

Restaurants Industry

2/21 4Q Earnings Recap: BTE margins as companies ratchet down G&A

Price Objective Change

BROS: Raise F24 SSSG estimates; Maintain \$48 PO

BROS' 4Q SSSG beat (5% vs 2.3% VA cons) marked a sequential improvement, despite less pricing (5% vs 9% in 3Q) as traffic turned positive ex-sales transfer. F24 guidance (Adj. EBITDA \$185-\$195mm, LSD SSSG) is largely in-line with consensus. We raise our F24 comp estimate from 2.0% to 2.9% as we expect: [the new initiatives by management to continue to gain traction](#). Our PO for BROS is unchanged as we derive our PO from steady-state earnings power-based valuation. Our \$48 PO denotes estimated fair value based on normalized earnings power for BROS. We estimate that at \$9.2 bb in sales, assuming stable RLMs and 8% G&A, BROS would generate \$1.5 bb in EBITDA. Applying a 14x multiple (in-line with high growth peers) and discounting back equates to a \$48 fair value in one year. We reiterate our Buy rating.

WING: Raising F24 EBITDA estimates; raise PO to \$376

WING's impressive 4Q SSSG of 21.2% was not only above expectations but mostly traffic driven (see link: [4Q Quick Take](#)). While WING's F24 outlook was in-line with consensus expectations, we think MSD SSSG may prove conservative. We believe WING is well-positioned to sustain topline momentum (e.g., double digit new unit growth y/y, higher tech fees to drive digital mix & brand awareness). We raise our F24 domestic SSSG to 6.3% (vs. 5.8% prior). Our F24 EBITDA moves higher to \$172mm (vs \$155mm prior). We set our \$376 PO based on steady state earnings power. We assume WING grows its store base at 12% to reach 9292 restaurants globally. Assuming RLMs of 30% and G&A at 1.8% of system sales we arrive at EBITDA of \$1.2bb. Applying a 21x terminal multiple (higher vs 18x previously, owing to peer multiple expansion) in-line with mature growth franchised restaurants and discounting back we arrive at our \$376 PO (\$323 prior).

CAKE: Lower 1Q revs & EPS; PO to \$38 on rolled fwd ests

We lower our 1Q revenue to \$888mm (vs \$915mm prior) to reflect negative weather in January (1.5-2 ppt headwind) and continued lower new unit productivity at North Italia. We expect SSSG to slow in F24 as pricing is largely offset by negative mix. Our F24 EPS moves to \$3.16 (vs \$3.09 prior) flowing thru the 4Q beat (by \$0.06) and more favorable food cost inflation (now expected to be up LSD vs up LSD-MSD prior). We apply a 0.6x relative P/E multiple (11.0x, lower vs 11.4x prior on market multiple compression) to our rolled forward EPS estimates (F25: \$3.50) to arrive at our \$38 PO (vs \$37 prior). We reiterate our Neutral rating.

JACK: Raise revs, EPS; PO to \$104 on rolled fwd ests

We raise our 2Q revenue to \$372mm from \$365 prior to reflect pricing. As a result, 2Q EBITDA moves from \$75mm to \$77mm and EPS from \$1.53 to \$1.61. F24 revenue moves up as well, resulting in EBITDA of \$323mm and EPS of \$6.51 for the full year (vs \$315mm and \$6.46 prior). We apply a 0.7x rel. multiple (13.8x absolute vs 13.1x prior) to our 2Q25-1Q26 EPS of \$7.56 to arrive at our PO of \$104 (vs \$97 prior). We view the multiple as appropriate since JACK has historically lagged peers. Reiterate Buy.

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Equity
United States
Restaurants

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Stock symbol key:

WING: Wingstop
BROS: Dutch Bros
CAKE: The Cheesecake Factory
JACK: Jack in the Box

Glossary:

SSSG – same-store sales growth, also known as comparable sales or “comps”

MSD – mid-single digit

SG&A – selling, general & administrative

LSD- low single digit

BTE- better than expected

G&A – General & admin expenses

RLM – Restaurant level margin

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BROS: Raise F24 SSSG ests; Maintain \$48 PO

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Exhibit 1: BROS reported 4Q comps, EBITDA and EPS above consensus

BROS Reported 4Q Results vs BofAE and Visible Alpha consensus

| | 4Q22 Reported | 4Q23 Reported | y/y change | BofAE | Cons 4Q23E | Variance (vs BofAE) | Variance (vs cons) |
|-------------------------------------|---------------|---------------|------------|---------|------------|---------------------|--------------------|
| Net New Store Openings | 30 | 37 | 23% | 37 | 33 | 0% | 13% |
| Company Operated | 396 | 542 | 37% | 542 | 536 | 0% | 1% |
| Franchise | 275 | 289 | 5% | 289 | 290 | 0% | 0% |
| Systemwide Shops EOP SSSG | 671 | 831 | 24% | 831 | 827 | 0% | 1% |
| Company | -2.1% | 4.6% | 6.7 ppt | 2.0% | 1.5% | 2.6 ppt | 3.1 ppt |
| SRS Growth (%) | -0.6% | 5.0% | 5.6 ppt | 2.8% | 2.3% | 2.2 ppt | 2.7 ppt |
| Total revenue | \$201.8 | \$254.1 | 26% | \$251.6 | \$251.8 | 1% | 1% |
| Company-operated Shops | \$175.5 | \$227.4 | 30% | \$224.3 | \$225.3 | 1% | 1% |
| Franchising and Other | \$26.3 | \$26.8 | 2% | \$27.3 | \$26.5 | -2% | 1% |
| Company operated costs | \$121.7 | \$163.7 | 35% | \$161.8 | \$166.2 | 1% | -1% |
| Beverage, Food and Packaging | \$45.6 | \$60.4 | 33% | \$60.9 | \$59.1 | -1% | 2% |
| % of Restaurant revenue | 26.0% | 26.6% | 60 bps | 27.1% | 26.2% | -55 bps | 34 bps |
| Labor Costs | \$44.9 | \$61.7 | 38% | \$61.1 | \$62.4 | 1% | -1% |
| % of Restaurant revenue | 25.6% | 27.1% | 158 bps | 27.2% | 27.7% | -9 bps | -54 bps |
| Occupancy and Other Costs | \$31.2 | \$41.6 | 33% | \$39.9 | \$40.1 | 4% | 4% |
| % of Restaurant revenue | 17.8% | 18.3% | 49 bps | 17.8% | 17.8% | 51 bps | 50 bps |
| Restaurant EBITDA (ex pre-opening) | \$53.8 | \$63.7 | 18% | \$62.5 | \$63.8 | \$0.0 | 0% |
| % of Restaurant revenue | 30.7% | 28.0% | -267 bps | 27.9% | 28.3% | 12 bps | -31 bps |
| Preopening Costs | \$3.8 | \$3.4 | -11% | \$4.6 | \$4.6 | -26% | -26% |
| % of Restaurant revenue | 2% | 1% | -69 bps | 2% | 2% | -56 bps | -56 bps |
| Company Shop Depreciation | \$11.2 | \$18.0 | 60% | \$16.6 | \$17.1 | 8% | 5% |
| % of Restaurant revenue | 6% | 8% | 1 bps | 7% | 8% | 0 bps | 29 bps |
| Restaurant EBITDA w/ preopen | \$50.0 | \$60.2 | 21% | \$57.9 | \$59.1 | 4% | 2% |
| % of Restaurant revenue | 28.5% | 26.5% | -198 bps | 25.8% | 26.2% | 68 bps | 25 bps |
| Franchising and other costs | \$10.7 | \$9.9 | -7% | \$10.9 | \$10.4 | -9% | -5% |
| % of Franchising and other revenue | 41% | 37% | -356 bps | 40% | 39% | -290 bps | -234 bps |
| Selling, general and administrative | \$50.6 | \$56.9 | 13% | \$56.7 | \$56.8 | 0% | 0% |
| % of Total revenue | 25% | 22% | -266 bps | 23% | 23% | -11 bps | -17 bps |
| Interest expense, net | -\$6.9 | -\$6.1 | -12% | -\$5.8 | -\$6.3 | 5% | -4% |
| Other income (expense), net | \$5.6 | \$0.8 | -86% | -\$0.4 | \$0.4 | -303% | 132% |
| Income tax expense | -\$5.3 | -\$0.7 | -87% | -\$0.8 | -\$0.5 | -14% | 52% |
| Adj. EBITDA | \$29.7 | \$34.6 | 16% | \$29.7 | \$30.9 | 16% | 12% |
| Adj. EBITDA margin | 14.7% | 13.6% | -111 bps | 11.8% | 12.3% | 179 bps | 135 bps |
| Adjusted EPS | \$0.09 | \$0.04 | -70% | \$0.03 | \$0.03 | 53% | 48% |

Source: Company filings, BofA Global Research estimates, Visible Alpha consensus

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Exhibit 2: BROS guided to LSD SSSG and \$185-195mm EBITDA in F24

BROS F24 Guidance vs Cons

| | Guidance | | Avg | Cons | variance |
|-----------------------|-------------------|---------|---------|---------|----------|
| Total shop openings | 150 | 165 | 157.5 | 159 | -1% |
| Total revenues (\$mm) | \$1,190 | \$1,205 | \$1,198 | \$1,219 | -2% |
| SSSG | Low single digits | | n/a | 2.0% | n/a |
| Adj. EBITDA (\$mm) | \$185 | \$195 | \$190 | \$192 | -1% |

Exhibit 2: BROS guided to LSD SSSG and \$185-195mm EBITDA in F24

BROS F24 Guidance vs Cons

| | Guidance | | Avg | Cons | variance |
|-----------|----------|-------|-------|-------|----------|
| Adj. SG&A | \$183 | \$189 | \$186 | \$197 | -5% |
| CapEx | \$280 | \$320 | \$300 | \$247 | 22% |

Source: Company reports, Visible Alpha

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Exhibit 3: We forecast EPS of \$0.37 in F24 and \$0.56 in F25

BROS Income Statement, F23-F25E

(\$ in mm except per share amounts; YE December)

| | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E | 1Q25E | 2Q25E | 3Q25E | 4Q25E | 2025E |
|--|----------------|-----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|
| Company-operated Shops | \$857.9 | \$214.6 | \$287.6 | \$304.2 | \$281.5 | \$1,087.8 | \$260.2 | \$358.6 | \$381.0 | \$340.1 | \$1,340.0 |
| Franchising and Other | \$107.8 | \$26.6 | \$31.9 | \$30.3 | \$28.9 | \$117.7 | \$28.8 | \$34.6 | \$33.0 | \$31.5 | \$127.9 |
| Total Revenue | \$965.8 | \$241.2 | \$319.5 | \$334.5 | \$310.4 | \$1,205.6 | \$289.0 | \$393.2 | \$414.0 | \$371.6 | \$1,467.8 |
| Beverage, Food and Packaging | \$230.1 | \$60.2 | \$76.8 | \$78.3 | \$74.3 | \$289.5 | \$73.0 | \$95.7 | \$98.0 | \$89.7 | \$356.5 |
| Labor Costs | \$230.5 | \$64.5 | \$76.7 | \$79.5 | \$79.6 | \$300.3 | \$77.8 | \$95.6 | \$98.4 | \$98.1 | \$370.0 |
| Occupancy and Other Costs | \$140.9 | \$40.5 | \$42.6 | \$46.7 | \$53.6 | \$183.4 | \$48.1 | \$53.1 | \$57.8 | \$66.0 | \$225.0 |
| Preopening Costs | \$14.1 | \$4.3 | \$3.6 | \$4.8 | \$4.3 | \$16.9 | \$5.1 | \$4.3 | \$5.6 | \$5.1 | \$20.1 |
| Company Shop Depreciation | \$62.1 | \$16.1 | \$18.5 | \$20.2 | \$21.5 | \$76.4 | \$19.5 | \$23.1 | \$25.4 | \$26.0 | \$94.0 |
| Company Operated Costs | \$677.7 | \$185.6 | \$218.3 | \$229.5 | \$233.2 | \$866.6 | \$223.6 | \$271.9 | \$285.2 | \$284.9 | \$1,065.7 |
| Franchising and other costs | \$36.8 | \$7.2 | \$9.8 | \$9.8 | \$9.9 | \$36.8 | \$7.5 | \$10.2 | \$10.2 | \$10.3 | \$38.2 |
| Total cost of sales | \$714.5 | \$192.9 | \$228.0 | \$239.4 | \$243.1 | \$903.4 | \$231.1 | \$282.1 | \$295.5 | \$295.3 | \$1,104.0 |
| Company-operated shops gross profit | \$180.2 | \$29.0 | \$69.3 | \$74.7 | \$48.3 | \$221.2 | \$36.6 | \$86.7 | \$95.8 | \$55.2 | \$274.2 |
| Franchising and other | \$71.1 | \$19.4 | \$22.1 | \$20.5 | \$19.0 | \$81.0 | \$21.3 | \$24.5 | \$22.7 | \$21.2 | \$89.6 |
| Total gross profit | \$251.3 | \$48.3 | \$91.4 | \$95.1 | \$67.3 | \$302.2 | \$57.9 | \$111.1 | \$118.5 | \$76.4 | \$363.9 |
| Selling, general and administrative (adjusted) | \$165.9 | \$43.0 | \$49.2 | \$47.9 | \$55.0 | \$195.1 | \$47.8 | \$54.6 | \$53.2 | \$60.9 | \$216.5 |
| Selling, general and administrative | \$205.1 | \$50.3 | \$56.6 | \$55.3 | \$62.4 | \$224.6 | \$55.1 | \$61.9 | \$60.5 | \$68.3 | \$245.9 |
| Total costs and expenses | \$919.6 | \$243.2 | \$284.6 | \$294.6 | \$305.5 | \$1,127.9 | \$286.3 | \$344.0 | \$356.0 | \$363.6 | \$1,349.9 |
| Company Shop D&A | \$62.1 | \$16.1 | \$18.5 | \$20.2 | \$21.5 | \$76.4 | \$19.5 | \$23.1 | \$25.4 | \$26.0 | \$94.0 |
| Franchising & Other | \$5.4 | \$1.6 | \$1.9 | \$1.8 | \$1.5 | \$6.8 | \$1.8 | \$2.0 | \$1.9 | \$1.6 | \$7.4 |
| All Other | \$1.6 | \$1.1 | \$1.2 | \$1.2 | \$0.9 | \$4.4 | \$1.3 | \$1.5 | \$1.5 | \$1.1 | \$5.4 |
| Depreciation and Amortization | \$69.1 | \$18.8 | \$21.6 | \$23.2 | \$23.9 | \$87.7 | \$22.6 | \$26.7 | \$28.8 | \$28.7 | \$106.8 |
| Operating Income | \$46.2 | (\$2.0) | \$34.9 | \$39.9 | \$4.9 | \$77.6 | \$2.7 | \$49.2 | \$58.0 | \$8.1 | \$118.0 |
| Interest expense, net | (\$32.3) | (\$6.1) | (\$6.1) | (\$6.1) | (\$6.1) | (\$24.2) | (\$6.1) | (\$6.1) | (\$6.1) | (\$6.1) | (\$24.2) |
| Other income (expense), net | \$3.0 | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) | (\$4.0) | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) | (\$4.0) |
| Pretax Income | \$16.9 | (\$9.1) | \$27.8 | \$32.8 | (\$2.1) | \$49.4 | (\$4.3) | \$42.1 | \$51.0 | \$1.0 | \$89.8 |
| Income tax expense (benefit) | \$7.0 | (\$1.4) | \$4.5 | \$5.2 | (\$0.3) | \$7.9 | (\$0.7) | \$6.7 | \$8.2 | \$0.2 | \$14.4 |
| Tax rate (%) | 41.2% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| Tax effect of adjustments | (\$1.5) | \$1.2 | \$1.2 | \$1.2 | \$1.2 | \$4.7 | \$1.2 | \$1.2 | \$1.2 | \$1.2 | \$4.7 |
| Adjusted tax rate (%) | | | | | | | | | | | |
| GAAP Net Income | \$10.0 | (\$7.6) | \$23.4 | \$27.6 | (\$1.8) | \$41.5 | (\$3.6) | \$35.4 | \$42.8 | \$0.9 | \$75.4 |
| Adjusted Net Income | \$50.5 | (\$1.4) | \$29.5 | \$33.7 | \$4.4 | \$66.3 | \$2.6 | \$41.6 | \$49.0 | \$7.0 | \$100.1 |
| Net income attributable to Dutch Bros OpCo (prior to the reorganization) | \$8.2 | (\$5.5) | \$7.0 | \$9.2 | (\$2.4) | \$8.2 | (\$5.5) | \$7.0 | \$9.2 | (\$2.4) | \$8.2 |
| Net income attributable to non-controlling interests | \$1.7 | (\$2.1) | \$16.4 | \$18.4 | \$0.6 | \$33.3 | \$1.9 | \$28.4 | \$33.6 | \$3.2 | \$67.2 |
| Net income attributable to Dutch Bros | | | | | | | | | | | |
| GAAP EPS | \$0.03 | (\$0.03) | \$0.22 | \$0.24 | \$0.01 | \$0.44 | (\$0.05) | \$0.46 | \$0.44 | \$0.04 | \$0.87 |
| Adjusted EPS | \$0.32 | (\$0.01) | \$0.17 | \$0.19 | \$0.02 | \$0.37 | \$0.01 | \$0.23 | \$0.27 | \$0.04 | \$0.56 |
| Shares Outstanding | | | | | | 17% | | | | | 50% |
| Weighted average shares of Class A and Class D stock | | | | | | | | | | | |
| Basic | 62.1 | 75.7 | 75.9 | 76.1 | 76.3 | 76.0 | 76.5 | 76.7 | 76.9 | 77.1 | 76.8 |
| Diluted | 62.5 | 75.7 | 75.9 | 76.1 | 76.3 | 76.0 | 76.5 | 76.7 | 76.9 | 77.1 | 76.8 |

Exhibit 3: We forecast EPS of \$0.37 in F24 and \$0.56 in F25

BROS Income Statement, F23-F25E

(\$ in mm except per share amounts; YE December)

Weighted average shares of common stock outstanding - diluted

| | | | | | | | | | | | |
|------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| | 167.1 | 177.2 | 177.4 | 177.6 | 177.8 | 177.5 | 178.0 | 178.2 | 178.4 | 178.6 | 178.3 |
| GAAP EBITDA | \$104.4 | \$15.8 | \$55.5 | \$62.1 | \$27.9 | \$161.3 | \$24.4 | \$74.8 | \$85.8 | \$35.8 | \$220.8 |
| Adjusted EBITDA | \$160.1 | \$23.2 | \$62.9 | \$69.4 | \$35.2 | \$190.7 | \$31.7 | \$82.2 | \$93.1 | \$43.2 | \$250.2 |

Source: Company reports, BofA Global Research estimates

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Exhibit 4: We lower our F24 EBITDA estimate from \$200mm to \$190mm

Dutch Bros BofA Estimates - Prior vs New

| | Prior 1Q24E | New 1Q24E | % Change | Prior 2Q24E | New 2Q24E | % Change | Prior 2024E | New 2024E | % Change | Prior 2025E | New 2025E | % Change |
|----------------------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|
| Systemwide SSSG | 2.0% | 4.0% | 2 pts | 2.0% | 4.0% | 2 pts | 2.0% | 2.9% | 1 pts | 2.0% | 2.0% | 0 pts |
| Total Revenue | \$260.1 | \$241.2 | (7%) | \$323.1 | \$319.5 | (1%) | \$1,240.2 | \$1,205.6 | (3%) | \$1,527.8 | \$1,467.8 | (4%) |
| Adjusted EBITDA | \$31.9 | \$23.2 | (27%) | \$61.6 | \$62.9 | 2% | \$200.4 | \$190.7 | (5%) | \$258.7 | \$250.2 | (3%) |
| Adjusted Diluted EPS | \$0.03 | (\$0.01) | (131%) | \$0.16 | \$0.17 | 5% | \$0.38 | \$0.37 | (1%) | \$0.54 | \$0.56 | 4% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

WING: Raising F24 EBITDA estimates; raise PO to \$376

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Exhibit 5: We forecast F24 adjusted EBITDA of \$172mm

WING Income Statement, 2023-2025E

| \$ in millions | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue: | | | | | | | |
| Royalty revenue, franchise fees and other | 207.1 | 56.7 | 56.1 | 61.0 | 67.2 | 241.1 | 284.0 |
| Advertising fees | 157.1 | 42.6 | 42.1 | 45.8 | 50.4 | 180.8 | 213.0 |
| Company-owned restaurant sales | 95.8 | 27.5 | 26.5 | 27.4 | 29.8 | 111.1 | 123.2 |
| Total revenue | 460.1 | 126.8 | 124.7 | 134.2 | 147.4 | 533.0 | 620.2 |
| Revenue growth y/y | 29% | | | | | 16% | |
| Costs and expenses: | | | | | | | |
| Cost of sales | 70.6 | 20.2 | 19.8 | 20.4 | 22.7 | 83.1 | 91.8 |
| Food, beverage and packaging costs | 31.7 | 9.3 | 8.9 | 9.4 | 10.7 | 38.4 | 42.6 |
| Labor costs | 23.0 | 6.6 | 6.5 | 6.5 | 7.2 | 26.8 | 29.4 |
| Other restaurant operating expenses | 18.3 | 4.9 | 5.0 | 5.2 | 5.6 | 20.7 | 22.8 |
| Vendor rebates | (2.3) | (0.6) | (0.6) | (0.7) | (0.8) | (2.7) | (3.0) |

Exhibit 5: We forecast F24 adjusted EBITDA of \$172mm

WING Income Statement, 2023-2025E

| \$ in millions | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E | 2025E |
|--|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Restaurant-level margin | 26.3% | 26% | 25% | 25% | 24% | 25% | 25% |
| Advertising expenses | 166.6 | 44.3 | 43.8 | 47.6 | 52.4 | 188.1 | 221.5 |
| Selling, general and administrative | 96.9 | 25.5 | 24.8 | 25.7 | 32.3 | 108.3 | 120.5 |
| as % of systemwide sales | 2.8% | 2.6% | 2.6% | 2.5% | 2.8% | 2.6% | 2.5% |
| Depreciation and amortization | 13.2 | 4.2 | 4.5 | 4.7 | 5.1 | 18.5 | 22.9 |
| Loss (gain) on disposal of assets | 0.1 | 0.1 | - | 0.0 | - | 0.1 | 0.1 |
| Total costs and expenses | 347.5 | 94.3 | 92.9 | 98.4 | 112.6 | 398.1 | 456.8 |
| Operating income | 112.6 | 32.5 | 31.8 | 35.7 | 34.8 | 134.9 | 163.4 |
| Operating income margin % | 24% | 26% | 25% | 27% | 24% | 25% | 26% |
| Adjusted operating income | 133.134 | 37.233 | 36.522 | 40.500 | 39.581 | 153.836 | 182.321 |
| Adjusted operating income margin % | 29% | 29% | 29% | 30% | 27% | 29% | 29% |
| Interest expense, net | 18.23 | 5.3 | 5.3 | 5.3 | 5.3 | 21.26 | 24.79 |
| Loss on debt extinguishment and financing transactions | - | - | - | - | - | - | - |
| Other (income) expense | 0.1 | - | - | - | - | - | - |
| Income before income tax expense | 94.3 | 27.2 | 26.5 | 30.4 | 29.5 | 113.7 | 138.6 |
| Income tax expense | 24.1 | 7.06 | 6.88 | 7.91 | 7.67 | 29.5 | 36.0 |
| Tax rate | 26% | 26% | 26% | 26% | 26% | 26% | 26% |
| GAAP net income | 70.1 | 20.1 | 19.6 | 22.5 | 21.8 | 84.1 | 102.6 |
| Loss on debt extinguishment and financing transactions (a) | - | - | - | - | - | - | - |
| Loss (gain) on disposal of assets (b) | - | - | - | - | - | - | - |
| Consulting fees (c) | 5.2 | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Tax effect of adjustments (d) | (1.2) | - | - | - | - | - | - |
| Adj. Net Income | 74.0 | 20.1 | 19.6 | 22.5 | 21.8 | 84.0 | 102.5 |
| GAAP Earnings per share | | | | | | | |
| Basic | 2.36 | 0.68 | 0.66 | 0.76 | 0.73 | 2.83 | 3.45 |
| Diluted | 2.35 | 0.67 | 0.66 | 0.75 | 0.73 | 2.82 | 3.44 |
| Diluted Adj. EPS | \$2.48 | \$0.67 | \$0.66 | \$0.75 | \$0.73 | \$2.82 | \$3.43 |
| Weighted average shares outstanding | | | | | | | |
| Basic | 29.77 | 29.77 | 29.77 | 29.77 | 29.77 | 29.77 | 29.77 |
| Diluted | 29.85 | 29.85 | 29.85 | 29.85 | 29.85 | 29.85 | 29.85 |
| Dividends per share | 0.82 | 0.22 | 0.22 | 0.25 | 0.25 | 0.95 | 1.09 |
| Other comprehensive loss | | | | | | | |
| Currency translation adjustment | | | | | | | |
| Other comprehensive loss | | | | | | | |
| Comprehensive income | | | | | | | |
| EBITDA | 125.748 | 36.729 | 36.264 | 40.432 | 39.947 | 153.451 | 186.295 |
| Additional adjustments: | | | | | | | |
| Loss on debt extinguishment and financing transactions | - | - | - | - | - | - | - |
| Loss (gain) on disposal of assets | - | - | - | - | - | - | - |
| Consulting fees | 5.2 | - | - | - | - | - | - |
| Stock-based compensation expense | 15.6 | 4.75 | 4.75 | 4.75 | 4.75 | 19.0 | 19.0 |
| Transaction costs/Mgmt fees | - | - | - | - | - | - | - |
| Adjusted EBITDA | 146.373 | 41.479 | 41.014 | 45.182 | 44.697 | 172.372 | 205.221 |
| Adjusted EBITDA Margin % | 31.8% | 32.7% | 32.9% | 33.7% | 30.3% | 32.3% | 33.1% |
| Adjusted EBITDA Growth | 36% | 20% | 19% | 17% | 14% | 18% | 19% |

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 6: F24 EBITDA moves from \$155mm to \$172 mm; F25 EBITDA moves from \$188 mm to \$205 mm

Wingstop BofA estimate change summary

| | Prior 1Q24E | New 1Q24E | % Change | Prior 2Q24E | New 2Q24E | % Change | Prior 2024E | New 2024E | % Change | Prior 2025E | New 2025E | % Change |
|------------------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|
| Total Revenues | \$126.2 | \$126.8 | 0% | \$124.5 | \$124.7 | 0% | \$527.1 | \$533.0 | 1% | \$614.3 | \$620.2 | 1% |
| Adjusted EBITDA | \$36.9 | \$41.5 | 13% | \$36.5 | \$41.0 | 12% | \$154.9 | \$172.4 | 11% | \$188.4 | \$205.2 | 9% |
| Diluted Adj. EPS | \$0.70 | \$0.67 | -3% | \$0.69 | \$0.66 | -5% | \$2.93 | \$2.82 | -4% | \$3.57 | \$3.43 | -4% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 7: Our earnings power-based valuation underpins our \$376

WING Earnings Power Valuation

EBITDA Forecast

| | 2023 | 2024 | CAGR |
|--|---------|----------|------|
| Domestic Franchised Restaurants (avg) | 1,778 | 7,000 | 13% |
| Company Operated Restaurants (avg) | 46 | 176 | 13% |
| Int'l Franchised Restaurants (avg) | 263 | 3,062 | 25% |
| Systemwide Restaurants | 2,087 | 10,238 | 16% |
| Systemwide sales at 6% royalty (est) | \$3,754 | \$31,435 | 21% |
| Company AUV (mm) | \$2.08 | \$3.29 | 4% |
| Royalty Sales/Store | \$0.10 | \$0.17 | 5% |
| Franchise Restaurants | \$207 | \$1,746 | |
| Company Operated Restaurants | \$96 | \$581 | |
| Revenues | \$303 | \$2,328 | |
| Total restaurant operating costs (inc pre-opening) | \$71 | \$405 | |
| Adj. General & administrative expenses (inc SBC) | \$97 | \$550 | |
| Depreciation expense | \$13 | \$102 | |
| Expenses | \$181 | \$1,057 | |
| EBIT (Adj.) | \$122 | \$1,271 | |
| EBITDA (Adj.) | \$135 | \$1,372 | |

Terminal Valuation

| | |
|---------------------------|----------|
| EV/EBITDA multiple of 21x | \$28,819 |
| Discounted at WACC of 9% | \$10,632 |
| Net Debt | 622.11 |
| MV | \$10,009 |
| S/O | 30 |
| Present Value | \$336 |
| PV in one year (ke = 12%) | \$376 |
| Price | \$310 |
| Upside | 21% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

CAKE: Lower 1Q revs; PO to \$38 on rolled fwd ests

We lower our 1Q revenue to \$886mm (vs \$921mm prior) to reflect negative weather in January (1.5-2 ppt headwind) and continued lower new unit productivity at North Italia. While CAKE noted that consumer demand was stable in February, we expect SSSG to slow in 1Q as pricing is largely offset by continued negative mix. We model a similar trend (pricing offset by mix) for the remainder of F24 and lower our F24 revenue to \$3.6 bb – in-line with CAKE's downwardly revised guidance (of \$3.6 bb vs \$3.6-\$3.7 bb prior). CAKE expects to drive 50-75 bps of RLM improvement in F23, though we note that flat G&A (as % of sales) and higher pre-opening expenses partially offset. Our F24 EPS moves to \$3.16 (vs \$3.09 prior) as we flow through the 4Q EPS beat (by \$0.06) and more favorable food cost inflation (now expected to be up LSD vs up LSD-MSD prior). We apply a 0.6x relative P/E multiple (11.0x, lower vs 11.4x prior on market multiple compression) to our rolled forward EPS estimates (F25: \$3.50) to arrive at our \$38 PO (vs \$37 prior). We reiterate our Neutral rating.

Exhibit 8: CAKE reported 4Q SSSG above consensus while revenues missed

CAKE reported 4Q23 results vs BofAE and Visible Alpha consensus

| | Reported | Reported | y/y change | BofAE | Consensus | Variance (vs BofAE) | Variance (vs Cons) |
|---|----------|----------|------------|---------|-----------|---------------------|--------------------|
| | 4Q22 | 4Q23 | | 4Q23 | 4Q23 | 4Q23 | 4Q23 |
| Cheesecake SSSG | 4.0% | 2.5% | -2 ppt | 2.0% | 2.2% | 1 ppt | 0 ppt |
| North Italia SSSG | 9.0% | 7.0% | -2 ppt | 8.0% | 6.6% | -1 ppt | 0 ppt |
| Cheesecake restaurant count | 211 | 216 | 2% | 215 | 215 | 0% | 0% |
| North Italia restaurant count | 33 | 36 | 9% | 37 | 37 | -3% | -2% |
| Revenues | | | | | | | |
| Cheesecake Factory | \$674.5 | \$658.4 | -2% | \$651.2 | \$651.8 | 1% | 1% |
| North Italia | \$65.5 | \$67.2 | 3% | \$69.3 | \$68.8 | -3% | -2% |
| Total Revenues | \$892.8 | \$877.0 | -2% | \$878.1 | \$877.3 | 0% | 0% |
| Expenses | | | | | | | |
| Cost of Sales, total | \$220.5 | \$201.4 | -9% | \$206.2 | \$205.3 | -2% | -2% |
| Labor | \$318.6 | \$308.6 | -3% | \$308.8 | \$309.1 | 0% | 0% |
| Other Operating Costs | \$237.8 | \$235.0 | -1% | \$231.4 | \$232.1 | 2% | 1% |
| Preopening Costs | \$7.8 | \$9.6 | 23% | \$10.0 | \$10.0 | -4% | -5% |
| Total restaurant operating costs | \$784.7 | \$754.6 | -4% | \$756.5 | \$746.5 | 0% | 1% |
| Expenses % of sales | | | | | | | |
| Cost of Sales, total | 24.7% | 23.0% | -172 bps | 23.5% | 23.4% | -52 bps | -43 bps |
| Labor | 35.7% | 35.2% | -51 bps | 35.2% | 35.2% | 1 bps | -5 bps |
| Other Operating Costs | 26.6% | 26.8% | 16 bps | 26.3% | 26.5% | 44 bps | 33 bps |
| Preopening Costs | 0.9% | 1.1% | 22 bps | 1.1% | 1.1% | -5 bps | -5 bps |
| Total restaurant operating costs | 87.9% | 86.0% | -185 bps | 86.1% | 85.1% | -11 bps | 95 bps |
| Restaurant-level margin (including pre-opening) | 12.1% | 14.0% | 185 bps | 13.9% | 14.9% | 11 bps | -95 bps |
| G&A | \$56.1 | \$54.7 | -3% | \$55.2 | \$54.9 | -1% | 0% |
| G&A as % of total revenues | 6.3% | 6.2% | -5 bps | 6.3% | 6.3% | -5 bps | -2 bps |
| D&A | \$25.6 | \$24.0 | -6% | \$24.4 | \$24.0 | -2% | 0% |
| Impairment of assets & lease terminations | \$31.1 | \$27.8 | -10% | \$0.0 | \$0.2 | NM | NM |
| Interest Income (Expense), Net | -\$2.1 | -\$2.5 | 16% | -\$2.0 | -\$2.0 | 24% | 23% |
| Income Tax Provision | -\$14.0 | -\$7.0 | NM | \$3.5 | \$3.4 | NM | NM |
| Tax rate | 80.9% | -124% | NM | 9.0% | 8.7% | NM | NM |
| Reported Net Income | -\$3.3 | \$12.7 | NM | \$35.5 | \$12.7 | -64% | 0% |
| Adjusted Net Income | \$27.4 | \$39.0 | NM | \$36.1 | \$39.0 | 8% | 0% |
| Adjusted Net Margin % | 3.1% | 4.5% | 138 bps | 4.1% | 4.5% | 34 bps | 0 bps |
| Adjusted Diluted EPS | \$0.56 | \$0.80 | 43% | \$0.74 | \$0.74 | 7% | 8% |

Source: Company filings, BofA Global Research estimates, Visible Alpha consensus

BofA GLOBAL RESEARCH

Exhibit 9: We forecast F24 EPS of \$3.16 and F25 EPS of \$3.50

CAKE Income Statement, F23-F25E

| (\$ millions; FYE December) | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E | 2025E |
|---|---------|-------|-------|-------|-------|---------|---------|
| Revenues: | | | | | | | |
| Cheesecake Factory | 2,595.1 | 681.2 | 690.9 | 662.8 | 689.1 | 2,724.0 | 2,844.6 |
| North Italia | 258.9 | 65.5 | 75.0 | 75.5 | 80.7 | 296.8 | 349.8 |
| Other FRC | 263.9 | 65.2 | 68.5 | 71.9 | 79.1 | 284.8 | 347.9 |
| Other | 321.6 | 74.0 | 77.0 | 80.0 | 85.6 | 316.6 | 348.2 |
| International Royalties | 14.2 | 2.8 | 4.6 | 4.3 | 4.2 | 15.8 | 17.3 |
| Total Revenues | 3,439.5 | 885.9 | 911.4 | 890.3 | 934.6 | 3,622.2 | 3,890.5 |
| % Growth | 4% | 2% | 5% | 7% | 7% | 5% | 7% |
| Expenses: | | | | | | | |
| Food and Beverage Costs | 803.5 | 201.9 | 208.0 | 207.3 | 213.1 | 830.3 | 887.4 |
| Labor | 1,227.9 | 322.0 | 318.7 | 313.2 | 319.1 | 1,273.0 | 1,376.1 |
| Other Operating Costs | 922.4 | 242.8 | 241.8 | 247.0 | 251.9 | 983.5 | 1,050.5 |
| G&A | 217.4 | 55.8 | 57.4 | 56.1 | 58.9 | 228.2 | 245.1 |
| D&A | 93.1 | 24.5 | 25.2 | 24.6 | 25.3 | 99.6 | 104.7 |
| Preopening Costs | 25.4 | 6.0 | 7.4 | 7.3 | 7.3 | 28.0 | 32.3 |
| Impairment of assets & lease terminations | 29.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisition contingent consideration, comp and amortization | 11.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.0 |
| Acquisition related costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Income | 108.6 | 33.0 | 52.8 | 34.8 | 58.9 | 179.6 | 190.4 |
| as % of Sales | 3.2% | 3.7% | 5.8% | 3.9% | 6.3% | 5.0% | 4.9% |

Exhibit 9: We forecast F24 EPS of \$3.16 and F25 EPS of \$3.50

CAKE Income Statement, F23-F25E

| (\$ millions; FYE December) | 2023 | 1Q24E | 2Q24E | 3Q24E | 4Q24E | 2024E | 2025E |
|---|--------|--------|--------|--------|--------|--------|--------|
| Gain (loss) on investments in unconsolidated affiliates | - | - | - | - | - | - | - |
| Interest Income (Expense), Net | (8.6) | (2.5) | (2.5) | (2.5) | (2.5) | (9.9) | (9.9) |
| Other Income (Expense), Net | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax Income | 100.0 | 30.6 | 50.4 | 32.3 | 56.5 | 169.7 | 180.5 |
| Income Tax Provision | (1.3) | 3.4 | 5.5 | 3.6 | 6.2 | 18.7 | 21.7 |
| Tax Rate | -1.3% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 12.0% |
| Adj tax rate | 6.6% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 12.3% |
| Net income | 101.4 | 27.2 | 44.8 | 28.7 | 50.2 | 151.0 | 158.8 |
| Dividends on preferred stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Direct and incremental preferred stock issuance costs | 0.0 | | | | | | |
| Net income to common | 101.4 | 27.2 | 44.8 | 28.7 | 50.2 | 151.0 | 158.8 |
| One-time pre-tax earnings | 41.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.0 |
| Tax impact of one-time adjustments | (10.7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.0) |
| Tax adjustments | | | | | | 0.0 | 0.0 |
| Adjusted net income | 131.8 | 27.2 | 44.8 | 28.7 | 50.2 | 151.0 | 161.9 |
| GAAP Diluted EPS | \$2.06 | \$0.56 | \$0.93 | \$0.60 | \$1.06 | \$3.16 | \$3.44 |
| Adjusted Diluted EPS | \$2.68 | \$0.56 | \$0.93 | \$0.60 | \$1.06 | \$3.16 | \$3.50 |
| Diluted weighted average shares outstanding | 49.1 | 48.3 | 48.0 | 47.6 | 47.4 | 47.8 | 46.3 |
| Basic weighted average shares outstanding | 48.3 | 47.5 | 47.2 | 46.9 | 46.6 | 47.0 | 45.5 |

Source: Company filings, BofA Global Research estimates

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Exhibit 10: We lower our 1Q revenue to \$886 mm and our F24 revenue to \$3.6 bb

CAKE BofA estimate changes summary

| | Prior 1Q24E | New 1Q24E | % Change | Prior 2Q24E | New 2Q24E | % Change | Prior 2024E | New 2024E | % Change | Prior 2025E | New 2025E | % Change |
|----------------------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|
| Total Revenues | \$920.5 | \$885.9 | -4% | \$929.5 | \$911.4 | -2% | \$3,682.1 | \$3,622.2 | -2% | \$3,925.2 | \$3,890.5 | -1% |
| EBITDA | \$64.4 | \$57.5 | -11% | \$77.8 | \$78.0 | 0% | \$266.5 | \$279.2 | 5% | \$284.4 | \$295.1 | 4% |
| Adjusted Diluted EPS | \$0.73 | \$0.56 | -23% | \$0.98 | \$0.93 | -4% | \$3.09 | \$3.16 | 2% | \$3.44 | \$3.50 | 2% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

JACK: Raise revs, EPS; PO to \$104 on rolled fwd estimates

We raise our 2Q revenue to \$372mm from \$365 prior to reflect pricing. As a result, 2Q EBITDA moves from \$75mm to \$77mm and EPS from \$1.53 to \$1.61. F24 revenue moves up as well, resulting in EBITDA of \$323mm and EPS of \$6.51 for the full year (vs \$315mm and \$6.46 prior). We apply a 0.7x rel. multiple (13.8x absolute vs 13.1x prior) to our 2Q25-1Q26 EPS of \$7.56 to arrive at our PO of \$104 (vs \$97 prior). We view the multiple as appropriate since JACK has historically lagged peers. Reiterate Buy.

Exhibit 11: JACK reported 1Q24 EPS below estimates and EBITDA ahead of consensus

JACK reported 1Q24 results vs BofAE and Visible Alpha consensus

| Reported | Reported | y/y change | BofAE | Consensus | Variance (vs BofAE) | Variance (vs Cons) |
|----------|----------|------------|-------|-----------|---------------------|--------------------|
| 1Q23 | 1Q24 | | 1Q24 | 1Q24 | 1Q24 | 1Q24 |

Exhibit 11: JACK reported 1Q24 EPS below estimates and EBITDA ahead of consensus

JACK reported 1Q24 results vs BofAE and Visible Alpha consensus

| | Reported | Reported | y/y change | BofAE | Consensus | Variance (vs BofAE) | Variance (vs Cons) |
|---|----------|----------|------------|---------|-----------|---------------------|--------------------|
| SSSG by Segment | | | | | | | |
| Jack In the Box | 7.8% | 0.8% | -7ppt | 3.0% | 2.4% | -2ppt | -2ppt |
| Del Taco | 3.0% | 2.2% | -1ppt | 3.0% | 1.2% | -1ppt | 1ppt |
| Total Systemwide Units | | | | | | | |
| Jack in the Box | 2186 | 2192 | 0% | 2194 | 2190 | 0% | 0% |
| Del Taco | 592 | 592 | 0% | 594 | 594 | 0% | 0% |
| Total Revenue | \$527.1 | \$487.5 | -8% | \$480.4 | \$480.9 | 1% | 1% |
| Restaurant Sales | \$270.2 | \$224.0 | -17% | \$215.6 | \$217.9 | 4% | 3% |
| Total Revenue Franchise | \$256.9 | \$263.5 | 3% | \$264.7 | \$262.2 | 0% | 0% |
| Food and Packaging | 82 | 64 | -22% | 63 | 65 | 2% | -1% |
| Payroll and Employee Benefits | 89 | 73 | -18% | 75 | 72 | -2% | 2% |
| Occupancy and other | 51 | 42 | -18% | 39 | 40 | 8% | 4% |
| Total restaurant operating costs | 222 | 179 | -19% | 176 | 177 | 2% | 1% |
| Costs & Expenses % of Sales | | | | | | | |
| Food and Packaging | 30.3% | 28.6% | -170bps | 29.1% | 29.8% | -46bps | -118bps |
| Payroll and Employee Benefits | 32.8% | 32.6% | -20bps | 34.6% | 32.9% | -203bps | -31bps |
| Occupancy and other | 19.0% | 18.8% | -25bps | 18.1% | 18.5% | 70bps | 26bps |
| Total restaurant operating costs | 82.1% | 80.0% | -215bps | 81.8% | 81.2% | -179bps | -123bps |
| Franchise costs | 143.671 | 158.052 | 10% | 153.24 | 153.26 | 3% | 3% |
| Franchise costs % of Franchise Revenue | 56% | 60% | 407bps | 58% | 58% | 211bps | 154bps |
| SG&A | \$50.1 | \$46.4 | -8% | \$52.0 | \$50.7 | -11% | -9% |
| as % of Revenues | 10% | 10% | 0bps | 11% | 11% | -131bps | -103bps |
| D&A | \$19.4 | \$18.5 | -5% | \$18.4 | \$18.8 | 0% | -2% |
| Impairment and other charges | -\$5.5 | \$5.2 | -194% | \$0.0 | \$2.6 | NM | 100% |
| (Gains)/losses on sale of co-operated units | -\$3.8 | \$0.3 | -107% | -\$1.0 | -\$1.3 | -125% | -119% |
| Operating Income | \$100.9 | \$79.8 | -21% | \$81.4 | \$79.7 | -2% | 0% |
| Interest expense | \$26.1 | \$24.5 | -6% | \$24.4 | \$24.9 | 0% | -2% |
| Pretax Income (Loss) | \$72.6 | \$52.9 | -27% | \$54.9 | \$53.8 | -4% | -2% |
| Income taxes | \$19.4 | \$14.2 | -27% | \$14.8 | \$14.5 | -4% | -2% |
| Tax Rate | 26.7% | 26.9% | 17bps | 27.0% | 27% | -14bps | -20bps |
| Net income - adjusted | \$42.2 | \$39.1 | -7% | \$40.0 | \$39.9 | -2% | -2% |
| Diluted EPS - GAAP | \$2.54 | \$1.93 | -24% | \$1.99 | \$1.97 | -3% | -2% |
| Diluted EPS - non-GAAP | \$2.01 | \$1.95 | -3% | \$1.99 | \$2.01 | -2% | -3% |
| Adj. EBITDA | \$108.6 | \$101.8 | -6% | \$97.7 | \$100.3 | 4% | 2% |
| EBITDA margin | 20.6% | 20.9% | 28bps | 20.3% | 20.9% | 3% | 0% |

Source: Company filings, BofA Global Research estimates, Visible Alpha consensus

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Exhibit 12: We forecast EPS of \$6.51 in F24 and \$7.44 in F25

JACK Income Statement, F23-F25E

| FYE September | 2023 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | 2024E | 1Q25E | 2Q25E | 3Q25E | 4Q25E | 2025E |
|--|---------|-------|-------|-------|-------|---------|-------|-------|-------|-------|---------|
| Revenues | | | | | | | | | | | |
| Restaurant Sales | 846.3 | 224.0 | 170.0 | 166.8 | 154.2 | 715.0 | 196.7 | 143.3 | 140.1 | 131.2 | 611.3 |
| Franchisee advertising and other contributions | 240.9 | 76.9 | 59.4 | 61.0 | 59.5 | 256.8 | 81.3 | 63.9 | 66.0 | 65.1 | 276.2 |
| Franchise Rents and Royalties | 605.1 | 186.5 | 145.5 | 149.0 | 145.6 | 626.6 | 193.5 | 154.2 | 158.5 | 156.1 | 662.2 |
| Total | 1,692.3 | 487.5 | 374.8 | 376.8 | 359.3 | 1,598.4 | 471.5 | 361.4 | 364.6 | 352.4 | 1,549.8 |
| y/y change | 15.3% | -7.5% | -5.3% | -5.1% | -3.5% | -5.5% | -3.3% | -3.6% | -3.2% | -1.9% | -3.0% |
| Costs & Expenses | | | | | | | | | | | |
| Food and Packaging | 250.8 | 64.1 | 46.5 | 46.9 | 42.8 | 200.4 | 56.5 | 38.9 | 39.3 | 36.4 | 171.0 |
| Payroll and Employee Benefits | 274.6 | 73.1 | 57.8 | 58.2 | 55.0 | 244.1 | 61.7 | 47.6 | 47.6 | 45.3 | 202.2 |
| Occupancy and other | 163.3 | 42.1 | 31.4 | 30.6 | 30.6 | 134.6 | 34.6 | 24.9 | 24.3 | 24.3 | 108.1 |
| Total Restaurant Costs | 688.7 | 179.2 | 135.7 | 135.7 | 128.4 | 579.1 | 152.9 | 111.4 | 111.2 | 105.9 | 481.4 |
| Company margin (\$) | 157.6 | 44.8 | 34.3 | 31.0 | 25.7 | 135.9 | 43.8 | 31.8 | 28.9 | 25.3 | 129.9 |
| Company margin % | 19% | 20% | 20% | 19% | 17% | 19% | 22% | 22% | 21% | 19% | 21% |
| Franchise occupancy expenses | 229.6 | 72.6 | 56.3 | 57.7 | 60.2 | 246.8 | 76.2 | 59.0 | 60.6 | 64.3 | 260.2 |
| Franchise support and other costs | 12.9 | 5.2 | 3.6 | 4.4 | 4.1 | 17.2 | 5.3 | 3.6 | 4.5 | 4.2 | 17.6 |
| Franchise advertising and other service | 252.9 | 80.2 | 60.1 | 61.5 | 60.3 | 262.1 | 81.5 | 64.8 | 66.7 | 66.2 | 279.2 |

Exhibit 12: We forecast EPS of \$6.51 in F24 and \$7.44 in F25

JACK Income Statement, F23-F25E

| FYE September | 2023 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | 2024E | 1Q25E | 2Q25E | 3Q25E | 4Q25E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| SG&A | 172.9 | 46.4 | 41.4 | 39.5 | 38.6 | 165.9 | 50.9 | 40.2 | 41.2 | 40.8 | 173.2 |
| D&A | 62.3 | 18.5 | 14.6 | 14.5 | 13.8 | 61.4 | 18.1 | 14.3 | 14.2 | 13.6 | 60.1 |
| Pre-opening costs | | 0.5 | | | | | | | | | |
| Impairment and other charges | 12.2 | 5.2 | - | - | - | 5.2 | - | - | - | - | - |
| (Gains)/losses on sale of co-operated units | (18.0) | 0.3 | (1.0) | (1.0) | (1.0) | (2.7) | (1.0) | (1.0) | (1.0) | (1.0) | (4.0) |
| Operating Income | 278.8 | 79.48 | 64.11 | 64.44 | 54.93 | 263.0 | 87.56 | 69.01 | 67.18 | 58.39 | 282.1 |
| operating income margin % | 16.5% | 16.3% | 17.1% | 17.1% | 15.3% | 16.5% | 18.6% | 19.1% | 18.4% | 16.6% | 18.2% |
| Other pension & post-retirement expenses | 7.0 | 2.1 | 1.6 | 1.6 | 1.6 | 6.9 | 2.1 | 1.6 | 1.6 | 1.6 | 6.9 |
| Interest expense | 82.4 | 24.5 | 18.4 | 18.4 | 18.4 | 79.6 | 24.7 | 18.5 | 18.5 | 18.5 | 80.4 |
| Pretax Income (Loss) | 189.3 | 52.9 | 44.1 | 44.5 | 35.0 | 176.5 | 60.7 | 48.9 | 47.0 | 38.2 | 194.9 |
| Income taxes | 58.5 | 14.2 | 12.1 | 12.2 | 9.6 | 48.2 | 17.0 | 13.7 | 13.2 | 10.7 | 54.6 |
| Tax Rate | 30.9% | 26.9% | 27.5% | 27.5% | 27.5% | 27.3% | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% |
| Adj. tax rate - actual | | | | | | | | | | | |
| Adj. tax rate - estimated | 30.8% | 26.9% | 27.5% | 27.5% | 27.5% | 27.3% | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% |
| Net Income - GAAP | 130.8 | 38.7 | 32.0 | 32.2 | 25.4 | 128.3 | 43.7 | 35.2 | 33.9 | 27.5 | 140.3 |
| Net income - adjusted | 125.2 | 39.1 | 32.0 | 32.2 | 25.4 | 128.7 | 43.7 | 35.2 | 33.9 | 27.5 | 140.3 |
| Diluted EPS - GAAP | \$6.32 | \$1.93 | \$1.61 | \$1.64 | \$1.30 | \$6.49 | \$2.28 | \$1.86 | \$1.81 | \$1.49 | \$7.45 |
| Gains on sales of company restaurants | (\$0.58) | | | - | - | \$0.01 | | | - | - | - |
| Restructuring | \$0.30 | | | - | - | \$0.21 | | | - | - | - |
| Excess tax from stock compensation | \$0.01 | | | - | - | (\$0.00) | | | - | - | - |
| Other one-time items | | | | | | | | | | | |
| One-time tax impact | - | - | - | - | - | - | - | - | - | - | - |
| Diluted EPS - non-GAAP | \$6.02 | \$1.95 | \$1.61 | \$1.64 | \$1.30 | \$6.51 | \$2.28 | \$1.86 | \$1.81 | \$1.49 | \$7.44 |
| % Change in Operating EPS | -3.7% | -2.9% | 9.3% | 12.9% | 19.9% | 8.0% | 16.8% | 15.1% | 10.4% | 14.5% | 14.3% |
| Fully Diluted Shares Outstanding | 20.7 | 20.1 | 19.9 | 19.7 | 19.5 | 19.8 | 19.2 | 19.0 | 18.7 | 18.5 | 18.8 |
| Actual Shares Outstanding | 20.6 | 19.9 | 19.7 | 19.5 | 19.3 | 19.6 | 19.0 | 18.8 | 18.5 | 18.3 | 18.7 |

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 13: We raise our F24 EPS and EBITDA estimates

JACK's BofA Estimates - Prior vs New

| | Prior 2Q24E | New 2Q24E | % Change | Prior 3Q24E | New 3Q24E | % Change | Prior 2024E | New 2024E | % Change | Prior 2025E | New 2025E | % Change |
|----------------------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|
| Total Revenue | \$364.9 | \$372.1 | 2% | \$368.1 | \$376.8 | 2% | \$1,567.3 | \$1,590.2 | 1% | \$1,538.6 | \$1,541.2 | 0% |
| Adjusted Diluted EPS | \$1.53 | \$1.61 | 5% | \$1.61 | \$1.64 | 2% | \$6.46 | \$6.51 | 1% | \$7.46 | \$7.44 | (0%) |
| Adjusted EBITDA | \$74.6 | \$77.1 | 3% | \$76.0 | \$77.3 | 2% | \$314.9 | \$323.3 | 3% | \$334.0 | \$335.3 | 0% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk**Dutch Bros (BROS)**

Our \$48 price objective denotes estimated fair value based on normalized earnings power for BROS. We estimate that at \$9.2 bb in sales, assuming stable RLMs and 8% G&A, BROS would generate \$1.5 bb in EBITDA. Applying a 14x multiple and discounting back equates to a \$48 fair value in one year. We believe a 14x multiple is justified by Dutch Bros' long growth runway and high returns, and we note it is comparable to other restaurants and retailers with similar growth profiles that have sustained elevated



earnings multiples over time.

Risks to our price objective: Dutch Bros could face execution risks to sustain a mid-teens store growth rate which would impede the implied sales growth of our saturation analysis. Margins and returns could also be lower-than-expected if Dutch Bros faces greater margin pressures than anticipated.

Jack in the Box (JACK)

Our \$104 price objective is based on a 0.7x relative PE multiple (13.8x absolute) applied to our 12 month forward earnings estimates (2Q25-1Q26: \$7.56). This is a material discount to highly franchised peers, given historically slower growth and more capital-intensive ownership model.

Downside risks to our price objective are: 1) sales could soften due to economic or competitive pressures, 2) food and labor costs rise and margins come under renewed pressure, 3) execution risk around speed of service, menu and marketing initiatives which are critical to driving sales at Jack in the Box.

The Cheesecake Factory (CAKE)

Relative to the S&P 500, CAKE is trading at 0.5x P/E, 1 standard deviation below its 5-year average (excluding the COVID-spike). With inflation moderating from F22 levels and consumer spending slowing, we believe it will be difficult for CAKE to raise prices and grow SSS meaningfully above its long-term historical average (of 1%). Our \$38 PO is derived by applying a 0.6x relative multiple (11.0x absolute) to our EPS 12 months from now. We validate our PO against a DCF.

Downside risks i) higher than expected wage inflation in California (18% of Cheesecake Factory units), ii) traffic share losses due to consumer trade down, iii) slower than expected demand from higher income cohorts (Cheesecake Factory and North Italia skew higher income). Upside risks i) higher than expected SSS growth from menu price increases, ii) more resilient than expected spending among higher income cohorts, iii) higher than expected brand resonance in new markets, translating to higher volumes for new units.

Wingstop Inc (WING)

We set our \$376 PO based on steady state earnings power. We assume WING grows its store base at 16% to reach 10,238 restaurants. Assuming RLMs of 38% and G&A at 1.8% of system sales we arrive at EBITDA of \$1.4bb. Applying a 21x terminal multiple in-line with mature growth franchised restaurants and discounting back we arrive at our \$376 PO. We also believe a 21x multiple is justified by WING's success in international markets and extended growth runway. We expect WING to accelerate international unit growth over time as the brand continues to resonate and incentivize new unit openings.

Risks to our PO: potential industry headwinds from wage inflation, and food cost volatility, inability to fully offset downward pressure on volumes and margins from new store openings, and execution risks as the company looks to sustain a 10%+ unit growth rate.

Analyst Certification

We, Sara Senatore and Katherine Griffin, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Restaurants Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|--------------------------------------|-------------|------------------|-------------------|
| BUY | | | | |
| | Chipotle Mexican Grill | CMG | CMG US | Sara Senatore |
| | Darden Restaurants | DRI | DRI US | Sara Senatore |
| | Domino's Pizza | DPZ | DPZ US | Sara Senatore |
| | Dutch Bros | BROS | BROS US | Sara Senatore |
| | First Watch | FWRG | FWRG US | Sara Senatore |
| | Jack in the Box | JACK | JACK US | Sara Senatore |
| | Krispy Kreme | DNUT | DNUT US | Sara Senatore |
| | Papa John's International | PZZA | PZZA US | Sara Senatore |
| | Portillo's Inc. | PTLO | PTLO US | Sara Senatore |
| | Starbucks | SBUX | SBUX US | Sara Senatore |
| | Sweetgreen | SG | SG US | Katherine Griffin |
| | Texas Roadhouse | TXRH | TXRH US | Sara Senatore |
| | Wingstop Inc | WING | WING US | Sara Senatore |
| NEUTRAL | | | | |
| | Bloomin Brands | BLMN | BLMN US | Sara Senatore |
| | McDonald's | MCD | MCD US | Sara Senatore |
| | Shake Shack | SHAK | SHAK US | Sara Senatore |
| | The Cheesecake Factory | CAKE | CAKE US | Katherine Griffin |
| | Yum Brands Inc | YUM | YUM US | Sara Senatore |
| UNDERPERFORM | | | | |
| | Brinker International | EAT | EAT US | Katherine Griffin |
| | Cracker Barrel | CBRL | CBRL US | Katherine Griffin |
| | Restaurant Brands International | YQSR | QSR CN | Sara Senatore |
| | Restaurant Brands International Inc. | QSR | QSR US | Sara Senatore |
| | Wendy's Co | WEN | WEN US | Sara Senatore |

Disclosures

Important Disclosures

Cheesecake Factory (CAKE) Price Chart

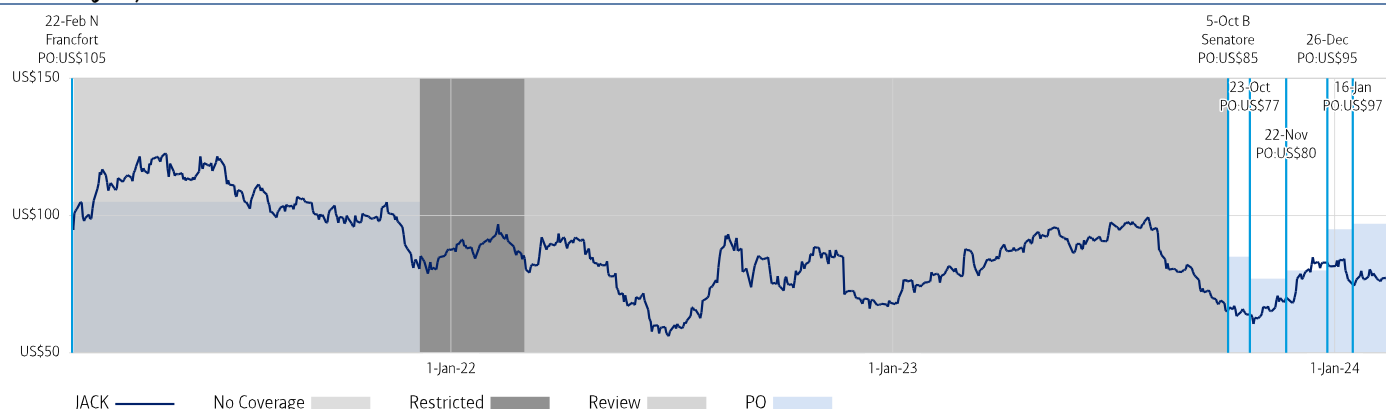


B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

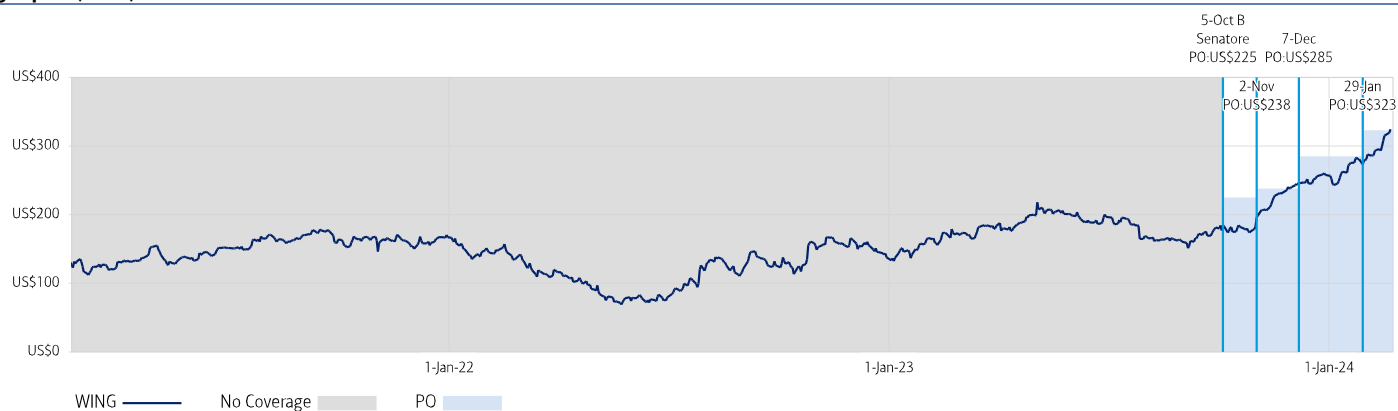
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Dutch Bros (BROS) Price Chart

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Jack in the Box (JACK) Price Chart

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Wingstop Inc (WING) Price Chart

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Equity Investment Rating Distribution: Restaurants Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 21 | 58.33% | Buy | 10 | 47.62% |
| Hold | 10 | 27.78% | Hold | 3 | 30.00% |
| Sell | 5 | 13.89% | Sell | 4 | 80.00% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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