
RESTAURANT[®]
L E A D E R S H I P
C O N F E R E N C E

**WELLS
FARGO**

2019 Leadership Handbook

State of the Restaurant Industry

Produced by



Technomic.

Together we'll go far



Welcome to the Foodservice Industry Overview & Forecast Guide—custom built by Technomic and brought to you on behalf of Wells Fargo. Now more than ever, those invested in the foodservice industry need a devoted strategic partner to assist in successfully navigating the dynamic and constantly evolving marketplace. Through our guide, we aim to not only deliver readers access to critical industry data but to provide the expert insight and analysis necessary to give your business a distinct competitive advantage

Wells Fargo & Company (NYSE: WFC) is a diversified, community-based financial services company with \$1.9 trillion in assets. Wells Fargo’s vision is to satisfy our customers’ financial needs and help them succeed financially. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, investment and mortgage products and services, as well as consumer and commercial finance, through 7,800 locations, more than 13,000 ATMs, the internet (wellsfargo.com) and mobile banking, and has offices in 37 countries and territories to support customers who conduct business in the global economy. With approximately 259,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 26 on Fortune’s 2018 rankings of America’s largest corporations.

For 50 years, **Technomic** has provided foodservice clients around the globe with the research, insights and strategic consulting support they need to enhance their business strategies, decisions and results. We are excited to share a portion of our services with you today and hope the provided information proves invaluable in guiding your business.



Nick Cole
Executive Vice President
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Top 500 Chain Restaurant Results & Analysis

Powered by Technomic's *Top 500 Chain Restaurant Report*



Key Trends & Highlights



1

Top 500 chain sales growth performance rebounds modestly

The Top 500 chains achieved cumulative 3.3% sales growth in 2018, a modest improvement from the prior year's rate of 2.9%.

Over the past five years, the Top 500 chains have averaged annual sales growth of 3.8%.

2

New location development decelerates

Annual location growth among the Top 500 chains remained positive in 2018 at 0.7%, but decelerated for the fifth consecutive year.

The trend of slowing location expansion is expected to continue, driven by both the maturation of high-growth segments as well as heightened location consolidation among underperforming chains.

3

Sales growth solidifies for industry giants

Among the top 25 ranked chains, 18 achieved stronger sales results in 2018 than the year prior, helping to boost the performance of the larger Top 500 group.

Pizza Hut, Applebee's and Arby's, in particular, all attained significantly stronger results in 2018 than 2017.

4

Taco Bell and Chick-fil-A reach \$10 billion milestone

Taco Bell and Chick-fil-A both surpassed \$10 billion in total U.S. sales for the first time in 2018, joining the ranks of McDonald's, Starbucks and Subway. Wendy's and Burger King are also primed to achieve the \$10 billion milestone in 2019.

Key Trends & Highlights

5

Fast casual matures

Despite leading all segments with 8.0% sales growth in 2018, fast casual continues to show signs of maturation. In addition to slowing new location development, the segment's sales growth of 8.0% in 2018 fell short of its five-year growth average of 9.8%.

6

Chicken chains continue growth streak

Propelled by the sustained success of Chick-fil-A, Wingstop and Raising Cane's Chicken Fingers, the limited-service chicken menu category grew its sales by a cumulative 8.0% in 2018, accelerating past the prior year's growth rate of 7.7%.



7

Third-party delivery partnerships proliferate

Partnerships between third-party delivery companies and Top 500 chains made headlines throughout 2018. Examples of significant partnerships include:

- McDonald's & Uber Eats
- Starbucks & Uber Eats
- Yum Brands & Grubhub
- Wendy's & DoorDash
- Burger King & Grubhub

8

Ownership changes abound

As chains face a saturated marketplace where it has become increasingly challenging to build new locations and generate same-store sales increases, companies are pursuing growth through mergers and acquisitions. Notable deals from 2018 include:

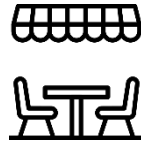
- Fogo de Chao—Rhone Capital
- Zoe's Kitchen—Cava Group
- Sonic Drive-In—Inspire Brands
- Smashburger—Jollibee Foods Corp.
- P.F. Chang's—TriArtisan Capital

Looking Forward



Developments in tech and delivery will intensify competition

- Partnerships between Top 500 chains and third-party delivery companies made headlines throughout 2018, setting up a highly competitive delivery environment in 2019.
- As the number of chains offering delivery continues to increase, it is imperative for brands to focus on operational efficiency and food quality to drive sustained success.
- Chains that devote resources into building intuitive and personalized customer ordering platforms will stand out in an crowded market. Delivery programs that reward brand loyalty will also give chains a boost.



Top 500 sales growth remains modest as traffic challenges operators

- Technomic forecasts that Top 500 chain performance will continue its modest growth pattern, with cumulative annual sales growth for the group projected to register between 3.3% to 3.6% in 2019.
- Maintaining customer traffic will remain a significant challenge over the coming year. For most Top 500 chains, growth will be driven primarily by check average increases and new location development.
- Facing an oversaturated market, new location development among the Top 500 chains will continue to decelerate as operators shift resources to improve performance at existing locations.



Watch new players encroach into the old guard space

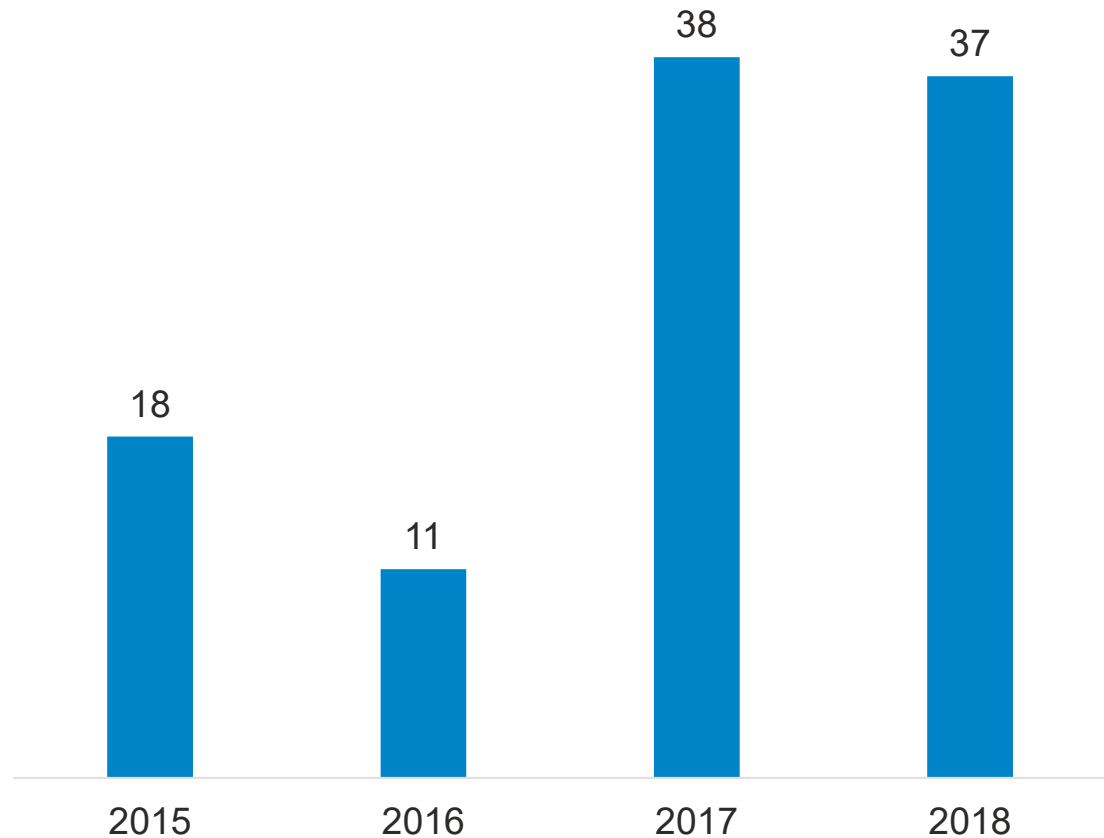
- After moving past both Burger King and Wendy's in the rankings in 2018, Chick-fil-A is poised to enter a tight race with Subway and Taco Bell to become the third-largest chain in 2019.
- Panda Express continued its impressive growth streak, moving up three spots in 2018 to rank No. 21. Panda Express is forecasted to rank among the top 20 chains in 2019.
- Chains offering fresh and innovative takes on ethnic cuisines will continue to climb the rankings. Cava Grill, Halal Guys and Jinya Ramen Bar are just a few examples of chains that attained impressive growth in 2018 and are poised to achieve strong results again in 2019.

Merger & Acquisition Activity Trending

Transaction count by year

What to Know

- In 2018, the restaurant industry saw 37 instances of merger/acquisition transactions featuring restaurant chains with 15 or more locations.



Note: Controlling acquisition of brands with 15+ units

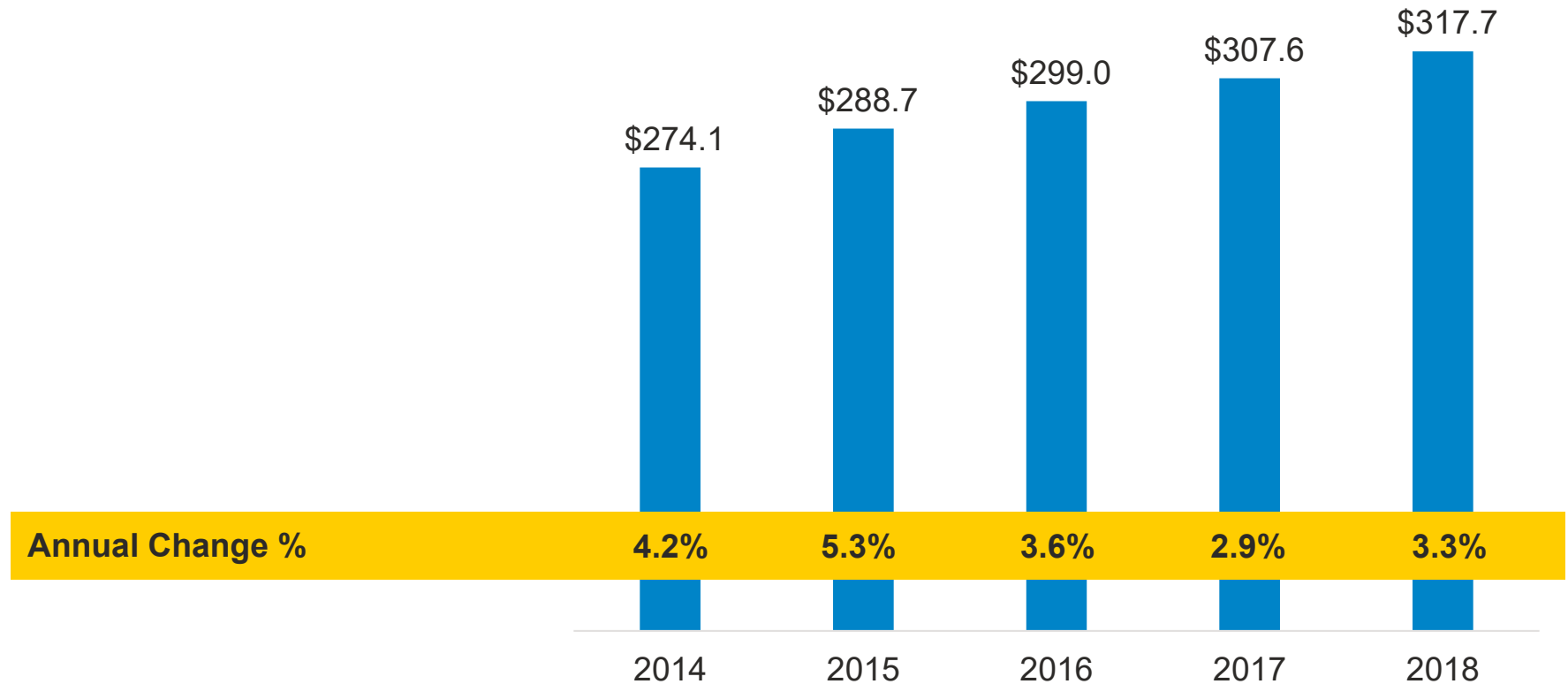
Ownership Changes Abound

As operators face a saturated marketplace where it has become increasingly challenging to build new locations and generate same-store sales increases, companies are pursuing growth through mergers and acquisitions.



Top 500 Chains: Sales Performance

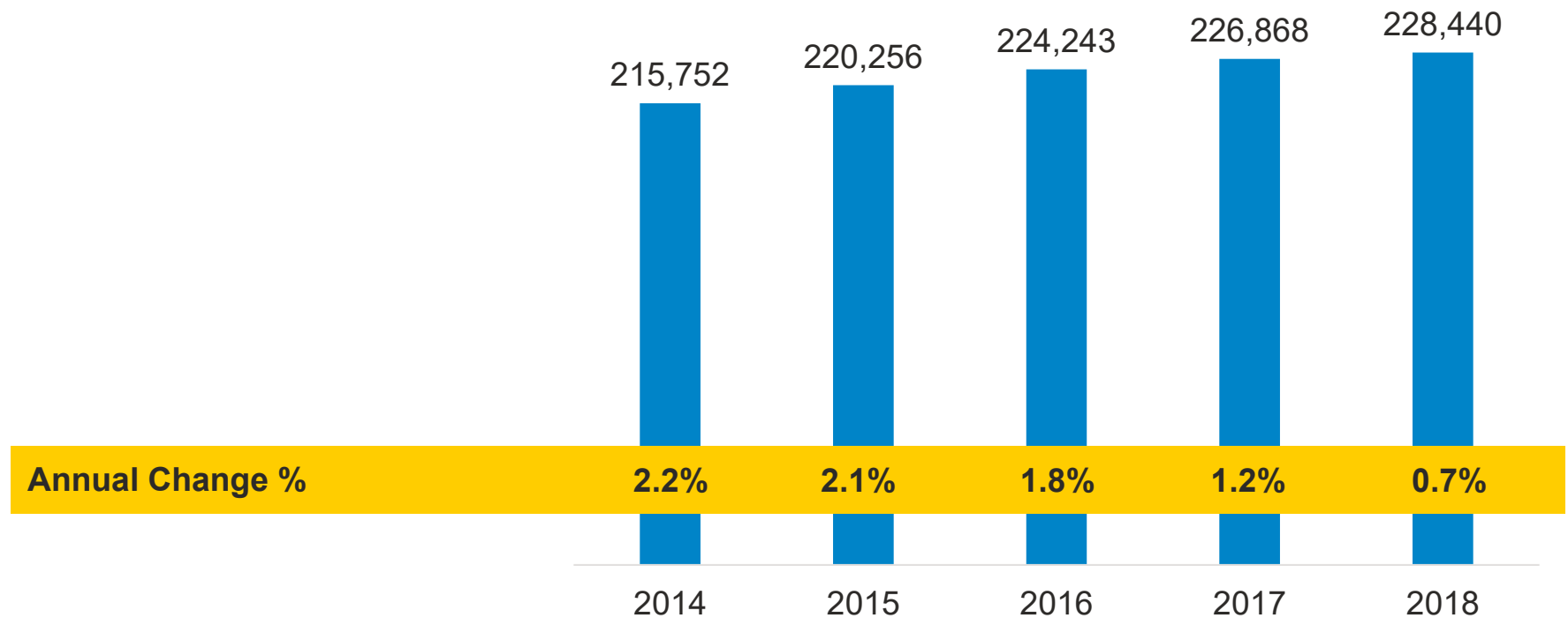
Annual U.S. sales (\$B)



Source: Technomic Top 500 Chain Restaurant Report

Top 500 Chains: Location Development

Total U.S. locations

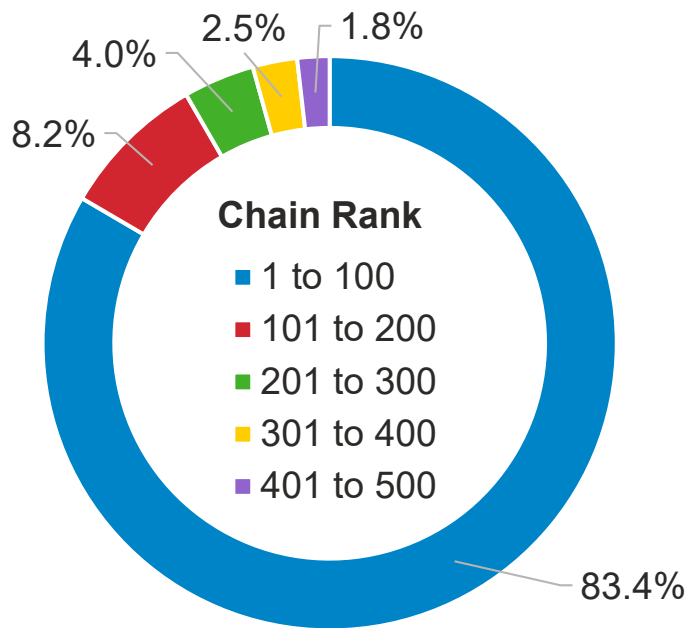


Source: Technomic Top 500 Chain Restaurant Report

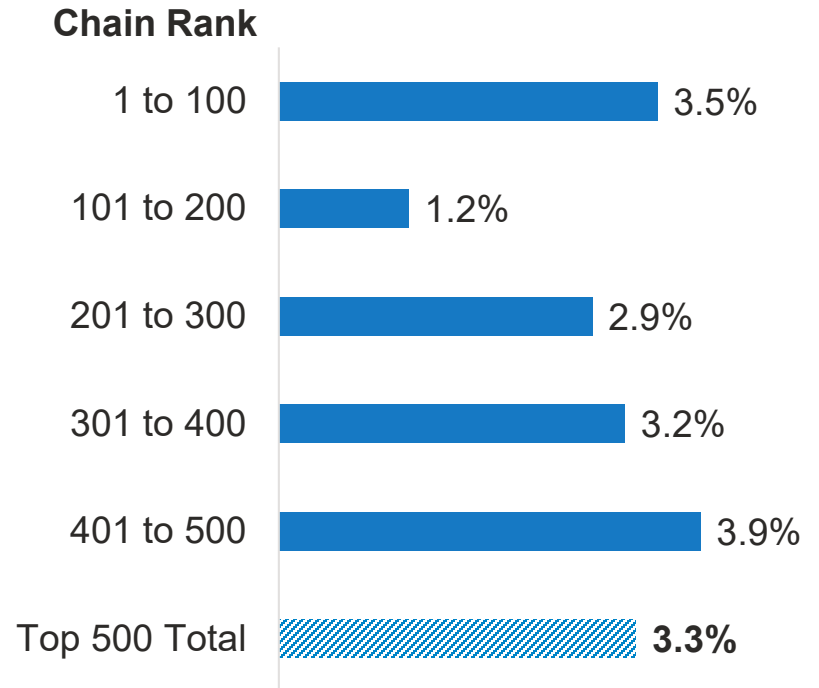
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Performance by Ranking Group

Share of Top 500 Sales

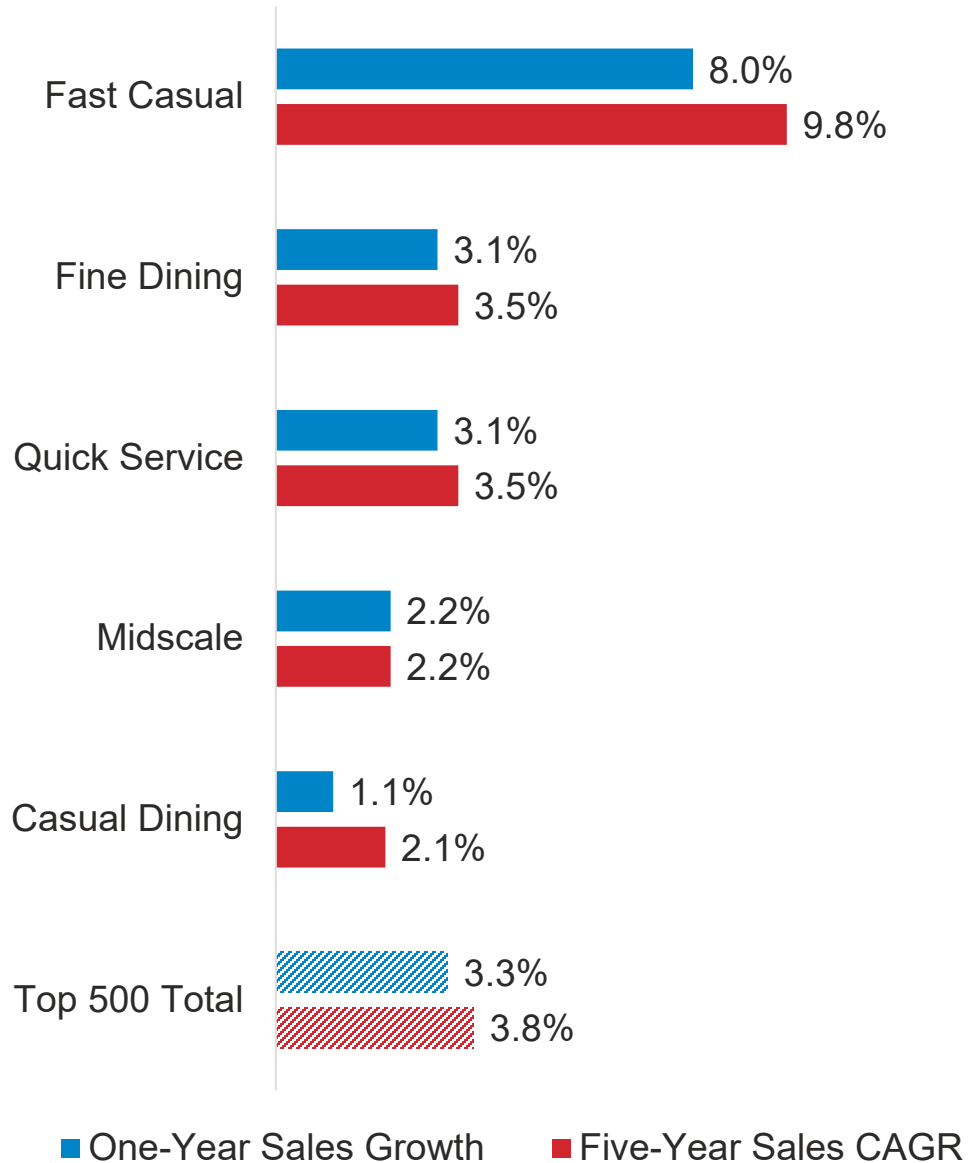


Annual Sales Growth %



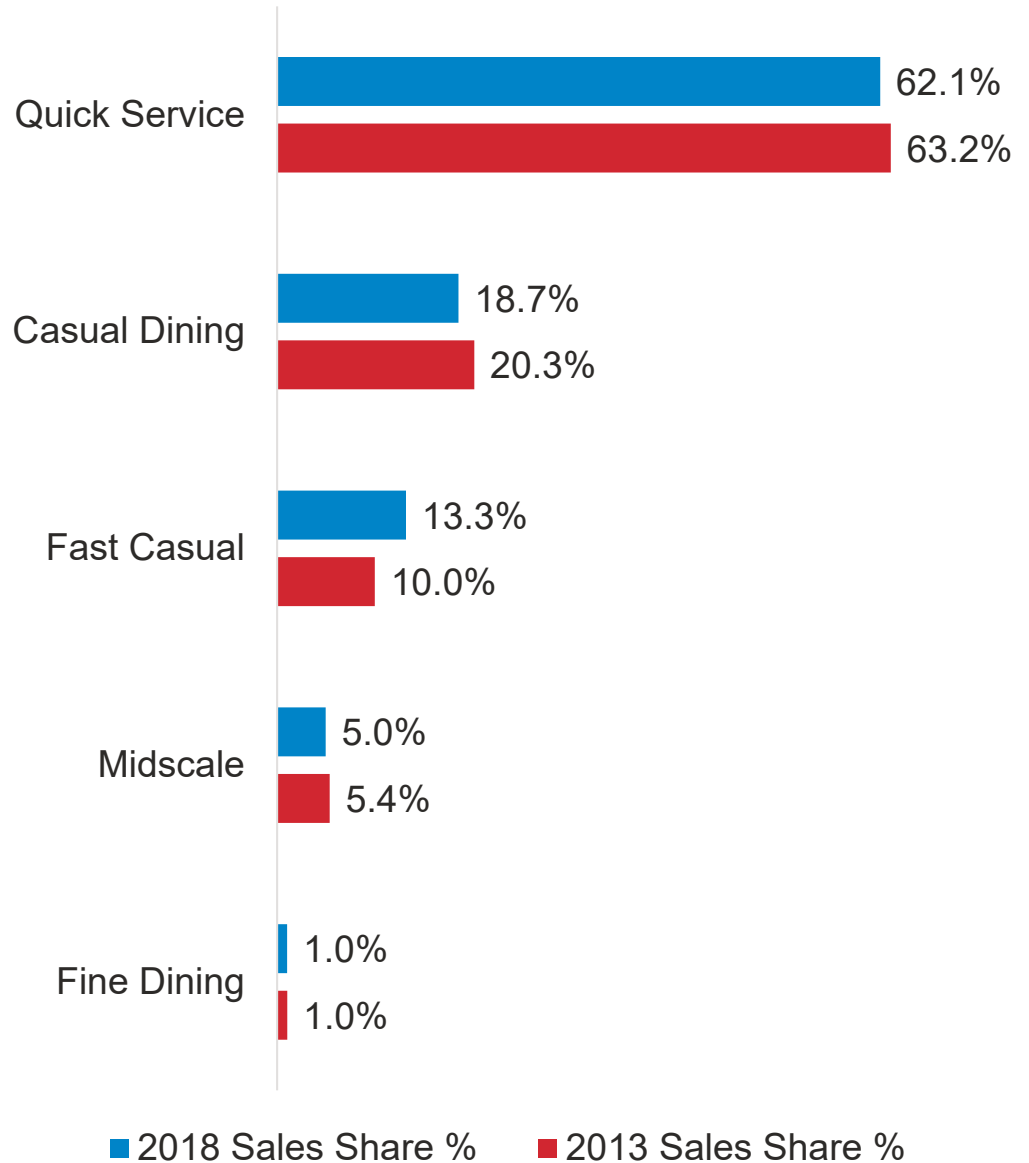
Segment Sales Analysis

Annual U.S. sales change %



Segment Sales Share

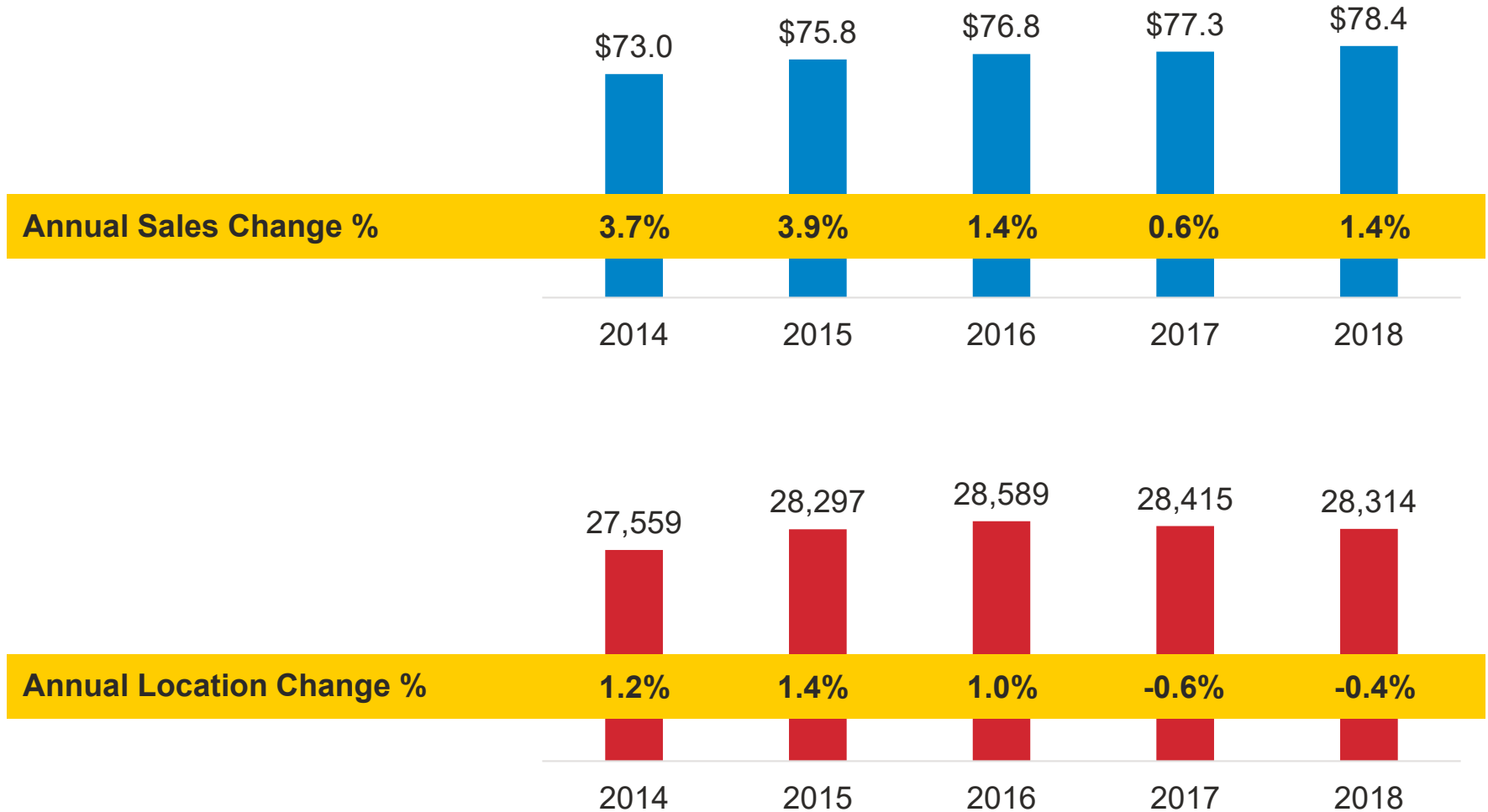
Share of Top 500 sales %



Full Service: 2018 Results

Full-Service Chain Performance

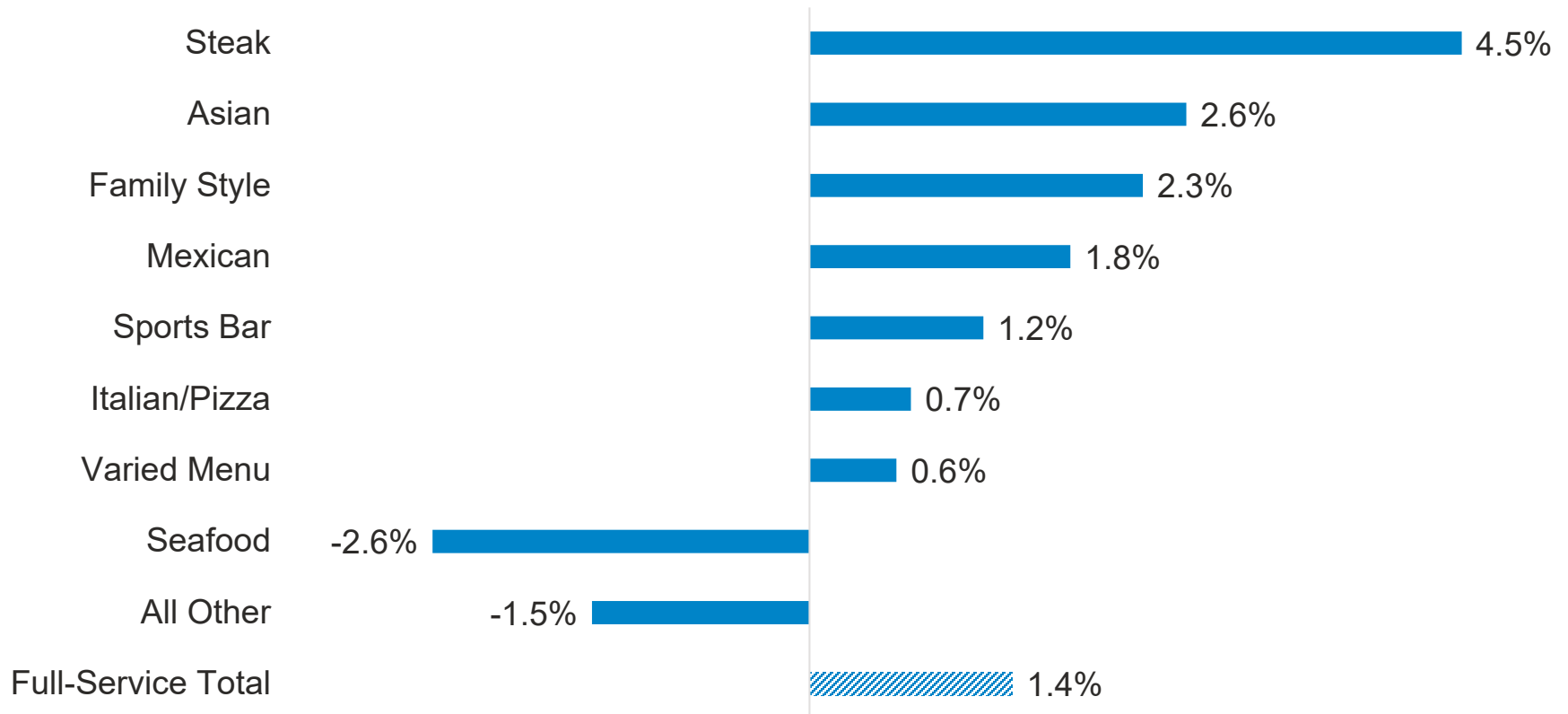
U.S. sales and locations



Source: Technomic Top 500 Chain Restaurant Report

Menu Category Performance

Annual sales change %



Top Full-Service Chain Performance

	2018 Sales (\$M)	Sales %	Unit %
Applebee's	\$4,211	2.3%	-5.0%
Olive Garden	\$4,082	3.7%	1.2%
Buffalo Wild Wings	\$3,795	-1.0%	0.2%
Chili's Grill & Bar	\$3,500*	-1.5%	-0.1%
IHOP	\$3,234	3.5%	2.0%

*Denotes a Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Full-Service Growth Chains

	2018 Sales (\$M)	Sales %	Unit %
First Watch	\$413	31.9%	21.4%
Cooper's Hawk Winery & Restaurants	\$282	16.7%	16.7%
Saltgrass Steak House	\$349*	16.5%	15.9%
Black Bear Diner	\$292	15.8%	13.2%
Uncle Julio's	\$214*	13.9%	16.7%

Displaying chains with >\$200M U.S. sales

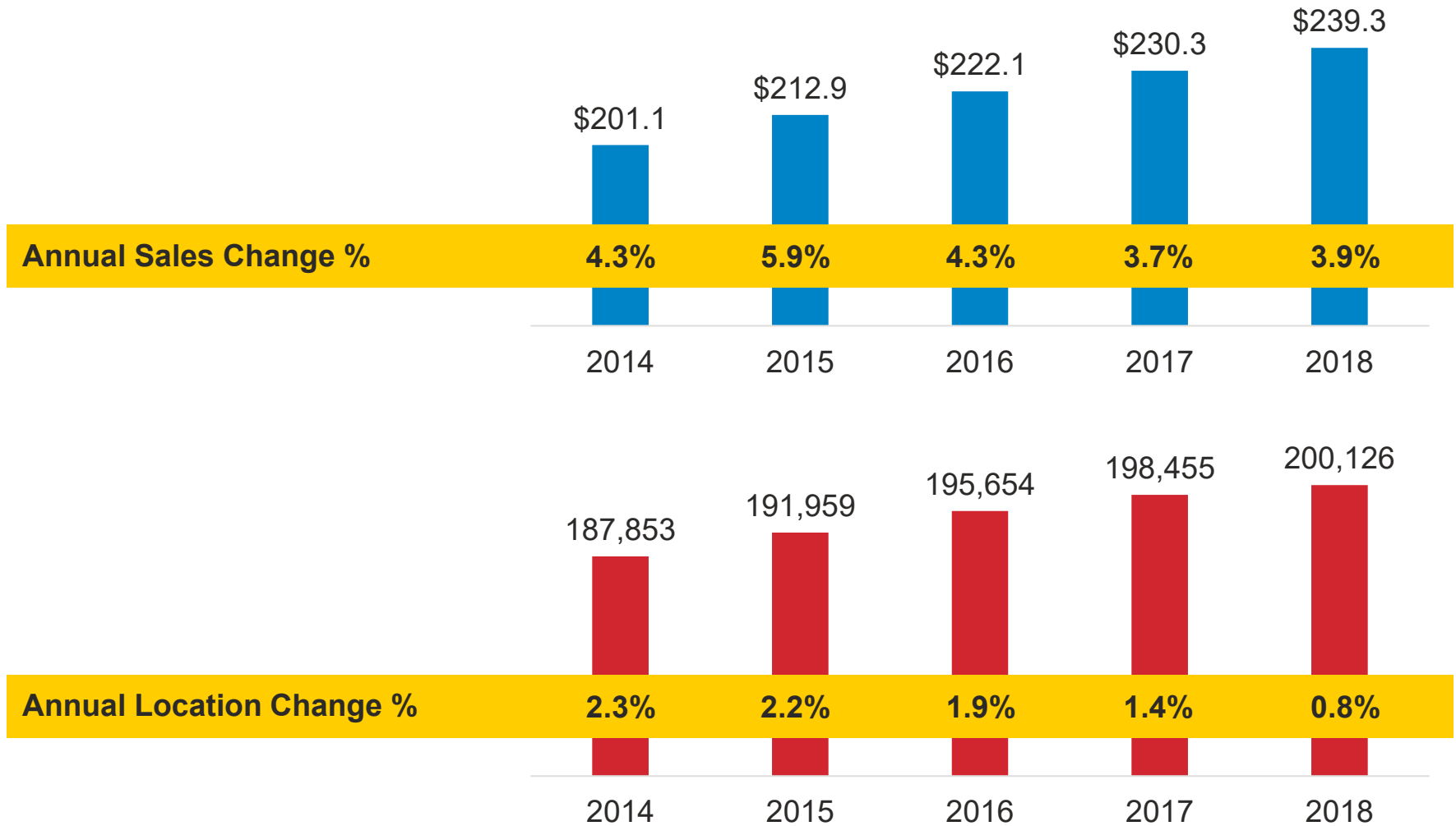
* Denotes a Technomic estimate

Source: Technomic Top 500 Chain Restaurant Report

Limited Service: 2018 Results

Limited-Service Chain Performance

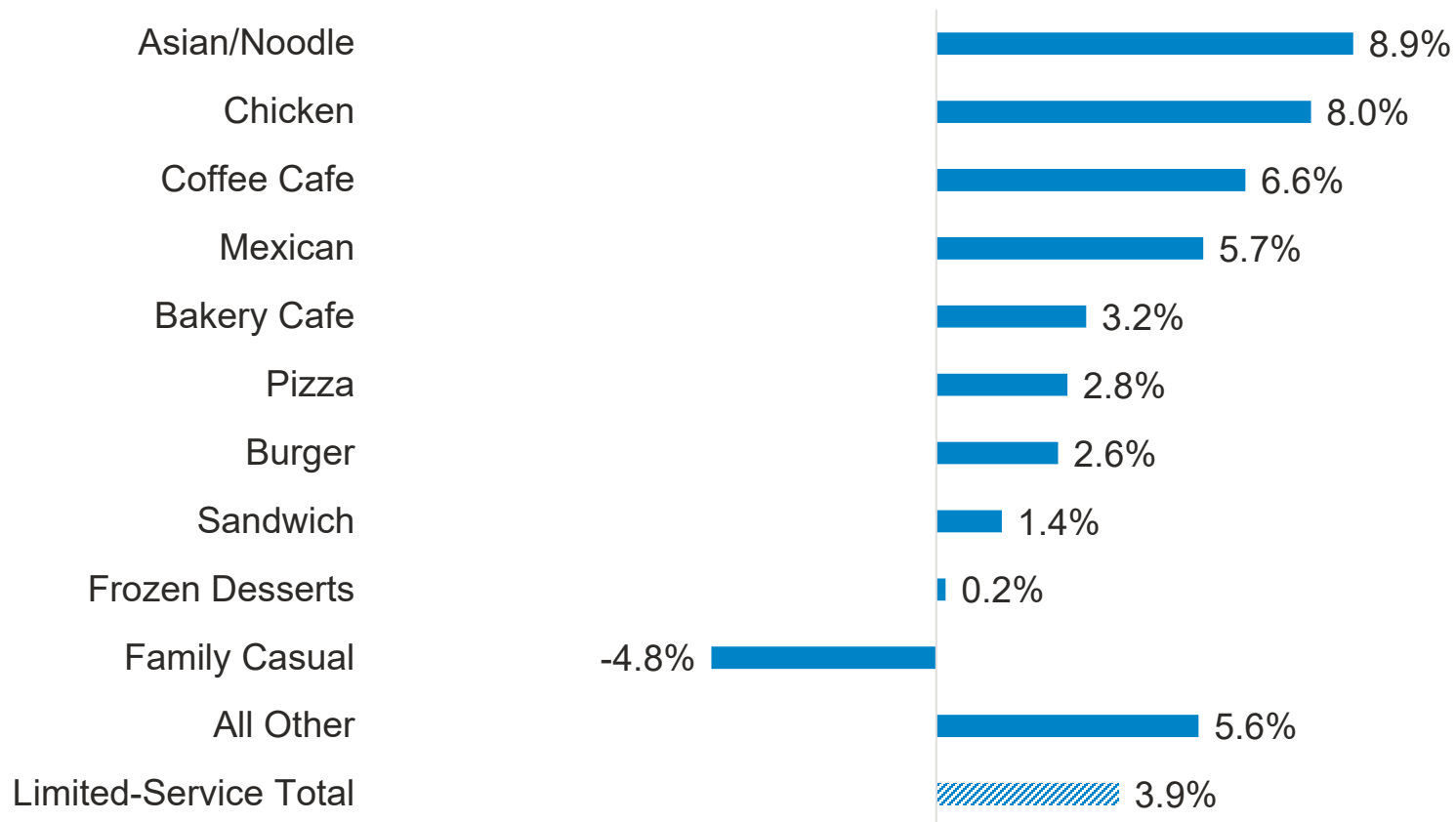
U.S. sales and locations



Source: Technomic Top 500 Chain Restaurant Report

Menu Category Performance

Annual sales change %



Top Limited-Service Chain Performance

	2018 Sales (\$M)	Sales %	Unit %
McDonald's	\$38,524	2.4%	-0.9%
Starbucks	\$19,660*	8.3%	4.9%
Subway	\$10,410	-3.6%	-4.3%
Taco Bell	\$10,361	5.8%	2.2%
Chick-fil-A	\$10,180*	13.5%	6.5%

* Denotes a Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Limited-Service Growth Chains

	2018 Sales (\$M)	Sales %	Unit %
MOD Pizza	\$398	44.8%	33.8%
Shake Shack	\$459	28.0%	36.0%
Habit Burger Grill, The	\$436	23.1%	18.2%
Raising Cane's Chicken Fingers	\$1,183	22.5%	13.6%
Blaze Pizza	\$327	20.3%	28.7%

Displaying chains with >\$200M U.S. sales
 * Denotes a Technomic estimate
 Source: Technomic Top 500 Chain Restaurant Report

Top 100 Chains by Total U.S. Sales

Rank	Chain Name	2018 U.S. Sales (\$000)	Sales Change %	2018 U.S. Units	Unit Change %	2018 U.S. AUV (\$000)
1	McDonald's	\$38,524,100	2.4%	13,914	-0.9%	\$2,757
2	Starbucks	\$19,660,000 *	8.3%	14,606	4.9%	\$1,375 *
3	Subway	\$10,410,300	-3.6%	24,798	-4.3%	\$410
4	Taco Bell	\$10,360,822	5.8%	6,588	2.2%	\$1,590
5	Chick-fil-A	\$10,180,000 *	13.5%	2,370	6.5%	\$4,430 *
6	Burger King	\$9,939,000	3.3%	7,330	1.4%	\$1,366
7	Wendy's	\$9,405,000	1.9%	5,810	0.7%	\$1,636
8	Dunkin'	\$8,786,800	3.9%	9,419	3.0%	\$947
9	Domino's	\$6,591,600	11.2%	5,876	5.2%	\$1,150
10	Panera Bread	\$5,760,000 *	4.7%	2,074	1.5%	\$2,800 *
11	Pizza Hut	\$5,526,552	0.3%	7,482	-0.5%	\$735
12	Chipotle Mexican Grill	\$4,805,000	8.7%	2,452	3.7%	\$2,004
13	Sonic Drive-In	\$4,447,125	0.9%	3,606	0.4%	\$1,253
14	KFC	\$4,433,030	0.4%	4,074	-0.9%	\$1,085
15	Applebee's	\$4,211,200	2.3%	1,693	-5.0%	\$2,420
16	Olive Garden	\$4,082,500	3.7%	855	1.2%	\$4,800
17	Arby's	\$3,886,900	7.0%	3,329	1.4%	\$1,177
18	Little Caesars	\$3,820,000 *	3.5%	4,350	0.4%	\$880 *
19	Buffalo Wild Wings	\$3,795,000	-1.0%	1,208	0.2%	\$3,144
20	Dairy Queen	\$3,654,583	0.3%	4,406	-1.1%	\$830

*Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Top 100 Chains by Total U.S. Sales

Rank	Chain Name	2018 U.S. Sales (\$000)	Sales Change %	2018 U.S. Units	Unit Change %	2018 U.S. AUV (\$000)
21	Panda Express	\$3,523,719	13.1%	2,105	4.7%	\$1,768
22	Chili's Grill & Bar	\$3,500,300 *	-1.5%	1,251	-0.1%	\$2,800 *
23	Jack in the Box	\$3,466,125	-0.1%	2,237	-0.6%	\$1,553
24	IHOP	\$3,233,700	3.5%	1,705	2.0%	\$1,915
25	Popeyes Louisiana Kitchen	\$3,221,000	5.1%	2,347	6.1%	\$1,413
26	Texas Roadhouse	\$2,720,000 *	9.8%	533	4.5%	\$5,211 *
27	Papa John's	\$2,712,400	-9.9%	3,199	-3.5%	\$835
28	Denny's	\$2,661,862	0.8%	1,578	-1.8%	\$1,695
29	Outback Steakhouse	\$2,611,696	0.4%	733	-0.9%	\$3,580
30	Cracker Barrel	\$2,439,389	3.8%	655	1.6%	\$3,724
31	Whataburger	\$2,416,010	6.0%	825	0.5%	\$2,928
32	Red Lobster	\$2,405,000 *	-1.2%	678	0.1%	\$3,550 *
33	Jimmy John's Gourmet Sandwiches	\$2,168,000 *	0.7%	2,840 1	3.1%	\$775 *
34	Cheesecake Factory, The	\$2,127,347	3.4%	201	1.0%	\$10,640
35	Hardee's	\$2,120,000 *	-3.0%	1,875	0.6%	\$1,135 *
36	Zaxby's	\$1,849,000 *	7.4%	906	3.3%	\$2,075 *
37	LongHorn Steakhouse	\$1,754,700	5.0%	520	3.0%	\$3,325
38	Golden Corral	\$1,732,945	-1.4%	489	0.0%	\$3,553
39	Five Guys Burgers and Fries	\$1,615,837	12.5%	1,358	2.8%	\$1,200
40	Culver's	\$1,576,386	10.5%	686	7.0%	\$2,382

*Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Top 100 Chains by Total U.S. Sales

Rank	Chain Name	2018 U.S. Sales (\$000)	Sales Change %	2018 U.S. Units	Unit Change %	2018 U.S. AUV (\$000)
41	Red Robin Gourmet Burgers and Brews	\$1,506,209	-3.5%	555	1.3%	\$2,730
42	Carl's Jr.	\$1,415,000 *	-4.4%	1,148	-0.8%	\$1,230 *
43	Waffle House	\$1,300,000 *	4.0%	1,936	1.4%	\$675 *
44	Bojangles'	\$1,296,213	1.4%	756	-1.0%	\$1,741
45	Wingstop	\$1,207,000	15.3%	1,124	9.4%	\$1,139
46	Raising Cane's Chicken Fingers	\$1,183,488	22.5%	400	13.6%	\$3,264
47	TGI Fridays	\$1,183,000 *	-6.5%	424	-3.2%	\$2,740 *
48	Jersey Mike's Subs	\$1,148,487	17.5%	1,494	11.2%	\$810
49	BJ's Restaurant & Brewhouse	\$1,116,948	8.3%	202	2.5%	\$5,600
50	Steak 'n Shake	\$1,034,000 *	-3.4%	594	1.0%	\$1,750 *
51	In-N-Out Burger	\$926,000 *	5.2%	339	2.4%	\$2,765 *
52	P.F. Chang's	\$877,850	1.4%	216	0.5%	\$4,064
53	El Pollo Loco	\$868,409	3.2%	484	2.3%	\$1,815
54	Bob Evans	\$838,000 *	-6.7%	481	-4.8%	\$1,700 *
55	Qdoba Mexican Eats	\$835,000	1.6%	743	2.3%	\$1,135
56	Del Taco	\$817,768	4.3%	580	2.8%	\$1,430
57	Krispy Kreme	\$805,000 *	4.5%	355 1	5.0%	\$2,325 *
58	Hooters	\$798,000 *	-1.7%	338	0.0%	\$2,360 *
59	Papa Murphy's Pizza	\$795,000	-4.5%	1,400	-5.6%	\$552
60	Firehouse Subs	\$794,366	11.0%	1,133	4.1%	\$712

*Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Top 100 Chains by Total U.S. Sales

Rank	Chain Name	2018 U.S. Sales (\$000)	Sales Change %	2018 U.S. Units	Unit Change %	2018 U.S. AUV (\$000)
61	Tim Hortons	\$750,000 *	-5.1%	738	-6.3%	\$985 *
62	Ruth's Chris Steak House	\$748,400	1.4%	134	0.0%	\$5,585
63	Church's Chicken	\$747,000 *	-4.8%	1,045 1	-3.1%	\$705 *
64	Moe's Southwest Grill	\$739,100 *	3.2%	727	3.1%	\$1,030 *
65	Cheddar's Scratch Kitchen	\$728,000	-0.2%	170	3.0%	\$4,350
66	Jason's Deli	\$721,582	11.6%	281	2.9%	\$2,568
67	Ruby Tuesday	\$721,000 *	-12.9%	491	-12.0%	\$1,375 *
68	McAlister's Deli	\$704,500 *	7.3%	430	5.1%	\$1,680 *
69	Carrabba's Italian Grill	\$659,454	-3.6%	227	-0.4%	\$2,887
70	California Pizza Kitchen	\$639,500 *	-1.6%	205	0.0%	\$3,120 *
71	Baskin-Robbins	\$611,900	1.0%	2,550	-0.4%	\$240
72	Perkins Restaurant & Bakery	\$603,000 *	-3.7%	355	-3.8%	\$1,665 *
73	Marco's Pizza	\$599,262	9.1%	883	1.8%	\$706
74	Bonefish Grill	\$592,139	-3.7%	197	-2.0%	\$3,012
75	Yard House	\$571,800	7.7%	72	7.5%	\$8,230
76	Checkers Drive-In Restaurants	\$560,000 *	1.4%	590	2.3%	\$960 *
77	Auntie Anne's	\$558,103	-0.3%	1,295	-1.2%	\$431
78	Boston Market	\$557,774	-1.3%	454	-1.5%	\$1,259
79	Captain D's Seafood Kitchen	\$556,321	0.6%	529	-0.4%	\$1,052
80	White Castle	\$556,147	1.6%	374	-1.8%	\$1,480

*Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Top 100 Chains by Total U.S. Sales

Rank	Chain Name	2018 U.S. Sales (\$000)	Sales Change %	2018 U.S. Units	Unit Change %	2018 U.S. AUV (\$000)
81	Dave & Buster's	\$536,469	8.4%	119	14.4%	\$4,810
82	Noodles World Kitchen	\$525,671	-0.2%	459	-4.0%	\$1,119
83	Logan's Roadhouse	\$520,600 *	-5.8%	202	-4.7%	\$2,515 *
84	Einstein Bros. Bagels	\$516,000 *	-3.2%	690	-1.1%	\$745 *
85	Dutch Bros. Coffee	\$494,000	16.2%	328	12.3%	\$1,594
86	Jamba Juice	\$491,000 *	-1.3%	805	0.4%	\$615 *
87	Freddy's Frozen Custard & Steakburgers	\$474,703	15.5%	328	16.7%	\$1,560
88	Tropical Smoothie Cafe	\$472,631	20.3%	719	14.5%	\$700
89	O'Charley's	\$463,900 *	-4.8%	205	-2.8%	\$2,145 *
90	Shake Shack	\$459,310	28.0%	136	36.0%	\$4,390
91	Potbelly Sandwich Shop	\$452,400	-1.6%	470	-1.3%	\$960
92	Capital Grille, The	\$440,700	4.6%	58	3.6%	\$7,730
93	Long John Silver's	\$440,516	-7.9%	871	-2.7%	\$463
94	Habit Burger Grill, The	\$436,610	23.1%	247	18.2%	\$1,873
95	Round Table Pizza	\$436,000 *	-1.9%	427	-0.5%	\$1,020 *
96	Mellow Mushroom	\$425,500 *	0.6%	191	-0.5%	\$2,220 *
97	Smoothie King	\$415,713	10.4%	901	10.6%	\$500
98	Miller's Ale House	\$415,000 *	6.4%	88	6.0%	\$4,855 *
99	Maggiano's Little Italy	\$413,300	1.0%	52	0.0%	\$7,948
100	First Watch	\$413,000	31.9%	295	21.4%	\$1,535

*Technomic estimate
Source: Technomic Top 500 Chain Restaurant Report

Foodservice Industry Performance & Forecasting

Powered by the Technomic Wallchart



U.S. Foodservice Industry

Food, all beverages (alcohol and nonalcohol) and nonfoods

Segment	2018 Retail Sales Equivalent		2018 Operator Purchases		2018 Manufacturer Shipments		Potential Contact Points 2018	Nominal Growth		Real Growth	
	(\$ Billions)	(Share)	(\$ Billions)	(Share)	(\$ Billions)	(Share)		2018 (R)	2019 (F)	2018 (R)	2019 (F)
Total Restaurants and Bars	\$602.922	66.8%	\$188.728	58.9%	\$163.887	59.0%	770,768	3.6%	3.9%	1.1%	1.3%
Limited-Service Restaurants	289.644	32.1	91.164	28.4	82.030	29.5	353,718	3.9	4.1	1.4	1.6
Fast Casual	55.370	6.1	17.490	5.5	15.737	5.7	48,666	7.6	7.3	5.0	4.7
Fast Food	234.274	26.0	73.674	23.0	66.293	23.9	305,052	3.1	3.4	0.6	0.8
Full-Service Restaurants	266.724	29.6	87.925	27.4	73.422	26.4	352,093	3.3	3.5	0.8	1.0
Midscale	47.195	5.2	16.862	5.3	14.001	5.0	86,738	3.0	3.0	0.5	0.5
Casual Dining	191.925	21.3	62.350	19.4	52.122	18.8	246,559	3.1	3.5	0.6	1.0
Fine Dining	27.604	3.1	8.713	2.7	7.299	2.6	18,796	5.2	5.0	2.6	2.4
Bars and Taverns¹	46.554	5.2	9.639	3.0	8.435	3.0	64,957	2.7	2.8	0.2	0.3
Retailers	\$69.467	7.7%	\$35.625	11.1%	\$31.778	11.4%	203,002	3.7%	3.7%	1.2%	1.1%
Supermarket Foodservice	33.871	3.8	19.818	6.2	17.838	6.4	43,826	4.8	4.8	2.2	2.2
Convenience Stores	21.873	2.4	10.092	3.1	9.081	3.3	141,099	3.6	3.6	1.1	1.1
All Other Retailers	13.723	1.5	5.714	1.8	4.859	1.7	18,077	1.5	1.0	(1.0)	(1.5)
Travel & Leisure	\$101.225	11.2%	\$31.783	9.9%	\$26.818	9.6%	150,477	4.0%	3.8%	1.5%	1.4%
Recreation	24.996	2.8	8.190	2.6	6.816	2.5	32,244	2.0	2.0	(0.5)	(0.5)
Lodging	51.148	5.7	14.885	4.6	12.443	4.5	55,421	4.9	4.8	2.3	2.2
Transportation ²	12.906	1.4	4.746	1.5	4.268	1.5	5,290	4.0	3.8	2.0	1.8
Caterers	12.175	1.3	3.962	1.2	3.291	1.2	57,522	4.0	3.5	1.5	1.0
Noncommercial	\$121.470	13.5%	\$61.699	19.2%	\$52.970	19.1%	240,824	3.2%	3.1%	1.0%	1.0%
Business & Industry²	16.402	1.8	8.867	2.8	7.537	2.7	10,070	2.5	2.5	0.5	0.5
Education²	40.538	4.5	21.152	6.6	18.589	6.7	128,964	3.1	2.9	1.0	0.9
Primary/Secondary Schools ²	22.282	2.5	12.177	3.8	10.959	3.9	124,381	2.4	2.2	0.4	0.2
Colleges/Universities ²	18.256	2.0	8.975	2.8	7.630	2.7	4,583	3.9	3.8	1.8	1.7
Healthcare²	30.520	3.4	15.506	4.8	13.150	4.7	81,202	5.7	5.3	3.6	3.3
Hospitals ²	14.191	1.6	6.535	2.0	5.745	2.1	5,534	4.9	4.6	2.9	2.6
Long-Term Care ²	7.861	0.9	4.231	1.3	3.489	1.3	51,564	3.9	3.6	1.8	1.6
Senior Living ²	8.469	0.9	4.741	1.5	3.916	1.4	24,104	8.8	8.1	6.7	6.0
Refreshment Services	25.068	2.8	11.475	3.6	9.467	3.4	14,225	1.5	1.5	(1.0)	(1.0)
Military²	4.834	0.5	2.441	0.8	2.194	0.8	402	2.5	2.5	0.5	0.5
Corrections²	4.107	0.5	2.258	0.7	2.032	0.7	5,961	0.0	1.0	(2.0)	(1.0)
All Other Foodservice	\$7.025	0.8%	\$2.769	0.9%	\$2.478	0.9%	47,900	5.1%	4.5%	2.5%	2.0%
Total Foodservice	\$902.109	100.0%	\$320.604	100.0%	\$277.932	100.0%	1,412,971	3.6%	3.7%	1.2%	1.3%

Source: Technomic February 2019 Wallchart

() = Decline; (F) = forecast; (R) = revised

Note: Nominal growth assumes menu price inflation rate of 0.025 for 2018 and 0.025 for 2019. Numbers may not add due to rounding. Forecasts and numbers subject to change. Data may not be comparable to previous editions of this chart due to redefinitions, resegmentation, and revisions.

¹Contact point estimates include units that do not offer foodservice

²Segment uses special "non-restaurant" inflation rate of 0.02 for 2018 and 0.02 for 2019

U.S. Foodservice Industry

Food, nonalcohol beverages and nonfoods

Segment	2018 Retail Sales Equivalent		2018 Operator Purchases		2018 Manufacturer Shipments		Potential Contact Points 2018	Nominal Growth		Real Growth	
	(\$ Billions)	(Share)	(\$ Billions)	(Share)	(\$ Billions)	(Share)		2018 (R)	2019 (F)	2018 (R)	2019 (F)
Total Restaurants and Bars	\$511.939	65.0%	\$171.442	57.3%	\$148.672	57.4%	770,768	3.6%	3.9%	1.1%	1.3%
Limited-Service Restaurants	288.022	36.5	90.856	30.4	81.754	31.6	353,718	3.9	4.1	1.4	1.6
Fast Casual	54.695	6.9	17.362	5.8	15.623	6.0	48,666	7.6	7.3	5.0	4.7
Fast Food	233.326	29.6	73.494	24.6	66.132	25.5	305,052	3.1	3.4	0.6	0.8
Full-Service Restaurants	219.836	27.9	79.016	26.4	65.583	25.3	352,093	3.3	3.5	0.8	1.0
Midscale	46.598	5.9	16.749	5.6	13.901	5.4	86,738	3.0	3.0	0.5	0.5
Casual Dining	152.771	19.4	54.911	18.4	45.576	17.6	246,559	3.1	3.5	0.6	1.0
Fine Dining	20.467	2.6	7.357	2.5	6.106	2.4	18,796	5.2	5.0	2.6	2.4
Bars and Taverns¹	4.081	0.5	1.570	0.5	1.334	0.5	64,957	2.7	2.8	0.2	0.3
Retailers	\$68.985	8.8%	\$35.533	11.9%	\$31.698	12.2%	203,002	3.7%	3.7%	1.2%	1.1%
Supermarket Foodservice	33.794	4.3	19.804	6.6	17.824	6.9	43,826	4.8	4.8	2.2	2.2
Convenience Stores	21.754	2.8	10.069	3.4	9.062	3.5	141,099	3.6	3.6	1.1	1.1
All Other Retailers	13.438	1.7	5.660	1.9	4.812	1.9	18,077	1.5	1.0	(1.0)	(1.5)
Travel & Leisure	\$82.528	10.5%	\$28.230	9.4%	\$23.692	9.2%	150,477	4.0%	3.8%	1.5%	1.4%
Recreation	19.248	2.4	7.098	2.4	5.855	2.3	32,244	2.0	2.0	(0.5)	(0.5)
Lodging	41.545	5.3	13.061	4.4	10.837	4.2	55,421	4.9	4.8	2.3	2.2
Transportation ²	11.433	1.5	4.466	1.5	4.021	1.6	5,290	4.0	3.8	2.0	1.8
Caterers	10.302	1.3	3.606	1.2	2.978	1.2	57,522	4.0	3.5	1.5	1.0
Noncommercial	\$120.290	15.3%	\$61.475	20.6%	\$52.774	20.4%	240,824	3.2%	3.1%	1.0%	1.0%
Business & Industry²	16.402	2.1	8.867	3.0	7.537	2.9	10,070	2.5	2.5	0.5	0.5
Education²	40.224	5.1	21.092	7.1	18.537	7.2	128,964	3.1	2.9	1.0	0.9
Primary/Secondary Schools ²	22.282	2.8	12.177	4.1	10.959	4.2	124,381	2.4	2.2	0.4	0.2
Colleges/Universities ²	17.942	2.3	8.915	3.0	7.577	2.9	4,583	3.9	3.8	1.8	1.7
Healthcare²	30.367	3.9	15.477	5.2	13.126	5.1	81,202	5.7	5.3	3.6	3.3
Hospitals ²	14.191	1.8	6.535	2.2	5.745	2.2	5,534	4.9	4.6	2.9	2.6
Long-Term Care ²	7.861	1.0	4.231	1.4	3.489	1.3	51,564	3.9	3.6	1.8	1.6
Senior Living ²	8.316	1.1	4.711	1.6	3.892	1.5	24,104	8.8	8.1	6.7	6.0
Refreshment Services	25.068	3.2	11.475	3.8	9.467	3.7	14,225	1.5	1.5	(1.0)	(1.0)
Military²	4.122	0.5	2.305	0.8	2.075	0.8	402	2.5	2.5	0.5	0.5
Corrections²	4.107	0.5	2.258	0.8	2.032	0.8	5,961	0.0	1.0	(2.0)	(1.0)
All Other Foodservice	\$4.396	0.6%	\$2.270	0.8%	\$2.039	0.8%	47,900	5.1%	4.5%	2.5%	2.0%
Total Foodservice	\$788.139	100.0%	\$298.950	100.0%	\$258.875	100.0%	1,412,971	3.6%	3.7%	1.2%	1.3%

Source: Technomic February 2019 Wallchart

() = Decline; (F) = forecast; (R) = revised

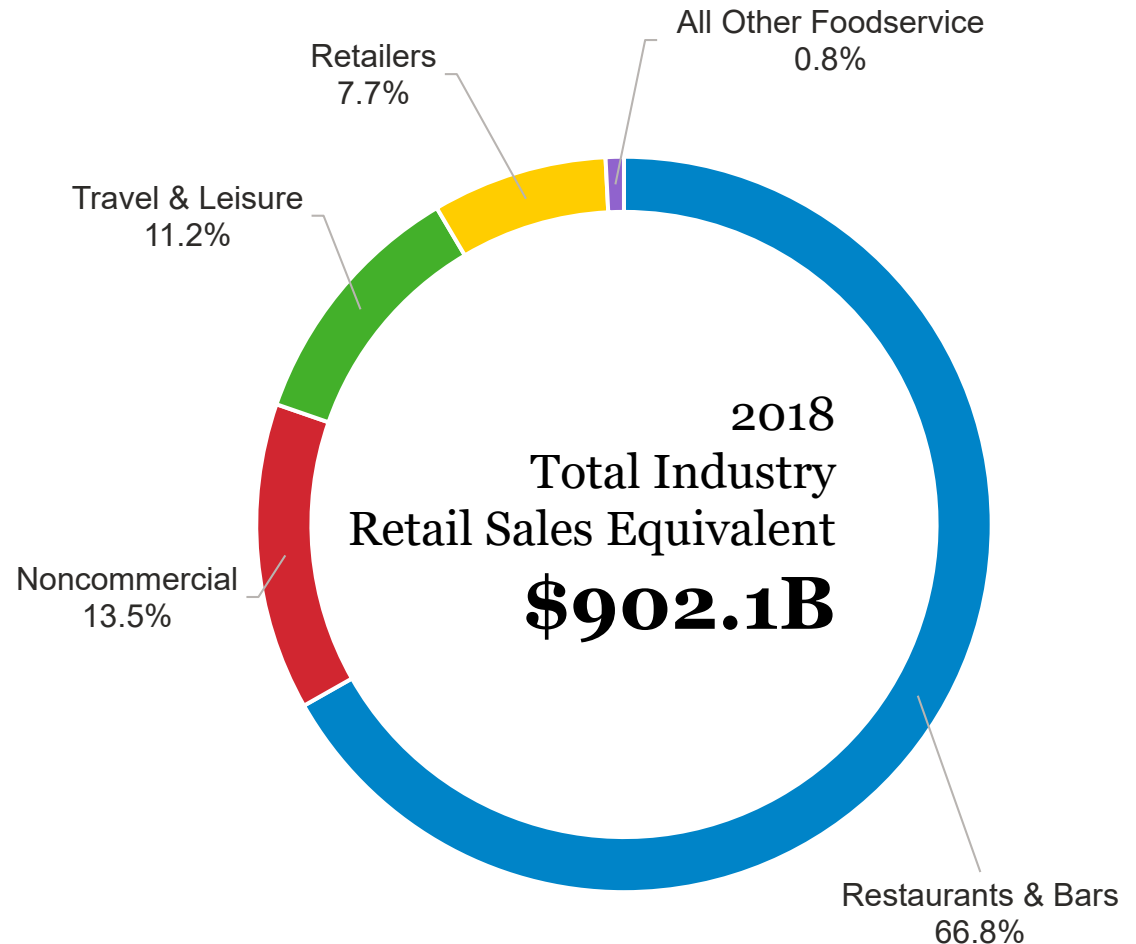
Note: Nominal growth assumes menu price inflation rate of 0.025 for 2018 and 0.025 for 2019. Numbers may not add due to rounding. Forecasts and numbers subject to change. Data may not be comparable to previous editions of this chart due to redefinitions, resegmentation, and revisions.

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²Segment uses special "non-restaurant" inflation rate of 0.02 for 2018 and 0.02 for 2019

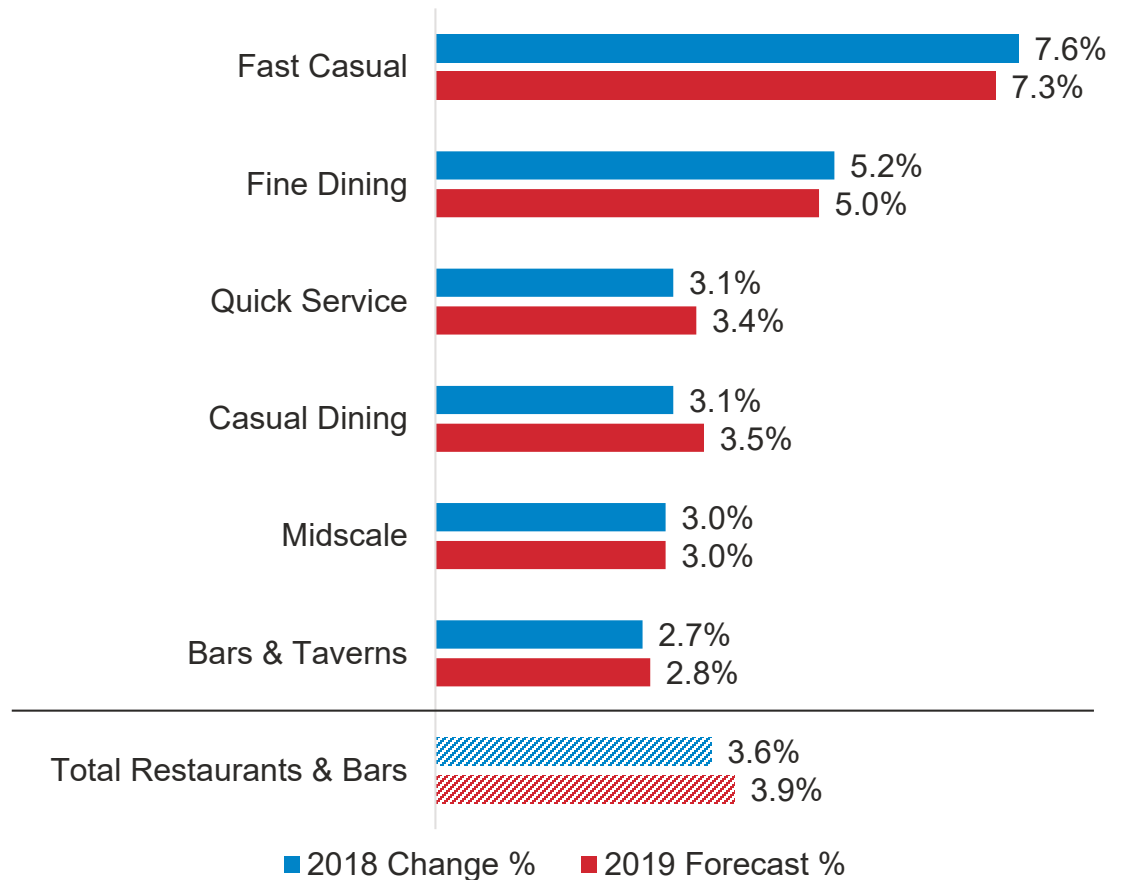
Foodservice Industry Sales Segmentation

Foodservice sales by service segment (\$B)



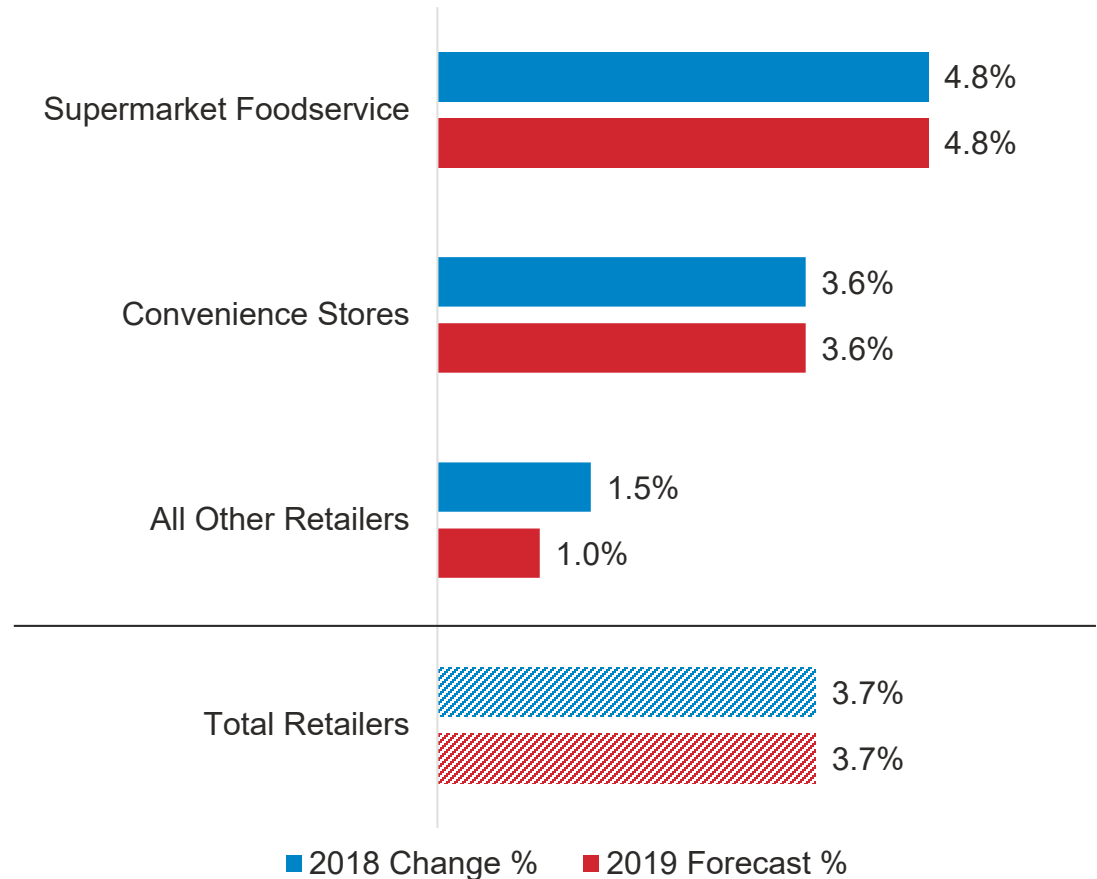
Restaurants & Bars Industry Performance

2018 sales growth % and 2019 forecast



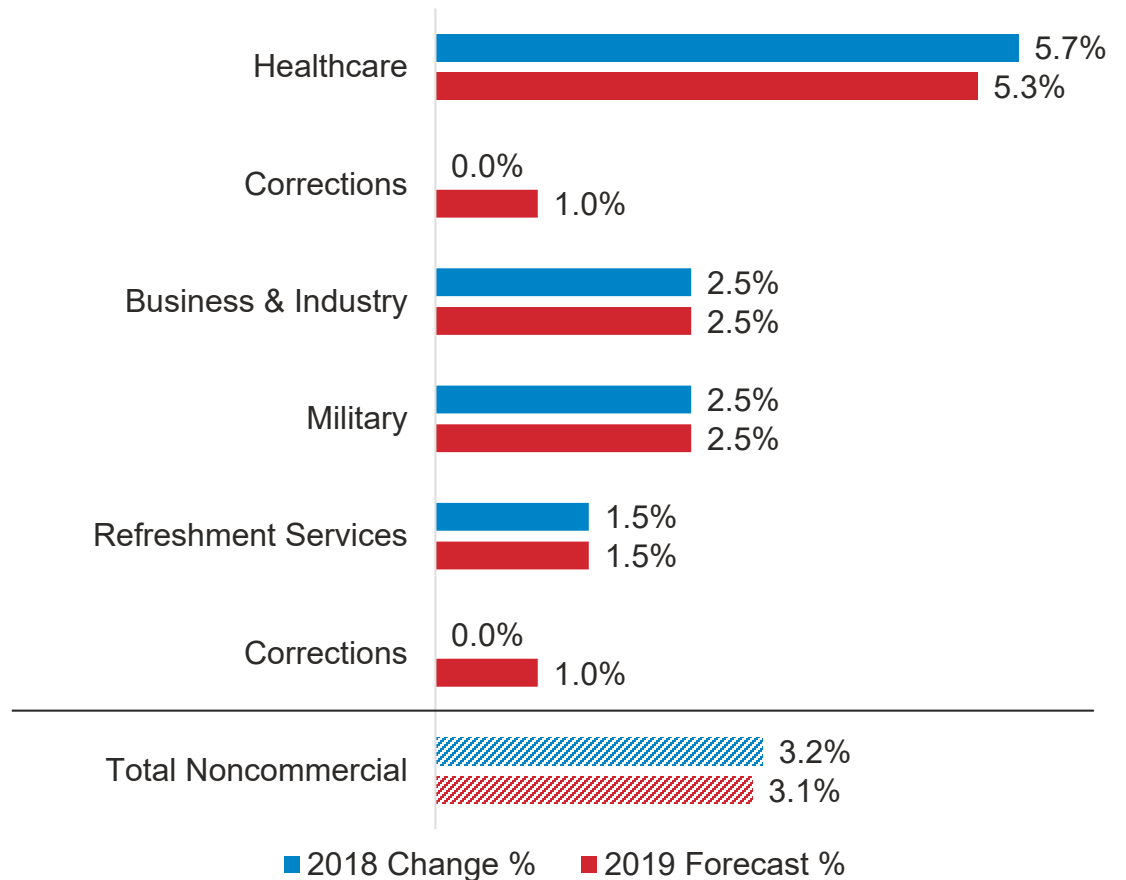
Retailer Industry Performance

2018 sales growth % and 2019 forecast



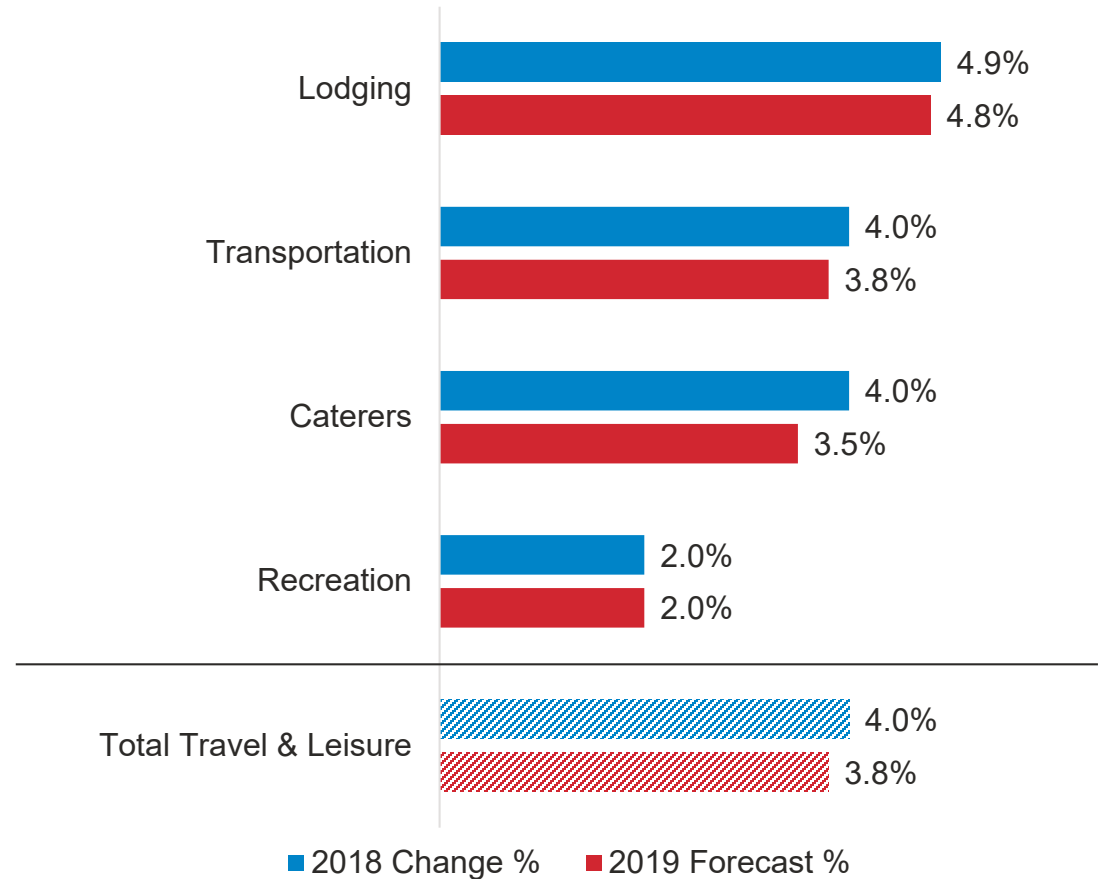
Noncommercial Industry Performance

2017 sales growth % and 2018 forecast



Travel & Leisure Industry Performance

2018 sales growth % and 2019 forecast



Third-Party Delivery & Top Chain Deep-Dive

Powered by Technomic's Transaction Insights



Transaction Insights Program Introduction

Transaction Insights is a comprehensive data product that reports restaurant brand-level sales performance, customer traffic, market share and change in average transaction size.

The sample size is a longitudinal panel of 3 million consumers each month, representing more than 18 million monthly foodservice visits. Each of these consumers' noncash-based transactions, across all merchants, are captured within the dataset. Data is updated and available within two weeks of a transaction occurring, thus making Transaction Insights the most real-time transaction data product available to the foodservice industry.

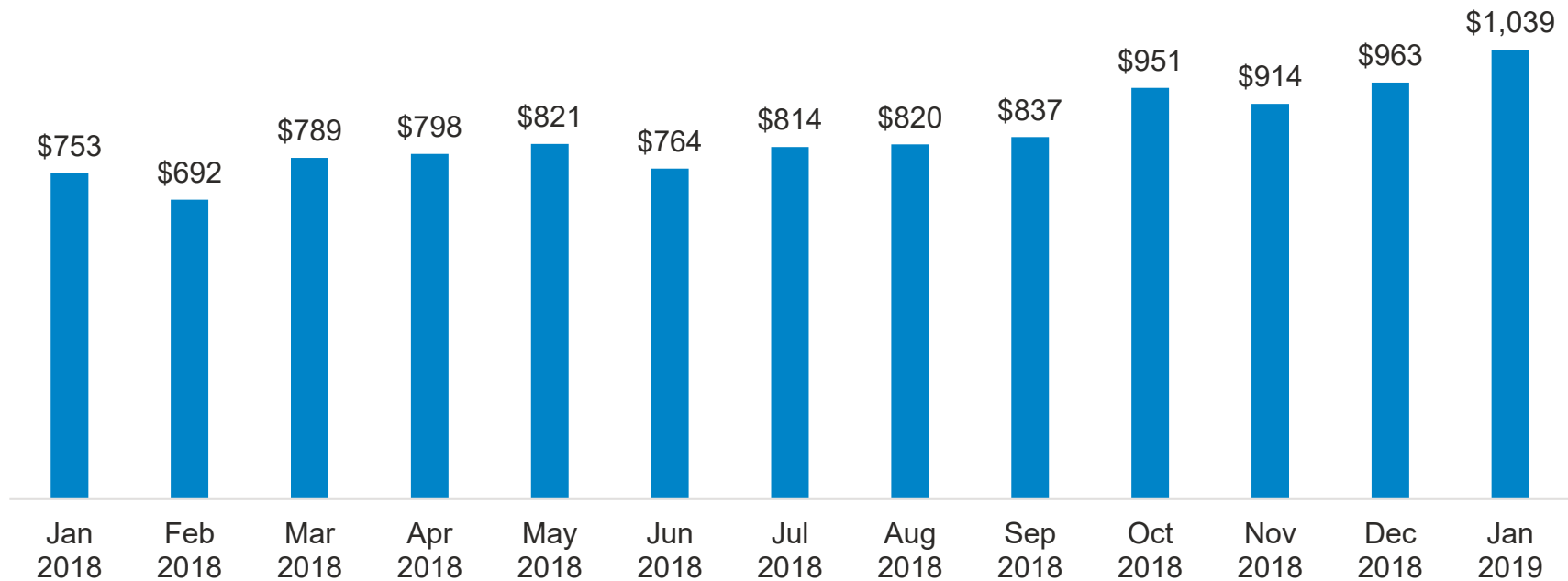
This Transaction Insights program provides a detailed analysis of the top 200 restaurant chains by sales on a national level. The top 200 restaurant chains represent approximately 52% of all U.S. restaurant sales. All other restaurant sales come from a very broad set of small chain and independent restaurants.

Further, these 200 tracked chains are rolled up into respective segments and cuisine types in order to showcase performance of a set of chains. This view also provides valuable benchmarking for any segment or cuisine participant who wants to better understand how their own performance compares to that of their peers.



Third-Party Delivery Sales

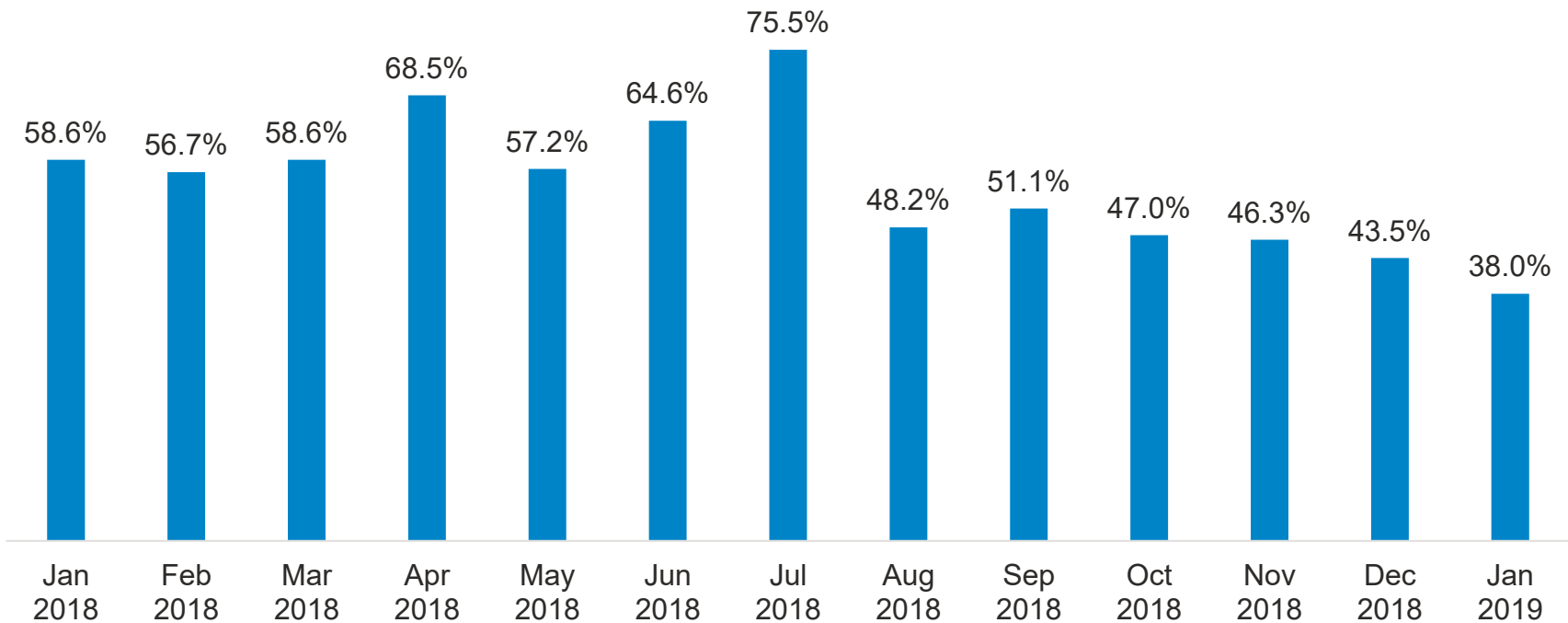
Cumulative sales volume by month (\$M)



Included brands: Grubhub, Postmates, DoorDash, Uber Eats, Caviar

Third-Party Delivery Sales Growth

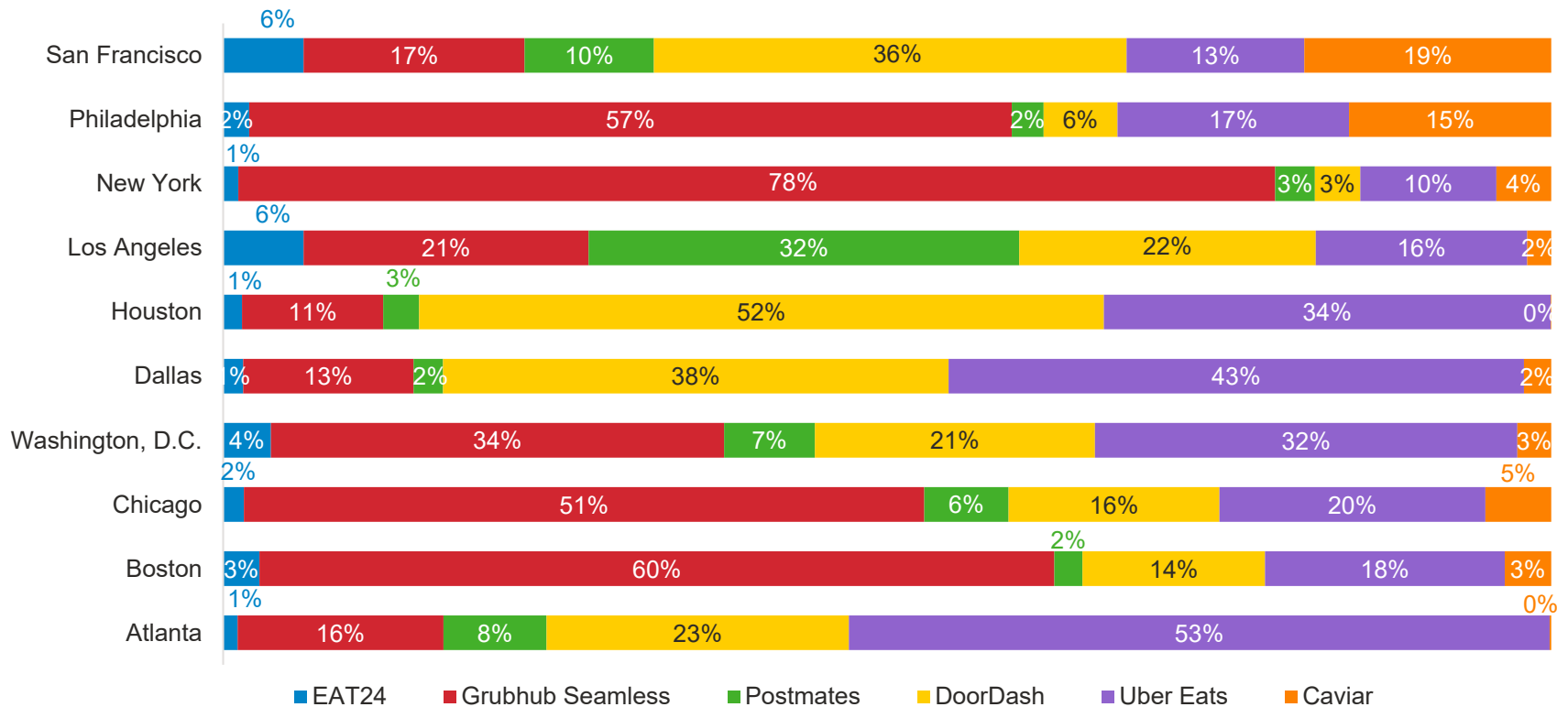
Cumulative YOY monthly sales growth %



Included brands: Grubhub, Postmates, DoorDash, Uber Eats, Caviar

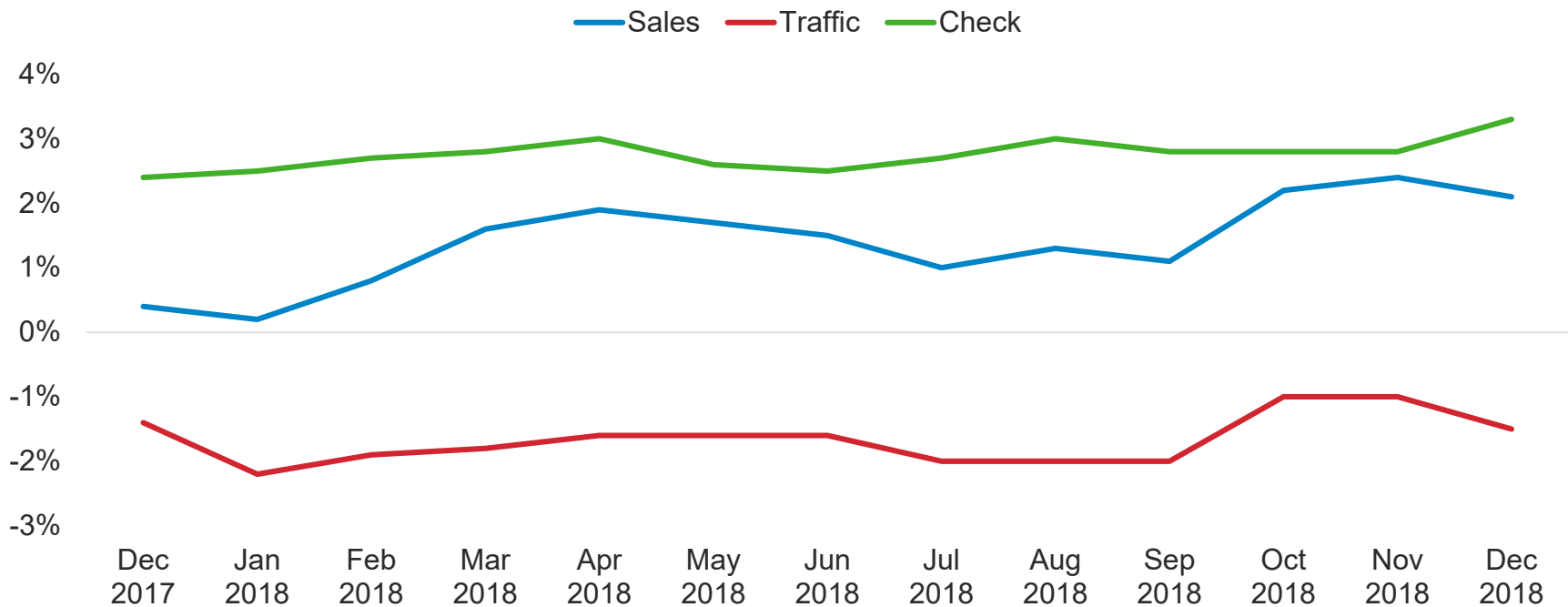
Third-Party Delivery Market Share

Sales share % by market



Monthly Chain Performance

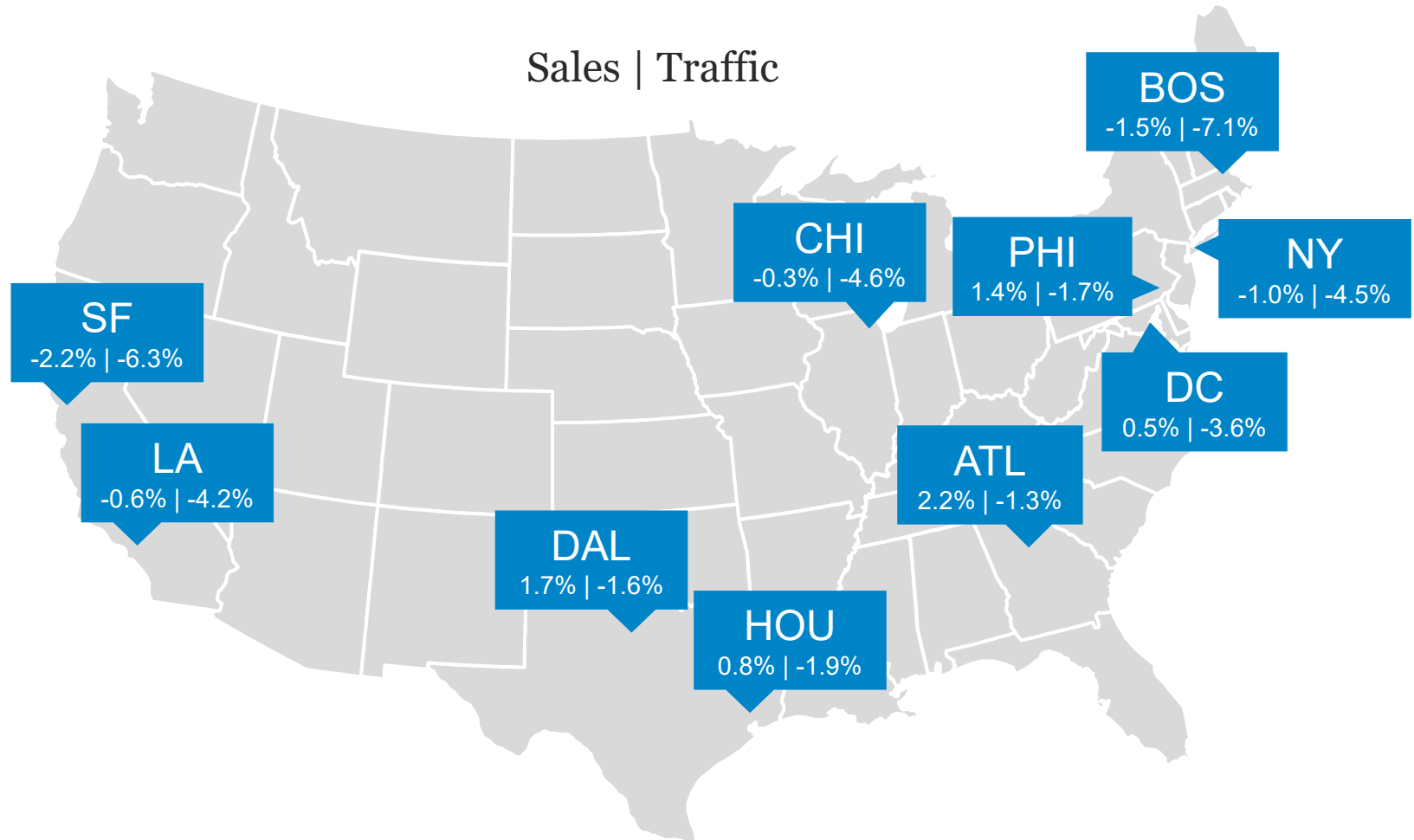
Top 200 chains: rolling 3-month YOY change %



Note: Check equates to average transaction size

Market-level Chain Performance

Top 200 chains: market-level performance



Note: Rolling 12 months, year-over-year change %

Economic Climate & Operating Conditions

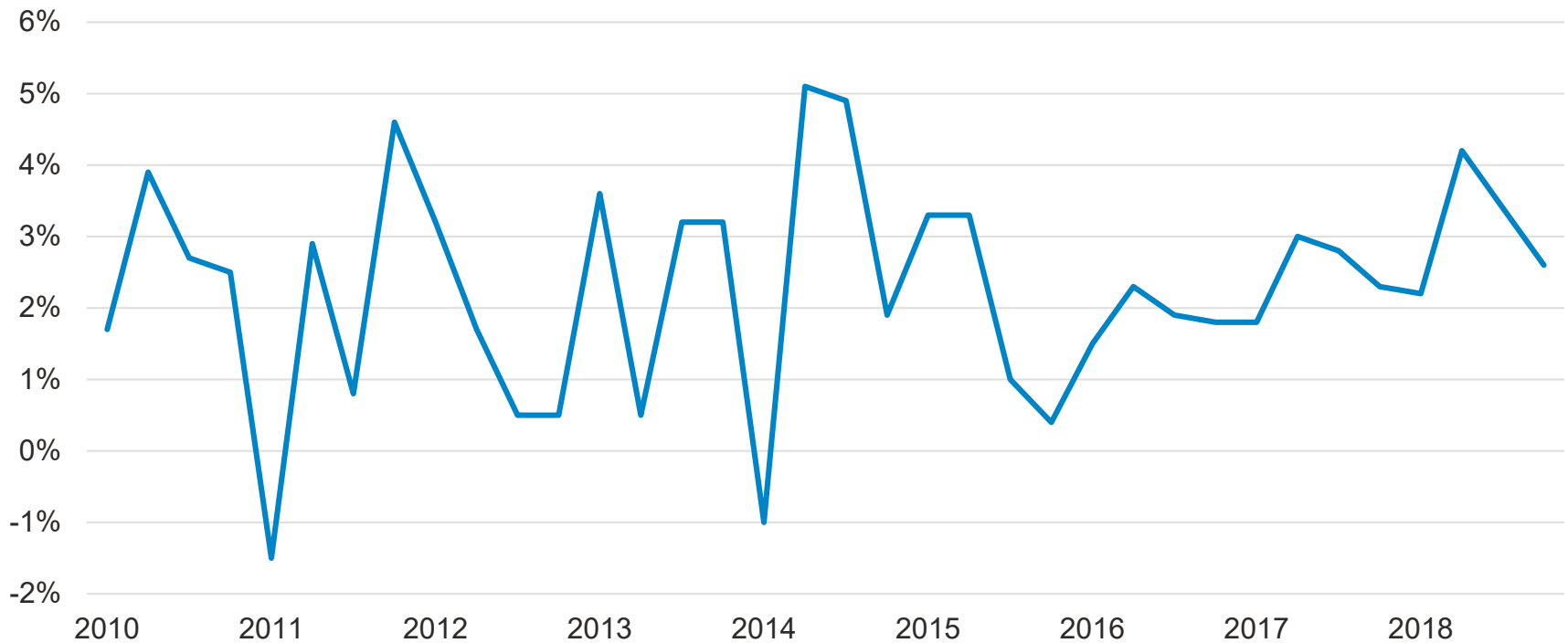


Economic Growth

Gross domestic product:
% change vs. prior quarter (real)

What to Know

- The U.S. economy expanded by 2.9% in 2018, compared to an increase of 2.2% in 2017.
- Real GDP increased at an annual rate of 2.6% in the fourth quarter of 2018.



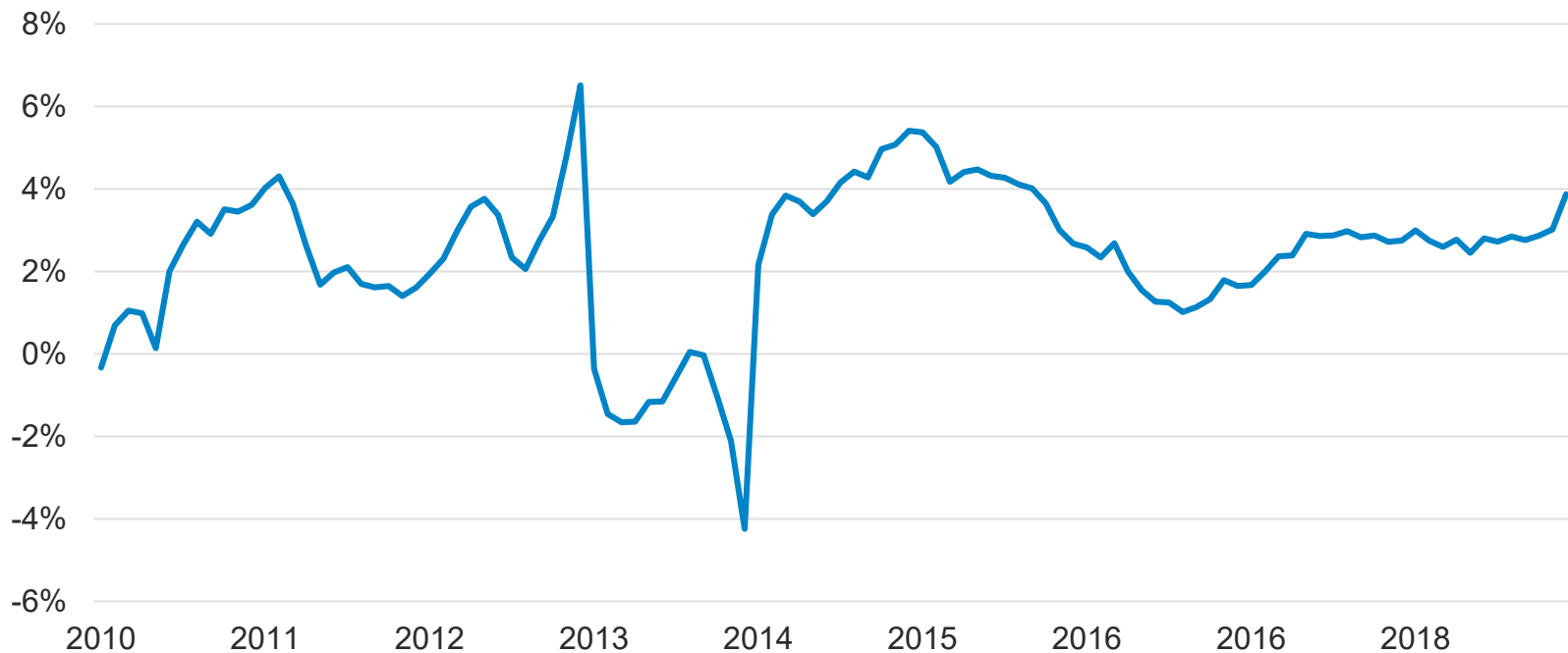
Source: Bureau of Economic Analysis

Consumer Spending

Personal consumption expenditures:
% change vs. prior quarter (real)

What to Know

- Personal income expenditure (PCE) is the total value of goods and services purchased by U.S. residents.
- PCE increased 4.7% in 2018, compared to an increase of 4.3% in 2017.



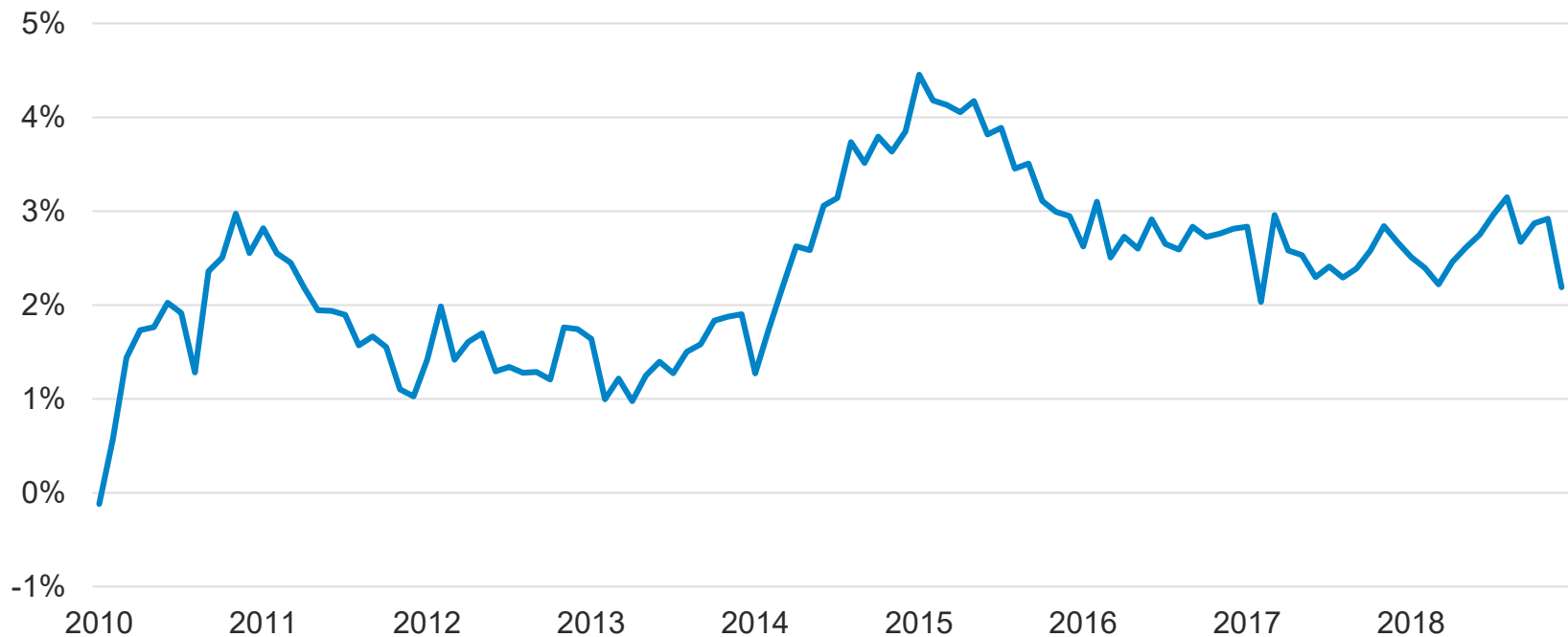
Source: Bureau of Economic Analysis

Disposable Income

Disposable personal income:
% change vs. prior quarter (real)

What to Know

- Disposable personal income (DPI) is the income available to individuals for spending or saving.
- DPI increased 5.0% in 2018, up from the 2017 growth rate of 4.4% in 2017.



Source: Bureau of Economic Analysis

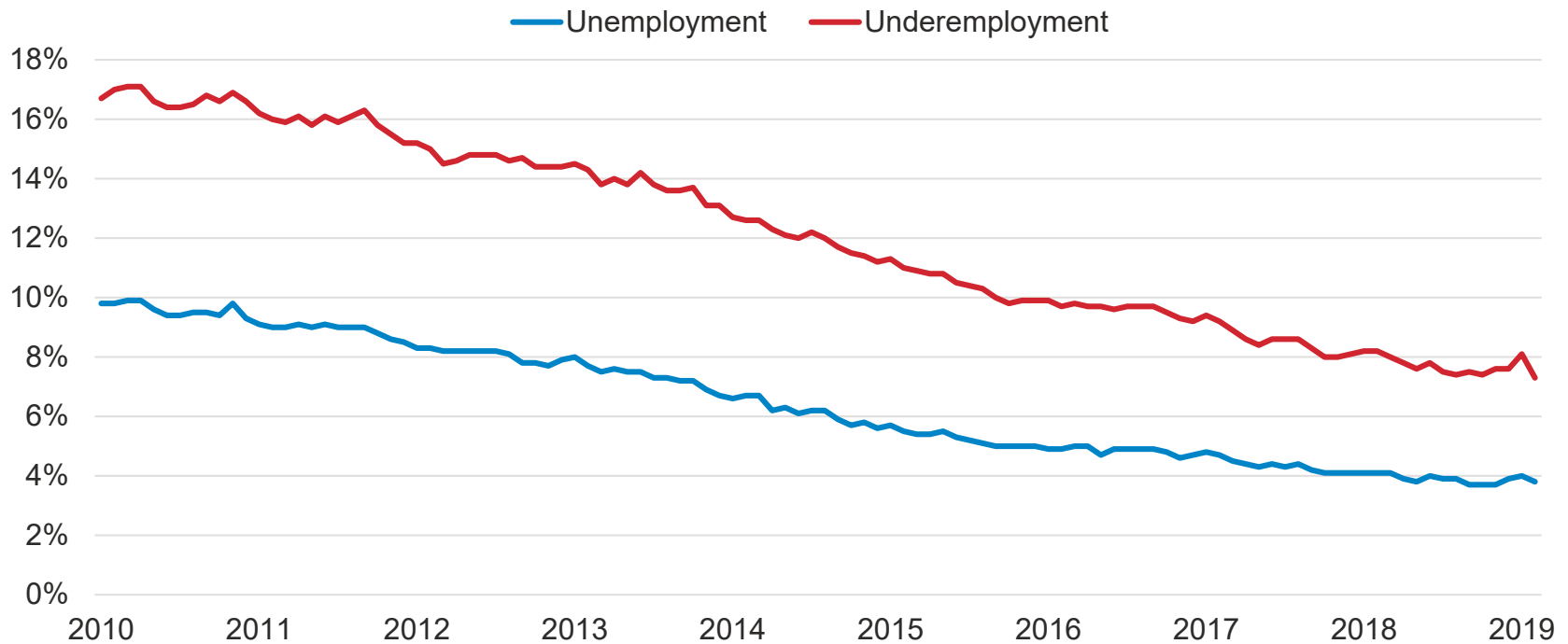
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Unemployment Rate

National monthly average %

What to Know

- The national unemployment rate stayed below 4% for most of 2018, ending the year at 3.9%.
- The underemployment rate, those marginally attached to the work force, steadily declined in 2018, ending the year at 7.6%.



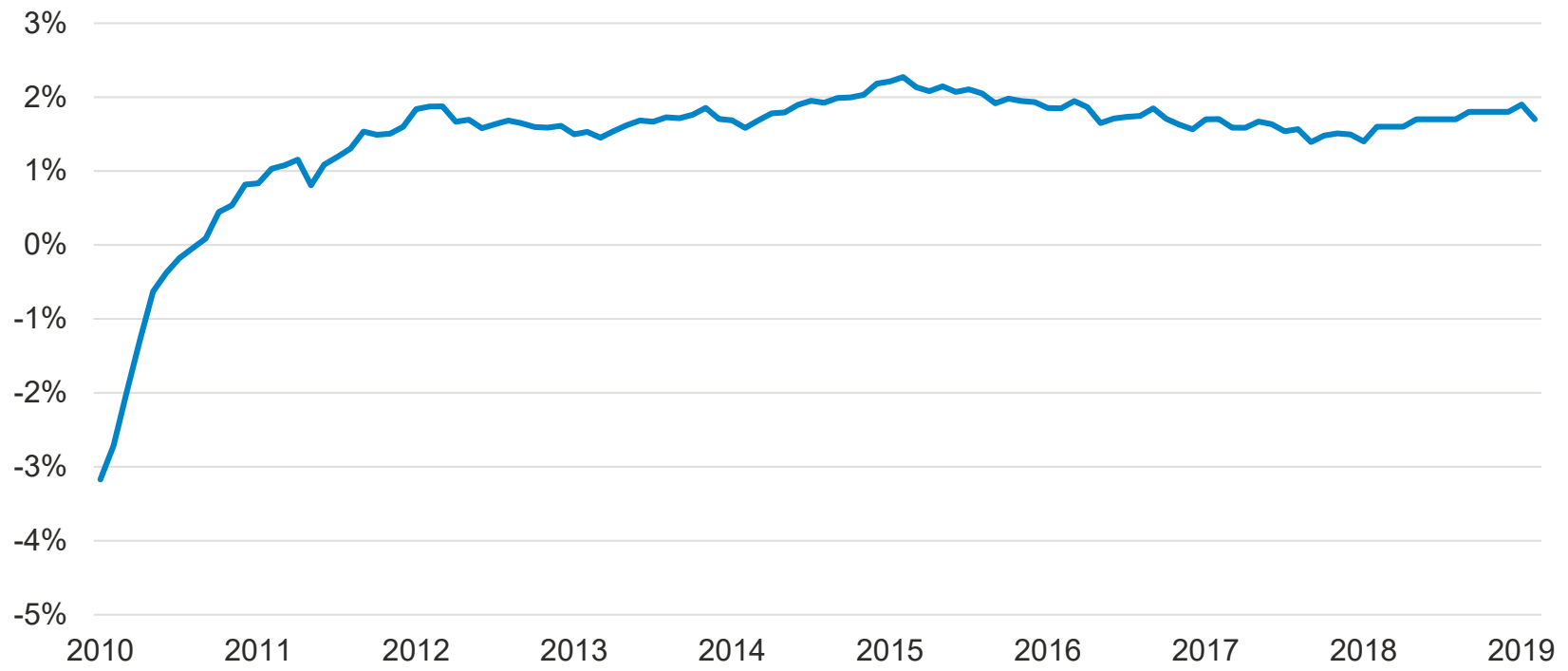
Source: Bureau of Labor Statistics

Employment Growth

% change vs. same month of prior year
(nonfarm)

What to Know

- Job growth totaled 2.6 million in 2018, up from the 2017 gain of 2.2 million.



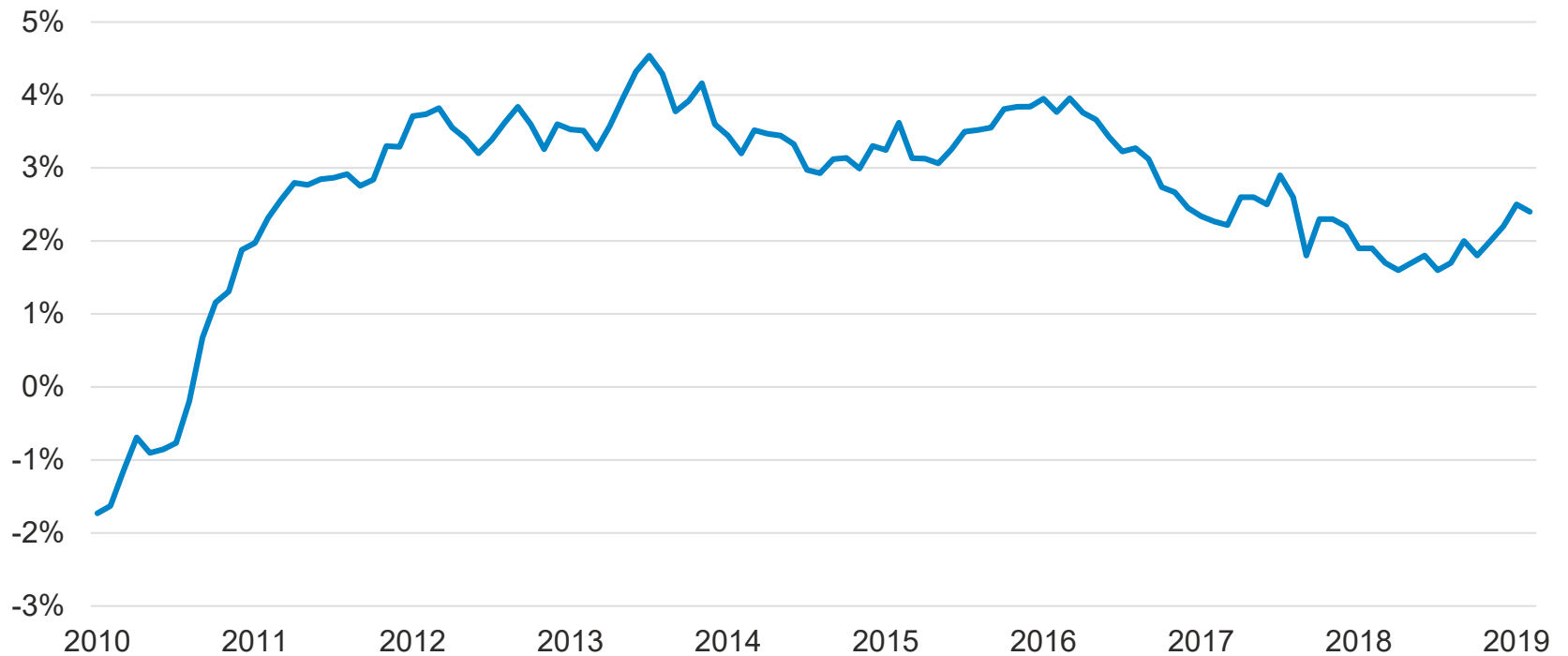
Source: Bureau of Economic Analysis

Foodservice Employment Growth

% change vs. same month of prior year

What to Know

- Employment in food services and drinking places rose by 41,000 in December. Over the year, the industry added 235,000 jobs, in line with the increase of 261,000 jobs in 2017.



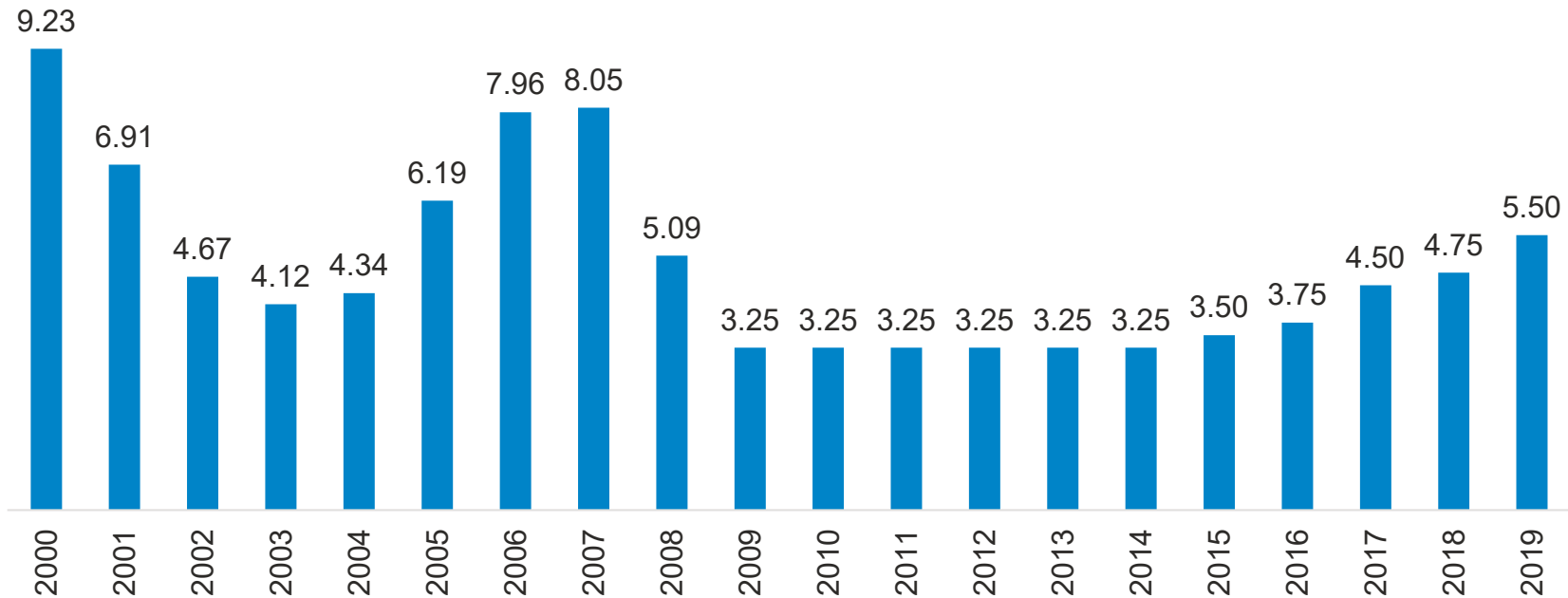
Source: Bureau of Economic Analysis

Prime Interest Rate

Average majority prime rate by year

What to Know

- The prime rate is the rate at which individual banks lend to the most creditworthy customers, including large corporations, and will impact the rates for credit cards and other nonmortgage loans.
- The Federal Reserve has steadily risen the rate since 2015 citing an improving economy, low unemployment and rising wages.



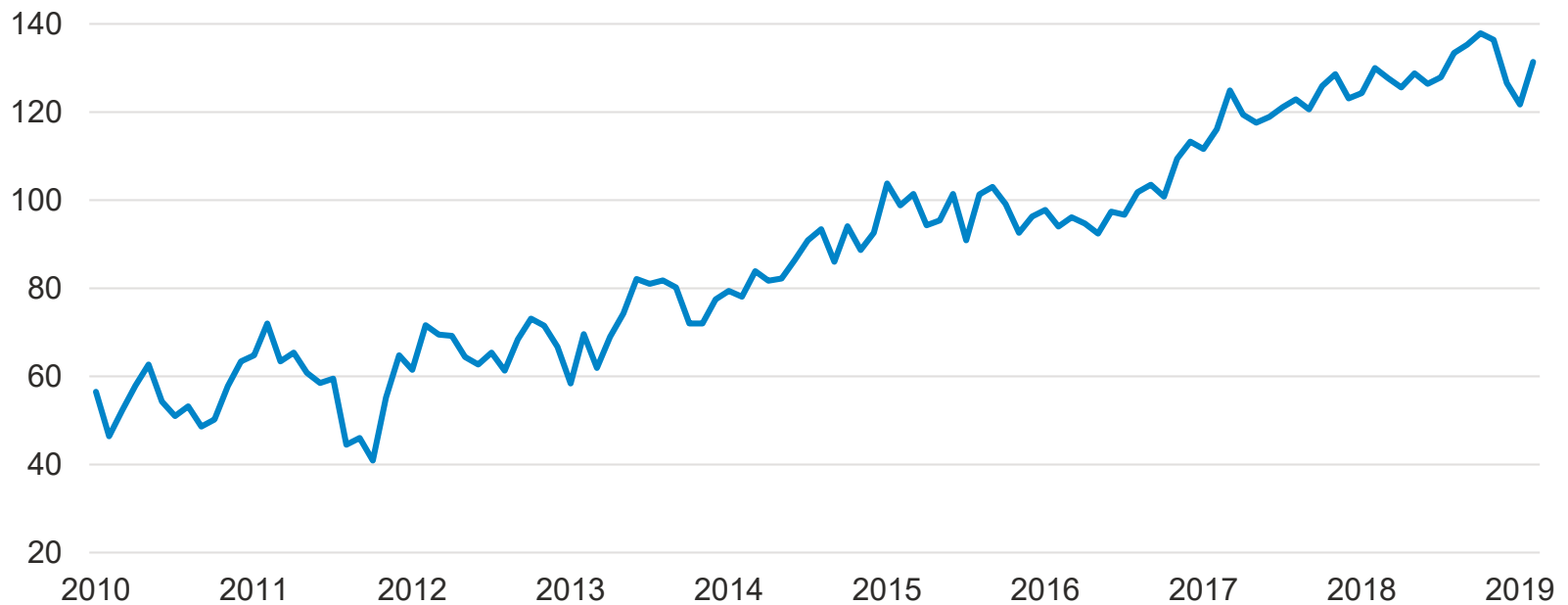
Source: Federal Reserve

Consumer Confidence

Monthly index

What to Know

- The Conference Board's measure of consumer confidence takes into account American's views of current economic conditions and their expectations for the months ahead.
- Despite ending the year with back-to-back monthly declines, consumers are encouraged by a healthy economy and a historically low unemployment rate.



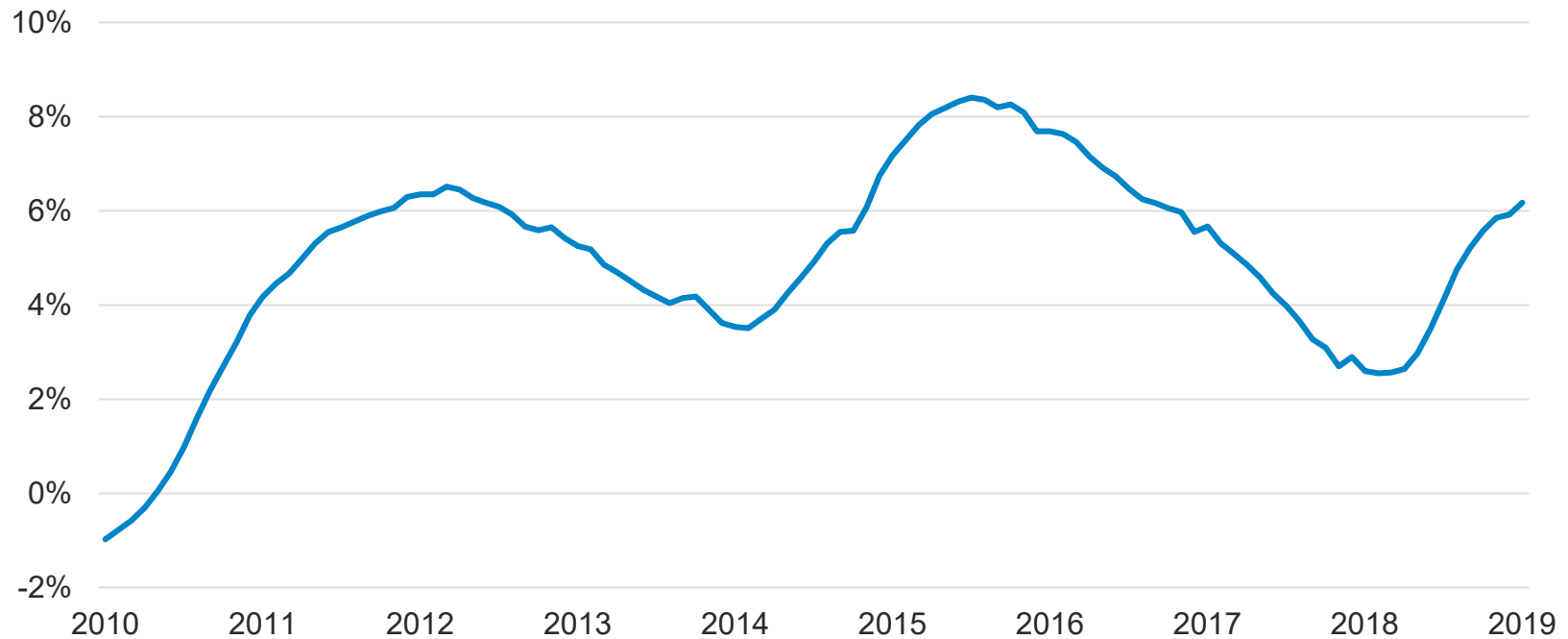
Base: 1985 = 100
Source: Conference Board

Foodservice Industry Sales

12-month moving average (nominal)

What to Know

- Data from the U.S. Census Bureau's Monthly Trade Report reveals that in 2018, the general category of foodservice and drinking places saw nominal sales growth of 6.0%.
- 2018's performance reversed a three-year downward sales trend which started in 2015.



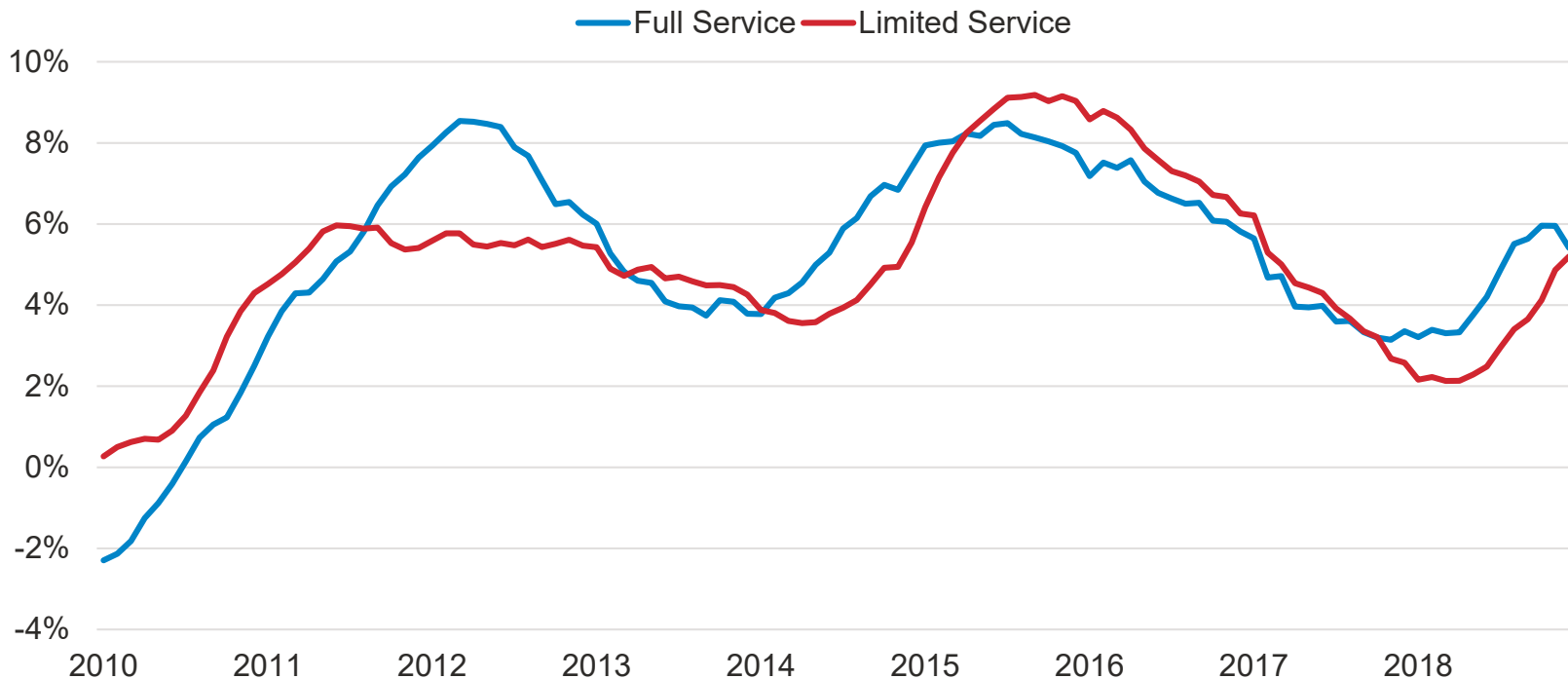
Source: U.S. Census Bureau; Monthly Trade Report
NAICS Category: Food services and drinking places

Full- vs. Limited-Service Restaurant Sales

12-month moving average (nominal)

What to Know

- Data from the U.S. Census Bureau's Monthly Trade Report reveals that in 2018, full-service restaurants experienced nominal sales growth of 7.9%, while limited-service restaurants saw sales growth of 4.3%.
- Both segments outperformed 2017 growth rates of 2.8% and 2.7%, respectively.



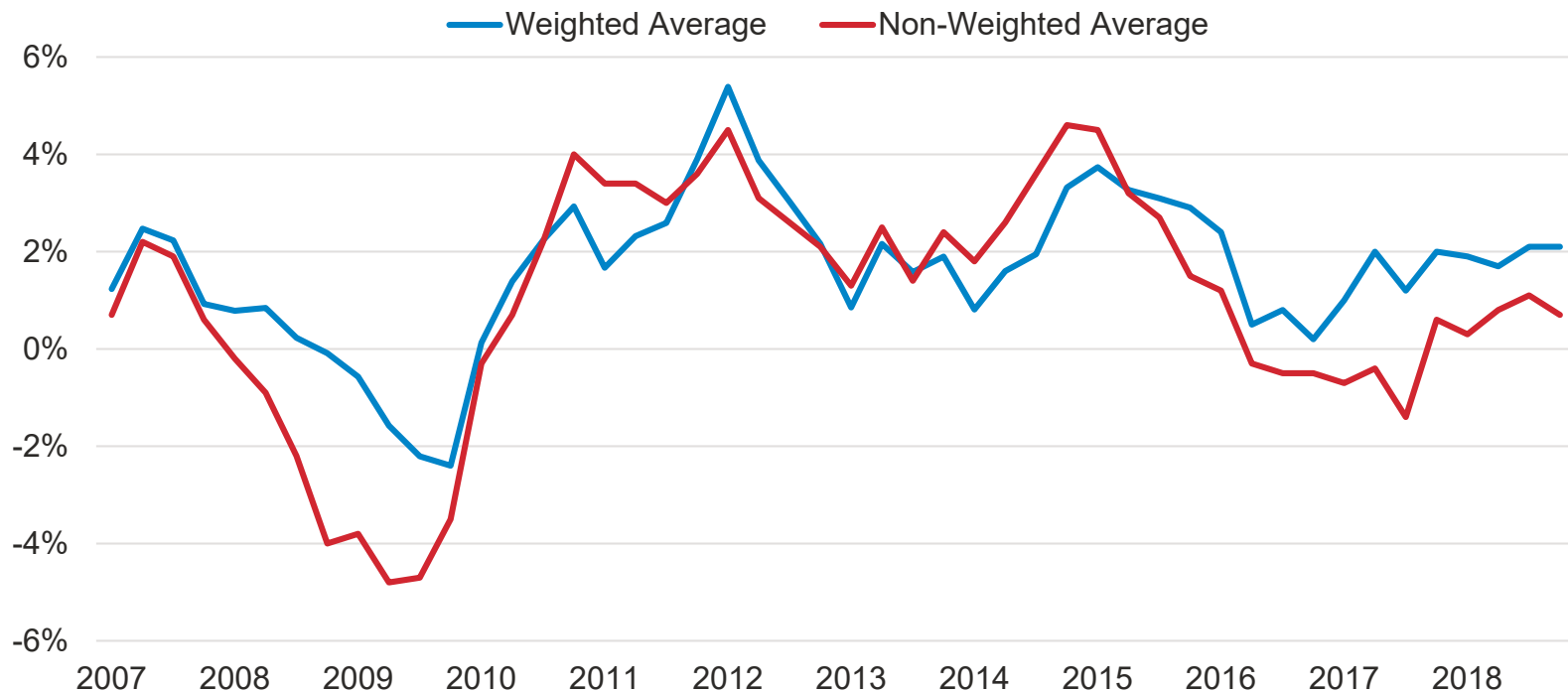
Source: U.S. Census Bureau; Monthly Trade Report
NAICS Category: Full and limited-service restaurants

Same-Store Sales

Publicly held restaurant chains;
change % vs. prior year

What to Know

- Same-store sales performance generally improved for publicly-held restaurant chains in 2018 as compared to the prior year.
- Growth for industry leaders such as McDonald's, Starbucks and Taco Bell continues to outpace the growth of other publicly held companies.



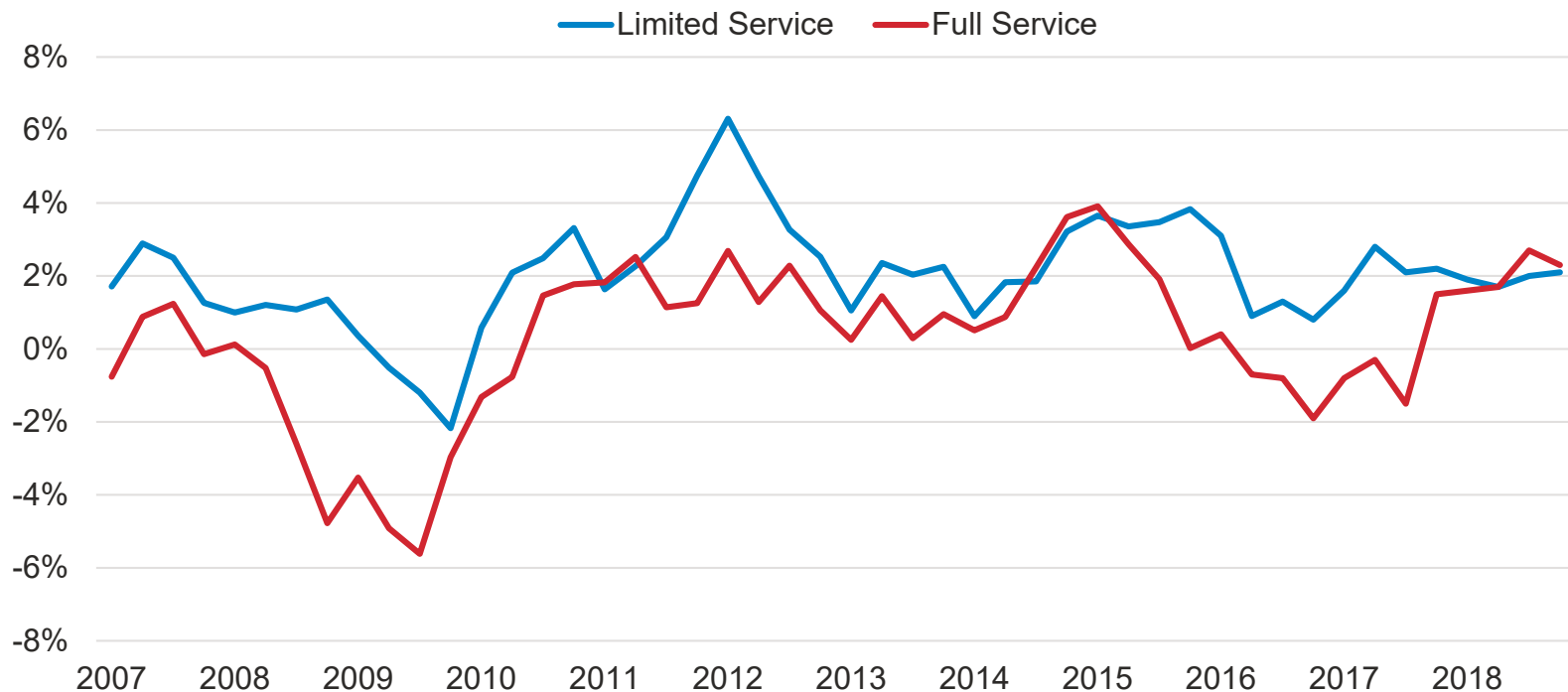
Source: Public company reports, Technomic, Inc.
Note: companies may follow varied fiscal calendars
Weighted average calculated using company sales volumes

Limited- vs. Full-Service Same-Store Sales

Publicly held restaurant chains;
change % vs. prior year (weighted)

What to Know

- Following a challenging year in 2017, full-service chains achieved a modest performance rebound in 2018. Notable chains posting improved results in 2018 include Applebee's, Chili's Grill & Bar and IHOP.



Source: Public company reports, Technomic, Inc.
Note: Companies may follow varied fiscal calendars
Weighted average calculated using company sales volumes

Trends in Pricing & Inflation



General Inflation

Consumer price index (all items):
annual change %

What to Know

- The consumer price index (CPI) measures the average change over time in prices that consumers pay for goods and services.
- In 2018, consumer generally paid 1.9% more for their goods than they did in 2017, which is slightly down from 2017's rate of 2.1%.



Source: Bureau of Labor Statistics

Food at Home Inflation

Consumer price index (food at home):
annual change %

What to Know

- Food at home prices include total expenditures for food at grocery stores or other food stores.
- The index for food at home increased 0.6% in 2018 following a 0.9% increase in 2017.



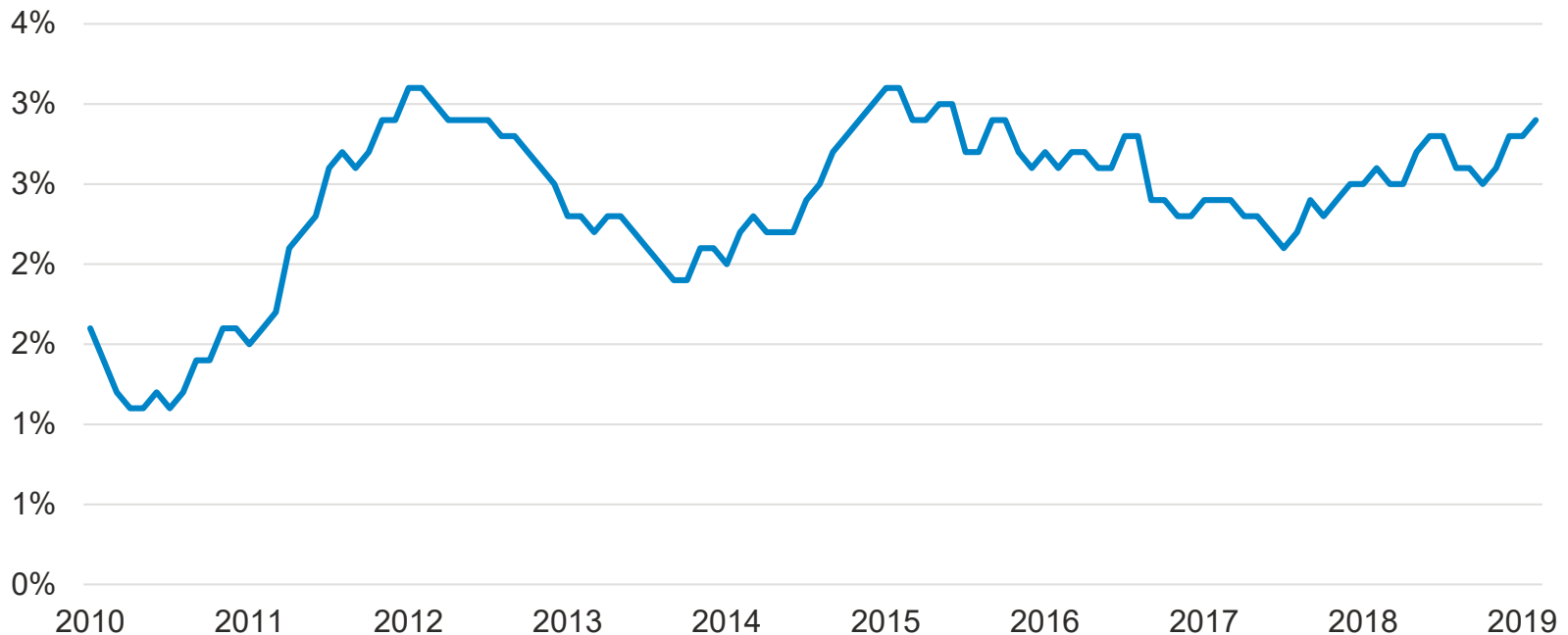
Source: Bureau of Labor Statistics

Food Away From Home Inflation

Consumer price index (food away from home):
annual change %

What To Know

- Differing from the food at home category, the index for food away from home includes all meals purchased at restaurants.
- The index for food away from home rose 2.8% in 2018 after a 2.5% increase the 2017.
- Over the last 10 years, the food index rose at an average annual rate of 1.6 percent.



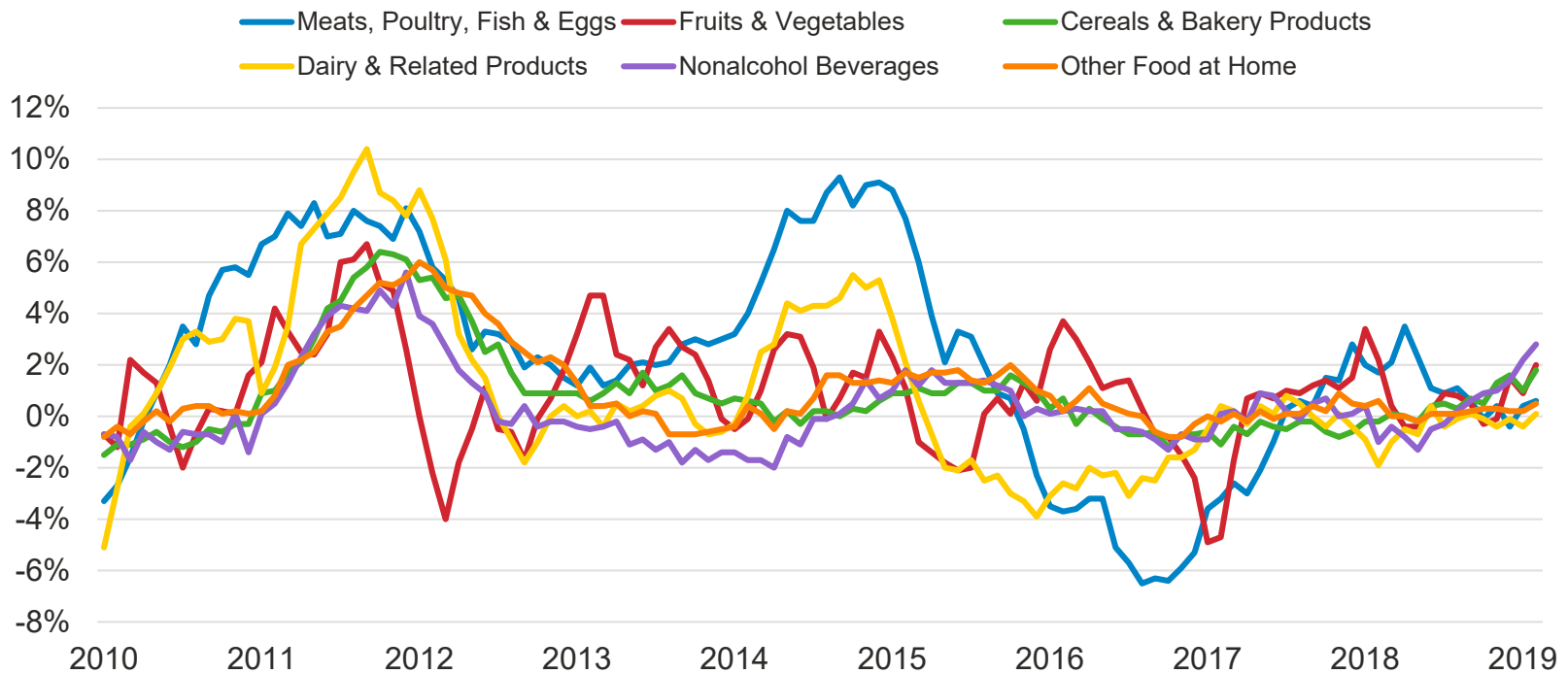
Source: Bureau of Labor Statistics

Food Inflation by Product Category

% annual change

What to Know

- Four of the six major grocery store food group indexes increased in 2018.
- The cereals and bakery products increased the most, rising 1.7% after declining in 2016 and 2017.
- In contrast, the index for meats, poultry, fish and eggs declined in 2018, falling 0.4% after rising 2.8% in 2017.



Source: Bureau of Labor Statistics

Producer Price Index

Final demand foods: % change over trailing 12 months

What to Know

- Producer price index (PPI) measures changes in the prices of goods from the perspective of the seller.
- Prices for final demand foods began the year trending downward, but quickly rose in December, reaching a four-year high of 120.4.



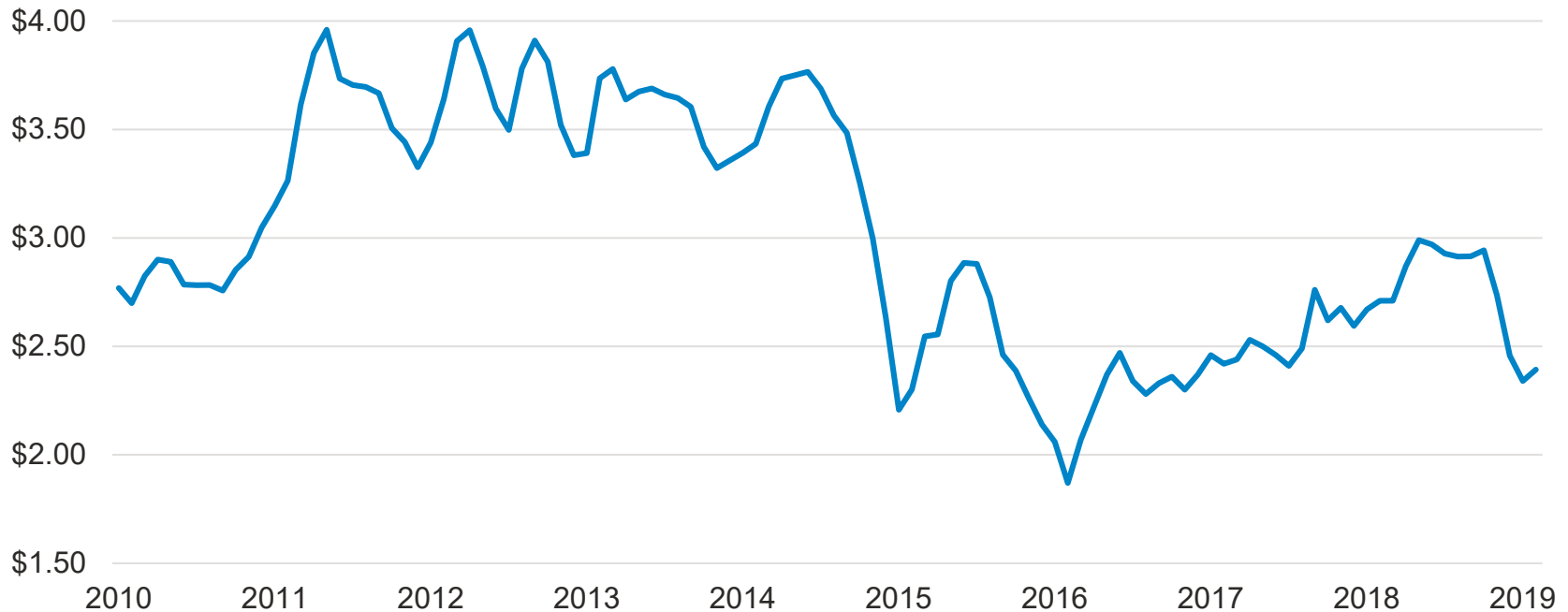
Source: Bureau of Labor Statistics

Gasoline: National Price Average

Dollars per gallon

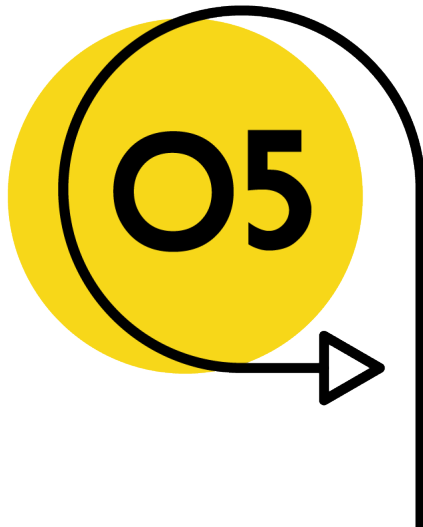
What to Know

- The national price of gasoline in 2018 continued an upward trend started in 2017, then abruptly descended, dropping \$0.49 in the span of two months.
- The average price of a gallon of gasoline at the end of 2018 was \$2.46.



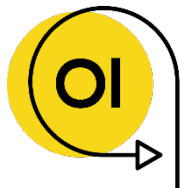
Source: U.S. Energy Information Administration

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Consumer Trends for 2019





Redefining Meat

Mainstream plant-based offerings from companies such as Impossible Burger and Beyond Meat are influencing consumers to both redefine and reset their expectations for meat and the role it plays in their lives. The realistic way in which these plant-based items mimic traditional proteins, such as beef, chicken and seafood, will increasingly cause consumers to question what it means to put meat on the plate. Moving forward, expect what constitutes “meat” to blur in consumers’ minds as they give veggie hot dogs and other plant-based meat impostors a try.

- Overall, 41% of consumers at least somewhat agree that they would occasionally eat plant-based items that mimic the taste and texture of real meat. Among consumers ages 18-34, this number jumps to 59%.

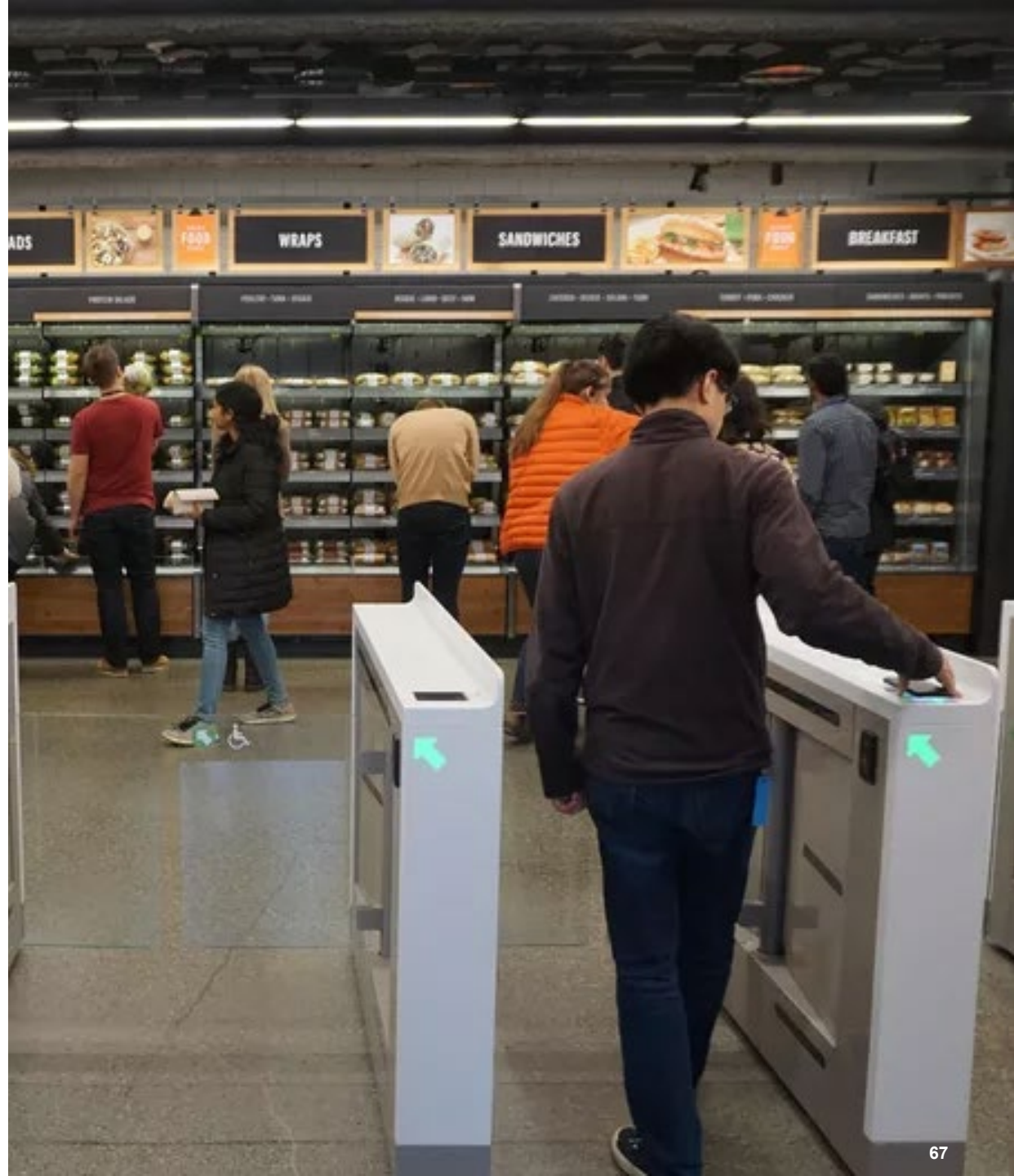


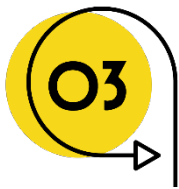


Friction-Free

From mobile apps to kiosks, consumers have more ways than ever to make ordering easy. While these options are convenient, we're already seeing technology advancements provide truly "frictionless" walk-in/walk-out experiences, such as the cashierless payment system at Amazon Go stores. Experiences like these will set consumer expectations moving forward. At the same time, the human element will actually become more important in the eyes of consumers. As fewer interactions occur, those that do take place will stand out even more as a result.

- Overall, 61% of consumers at least somewhat agree that they would be interested in a grab-and-go, tech-driven system that allows them to walk in, grab food and walk out at limited-service restaurants without the need for cashier interaction.

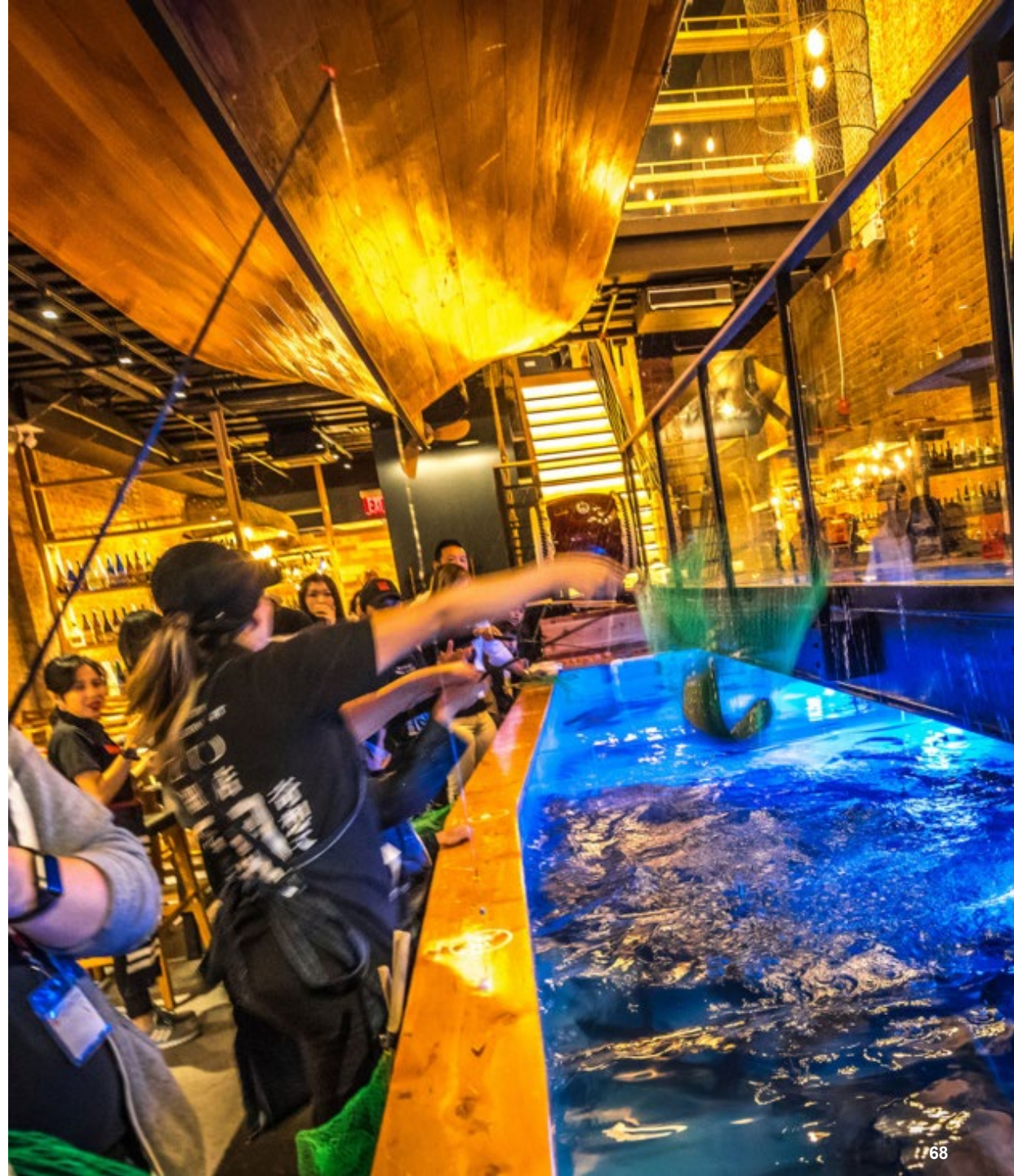




Customer Experience

Consumers are flocking to restaurants more and more for the foodservice experience—not just the occasion. Nostalgic pop-up restaurants, Instagram-worthy over-the-top milkshakes and automated technology are giving guests new motivations to visit. Moving forward, expect consumers to continue to ask for next-level experiences and operators to respond with offerings such as catch-your-own fish (Zauo in New York City) and augmented reality games that turn restaurants into virtual game spaces.

- Overall, 67% of consumers say that visiting restaurants is a form of entertainment for them, and 31% of millennials—more than any other generation—say they often take pictures of their food at restaurants to post to social media.

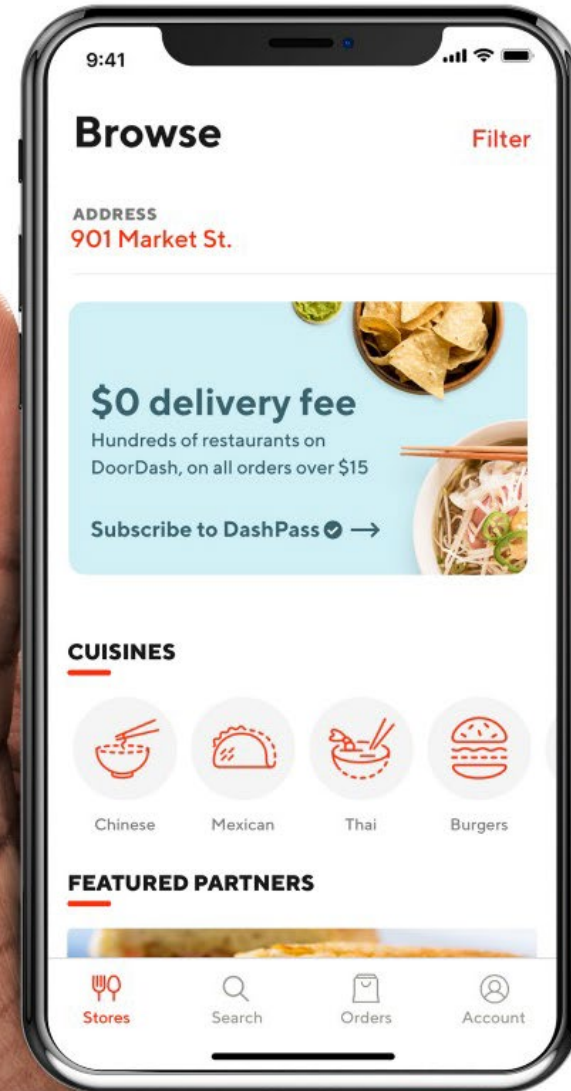


Subscription-Based Loyalty

It's more difficult than ever to gain consumer loyalty. For many consumers, standard loyalty programs are simply not worth the effort or require too much spending to reap the rewards. Consumers are used to paying a recurring fee though if the value proposition is right (e.g., Costco, Amazon Prime, Netflix, etc.). As such, expect the foodservice industry to increasingly look to subscription models to drive greater loyalty. Third-party delivery companies, such as DoorDash, are already getting in on the action and operators are likely to jump in as well with programs that can drive repeat visits, such as a flat annual fee that guarantees 5% off every order.

- Overall, 53% of Gen Zers and 46% of millennials at least somewhat agree that they would be likely to pay a yearly subscription fee to receive 10% off all orders if offered by their favorite restaurant.

Image source: blog.doordash.com



Creating Connection with Full Transparency

In the past, consumers would likely connect restaurant transparency with sourcing, food origin or growing and processing methods. But tomorrow's foodservice consumer will increasingly demand a more well-rounded transparency message, expecting brands to be fully transparent in compelling and impactful ways. To create a lasting connection with consumers, more restaurant brands will emphasize their policies on fair trade, diversity and living wages, while publicizing their real environmental footprint, conservation initiatives and progressive stance on animal welfare.

- Overall, 41% of consumers strongly agree that it's important for restaurants to be transparent about their efforts to reduce their environmental impact, and 45% of Gen Zers—more than any other generation—say they are more likely to visit restaurants that make an effort to reduce their environmental impact.



What's on the Menu?

Powered by the Technomic Ignite menu data



Plant-Based Everything

- Faux beef products such as Impossible Foods and Beyond Meat have permeated top chain restaurants
- Now we're seeing operators preparing veggies to look and taste like meat, such as jackfruit for pulled pork
- First meat, next dairy: oat milk, pea milk, nut and seed butters/milks

Umami Burger's Impossible Burger features a plant-based burger patty



Natural Enhancers

- Second wave of functional foods trend, following natural remedy ingredients
- Follows on gut-friendly fare trend of last year
- Ingredients that provide benefits to physical, mental and emotional health



Protein Bar and Kitchen's Bikini Smoothie with collagen peptides

Levantine Cuisine

- Interest in Israeli cuisine has led to increased interest in Israel's surrounding countries of Lebanon, Syria and Turkey
- Sauces such as s'chug, pomegranate molasses, toum, labneh and tahini are finding new and innovative applications, in addition to ingredients including urfa, lavash and even schmaltz
- Up next: Balkan cuisine

Starbucks' Za'atar Chicken and Lemon Tahini



Sensory Thrills Beyond a Snapshot

- Takes the Instagrammable trend to the next level
- Extends the trend from what looks good in a single snapshot to what plays well through a video
- Includes color-changing beverages, glitter infusions and bonito-topped foods



**Lemonade's
Classic
Lemonade with
Blue Butterfly
Flower Tea**

The Tide Pod Revolution

- Ingredients that once seemed inedible have been getting a second look this past year
- Wow factor trend plus no-waste initiatives
- Includes insect/cricket protein, seaweed and other sea vegetables, cannabis, huitlacoche, collagen-infused drinks and the ugly food movement



**Hello Sailor's
Sunchokes and
Caviar** with
schmaltz and
huitlacoche
(Cornelius, N.C.)

Bitter's the New Bold

- Bitter flavors are finding favor, namely among younger consumers
- Especially prominent in adult beverages, such as the Aperol spritz
- Lavender and other bitter floral flavors finding momentum in food and beverage

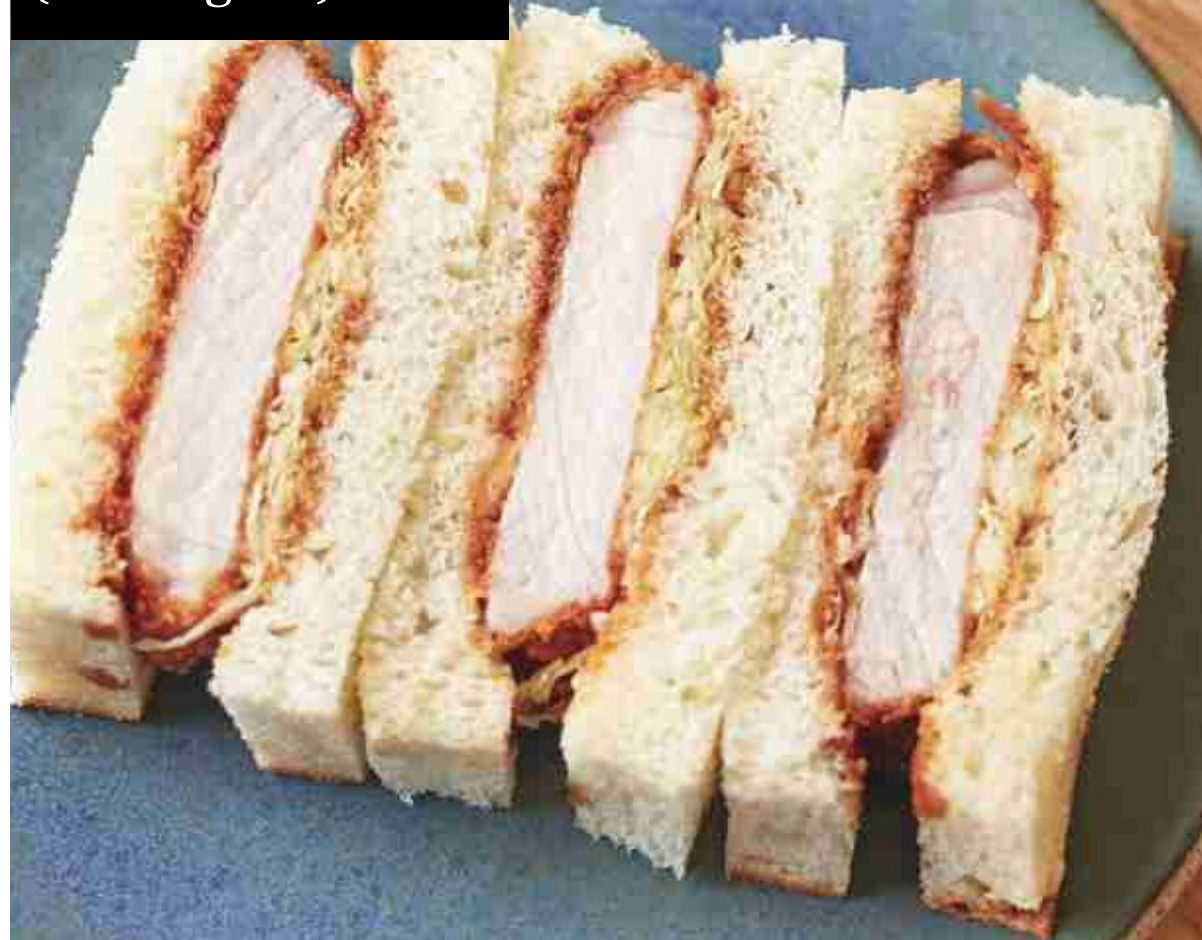


**P.F. Chang's
Happier Than a
Pig with Aperol**

Humble Eats

- Casualization of fine-dining establishments (and general lifestyle trends) has led to humble foods taking a more prominent role
- Comfort foods such as fried bologna sandwiches, katsu sandos, porridge and Jell-O are getting upscale spins
- Former throwaway ingredients such as schmaltz and huitlacoche are shining in premium applications

Konbi's Pork Katsu with cabbage and bulldog sauce (Los Angeles)



Wells Fargo Restaurant Finance

Wells Fargo Restaurant Finance provides financing to corporate restaurant brands, restaurant franchisees, experienced commercial real estate investors who own restaurant properties, private equity firms and other investors in restaurant concepts. Our loan products include: syndicated corporate senior financing, fixed and floating rate term loans, acquisition facilities, sale-leaseback financing, bridge/development financing, working capital revolvers, and interest rate risk management. We also provide easy to use development lines of credit for the following purposes: new builds, remodels, rebuilds, equipment, acquisitions, and distributions. Additionally, we offer structured loan programs to franchise systems for capital improvements including equipment and technology upgrades.



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About Technomic

Technomic, Inc., a Winsight company, was founded as a management consulting firm in 1966. Since then, Technomic's services have grown to encompass cloud-based B2B research tools, consumer and menu trend tracking, as well as other leading strategic research and analytic capabilities, to prioritize and size business opportunities. Our clients include food manufacturers and distributors, restaurants, retailers and multiple other business verticals aligned with the food industry that are looking to make informed decisions to support their business growth. Visit Technomic at www.technomic.com.



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