

Restaurants Industry

Restaurants Weekly: EPS cheat sheet –
QSR, DNUT, SHAK, WEN, TXRH

Industry Overview

W/e 2/9: Restaurants lag; SG, FWRG, CMG, SBUX lead

For the week ended 2/9, the S&P Restaurant Index (+1.0%) underperformed the market (S&P 500: +1.3%). This week's leaders include fast casual concepts SG (+8.1%) and CMG (6.3%) – the latter on an impressive 4Q earnings report – casual diner FWRG, (7.2%) and coffee specialist SBUX (4.6). CBRL (-4.2%) and Quickservice companies QSR, and MCD lagged the index (-2.9% and -2.6% respectively) as MCD's earnings report raised investor concerns about volatility in international markets and the potential for a more promotional environment for the domestic Fast Food Hamburger Restaurants (we addressed promotional cycles in our [Year Ahead report](#)). Year-to-date, FWRG, CMG, and WING lead the sector, with gains of 16.3%, 15.4%, and 15.2%, respectively.

Chart of the week: EPS cheat sheet

This week's chart of the week is an earnings cheat sheet for the companies in our coverage that report next week (DNUT, QSR, SHAK, WEN, TXRH), featuring company guidance, our estimates, and notes on our underlying assumptions. For QSR, we forecast 4Q global SSSG of 7.0% and BK SSSG of 5.0%. For DNUT, we forecast 4Q Adj. EBITDA of \$625mm (14.2% margin). We expect 4Q company SSSG of 1.9% for SHAK. For WEN, we forecast 4Q global SSSG of 1.9%. For TXRH, we forecast SSSG of 9.1%. For more details on our expectations and estimates for companies reporting 4Q, please see our [4Q EPS preview note](#).

Industry relative valuation & restaurants comps sheet

Relative to the broader market, the S&P 500 restaurants index is trading at a 15% discount (vs the 10-year average relative P/E multiple of 1.4x), in line with January. Our restaurants valuation and KPI sheets can be found on page 6.

Upcoming events: QSR, DNUT, SHAK, WEN, TXRH report

Upcoming events include QSR and DNUT's 4Q earnings releases on 2/13, and SHAK, WEN, and TXRH's 4Q earnings releases on 2/15. QSR also hosts an Investor Day on 2/15. Please reach out to your BofA salesperson or Sara Senatore (sara.senatore@bofa.com) if you are interested in a prep call before the reports or follow-ups post earnings.

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Stock symbol key:

BLMN: Bloomin' Brands
BROS: Dutch Bros
DRI: Darden Restaurants
CAKE: Cheesecake Factory
CBRL: Cracker Barrel
CMG: Chipotle
DNUT: Krispy Kreme
DPZ: Domino's
EAT: Brinker International
FWRG: First Watch
JACK: Jack in the Box
MCD: McDonald's
PZZA: Papa Johns
PTLO: Portillo's
QSR: Restaurant Brands Int'l
SBUX: Starbucks
SG: Sweetgreen
SHAK: Shake Shack
TXRH: Texas Roadhouse
WEN: Wendy's
WING: Wingstop
YUM: Yum Brands

Glossary of terms:

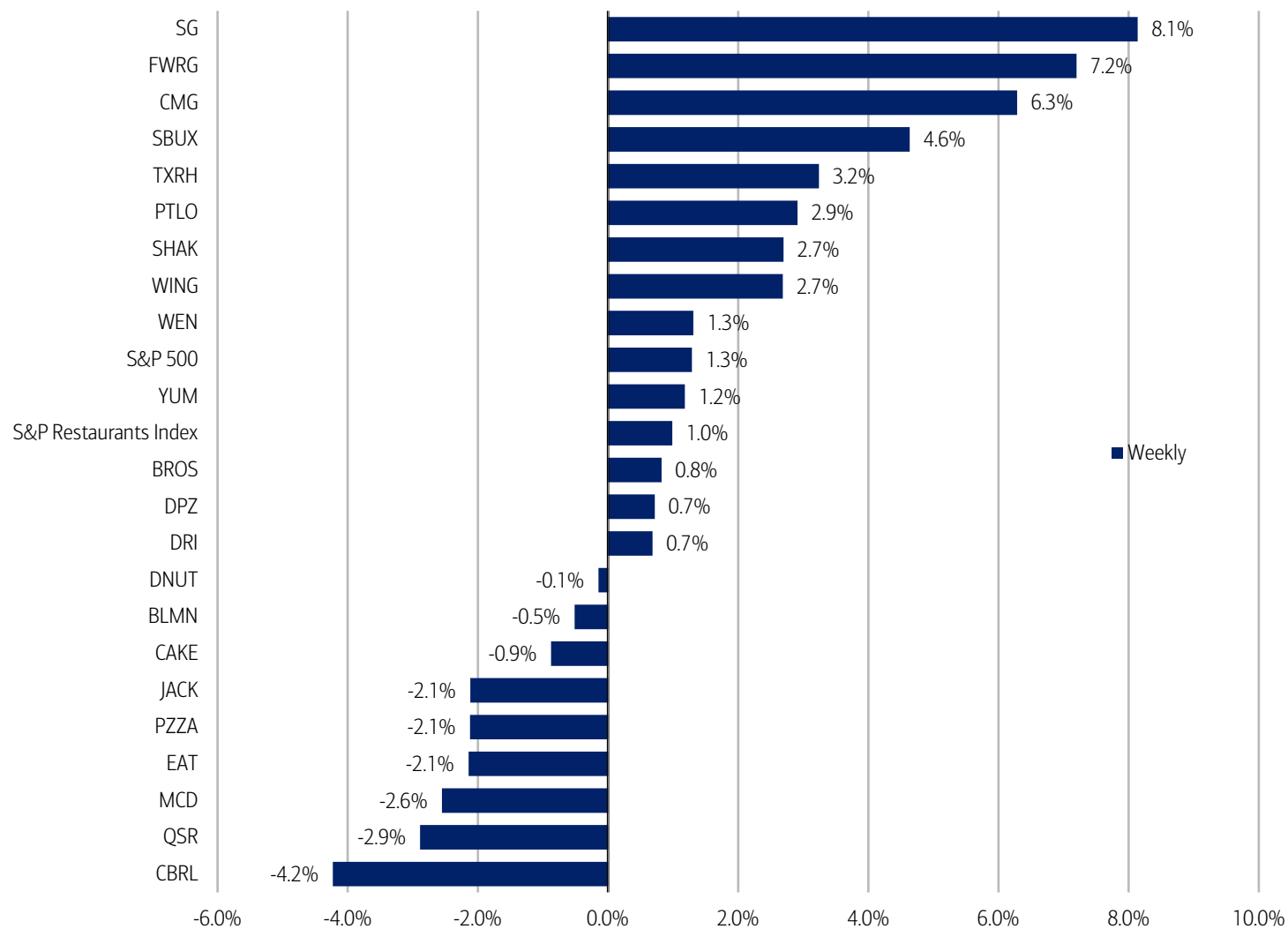
SSSG – same-store sales growth, or comparable sales ("comps")

FSR – full-service restaurants

R&M: Repair & Maintenance

Exhibit 1: Restaurant stocks underperformed the market last week

BofA Restaurants Coverage Weekly (5-day) Share Price Performance

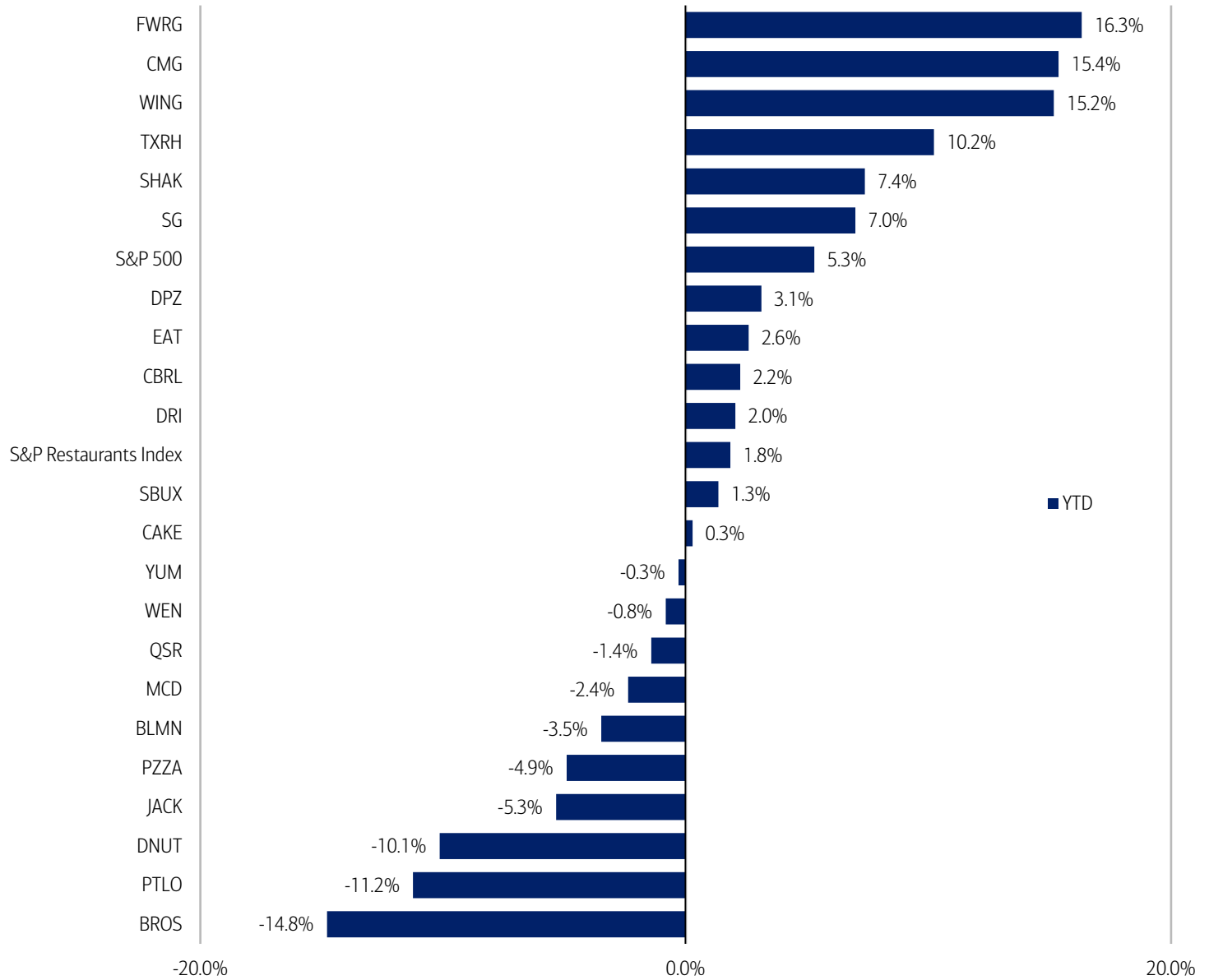


Source: Bloomberg

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Exhibit 2: YTD, WING, FWRG and CMG lead

BofA Restaurants Coverage YTD Share Price Performance



Source: Bloomberg

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Chart of the week: EPS cheat sheet

This week's chart of the week is an earnings cheat sheet.

Exhibit 3: We highlight 4Q and 2023/24 company guidance as compared to our estimates and assumptions

EPS Cheat Sheet for QSR, DNUT, SHAK, WEN, TXRH

Company Guidance		BofA Estimates	Call Outs from 3Q / Notes on 4Q
QSR	2023:	4Q:	For Q4, QSR anticipates a similar year-over-year rate of segment G&A growth
	Equity-based compensation to be between \$190-\$200mm	Blended SSS: 7.0%	"Looking to 2024. We are confident we can drive 5% plus net restaurant growth as we stabilize Burger King U.S."
	Expect segment G&A growth will moderate in 2023 vs 2022	TH SSS : 5.0%	
QSR	Expect 300-400 gross closures for BK US in 2023	PLKI SSS: 7.0%	
	Expect consolidated net restaurant growth in 2023 to be back half weighted	BK SSS: 5.0%	By the end of 2023, QSR expects to have the Dynamic Service System in over 2,000 restaurants
	LT target of mid-4x net leverage ratio (vs 5.1x in 1Q23)	FHS SSS: 2.9%	
QSR		G&A: \$155 mm	"we now expect 2023 equity-based compensation to be between \$195 million and \$200 million, and anticipate some moderate growth off this base in 2024"
		Adjusted EBITDA (ex. SBC): \$618 mm	
QSR		2023:	
		Blended SSS: 7.9%	
		TH SSS : 7.1%	
QSR		PLKI SSS: 5.2%	
		BK SSS: 7.1%	
		FHS SSS: 3.7%	
QSR		G&A: \$645 mm	
		Adjusted EBITDA (ex. SBC): \$2.6 bb	
DNUT	2023:	4Q:	"we're updating capital expenditures which we now expect to land between 7% and 8% of full year revenues largely due to strategic investments and growth of our U.S. delivered fresh daily network and foreign currency rates"
	Net Revenue of \$1.65 billion to \$1.68 billion, +8% to +10% vs 2022 (+9% to +11% in constant currency)	Net revenue: \$440 mm	
	Organic revenue growth: 9-11%	Adjusted EBITDA: \$62.5 mm	"Today we are reaffirming our full year guidance ranges for revenue and adjusted EBITDA and continue to trend towards the mid to high end of the range."
DNUT	Adjusted EBITDA: \$205-\$215 mm, +8-13% vs 2022 (+10-14% in constant currency)	Adjusted diluted EPS: \$0.13	"we have seen growth accelerate so far in the fourth quarter, thanks to a record overall performance in the build-up to Halloween, especially in the U.S., where we brought mystery and monsters to life with a Scooby-Doo Dozen."
	Adjusted net income: \$52-\$58 mm		
	Adjusted diluted EPS: \$0.31-\$0.34		
DNUT	Income tax rate: 24.5-26.0%	2023:	
	Capital expenditures: \$105-\$115 mm	Net revenue: \$1.67 bb	
	Interest expense: \$39-\$43 mm	Adjusted EBITDA: \$210 mm	
DNUT		Adjusted diluted EPS: \$0.32	
		4Q:	
		Total revenue: \$283.5	"We expect to open approximately 40 Shacks this year and approximately 40 more in 2024."
SHAK	Q4:	Company SSSG 1.9%	"For the fourth quarter, we guide ... same-Shack sales to be up low-single-digits year-over-year with low-single-digit menu price and relatively consistent mix trends in the fourth quarter as we had in the third."
	Total revenue \$276.25-\$281.75	Adjusted diluted EPS: \$0.07	
	Domestic Company-operated openings approximately 14		
SHAK	Licensed openings approximately 5	2023:	"Our fourth quarter guidance reflects food and paper inflation to be up mid-single-digits year-over-year driven by beef up mid-teens. We expect labor inflation to be in the low-single-digit range year-over-year."
	Shack-level operating profit margin 19.0%	Net revenue: \$1.08 bb	
	SSSG: LSD		
SHAK	Price: LSD	Company SSSG	
	2023		
	Total revenue \$1.08b		

Exhibit 3: We highlight 4Q and 2023/24 company guidance as compared to our estimates and assumptions

EPS Cheat Sheet for QSR, DNUT, SHAK, WEN, TXRH

Company Guidance		BofA Estimates	Call Outs from 3Q / Notes on 4Q
WEN	Domestic Company-operated openings approximately 40 Licensed openings approximately 40	4.2%	
	Shack-level operating profit margin 19.7%-20.0%	Adjusted diluted EPS: \$0.41	
	2024		
	Domestic Company-operated openings approximately 40 Licensed openings approximately 40		
	2023: Global systemwide sales growth: 6-7%	4Q: Global SSSG: 1.9%	"We continue to expect mid-single-digit global same-restaurant sales growth for full year 2023 and now expect our fourth quarter same-restaurant sales will land in the low single-digit range."
	Adjusted EBITDA \$530-\$540 mm	Adjusted EBITDA: \$128.8 mm	
	Adjusted EPS: \$0.95 to \$1.00	Adjusted EPS: \$0.24	"We are tightening our full year global system-wide sales growth range to 6% to 7% and driven by our expectations for low single-digit global same-restaurant sales growth in the fourth quarter."
	Capital expenditures: \$80-\$85 mm	2023: Global SSSG: 4.0%	"we continue to expect 2023 free cash flow of \$265 million to \$275 million as our tightened capital expenditure outlook is offset by higher interest income."
	Free cash flow: \$265-\$275 mm	Adjusted EBITDA: \$539 mm	long-term global net unit growth targets of 2% to 3% in 2024 and 3% to 4% in 2025.
	Long-term Outlook for 2024-2025 Systemwide sales growth: Mid-single digits	Adjusted EPS: \$1.0	
TXRH	Free cash flow growth: High-single to low-double digits		
	2023: Comparable restaurant sales at company restaurants for the first four weeks of our fourth quarter of fiscal 2023 increased 9.2% compared to 2022. In addition, the Company implemented a menu price increase of approximately 2.7% in early Q4 2023	4Q: SSSG: 9.1% EPS: \$1.09	"Our full year 2023 guidance for wage and other labor inflation remains unchanged at between 6% and 7% with current trends continuing to point towards the midpoint of that range."
	2023: Positive comparable restaurant sales growth including the benefit of menu pricing actions	2023: SSSG: 9.8% 27 Texas Roadhouse company restaurant openings Tax rate: 12.7%	"we now expect a full year 2023 income tax rate of approximately 13%" "we are raising our full year 2023 capital expenditure guidance to approximately \$340 million"
	Store week growth of approximately 6% including the impact of franchise locations acquired		"For 2024, we are forecasting wage and other labor inflation of 4% to 5% with upcoming state mandated increases representing approximately 1% of the increase".
	Commodity cost inflation of 5% to 6%		
	Wage and other labor inflation of 6% to 7%		"our initial forecast for the full year 2024 income tax rate is between 14% and 15%."
	2024: Positive comparable sales growth including the benefit of the benefit of 2023 menu pricing actions		"we are establishing our initial 2024 capital expenditure guidance at between \$340 million and \$350 million."
	Store week growth of at least 8% including a benefit of 2% from the 53rd week		"Finally, as a reminder, 2024 will be a 53 week year for us. As such, the fourth quarter of 2024 will have 14 weeks versus our normal 13 weeks. We estimate that the additional week could benefit fully year 2024 earnings for share growth by approximately 4%."
	Commodity cost inflation of 5% to 6%		
	Wage and other labor inflation of 4% to 5%		
	An effective income tax rate of 14% to 15% Capital expenditures \$340mm to \$350mm		

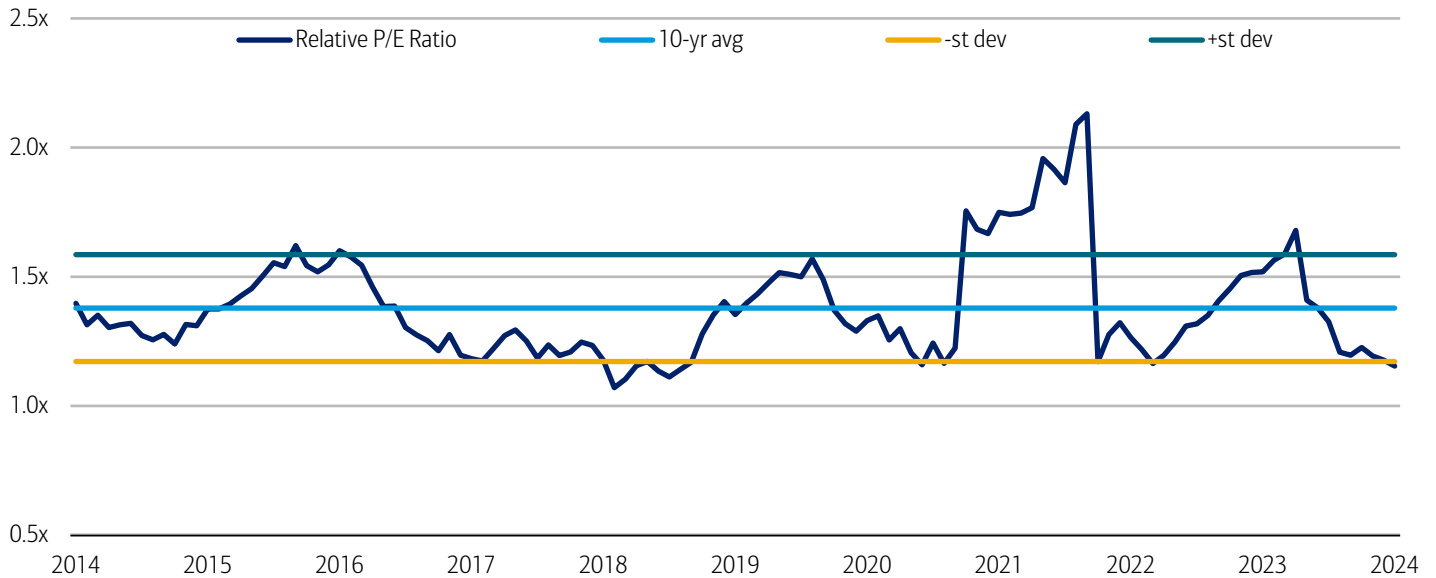
Source: Company filings, Bloomberg, BofA Global Research estimates



Valuation & comps sheet

Exhibit 4: The S&P 500 Restaurant Index Relative P/E is below its 10-year average

S&P 500 Restaurants Index P/E (10-year history)

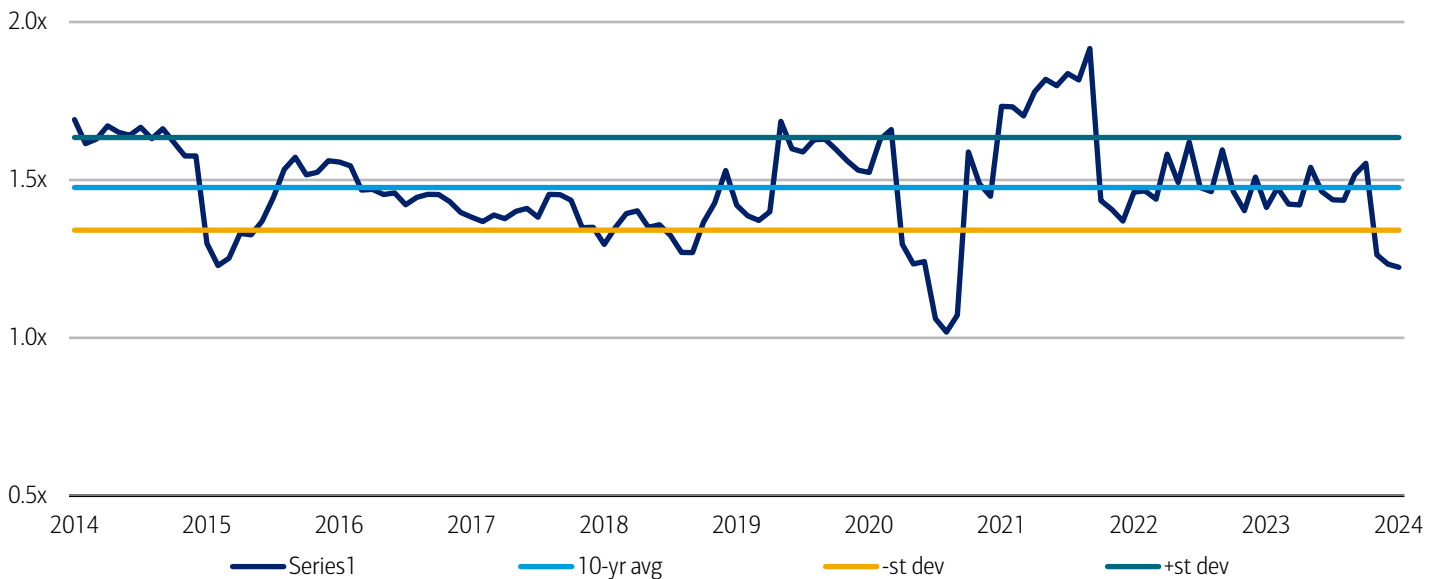


Source: Bloomberg

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Exhibit 5: The S&P 500 Restaurants Index Relative EV/EBITDA is below its 10-year average

S&P 500 Restaurants Index Relative EV/EBITDA (10-year history)



Source: Bloomberg

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**Exhibit 6: Restaurant companies across the Limited Service and Full Service industries**

Restaurants valuation sheet

\$ in mm except per share values						Price Performance			EV/EBITDA			P/E			EBITDA			EPS				
Company	Rating	Last Price	Price Objective	Upside/Downside to PO (%)	1 wk	3M	YTD	Market Cap	Enterprise Value	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	
Limited Service																						
Dutch Bros	BROS	Buy	\$26.99	\$48	78%	1%	-1%	-15%	\$4,780	\$4,746	53.2x	30.6x	23.7x	162.9x	91.4x	71.3x	\$89	\$155	\$200	\$0.17	\$0.30	\$0.38
Krispy Kreme	DNUT	Buy	\$13.56	\$19	40%	0%	8%	-10%	\$2,286	\$3,188	16.7x	15.2x	11.6x	45.4x	42.8x	29.3x	\$191	\$210	\$274	\$0.30	\$0.32	\$0.46
Starbucks	SBUX	Buy	\$97.30	\$127	31%	5%	-5%	1%	\$110,163	\$123,104	19.5x	17.2x	15.1x	32.9x	27.5x	24.0x	\$6,304	\$7,163	\$8,175	\$2.96	\$3.54	\$4.06
Domino's Pizza	DPZ	Buy	\$425.09	\$491	16%	1%	15%	3%	\$14,828	\$19,703	23.2x	21.8x	19.3x	33.9x	29.1x	25.8x	\$848	\$903	\$1,019	\$12.53	\$14.63	\$16.51
Jack in the Box	JACK	Buy	\$77.27	\$97	26%	-2%	18%	-5%	\$1,525	\$3,264	5.8x	10.0x	9.7x	NM	12.8x	12.0x	\$559	\$326	\$338	\$6.25	\$6.02	\$6.44
El Pollo Loco	LOCO	NC	\$9.23			-1%	12%	5%	\$290	\$376	5.6x	6.8x	7.1x	15.9x	12.9x	12.6x	\$68	\$55	\$53	\$0.58	\$0.71	\$0.73
McDonald's	MCD	Neutral	\$289.47	\$341	18%	-3%	8%	-2%	\$209,965	\$243,206	21.6x	17.7x	16.5x	28.6x	24.2x	23.0x	\$11,242	\$13,710	\$14,758	\$10.11	\$11.94	\$12.60
Papa John's	PZZA	Buy	\$72.49	\$90	24%	-2%	12%	-5%	\$2,374	\$3,156	15.1x	14.6x	13.5x	24.7x	28.4x	25.1x	\$209	\$217	\$234	\$2.93	\$2.56	\$2.89
Carrols Restaurant Group	TAST	NC	\$9.43			0%	24%	20%	\$487	\$922	5.5x	6.3x	6.0x	-13.5x	NM	16.5x	\$168	\$146	\$154	-\$0.70	\$0.48	\$0.57
Restaurant Brands International	QSR	Underperform	\$77.02	\$74	-4%	-3%	12%	-1%	\$35,062	\$46,701	20.1x	18.2x	16.5x	24.9x	24.3x	23.5x	\$2,326	\$2,569	\$2,833	\$3.09	\$3.17	\$3.27
Wendy's	WEN	Underperform	\$19.32	\$21	9%	1%	4%	-1%	\$3,985	\$6,253	12.6x	11.6x	10.9x	22.4x	19.3x	17.9x	\$498	\$539	\$572	\$0.86	\$1.00	\$1.08
Wingstop	WING	Buy	\$295.50	\$323	9%	3%	43%	15%	\$8,692	\$9,326	86.4x	66.7x	58.3x	161.2x	121.9x	98.0x	\$108	\$140	\$160	\$1.83	\$2.42	\$3.02
Yum! Brands	YUM	Neutral	\$130.27	\$151	16%	1%	4%	0%	\$36,606	\$47,289	20.5x	19.3x	17.5x	28.9x	24.7x	23.0x	\$2,307	\$2,450	\$2,705	\$4.51	\$5.26	\$5.68
Chipotle Mexican Grill	CMG	Buy	\$2,638.35	\$3,000	14%	6%	26%	15%	\$72,347	\$71,299	48.6x	37.8x	31.8x	80.5x	59.6x	49.1x	\$1,468	\$1,888	\$2,245	\$32.78	\$44.26	\$53.78
Kura Sushi	KRUS	NC	\$103.66			6%	84%	36%	\$1,157	\$1,096	59.5x	54.7x	39.5x	NM	NM	NM	\$18	\$20	\$28	\$0.14	\$0.35	\$0.69
Potbelly	PBPB	NC	\$12.41			-6%	31%	19%	\$364	\$383	7.2x	14.2x	13.1x	NM	NM	53.0x	\$53	\$27	\$29	NM	\$0.15	\$0.23
Portillo's	PTLO	Buy	\$14.14	\$25	77%	3%	-5%	-11%	\$1,031	\$1,325	16.4x	13.3x	12.6x	18.0x	20.8x	19.4x	\$81	\$100	\$105	\$0.79	\$0.68	\$0.73
Sweetgreen	SG	Buy	\$12.09	\$16	32%	8%	34%	7%	\$1,359	\$1,115	-22.9x	-260.0x	94.8x	-11.9x	-19.7x	-27.0x	-\$49	-\$4	\$12	-\$1.01	-\$0.61	-\$0.45
Shake Shack	SHAK	Neutral	\$79.59	\$84	6%	3%	45%	7%	\$3,367	\$3,385	29.7x	26.4x	22.5x	NM	NM	NM	\$114	\$128	\$151	-\$0.31	\$0.41	\$0.55
Cava	CAVA	NC	\$52.88			6%			\$6,008	\$5,998	108.7x	82.6x	74.8x	NM	NM	NM	\$55	\$73	\$80	NM	\$0.14	\$0.16
Limited Service Average													23.4x	7.5x	23.1x	43.7x	34.7x	29.2x				
Full Service																						
BJ's Restaurants	BJRI	NC	\$36.04			1%	34%	0%	\$837	\$917	7.2x	8.7x	7.4x	NM	NM	28.0x	\$128	\$105	\$124	\$0.07	\$0.78	\$1.29
Bloomin' Brands	BLMN	Neutral	\$27.17	\$30	10%	-1%	22%	-3%	\$2,359	\$3,425	6.8x	6.3x	6.3x	10.8x	9.5x	9.9x	\$506	\$546	\$541	\$2.51	\$2.86	\$2.74
Cheesecake Factory	CAKE	Neutral	\$35.11	\$37	5%	-1%	15%	0%	\$1,783	\$2,333	7.4x	9.7x	8.6x	23.0x	13.4x	11.3x	\$316	\$240	\$271	\$1.53	\$2.63	\$3.09
Chuy's	CHUY	NC	\$35.09			1%	6%	-8%	\$609	\$552	7.5x	9.5x	9.4x	25.6x	18.5x	18.2x	\$74	\$58	\$59	\$1.37	\$1.90	\$1.93
Dine Brands	DIN	NC	\$45.73			-3%	6%	-8%	\$706	\$1,858	9.5x	7.5x	7.4x	7.4x	7.1x	7.2x	\$197	\$247	\$250	\$6.20	\$6.41	\$6.36
Darden Restaurants	DRI	Buy	\$167.66	\$193	15%	1%	13%	2%	\$20,020	\$21,754	14.2x	13.7x	12.2x	22.7x	21.0x	18.8x	\$1,531	\$1,590	\$1,777	\$7.40	\$8.00	\$8.94
Brinker International	EAT	Underperform	\$44.30	\$44	-1%	-2%	31%	3%	\$1,959	\$2,868	8.0x	8.4x	7.0x	14.3x	15.6x	12.3x	\$358	\$340	\$411	\$3.09	\$2.85	\$3.60
Dave & Buster's	PLAY	NC	\$59.47			8%	70%	10%	\$2,390	\$3,687	5.9x	7.1x	6.6x	NM	17.9x	13.8x	\$629	\$519	\$562	NM	\$3.32	\$4.32
Red Robin Gourmet Burgers	RRGB	NC	\$10.39			-1%	18%	-17%	\$161	\$346	2.7x	4.8x	4.5x	-3.2x	-8.4x	-15.5x	\$129	\$72	\$77	-\$3.26	-\$1.23	-\$0.67
Texas Roadhouse	TXRH	Buy	\$134.73	\$146	8%	3%	31%	10%	\$8,998	\$8,928	19.5x	17.6x	14.8x	NM	29.6x	24.6x	\$457	\$508	\$604	\$3.97	\$4.55	\$5.48
Casual Dining Average													8.9x	9.3x	8.4x	14.4x	13.8x	12.9x				
Cracker Barrel	CBRL	Underperform	\$78.81	\$68	-14%	-4%	23%	2%	\$1,748	\$2,281	8.6x	9.9x	10.2x	12.9x	14.4x	15.3x	\$266	\$229	\$224	\$6.10	\$5.47	\$5.15
Denny's	DENN	NC	\$10.37			-2%	19%	-5%	\$550	\$813	11.5x	9.4x	8.9x	19.9x	16.8x	14.8x	\$71	\$86	\$91	\$0.52	\$0.62	\$0.70
First Watch	FWRG	Buy	\$23.38	\$28	20%	7%	40%	16%	\$1,399	\$1,499	21.5x	16.3x	14.4x	NM	48.6x	45.6x	\$70	\$92	\$104	\$0.22	\$0.48	\$0.51
ONE Group Hospitality	STKS	NC	\$4.02			1%	-9%	-34%	\$126	\$182	3.7x	4.5x	3.3x	NM	17.9x	7.8x	\$50	\$40	\$56	NM	\$0.23	\$0.52
Full Service Average													9.5x	9.5x	8.6x	14.8x	16.8x	15.0x				
SPX			\$5,024.25				5%		\$5,287		15.5x	14.8x	13.2x	24.1x	24.0x	20.9x	\$356	\$356	\$401	\$221.38	\$209.05	\$240.61

Source: BofA Global Research estimates, Bloomberg for companies not covered; NC – Not Covered

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Exhibit 7: Restaurant companies across the Limited Service and Full Service industries

Restaurants key performance indicators sheet

\$ in mm except per share values					EPS			growth y/y (%)			FCF		
Company	Rating	Last Price	Price Objective	Upside/Downside to PO (%)	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Limited Service													
BROS	Buy	\$26.99	\$48	78%	\$0.17	\$0.30	\$0.38	-44%	78%	28%	-\$97	-\$87	-\$60
DNUT	Buy	\$13.56	\$19	40%	\$0.30	\$0.32	\$0.46	-11%	6%	46%	\$17	\$16	\$39
SBUX	Buy	\$97.30	\$127	31%	\$2.96	\$3.54	\$4.06	-8%	20%	15%	\$2,556	\$3,675	\$1,380
DPZ	Buy	\$425.09	\$491	16%	\$12.53	\$14.63	\$16.51	-7%	17%	13%	\$388	\$812	\$693
JACK	Buy	\$77.27	\$97	26%	\$6.25	\$6.02	\$6.44	-11%	-4%	7%	\$140	\$76	\$101
LOCO	NC	\$9.23			\$0.55	\$0.71	\$0.73	239%	29%	3%	\$19	NM	NM
MCD	Neutral	\$289.47	\$341	18%	\$10.11	\$11.94	\$12.60	9%	18%	6%	\$5,488	\$8,310	\$8,818
PZZA	Buy	\$72.49	\$90	24%	\$2.93	\$2.56	\$2.89	-16%	-13%	13%	\$39	\$110	\$115
TAST	NC	\$9.43			-\$0.87	\$0.48	\$0.57	50%	-156%	19%	-\$17	NM	NM
QSR	Underperform	\$77.02	\$74	-4%	\$3.09	\$3.17	\$3.27	12%	3%	3%	\$1,390	\$1,618	\$2,133
WEN	Underperform	\$19.32	\$21	9%	\$0.86	\$1.00	\$1.08	5%	16%	8%	\$182	\$267	\$302
WING	Buy	\$295.50	\$323	9%	\$1.83	\$2.42	\$3.02	225%	32%	24%	\$52	\$72	\$90
YUM	Neutral	\$130.27	\$151	16%	\$4.51	\$5.26	\$5.68	-1%	17%	8%	\$0	\$0	\$0
CMG	Buy	\$2,638.35	\$3,000	14%	\$32.78	\$44.26	\$53.78	29%	35%	22%	\$493	\$1,245	\$1,503
KRUS	NC	\$103.66			\$0.12	\$0.35	\$0.69	-464%	195%	94%	-\$21	NM	NM
PBPB	NC	\$12.41			\$0.04	\$0.15	\$0.23	NM	NM	NM	\$4	NM	NM
PTLO	Buy	\$14.14	\$25	77%	\$0.79	\$0.68	\$0.73	NM	-14%	7%	\$2	\$15	\$8
SG	Buy	\$12.09	\$16	32%	-\$1.01	-\$0.61	-\$0.45	-82%	-39%	-27%	\$0	\$0	\$0
SHAK	Neutral	\$79.59	\$84	6%	-\$0.31	\$0.41	\$0.55	-6231%	-233%	36%	-\$66	-\$33	-\$8
Limited Service Average													
Full Service													
BJRI	NC	\$36.04			\$0.03	\$0.78	\$1.29	-89%	2503%	65%	-\$27	-\$5	\$3
BLMN	Neutral	\$27.17	\$30	10%	\$2.51	\$2.86	\$2.74	-7%	14%	-4%	\$171	\$310	\$299
CAKE	Neutral	\$35.11	\$37	5%	\$1.53	\$2.63	\$3.09	107%	72%	18%	\$49	\$165	\$106
CHUY	NC	\$35.09			\$1.29	\$1.90	\$1.93	238%	48%	1%	\$15	\$22	\$23
DIN	NC	\$45.73			\$6.09	\$6.41	\$6.36	426%	5%	-1%	\$54	\$87	\$107
DRI	Buy	\$167.66	\$193	15%	\$7.40	\$8.00	\$8.94	-112%	8%	12%	\$888	\$988	\$943
EAT	Underperform	\$44.30	\$44	-1%	\$3.09	\$2.85	\$3.60	-1%	-8%	27%	\$132	\$86	\$141
PLAY	NC	\$59.47			\$2.76	\$3.32	\$4.32	NM	NM	30%	\$210	\$113	\$141
RRGB	NC	\$10.39			-\$2.53	-\$1.23	-\$0.67	450%	-51%	-46%	-\$3	NM	NM
TXRH	Buy	\$134.73	\$146	8%	\$3.97	\$4.55	\$5.48	13%	15%	20%	\$248	\$155	\$239
Casual Dining Average													
CBRL	Underperform	\$78.81	\$68	-14%	\$6.10	\$5.47	\$5.15	18%	-10%	-6%	\$107	\$123	\$144
DENN	NC	\$10.37			\$0.50	\$0.62	\$0.70	188%	23%	14%	\$28	NM	NM
FWRG	Buy	\$23.38	\$28	20%	\$0.22	\$0.48	\$0.51	NM	122%	7%	\$0	\$34	\$19
STKS	NC	\$4.02			NM	\$0.23	\$0.52	NM	NM	129%	-\$7	-\$23	-\$9
Full Service Average													
SPX		\$5,024.25			\$221.38	\$209.05	\$240.61	6%	-6%	15%	\$167	\$184	\$211

Source: BofA Global Research estimates, Bloomberg for companies not covered; NC – Not Covered

BofA GLOBAL RESEARCH



**Exhibit 8: Exhibit 6: Restaurant companies across the Limited Service and Full Service industries**

Restaurants valuation sheet

\$ in mm except per share values						Price Performance						EV/EBITDA			P/E			EBITDA			EPS		
Company		Rating	Last Price	Price Objective	Upside/Downside to PO (%)	1 wk	3M	YTD	Market Cap	Enterprise Value	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	
Limited Service																							
Dutch Bros	BROS	Buy	\$26.99	\$48	78%	1%	-1%	-15%	\$4,780	\$4,746	53.2x	30.6x	23.7x	162.9x	91.4x	71.3x	\$89	\$155	\$200	\$0.17	\$0.30	\$0.38	
Krispy Kreme	DNUT	Buy	\$13.56	\$19	40%	0%	8%	-10%	\$2,286	\$3,188	16.7x	15.2x	11.6x	45.4x	42.8x	29.3x	\$191	\$210	\$274	\$0.30	\$0.32	\$0.46	
Starbucks	SBUX	Buy	\$97.30	\$127	31%	5%	-5%	1%	\$110,163	\$123,104	19.5x	17.2x	15.1x	32.9x	27.5x	24.0x	\$6,304	\$7,163	\$8,175	\$2.96	\$3.54	\$4.06	
Domino's Pizza	DPZ	Buy	\$425.09	\$491	16%	1%	15%	3%	\$14,828	\$19,703	23.2x	21.8x	19.3x	33.9x	29.1x	25.8x	\$848	\$903	\$1,019	\$12.53	\$14.63	\$16.51	
Jack in the Box	JACK	Buy	\$77.27	\$97	26%	-2%	18%	-5%	\$1,525	\$3,264	5.8x	10.0x	9.7x	NM	12.8x	12.0x	\$559	\$326	\$338	\$6.25	\$6.02	\$6.44	
El Pollo Loco	LOCO	NC	\$9.23			-1%	12%	5%	\$290	\$376	5.6x	6.8x	7.1x	15.9x	12.9x	12.6x	\$68	\$55	\$53	\$0.58	\$0.71	\$0.73	
McDonald's	MCD	Neutral	\$289.47	\$341	18%	-3%	8%	-2%	\$209,965	\$243,206	21.6x	17.7x	16.5x	28.6x	24.2x	23.0x	\$11,242	\$13,710	\$14,758	\$10.11	\$11.94	\$12.60	
Papa John's	PZZA	Buy	\$72.49	\$90	24%	-2%	12%	-5%	\$2,374	\$3,156	15.1x	14.6x	13.5x	24.7x	28.4x	25.1x	\$209	\$217	\$234	\$2.93	\$2.56	\$2.89	
Carrols Restaurant Group	TAST	NC	\$9.43			0%	24%	20%	\$487	\$922	5.5x	6.3x	6.0x	-13.5x	NM	16.5x	\$168	\$146	\$154	-\$0.70	\$0.48	\$0.57	
Restaurant Brands International	QSR	Underperform	\$77.02	\$74	-4%	-3%	12%	-1%	\$35,062	\$46,701	20.1x	18.2x	16.5x	24.9x	24.3x	23.5x	\$2,326	\$2,569	\$2,833	\$3.09	\$3.17	\$3.27	
Wendy's	WEN	Underperform	\$19.32	\$21	9%	1%	4%	-1%	\$3,985	\$6,253	12.6x	11.6x	10.9x	22.4x	19.3x	17.9x	\$498	\$539	\$572	\$0.86	\$1.00	\$1.08	
Wingstop	WING	Buy	\$295.50	\$323	9%	3%	43%	15%	\$8,692	\$9,326	86.4x	66.7x	58.3x	161.2x	121.9x	98.0x	\$108	\$140	\$160	\$1.83	\$2.42	\$3.02	
Yum! Brands	YUM	Neutral	\$130.27	\$151	16%	1%	4%	0%	\$36,606	\$47,289	20.5x	19.3x	17.5x	28.9x	24.7x	23.0x	\$2,307	\$2,450	\$2,705	\$4.51	\$5.26	\$5.68	
Chipotle Mexican Grill	CMG	Buy	\$2,638.35	\$3,000	14%	6%	26%	15%	\$72,347	\$71,299	48.6x	37.8x	31.8x	80.5x	59.6x	49.1x	\$1,468	\$1,888	\$2,245	\$32.78	\$44.26	\$53.78	
Kura Sushi	KRUS	NC	\$103.66			6%	84%	36%	\$1,157	\$1,096	59.5x	54.7x	39.5x	NM	NM	NM	\$18	\$20	\$28	\$0.14	\$0.35	\$0.69	
Potbelly	PBPB	NC	\$12.41			-6%	31%	19%	\$364	\$383	7.2x	14.2x	13.1x	NM	NM	53.0x	\$53	\$27	\$29	NM	\$0.15	\$0.23	
Portillo's	PTLO	Buy	\$14.14	\$25	77%	3%	-5%	-11%	\$1,031	\$1,325	16.4x	13.3x	12.6x	18.0x	20.8x	19.4x	\$81	\$100	\$105	\$0.79	\$0.68	\$0.73	
Sweetgreen	SG	Buy	\$12.09	\$16	32%	8%	34%	7%	\$1,359	\$1,115	-22.9x	-260.0x	94.8x	-11.9x	-19.7x	-27.0x	-\$49	-\$4	\$12	-\$1.01	-\$0.61	-\$0.45	
Shake Shack	SHAK	Neutral	\$79.59	\$84	6%	3%	45%	7%	\$3,367	\$3,385	29.7x	26.4x	22.5x	NM	NM	NM	\$114	\$128	\$151	-\$0.31	\$0.41	\$0.55	
Cava	CAVA	NC	\$52.88			6%			\$6,008	\$5,998	108.7x	82.6x	74.8x	NM	NM	NM	\$55	\$73	\$80	NM	\$0.14	\$0.16	
Limited Service Average											23.4x	7.5x	23.1x	43.7x	34.7x	29.2x							
Full Service																							
BJ's Restaurants	BJRI	NC	\$36.04			1%	34%	0%	\$837	\$917	7.2x	8.7x	7.4x	NM	NM	28.0x	\$128	\$105	\$124	\$0.07	\$0.78	\$1.29	
Bloomin' Brands	BLMN	Neutral	\$27.17	\$30	10%	-1%	22%	-3%	\$2,359	\$3,425	6.8x	6.3x	6.3x	10.8x	9.5x	9.9x	\$506	\$546	\$541	\$2.51	\$2.86	\$2.74	
Cheesecake Factory	CAKE	Neutral	\$35.11	\$37	5%	-1%	15%	0%	\$1,783	\$2,333	7.4x	9.7x	8.6x	23.0x	13.4x	11.3x	\$316	\$240	\$271	\$1.53	\$2.63	\$3.09	
Chuy's	CHUY	NC	\$35.09			1%	6%	-8%	\$609	\$552	7.5x	9.5x	9.4x	25.6x	18.5x	18.2x	\$74	\$58	\$59	\$1.37	\$1.90	\$1.93	
Dine Brands	DIN	NC	\$45.73			-3%	6%	-8%	\$706	\$1,858	9.5x	7.5x	7.4x	7.4x	7.1x	7.2x	\$197	\$247	\$250	\$6.20	\$6.41	\$6.36	
Darden Restaurants	DRI	Buy	\$167.66	\$193	15%	1%	13%	2%	\$20,020	\$21,754	14.2x	13.7x	12.2x	22.7x	21.0x	18.8x	\$1,531	\$1,590	\$1,777	\$7.40	\$8.00	\$8.94	
Brinker International	EAT	Underperform	\$44.30	\$44	-1%	-2%	31%	3%	\$1,959	\$2,868	8.0x	8.4x	7.0x	14.3x	15.6x	12.3x	\$358	\$340	\$411	\$3.09	\$2.85	\$3.60	
Dave & Buster's	PLAY	NC	\$59.47			8%	70%	10%	\$2,390	\$3,687	5.9x	7.1x	6.6x	NM	17.9x	13.8x	\$629	\$519	\$562	NM	\$3.32	\$4.32	
Red Robin Gourmet Burgers	RRGB	NC	\$10.39			-1%	18%	-17%	\$161	\$346	2.7x	4.8x	4.5x	-3.2x	-8.4x	-15.5x	\$129	\$72	\$77	-\$3.26	-\$1.23	-\$0.67	
Texas Roadhouse	TXRH	Buy	\$134.73	\$146	8%	3%	31%	10%	\$8,998	\$8,928	19.5x	17.6x	14.8x	NM	29.6x	24.6x	\$457	\$508	\$604	\$3.97	\$4.55	\$5.48	
Casual Dining Average											8.9x	9.3x	8.4x	14.4x	13.8x	12.9x							
Cracker Barrel	CBRL	Underperform	\$78.81	\$68	-14%	-4%	23%	2%	\$1,748	\$2,281	8.6x	9.9x	10.2x	12.9x	14.4x	15.3x	\$266	\$229	\$224	\$6.10	\$5.47	\$5.15	
Denny's	DENN	NC	\$10.37			-2%	19%	-5%	\$550	\$813	11.5x	9.4x	8.9x	19.9x	16.8x	14.8x	\$71	\$86	\$91	\$0.52	\$0.62	\$0.70	
First Watch	FWRG	Buy	\$23.38	\$28	20%	7%	40%	16%	\$1,399	\$1,499	21.5x	16.3x	14.4x	NM	48.6x	45.6x	\$70	\$92	\$104	\$0.22	\$0.48	\$0.51	
ONE Group Hospitality	STKS	NC	\$4.02			1%	-9%	-34%	\$126	\$182	3.7x	4.5x	3.3x	NM	17.9x	7.8x	\$50	\$40	\$56	NM	\$0.23	\$0.52	
Full Service Average											9.5x	9.5x	8.6x	14.8x	16.8x	15.0x							
SPX			\$5,024.25				5%		\$5,287		15.5x	14.8x	13.2x	24.1x	24.0x	20.9x	\$356	\$356	\$401	\$221.38	\$209.05	\$240.61	

Source: BofA Global Research estimates, Bloomberg for companies not covered; NC – Not Covered

BofA GLOBAL RESEARCH

Exhibit 9: Restaurant companies across the Limited Service and Full Service industries

Restaurants key performance indicators sheet

\$ in mm except per share values					EPS			growth y/y (%)			FCF		
Company	Rating	Last Price	Price Objective	Upside/Downside to PO (%)	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Limited Service													
BROS	Buy	\$26.99	\$48	78%	\$0.17	\$0.30	\$0.38	-44%	78%	28%	-\$97	-\$87	-\$60
DNUT	Buy	\$13.56	\$19	40%	\$0.30	\$0.32	\$0.46	-11%	6%	46%	\$17	\$16	\$39
SBUX	Buy	\$97.30	\$127	31%	\$2.96	\$3.54	\$4.06	-8%	20%	15%	\$2,556	\$3,675	\$1,380
DPZ	Buy	\$425.09	\$491	16%	\$12.53	\$14.63	\$16.51	-7%	17%	13%	\$388	\$812	\$693
JACK	Buy	\$77.27	\$97	26%	\$6.25	\$6.02	\$6.44	-11%	-4%	7%	\$140	\$76	\$101
LOCO	NC	\$9.23			\$0.55	\$0.71	\$0.73	239%	29%	3%	\$19	NM	NM
MCD	Neutral	\$289.47	\$341	18%	\$10.11	\$11.94	\$12.60	9%	18%	6%	\$5,488	\$8,310	\$8,818
PZZA	Buy	\$72.49	\$90	24%	\$2.93	\$2.56	\$2.89	-16%	-13%	13%	\$39	\$110	\$115
TAST	NC	\$9.43			-\$0.87	\$0.48	\$0.57	50%	-156%	19%	-\$17	NM	NM
QSR	Underperform	\$77.02	\$74	-4%	\$3.09	\$3.17	\$3.27	12%	3%	3%	\$1,390	\$1,618	\$2,133
WEN	Underperform	\$19.32	\$21	9%	\$0.86	\$1.00	\$1.08	5%	16%	8%	\$182	\$267	\$302
WING	Buy	\$295.50	\$323	9%	\$1.83	\$2.42	\$3.02	225%	32%	24%	\$52	\$72	\$90
YUM	Neutral	\$130.27	\$151	16%	\$4.51	\$5.26	\$5.68	-1%	17%	8%	\$0	\$0	\$0
CMG	Buy	\$2,638.35	\$3,000	14%	\$32.78	\$44.26	\$53.78	29%	35%	22%	\$493	\$1,245	\$1,503
KRUS	NC	\$103.66			\$0.12	\$0.35	\$0.69	-464%	195%	94%	-\$21	NM	NM
PBPB	NC	\$12.41			\$0.04	\$0.15	\$0.23	NM	NM	NM	\$4	NM	NM
PTLO	Buy	\$14.14	\$25	77%	\$0.79	\$0.68	\$0.73	NM	-14%	7%	\$2	\$15	\$8
SG	Buy	\$12.09	\$16	32%	-\$1.01	-\$0.61	-\$0.45	-82%	-39%	-27%	\$0	\$0	\$0
SHAK	Neutral	\$79.59	\$84	6%	-\$0.31	\$0.41	\$0.55	-6231%	-233%	36%	-\$66	-\$33	-\$8
Limited Service Average													
Full Service													
BJRI	NC	\$36.04			\$0.03	\$0.78	\$1.29	-89%	2503%	65%	-\$27	-\$5	\$3
BLMN	Neutral	\$27.17	\$30	10%	\$2.51	\$2.86	\$2.74	-7%	14%	-4%	\$171	\$310	\$299
CAKE	Neutral	\$35.11	\$37	5%	\$1.53	\$2.63	\$3.09	107%	72%	18%	\$49	\$165	\$106
CHUY	NC	\$35.09			\$1.29	\$1.90	\$1.93	238%	48%	1%	\$15	\$22	\$23
DIN	NC	\$45.73			\$6.09	\$6.41	\$6.36	426%	5%	-1%	\$54	\$87	\$107
DRI	Buy	\$167.66	\$193	15%	\$7.40	\$8.00	\$8.94	-112%	8%	12%	\$888	\$988	\$943
EAT	Underperform	\$44.30	\$44	-1%	\$3.09	\$2.85	\$3.60	-1%	-8%	27%	\$132	\$86	\$141
PLAY	NC	\$59.47			\$2.76	\$3.32	\$4.32	NM	NM	30%	\$210	\$113	\$141
RRGB	NC	\$10.39			-\$2.53	-\$1.23	-\$0.67	450%	-51%	-46%	-\$3	NM	NM
TXRH	Buy	\$134.73	\$146	8%	\$3.97	\$4.55	\$5.48	13%	15%	20%	\$248	\$155	\$239
Casual Dining Average													
CBRL	Underperform	\$78.81	\$68	-14%	\$6.10	\$5.47	\$5.15	18%	-10%	-6%	\$107	\$123	\$144
DENN	NC	\$10.37			\$0.50	\$0.62	\$0.70	188%	23%	14%	\$28	NM	NM
FWRG	Buy	\$23.38	\$28	20%	\$0.22	\$0.48	\$0.51	NM	122%	7%	\$0	\$34	\$19
STKS	NC	\$4.02			NM	\$0.23	\$0.52	NM	NM	129%	-\$7	-\$23	-\$9
Full Service Average													
SPX		\$5,024.25			\$221.38	\$209.05	\$240.61	6%	-6%	15%	\$167	\$184	\$211

Source: BofA Global Research estimates, Bloomberg for companies not covered; NC – Not Covered

BofA GLOBAL RESEARCH



Exhibit 11: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BLMN	BLMN US	Bloomin Brands	US\$ 27.17	C-2-7
EAT	EAT US	Brinker Intl	US\$ 44.3	C-3-9
CAKE	CAKE US	Cheesecake Factory	US\$ 35.11	C-2-7
CMG	CMG US	Chipotle Mex Grill	US\$ 2638.35	B-1-9
CBRL	CBRL US	Cracker Barrel	US\$ 78.81	B-3-7
DRI	DRI US	Darden Restaurants	US\$ 167.66	B-1-7
DPZ	DPZ US	Domino's Pizza	US\$ 425.09	B-1-7
BROS	BROS US	Dutch Bros	US\$ 26.99	C-1-9
FWRG	FWRG US	First Watch	US\$ 23.38	C-1-9
JACK	JACK US	Jack in the Box	US\$ 77.27	C-1-7
DNUT	DNUT US	Krispy Kreme	US\$ 13.56	C-1-7
MCD	MCD US	McDonald's	US\$ 289.47	A-2-7
PZZA	PZZA US	Papa John's Int	US\$ 72.49	B-1-7
PTLO	PTLO US	Portillo's Inc.	US\$ 14.14	C-1-9
QSR	QSR US	Restaurant Brands In	US\$ 77.02	B-3-7
YQSR	QSR CN	Restaurant Brands In	C\$ 103.91	B-3-7
SHAK	SHAK.US	Shake Shack	US\$ 79.59	C-2-9
SBUX	SBUX US	Starbucks	US\$ 97.3	B-1-7
SG	SG US	Sweetgreen	US\$ 12.09	C-1-9
TXRH	TXRH US	Texas Roadhouse	US\$ 134.73	B-1-7
WEN	WEN US	Wendy's Co	US\$ 19.32	B-3-7
WING	WING US	Wingstop Inc	US\$ 295.5	C-1-7
YUM	YUM US	Yum Brands Inc	US\$ 130.27	B-2-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**Bloomin Brands (BLMN)**

Relative to the S&P 500, BLMN's present P/E multiple is 0.4x, below its 5-year average (excluding the COVID-19 spike). We believe the multiple is unlikely to expand in the near term given the lack of visibility on the demand environment. We apply this multiple of 0.6x (10.1x absolute) to our 12 month forward estimates - 4Q24-3Q25 EPS of \$2.97- to arrive at our \$30 PO.

Downside Risks: 1) Bloomin' Brands same-store sales growth could be slower than expected if macro headwinds translate into lower restaurant consumption or sales driving initiatives lack traction, 2) Restaurant-level margins could come under further pressure if topline growth falters, 3) Normalizing G&A expense could pressure margins.

Upside Risks: 1) Same-store sales growth could exceed expectations if menu or marketing initiatives prove better than expected, 2) Cost saving initiatives could drive restaurant level margins above historical averages, 3) Ability to improve already low G&A expense ratio could support margins.

Brinker International (EAT)

Brinker's relative valuation to the S&P is 0.6x, in line with its 5-year historical average (0.6x), which we view as the relevant time frame given higher leverage and slower growth vs the more distant past. We valuation to remain in line with the historical range as upside to restaurant margins and EPS are limited by traffic/mix headwinds and investments to sustain traffic gains. Applying a 0.6x relative multiple (unchanged) to our 12-month forward EPS (3QF25-2QF26: \$4.23), we arrive at our PO of \$44.



Upside risks are i) higher-than-expected demand from consumer trade-down into lower price point casual dining brands, which could drive Chili's sales volumes above our forecasts, ii) higher than forecasted debt pay down, which could expand Chili's relative multiple above our target valuation, iii) higher margins and returns at Chili's as a result of moderating commodities and wage inflation.

Downside risks are i) a significant slowdown in consumer spending could pressure EAT's topline growth, exacerbating the risk of company's high operating and financial leverage, ii) increased competitive intensity from casual dining peers, which would put downward pressure on Chili's average volumes and unit level returns.

Chipotle Mexican Grill (CMG)

Our \$3,000 price objective is based on earnings power. At the current unit growth rate, we think Chipotle should be able to reach its targeted 8000 store count in roughly 7 years. By then we'd expect AUVs to exceed \$4mm - under the assumption that comps increase in-line with cost inflation - and margins to be in line with prior peaks of 27%. Assuming a G&A of 5%, which is more similar to mature company operated systems, this system would generate \$7.9bb in EBITDA. At a 20x multiple, consistent with current valuation multiples on high growth companies, the implied EV would be \$173bb, or \$77bb discounted back to today. We then add the current net cash and project out 12 months to derive our price objective of \$3,000.

Downside risks are: 1) lower than expected consumer uptake of new product innovations or digital ordering capabilities, 2) higher than expected food or labor costs that Chipotle is unable to offset with increased pricing, and 3) macroeconomic pressures that slow consumer income growth or otherwise dampen consumption.

Cracker Barrel (CBRL)

Relative to the market, CBRL's P/E multiple is below its 10-year historical average of 0.9x. We expect valuation to remain compressed as demand headwinds among CBRL's largest customer base (65+ and older, lower income) and broader discretionary spending pressures persist. We apply a 0.7x relative P/E multiple to our forward estimates 12 months from now (2Q25-1Q26, \$5.52) to arrive at a \$68 PO, that translates into an absolute PE of 12.3x.

Upside risks: higher-than-expected same store sales growth from digital/off-premise sales initiatives, faster-than-expected recovery in post-pandemic travel and tourism demand, better-than-expected contributions from the Maple Street Biscuit Company acquisition. Downside risks: higher-than-expected wage inflation, worse-than-expected margin contraction from elevated food costs, sluggish recovery in leisure travel demand.

Darden Restaurants (DRI)

Our 12-month \$193 price objective is based on a target relative P/E multiple (1.0x) on our forward estimates (\$10.25). Our target relative multiple (vs the S&P) is in-line with Darden's 10-year historical average multiple, and implies an 18.9x absolute P/E multiple. While investors remain cautious on restaurant spending, we believe fundamental outperformance by best-in-class operators like DRI will prove attractive.

Downside risks are 1) lower-than-expected customer acceptance of menu price increases, 2) inability to offset higher than expected food or labor costs with increased pricing, 3) macroeconomic pressures that slow consumer income growth, 4) slower-than-expected unit growth as a result of inflationary pressures (i.e., utilities costs) and supply-chain constraints.

Domino's Pizza (DPZ)

Given that Domino's returns and growth have consistently outpaced those of the broader market, we believe its historical range remains relevant and we expect the multiple to be

stable. We apply the current relative P/E multiple of 1.5x to our EPS estimates 12 months from now (4Q24-3Q25: \$17.77) to arrive at our \$491 PO, or PE of 27.7x.

Downside risks: Market share gains for other larger competitors in the pizza category that impedes Domino's growth, global economic or social issues could disrupt same store sales growth or affect expansion in international markets, and competitive activity in the pizza category remaining high.

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.

First Watch (FWRG)

We believe FWRG should trade a premium consistent with its faster growth and higher returns. FWRG currently trades in line with its peer group of restaurants and retailers with similar above-market growth rates. We believe a valuation in line with other high growth peers is justified owing to FWRG's faster than average topline growth, extended growth runway, as the brand goes national, and higher incremental returns, with restaurant level ROIs of about 40% or 2x other full service restaurants. We apply a 14x multiple to our forward EBITDA estimates (4Q24-3Q25, \$125mm) to arrive at our \$28 PO. This target multiple is in line with high growth peers' average of 14x.

Downside risks: higher-than-expected cannibalization of existing restaurants due to new store openings, staffing challenges and/or higher-than-expected wage inflation, higher-than-expected occupancy costs as First Watch ramps-up new stores at a faster rate. Upside risks: higher-than-expected AUVs of new units, faster-than-expected SSS growth, lower labor and G&A costs.

Jack in the Box (JACK)

Our \$97 price objective is based on a 0.7x relative PE multiple (13.1x absolute) applied to our 12 month forward earnings estimates (F25: \$7.44). 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.

Krispy Kreme (DNUT)

We believe a premium valuation is justified owing to DNUT's robust double digit topline growth, extended growth runway, and higher incremental returns. We apply a 13x multiple (similar to high growth peers) to our forward estimate 12 months from now (4Q24-3Q25: \$299mm) to arrive at our \$19 PO.

Downside risks: potential industry headwinds from higher-than-expected wages, logistics, and commodity cost inflation, competition from other indulgence and



foodservice businesses, and failure to achieve targeted unit growth due to higher than expected costs or other factors.

Upside risks: faster than expected growth in global access points, organic growth above the company's stated long-term growth targets, higher than expected share gains in the global indulgence and foodservice markets.

McDonald's (MCD)

Our 12-month \$341 price objective is based on a 25.1x P/E multiple on our forward estimates, in line with a relative P/E multiple of 1.3x reflecting limited opportunities for margin expansion due to the franchised model, despite continued topline strength. We apply the relative P/E multiple to our F25 estimates (of \$13.56) to arrive at our \$341 PO.

Risks to our price objective:

To the upside, McDonald's could sustain elevated comps for longer than expected based on company-specific initiatives or industry dynamics. Margins and returns could exceed expectations if McDonald's reduces the pace of investments or identifies unexpected savings opportunities. If investor risk tolerance shifts sharply lower, the relative attractiveness of McDonald's defensive positioning would increase.

To the downside, McDonald's comps could decelerate faster than we anticipate, from either a lack of traction in company initiatives or a deteriorating demand environment. Margins could compress more than expected if McDonald's fails to pass through inflation in food and labor costs.

Papa John's International (PZZA)

Our \$90 PO is based on 4Q24-3Q25 EPS (\$3.36) and a 1.5x multiple relative to the S&P (26.8x absolute multiple), in line with its 10-year historical average.

Downside risks: slower-than-expected consumer growth, increased competition in response to slower consumer spending driving promotional intensity, higher-than-expected inflationary pressures, labor shortages.

Portillo's Inc. (PTLO)

We set our \$25 PO based on steady state earnings power. We assume PTLO grows its store base at 13% to reach 725 stores in the long term, and that average volumes grow with inflation. At \$7.7 bb in sales, assuming stable RLMs and 8% G&A, PTLO would generate \$1.4 bb in EBITDA. Applying an 11x multiple and discounting back equates to a \$25 fair value in one year.

Risks to our PO: potential industry headwinds from wage inflation (MSD-HSD run rate for the industry) 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.

Restaurant Brands International Inc. (QSR / YQSR)

Relative to the S&P 500, currently QSR's earnings multiple stands at 1.1x, in line with its 5-year average. We view this multiple as appropriate as lagging sales trends and greater investment needs drive lower estimate revisions. We apply a 1.1x multiple to our 12 months forward EPS estimate (4Q24-3Q25) EPS to arrive at a price objective of \$74 (C\$100.09). Our 1.1x relative multiple (vs the S&P 500) translates to an absolute P/E multiple of 18.8x.

Upside risks: better-than-expected results on sales trends and market share gains as a result of investments in stores, technology, and marketing spend. Faster-than-expected turnaround in the Burger King brand. Faster-than-expected growth of the Tim Horton's brand.

Downside risks: Higher-than-expected G&A spending, continued lag in topline growth trends relative to competitors, slower-than-expected recovery in supply chain and/or labor constraints associated with COVID-19.

Shake Shack (SHAK)

We set our \$85 PO based on steady state earnings power. We assume SHAK grows its store base at 14% to reach 860 domestic stores in 9 years, and that average volumes grow at 3.5%. At \$7.6bb in sales, assuming stable RLM expansion from 18% to 22% and 9% G&A, SHAK would generate \$726mm in EBITDA. Applying a 12x terminal multiple and discounting back equates to a \$84 PO.

Downside risks to our price objective are: 1) lower than expected consumer uptake of new product innovations or other sales drivers, 2) higher than expected food or labor costs that Shake Shack is unable to offset with increased pricing, 3) macroeconomic pressures that slow consumer income growth or otherwise dampen consumption.

Upside risks to our price objective are: 1) higher than expected consumer uptake of new product innovations or other sales drivers (digital, Kiosks), 2) higher than expected menu pricing, 3) higher than expected consumer income growth that exceeds our consumption expectations.

Starbucks (SBUX)

Starbucks should trade at 1.4x relative to the S&P 500. This translates to an absolute multiple of 25.3x. We apply this multiple to our 2Q25-1Q26 EPS of \$5.02 to arrive at our PO of \$127. This multiple is 1 st. deviation below its 5-year average. We believe it is justified as SBUX should trade within its historical range as it proves its ability to achieve consistent earnings growth.

Downside risks: Starbucks' comps could decelerate faster than anticipated either from a lack of traction in company initiatives or a deteriorating demand environment. Margins could compress more than expected if Starbucks fails to pass through inflation in labor costs.

Sweetgreen (SG)

Our \$16 PO is based on normalized earnings power. Assuming SG is able to reach its long-term target of 1000 stores in ten years, with 18% restaurant-level margin and 8% G&A, we arrive at \$274mm EBITDA. We apply a 16.5x terminal multiple - consistent with mature growth restaurant peers - after adjusting for SG's domestic, company-operated status - to arrive at EV of \$4.5 bb, or \$1.5 bb discounted back to today at 12%.

Downside risks include i) slower SSSG as a result of lower discretionary spending, ii) inability to gain traction in new markets outside of the urban core, iii) failure to offset food and labor cost inflation through pricing and volume growth, iv) worse than expected development challenges (construction costs, permitting) which could limit unit growth.

Texas Roadhouse (TXRH)

We view TXRH's 5-year average of 1.3x (excluding COVID spike) as the appropriate target multiple given TXRH's best-in-class traffic trends and topline growth and our expectations for further operating leverage. Our PO of \$146 is based on a relative multiple of 1.3x (vs the S&P 500 index, or a 23.2x absolute multiple) on our 12-month forward EPS (4Q24-3Q25, \$6.29).

Downside risks are: i) lower-than-expected retail beef prices and as a result, decreased value proposition for steakhouses, ii) traffic growth deceleration in response to menu price increases, iii) greater than expected slowdown in consumer spending /

macroeconomic risk pressuring discretionary income, iv) slower than expected unit growth at Texas Roadhouse.

The Cheesecake Factory (CAKE)

Relative to the S&P 500, CAKE is trading at 0.6x 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 \$37 PO is derived by applying a 0.5x relative multiple (11.4x 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.

Wendy's Co (WEN)

Relative to the S&P 500, Wendy's valuation is currently trading below its 5-year average (1.3x). Despite efforts to bolster the new unit pipeline, we see risks to the unit growth target. We apply a 1.1x relative multiple (17.8x absolute multiple) to our EPS 12 months from now (4Q24-3Q25: \$1.17) to arrive at our \$21 PO.

Upside risks: higher than expected incremental tailwinds / higher sales mix from breakfast or other menu innovation, faster than expected international unit growth, greater than expected market share gains as a result of strategic initiatives or competitive advantages.

Downside risks: comps could disappoint if consumers resume pre-COVID behavior faster than expected, Wendy's could miss international unit growth targets if licensees fail to open new units at the expected pace.

Wingstop Inc (WING)

We set our \$323 PO based on steady state earnings power. We assume WING grows its store base at 16% to reach 10,229 restaurants. Assuming RLMs of 31% and G&A at 1.8% of system sales we arrive at EBITDA of \$1.4bb. Applying a 18x terminal multiple in-line with mature growth franchised restaurants and discounting back we arrive at our \$323 PO.

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.

Yum Brands Inc (YUM)

Our \$151 PO is based on YUM trading at a 1.3x relative P/E multiple and works out to a PE of 25.0x on F25 EPS. Yum's returns on assets have been stable relative to the market. We believe the historical range remains relevant and supports our estimates.

Upside risks: faster than expected recovery from COVID restrictions in China, better than expected unit growth in China.

Downside risks: weak China comp and unit growth due to slower recovery, ongoing competitive challenges in China, continued soft sales trends in the KFC and Pizza Hut brands.

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

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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