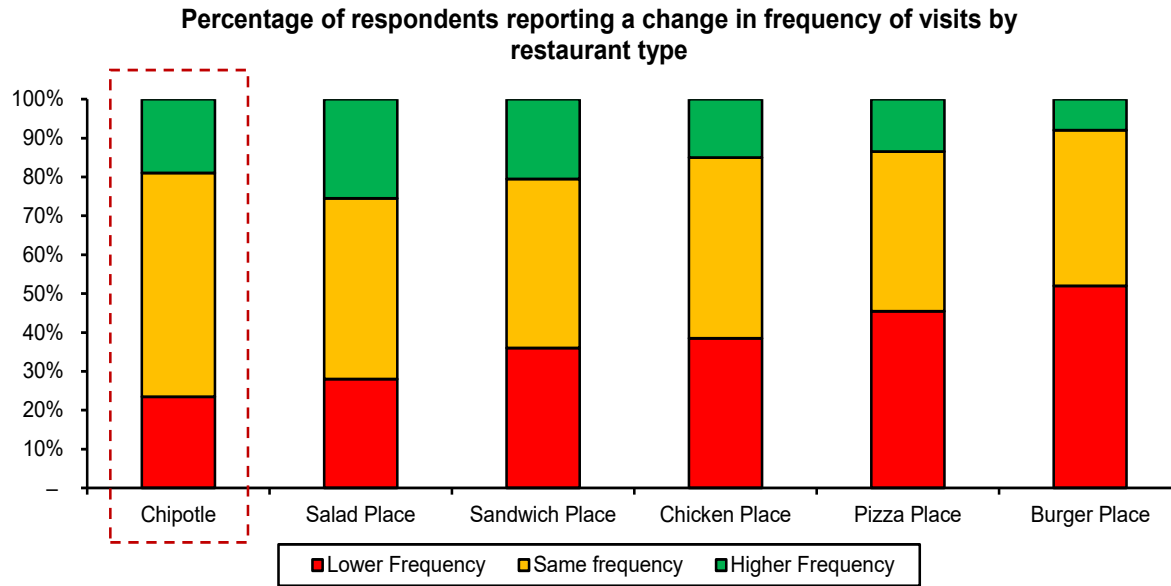
More than 4M US people are using branded GLP-1 drugs – with some surveys indicating that 6% of the US population has been on GLP-1

US Population on GLP-1 Drugs



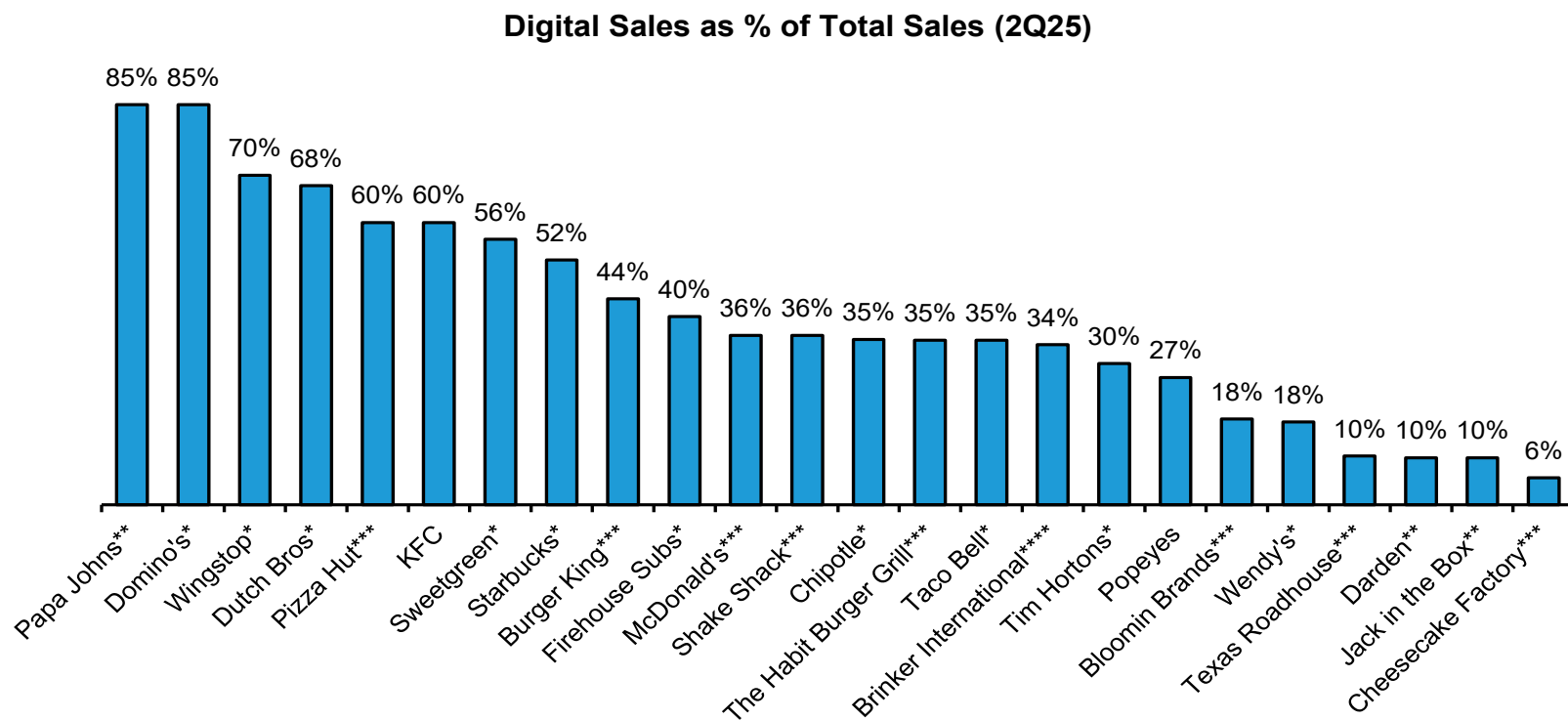
Source: IQVIA and Bernstein analysis

GLP-1 users tend to visit restaurants less frequently



Source: Guidepoint, Bernstein Analysis

We expect digital ordering and digital engagement to drive restaurants' growth

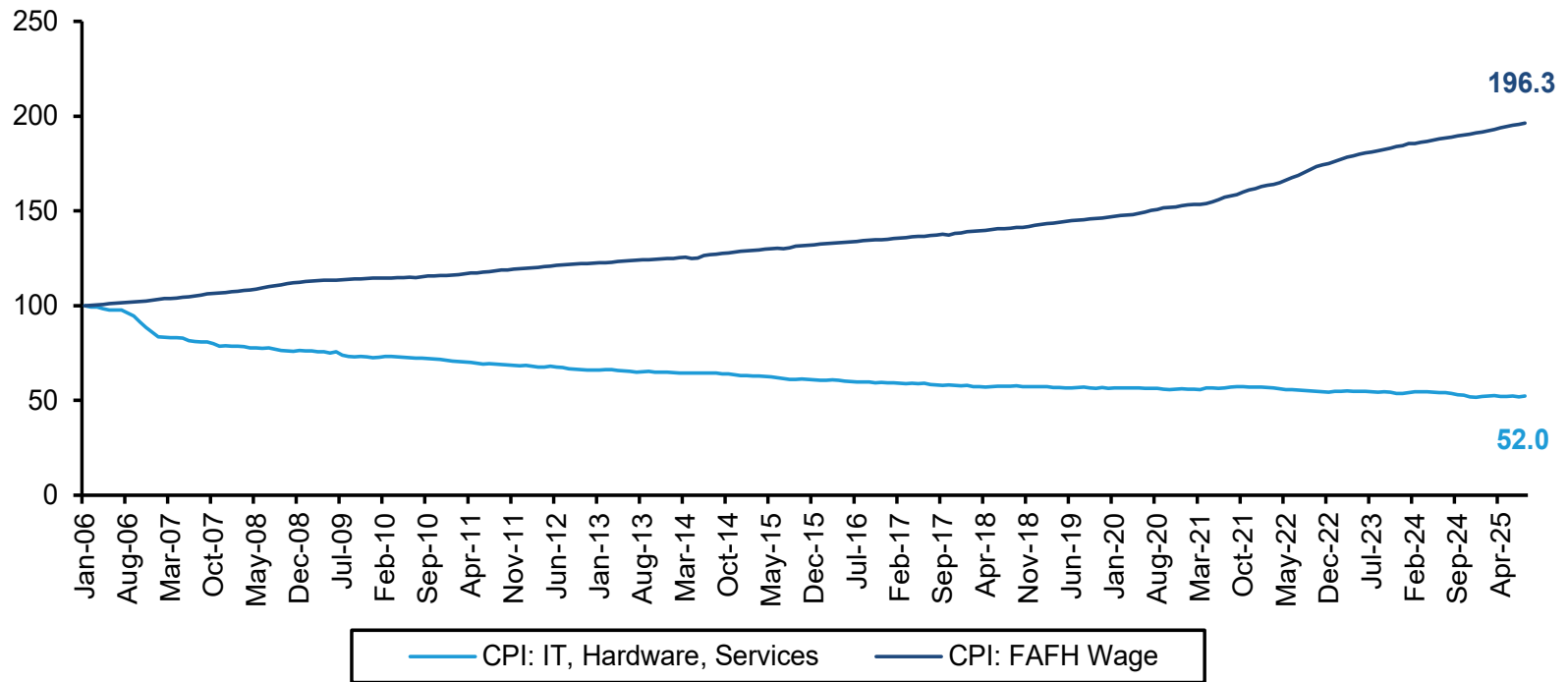


Source: Company reports, Bernstein analysis

*as of most recent fiscal year; ** as of 2023; *** as of 2022; **** as of 2021,

Given digital investments are becoming economically attractive

CPI Index Evolution: IT, Hardware and Services vs. Restaurant Wages



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Typical P&L for a franchisor



Revenues:

	2022		
	Amount	CI	
Sales	\$ 896.6	\$	Sales generated from company operated stores
Franchise royalty revenue and fees	558.2		Rent and royalty fees based on franchisees' sales
Franchise rental income	234.5		
Advertising funds revenue	406.2		Fees collected from franchisees for marketing and advertising
	2,095.5		

Costs and expenses:

Cost of sales	773.2		Store expenses (labor, food, occupancy, etc.) (Margins: 20-30%)
Franchise support and other costs	46.7		
Franchise rental expense	124.1		
Advertising funds expense	430.8		Cost to support franchisees (IT services, franchise development services, etc.) (Margins: 80-90%)
General and administrative	255.0		
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	133.4		
Amortization of cloud computing arrangements	2.4		No margins: complete pass-through
System optimization gains, net	(6.8)		
Reorganization and realignment costs	0.7		
Impairment of long-lived assets	6.4		
Other operating income, net	(23.7)		
	1,742.2		
Operating profit	353.3		
Interest expense, net	(122.3)		
Loss on early extinguishment of debt	—		
Investment income (loss), net	2.1		
Other income, net	10.4		
Income before income taxes	243.5		
Provision for income taxes	(66.1)		
Net income	\$ 177.4	\$	

Source: Company disclosures

Typical P&L for franchisees

US Franchisee (USD '000s)	TB	PLK	MCD	DPZ	WEN	BK	KFC	PH
AUV	\$1,941.0	\$1,712.1	\$3,595.5	\$1,370.6	\$1,874.6	\$1,464.1	\$1,300.3	\$950.0
COGS	\$449.6	\$566.6	\$1,125.0	\$424.7	\$613.0	\$452.4	\$407.1	\$270.5
Labor	\$559.5	\$465.4	\$1,075.7	\$412.3	\$601.7	\$494.9	\$394.1	\$285.7
Royalties	\$119.3	\$85.6	\$300.1	\$88.4	\$75.0	\$65.9	\$50.6	\$45.9
Ad funds	\$82.5	\$83.5	\$143.8	\$82.2	\$93.7	\$58.6	\$58.5	\$45.1
Occupancy and Other expenses	\$353.5	\$291.0	\$502.0	\$225.9	\$307.4	\$252.4	\$266.3	\$215.7
EBITDA / store	\$376.7	\$220.0	\$448.8	\$137.0	\$183.7	\$140.0	\$123.7	\$87.1

% of Sales								
COGS	23.2%	33.1%	31.3%	31.0%	32.7%	30.9%	31.3%	28.5%
Labor	28.8%	27.2%	29.9%	30.1%	32.1%	33.8%	30.3%	30.1%
Royalties	6.1%	5.0%	8.3%	6.4%	4.0%	4.5%	3.9%	4.8%
Ad funds	4.3%	4.9%	4.0%	6.0%	5.0%	4.0%	4.5%	4.8%
Occupancy and Other expenses	18.2%	17.0%	14.0%	16.5%	16.4%	17.2%	20.5%	22.7%
EBITDA / store	19.4%	12.8%	12.5%	10.0%	9.8%	9.6%	9.5%	9.2%

Source: Company disclosures, FDDs, Bernstein analysis and estimates

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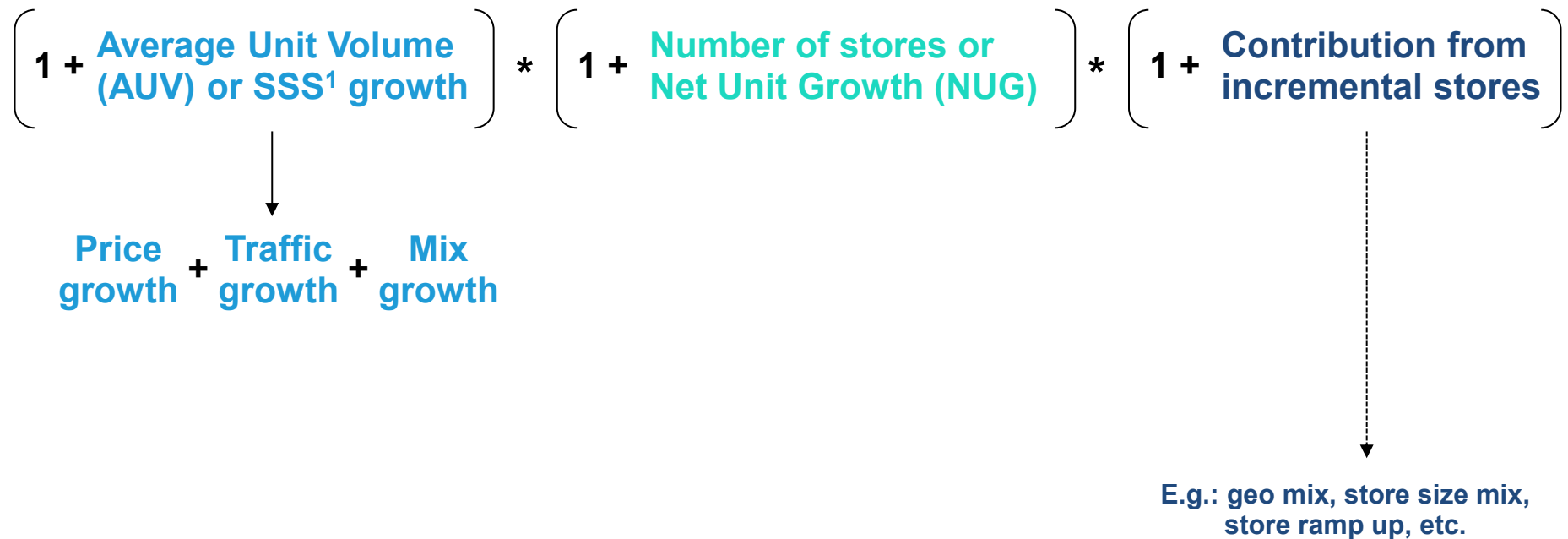
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How do restaurants grow top line?

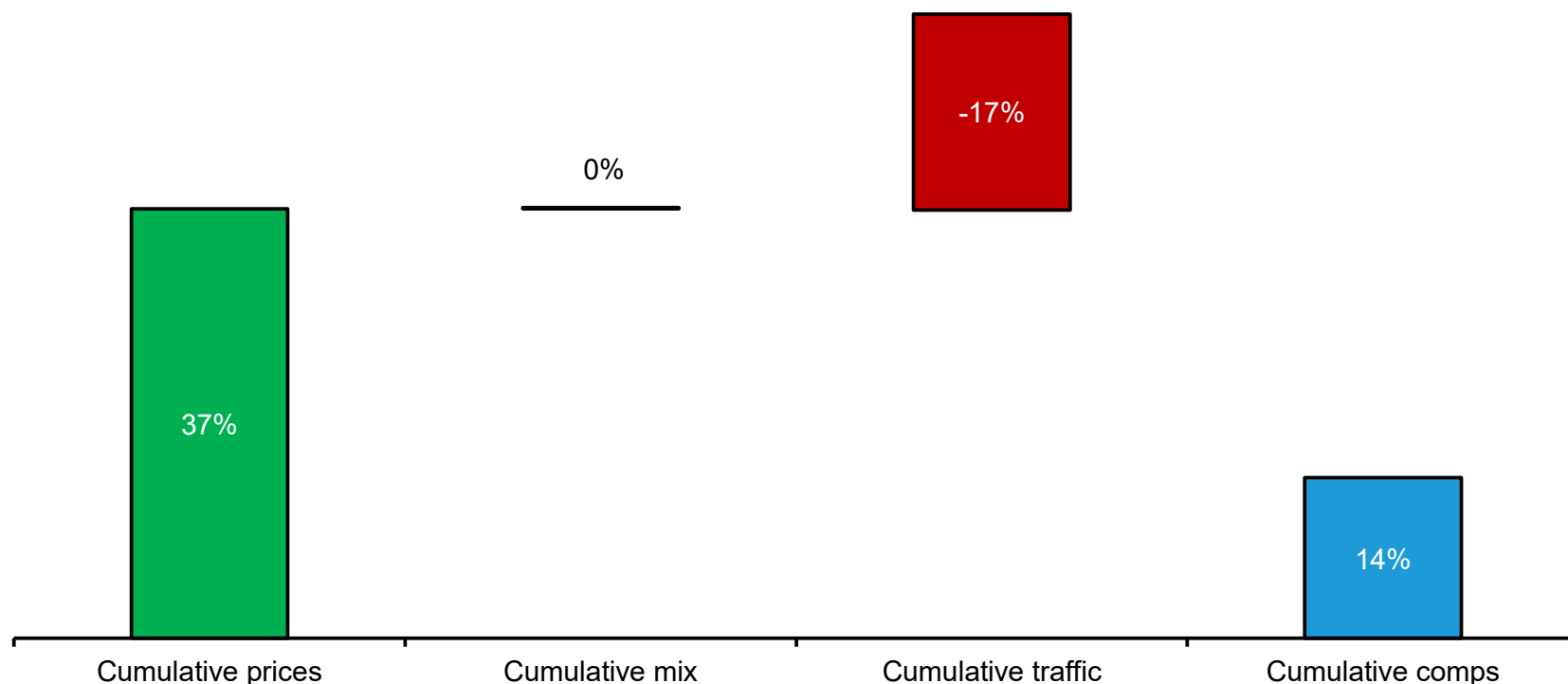


¹ Same store sales or comparable growth represent the change in period-over period total revenue or transactions for restaurants in operation for at least 12-15 full calendar months, depending on the brand.

Source: Bernstein

The decomposition of growth shows that the main driver of growth post-Covid was pricing, which may not be sustainable...

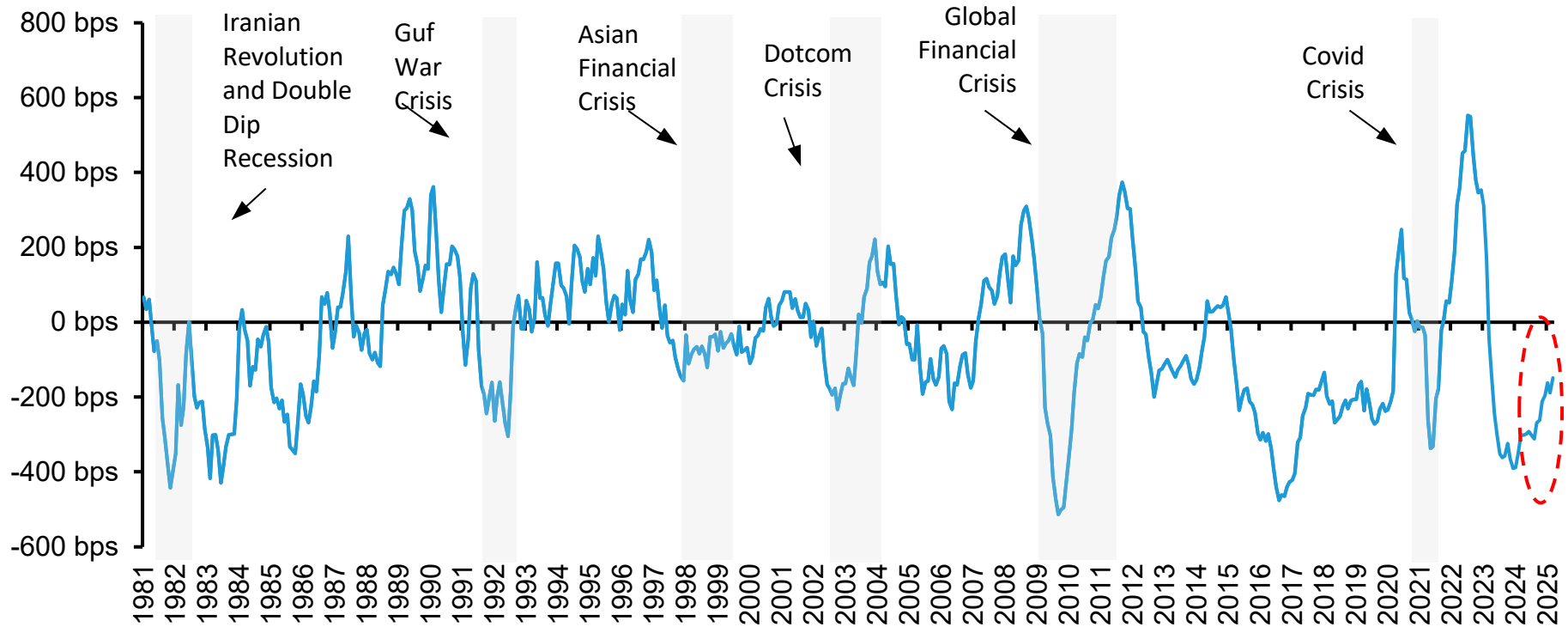
Cummulative Comps Decomposition 2019-2025 (%)



Source: BlackBox Intelligence, Bloomberg, Bernstein analysis and estimates

...especially when restaurant inflation far exceeds the food at home inflation

Difference between grocery inflation and restaurants inflation (bps)

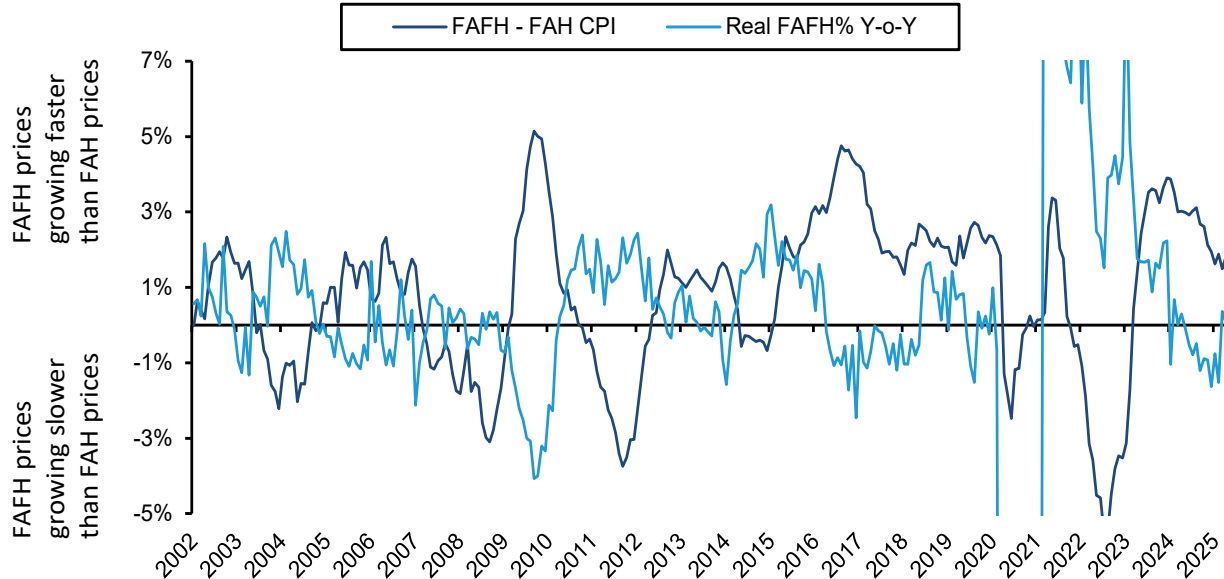


Source: FRED, Bureau of Labor Statistics, Bernstein analysis

This relationship is correlated with restaurants' demand

Typically, inflationary periods favor restaurant demand, as value perception vs food at home increases

Real Food Away From Home (FAFH) growth (%) vs difference in FAFH and Food At Home (FAH) CPI



Why?

- Changes in commodity prices have **greater impact on grocers' cost base** (~70%+ of sales) than for restaurants (~30% of sales)
- As such, when commodity prices increase, **grocers increase own prices more** sharply than restaurants
- Therefore, **the 'value' of eating out increases** compared to eating at home

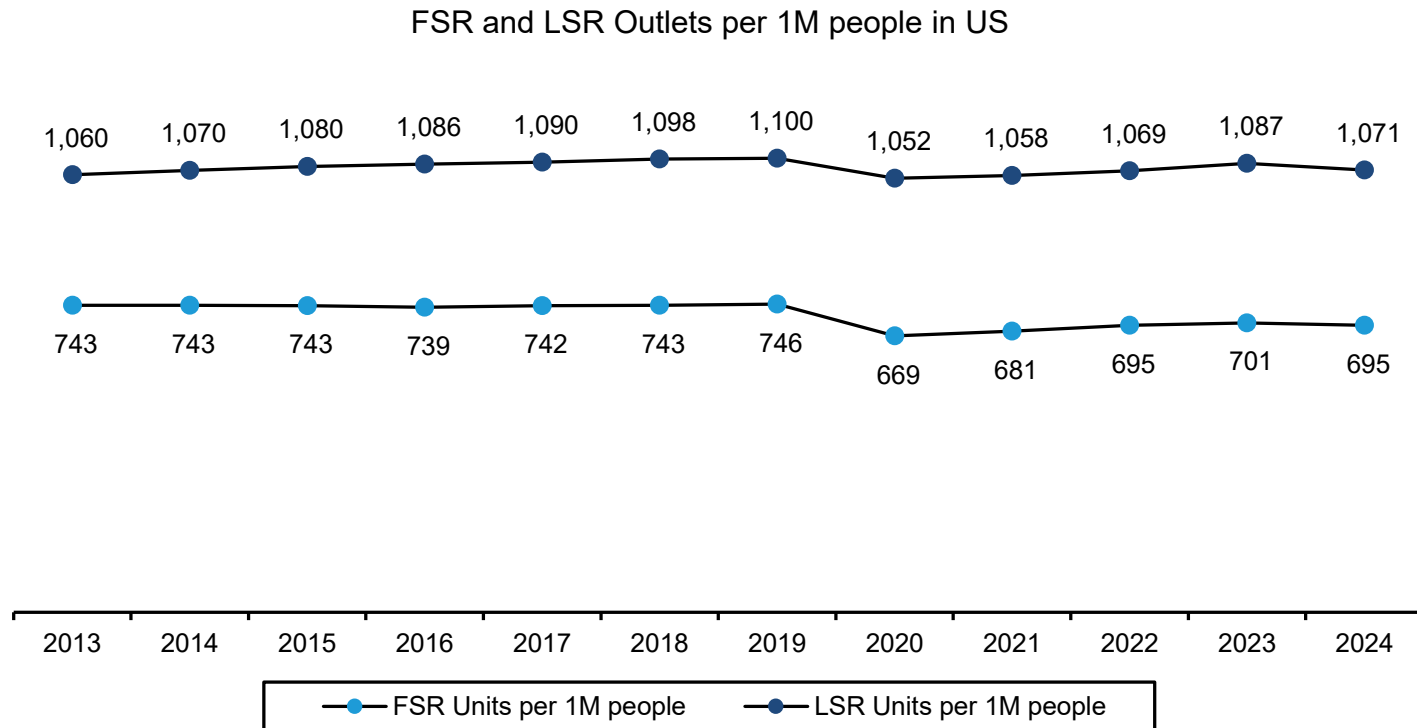
Source: Bureau of Labor Statistics, Bernstein analysis

...So many QSRs are using promotions to regain traffic

Growth levers for restaurants	Average Unit Volume (AUV)			Number of stores	Contribution from incremental stores
	Price	Traffic	Mix		
Menu price increases	✓				
One on one promotion	✓	✓			
New food platforms		✓			
Limited Time Offers		✓	✓		
Promotions / Advertising	✓	✓			
New price points		✓	✓		
Daypart expansion		✓	✓		
Food attach			✓		
New channels (delivery only)					✓
Store reimaging		✓			✓
Drive through expansion					✓
Domestic development strategy				✓	
International development strategy				✓	
Digital ordering (app, kiosks)		✓	✓		

Unit growth seems appealing given the post-Covid void in stores per capita...

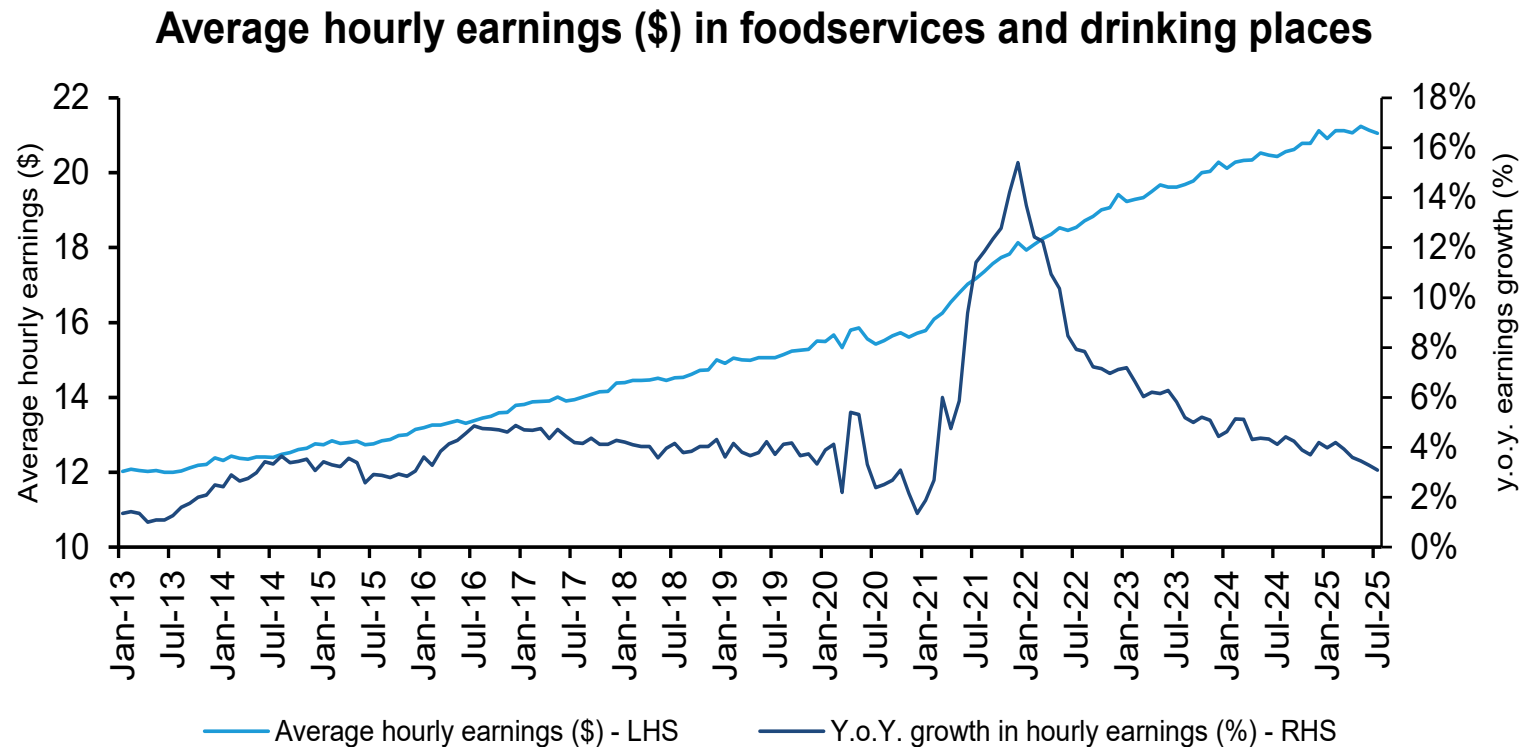
Units in the industry are still 5% below pre-Covid levels, leaving a gap in the market for both Full Service Restaurants (FSR) and Limited Service Restaurants (LSR)



Source: The World Bank, Euromonitor, US Census, Bernstein analysis

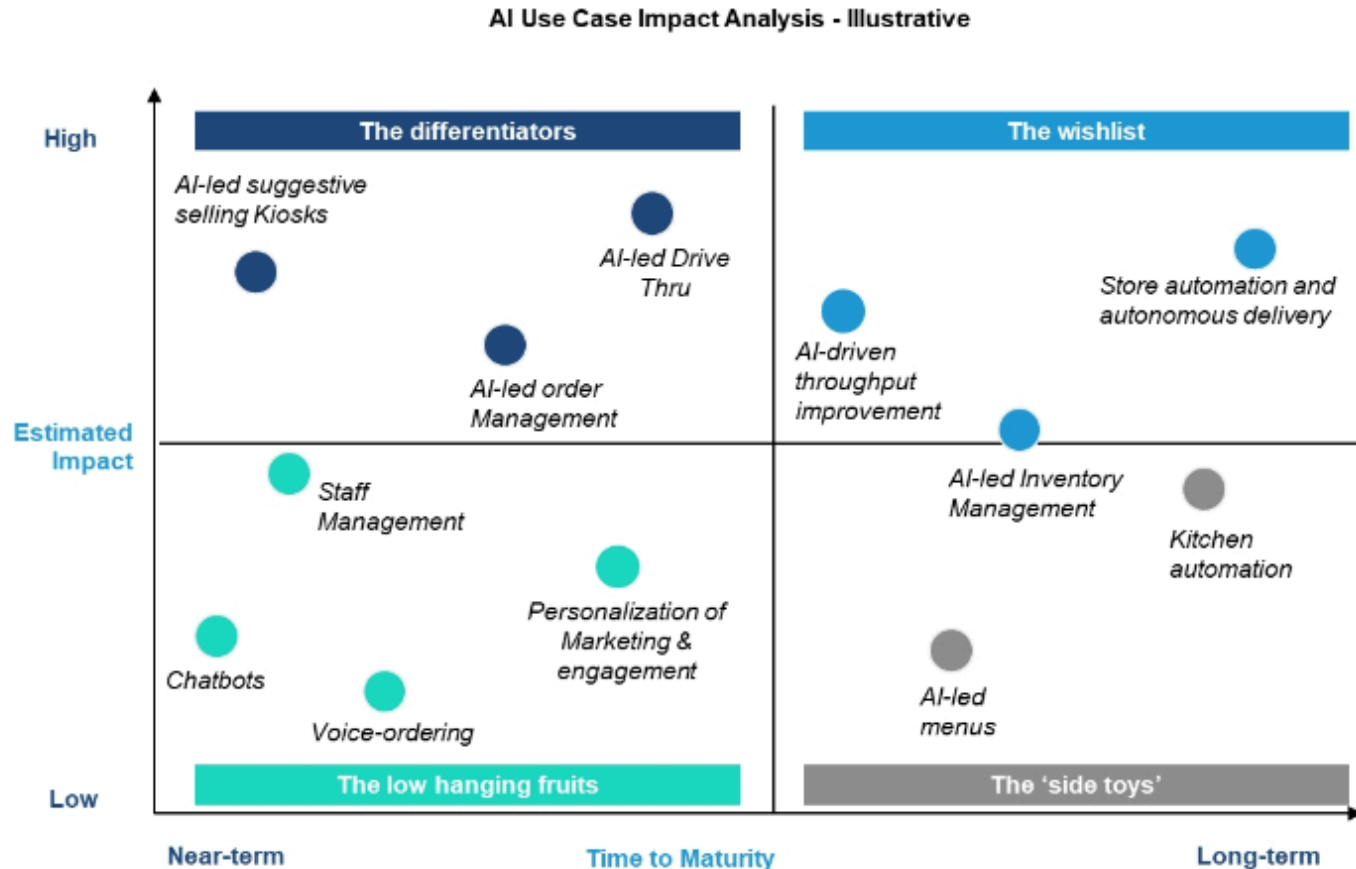
Appendix

Labor pressures continue



So restaurants can't increase prices because it drags traffic, and they can't stay put because wage inflation is pressuring profitability

...and have significant untapped use cases to unlock value



Source: Bernstein analysis

Disclosure Appendix

Ticker	Rating	Cur	7 Oct 2025	Price Target	TTM	Cur	Adjusted EPS			Reported P/E (x)		
			Closing Price		Rel. Perf.		2024A	2025E	2026E	2024A	2025E	2026E
CAVA	O	USD	61.63	100.00	(71.2)%	USD	0.42	0.55	0.66	55.9	111.4	93.7
CMG	O	USD	40.95	60.00	(47.3)%	USD	1.12	1.23	1.48	36.7	33.9	27.7
DRI	O	USD	191.54	230.00	2.5%	USD	9.55	10.64	11.79	21.6	18.0	16.2
DPZ	M	USD	411.43	490.00	(17.8)%	USD	16.86	17.08	19.34	24.4	24.1	21.3
MCD	M	USD	296.32	320.00	(19.7)%	USD	11.72	12.24	13.09	25.3	24.2	22.6
QSR	O	USD	67.26	80.00	(21.6)%	USD	3.34	3.73	4.05	20.1	18.0	16.6
SBUX	O	USD	81.29	100.00	(33.4)%	USD	3.31	2.25	3.07	24.5	38.5	26.4
WEN	M	USD	9.11	12.00	(66.3)%	USD	1.00	0.82	1.07	9.6	12.3	8.9
WING	O	USD	244.61	400.00	(57.3)%	USD	3.70	4.11	5.53	41.9	37.6	29.0
YUM	M	USD	146.72	145.00	(9.0)%	USD	5.48	5.52	6.37	27.9	26.6	23.0
SPX			6,714.59									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

DPZ, MCD, QSR valuation is Adjusted P/E (x); WING valuation is EV/EBITDA (x); DRI base year is 2025;

Source: Bloomberg, Bernstein estimates and analysis.

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RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index (EDM) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JP) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIA) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/- 15 pp

- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

Not Covered (NC) denotes companies that are not under coverage.

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The Autonomous brand has three categories of preferred stock ratings:

- **Outperform (OP):** The total return of the preferred instrument is expected to outperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- **Neutral (N):** The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- **Underperform (C-UP):** The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

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