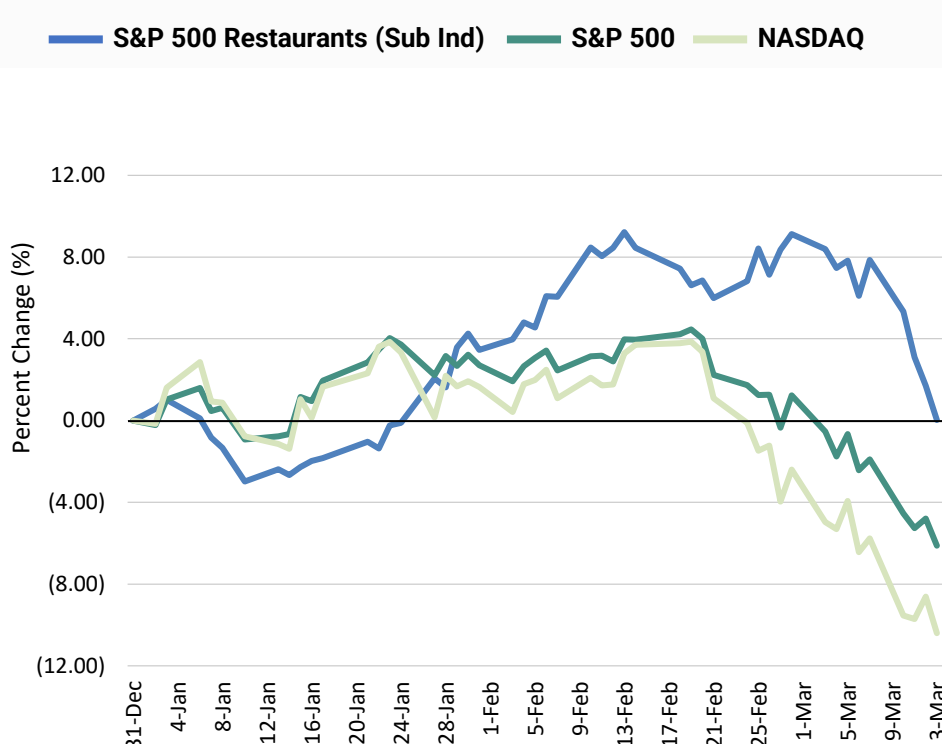




# Restaurant Sector

March 2025

## RESTAURANT INDEX PERFORMANCE



The Restaurant Index outperformed the S&P 500 by 6.15% and the Nasdaq by 10.43% over the last quarter; however, it recorded a gain of only 0.03% QTD amid a broader market selloff.

STOCK	PRICE CHANGE
CMG – Chipotle	(19.19%)
DRI – Darden	(2.98%)
DPZ – Domino’s	2.12%
MCD – McDonald’s	2.63%
SBUX – Starbucks	5.25%
YUM – Yum Brands	14.36%
RESTAURANT INDEX*	0.03%

\*Weighted change of S&P 500 Restaurants (Sub Ind)  
Source: Capital IQ as of March 13<sup>th</sup>, 2025

## GAINS AND LOSSES ACROSS THE INDUSTRY

Quarter-to-date price change as of March 13<sup>th</sup>, 2025



\* Criteria: market capitalization >\$10m, USA or CAN location; Full service, Fast food or Tea/Coffee shop classification Source: Capital IQ

## HAPPENINGS ACROSS THE INDUSTRY

### QUICK SERVICE



Dutch Bros is off to a strong start, surpassing Q4 earnings estimates by \$24 million and opening its 1,000th store in February. The company continues to pursue **expansion strategies**, boosting **customer traffic** and **store productivity** through **mobile ordering**, its Dutch Rewards **loyalty program**, and menu innovations, with a robust financial outlook projecting 21%-23% revenue growth for the rest of the year.

### FAST CASUAL



Noodles & Company aims to bounce back from missed Q4 earnings with **strategic restructurings** designed to improve operations, technology, and menu. Early 2025 shows over 3% growth in traffic and sales from new menu items, **promotions**, and **third-party delivery** momentum. Plans include nine new dishes, enhanced training, and a **marketing push** with PR and influencers to boost **brand visibility** and engagement.

### CASUAL DINING



Hooters of America is reportedly preparing for **bankruptcy** following years of sales declines and restaurant closures. The chain has faced financial struggles, including **credit downgrades** to two tranches of Hooters-issued securities, and **delayed vendor payments**, with over 20% of bills overdue in 2024. These issues reflect broader **challenges** in the casual dining space, marked by **rising costs** and **changing consumer preferences** for quick and fast dining.

### FINE DINING



Union Square Hospitality Group, which owns 12 restaurants ranging from cafes to fine dining establishments, is opening a new Ci Siamo location in Boston in 2025. Ci Siamo, an Italian restaurant, was ranked as the **13<sup>th</sup> best restaurant** in **New York City** in 2024 by Pete Wells in the New York Times. Union Square will attempt **expansion** in **new markets**, given their struggles in the past with two restaurants that close within 2 years in Washington D.C.

## The Big Story

The restaurant industry is expected to recover in 2025 after facing vast challenges in recent years due to inflation, rising food and labor costs, and scarce capital. This year signals a renewed interest in consumer spending as they adjust to the increased costs of eating out. Signals of lowering inflation, expectations of low interest rates, and the amount of dry powder sitting with private equity companies create an opportunity to deploy cash reserves in the industry. While bankruptcies are expected to continue for some brands, franchisees will benefit from better access to debt, facilitating expansion and growth opportunities. This strategic shift, with investments in technology and operational efficiencies, positions the industry for a promising resurgence.

The year has already started to experience PE activity with Authentic Restaurant Brands (ARB), a Garnett Station Partners portfolio company established in 2021, acquiring Tavern in the Square, a New England casual dining brand with 17 locations and 4 additional concept restaurants. This is ARB's 5th acquisition in 5 years, boosting its portfolio of iconic regional restaurant brands to annual revenue of \$1B and over \$150M EBITDA. Additionally, a \$1B deal from Roark Capital to acquire Dave's Hot Chicken is expected to hit the market in the upcoming months. If the news is confirmed, it would add to the impressive list of Roark-backed restaurant companies including Subway, Sonic, Dunkin', Jimmy Johns, and more.

## FINANCE FUNDAMENTALS CORNER

Accurate, insightful reporting is crucial for all stakeholders – companies, investors, and sponsors alike. Leverage back-office operational enhancements to minimize errors, drive transparency, and empower users with the knowledge to make better decisions and drive performance.

Areas to focus on include

- **Finance Performance:** Improve business partnerships and drive value-added initiatives to strengthen and streamline back-office processes
- **Risk Management:** Address audit committee concerns, remediate accounting risk, understand financial health, and manage risk
- **Management Reporting:** Enable FP&A teams and systems to produce the right reports, KPIs, and managerial views
- **FP&A:** Plan for unexpected industry volatility, increase forecasting efficiency and accuracy to eliminate surprises, plan, model, and track business performance
- **Digitalize:** Embed financial models and scenario analysis in dashboards for dynamic KPIs in digestible views
- **Business Planning and Event Execution:** Ensure proper liquidity and finance support readiness without disrupting operations to drive the process to Day One while maximizing transaction value

## HOW WE SUPPORT RESTAURANT CLIENTS

- ✓ Prepare for first-time PE situations with support in communicating the right reporting and analytics at the right cadence with sponsors
- ✓ Receive diligence support by understanding if the company has the right finance and technology infrastructure for target PE valuations
- ✓ Streamline the monthly, quarterly, and annual financial reporting process, earning the trust of PE stakeholders through accurate and reliable financial insights

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