

## 12<sup>th</sup> Annual EY MBA Case Competition

USC Marshall School of Business



## Instructions

Please read and analyze the client situation below. The purpose of the case competition is to place you in a simplified situation like one you might face on a client engagement. There is no prescribed answer to any question you will be asked, and you will be evaluated on your critical thinking, analytical ability, creativity of thought, and communication skills. You are a team of consultants, and the judges represent the client's executive leadership team.

Please only include major competitors referenced in the case for analysis and final recommendations.

### **Aromazza's Pizza: Can they Reinvent their Recipe for Success?**

Patricia Park, CEO of the multinational corporation, Aromazza's Pizza, closed the door to her office for a few quiet minutes to think after the latest update from her executive leadership team. She had been working with the team throughout the first half of the fiscal year to review costs and revenue projections, neither of which looked promising. During the meeting, Aromazza's CFO, Miguel Miranda, shared that they could expect a 25% drop in revenue growth for the next fiscal year. Disheartened by the projections and feeling pressure to have a plan to address the slowing growth before the next board meeting, Ms. Park called her good friend and former MBA classmate, Janette Johnson, who was a partner at a consulting firm.

Ms. Park knew that some of the issues Aromazza's was facing were felt across the Quick Service Restaurant (QSR) industry. The key challenges included rising global inflation, increased competition from third-party food delivery apps, and a strained labor force in the U.S., Aromazza's largest market. Inflation was particularly challenging because it impacted both commodity pricing for key ingredients and decreased consumer spending. Aromazza's considered other pizza franchises within the QSR industry to be their primary competitors, but as third-party food delivery app usage had increased over the years, Ms. Park and her colleagues saw a change in the competitive landscape. Delivery apps expanded the field of competition, making take-out or dine-in restaurants as delivery-friendly as pizza chains. U.S. based restaurants had been struggling to find sufficient labor with many locations experiencing slower delivery times since delivery drivers were especially scarce. Additionally, the global supply chain problems that surfaced during COVID-19 continued to persist, complicating operations across the company's vast network of international restaurants.

Aromazza's experienced 6% annual revenue growth between 2008-2018. The company saw a 14% increase in 2020 driven by COVID-19 and is now forecasting 4% growth in 2022, the lowest since the company opened in 1954. As she thought about how shareholders would react to slowing growth and more uncertainty on the horizon. She needed a plan and she needed one fast.

#### **Aromazza's History**

Aromazza's Pizza, Inc. is a U.S. based multinational pizza company with over 16,963 stores across 77 countries worldwide. The Philadelphia, PA headquartered company was established in 1954 and has both corporate and franchise locations. Aromazza's is famous for its low prices, quick service, and delivery-based business model. While the primary source of revenue for the company comes from selling ingredients and supplies to franchisees, Aromazza's secondary source of revenue comes from franchisee fees and store royalties. Aromazza's has historically had a loyal customer base and traditional marketing approach. Their primary customer base is the 18-46-years-old demographic that encompasses working professionals favoring convenience, K-12 schools, and event organizers who favor affordable, kid-friendly meals. Aromazza's traditionally pursues robust marketing campaigns to maintain its

market share. In the past, these campaigns have included Superbowl ads, TV and radio commercials, coupon promotions, and more recently targeted social media advertising.

Historically, Aromazza's has focused on increasing market share and streamlining operations to reduce costs. As a point of differentiation, they have provided their customers flexibility in food options, method of ordering, and delivery service. Like other QSR chains, Aromazza's has made efforts to adjust its product offerings internationally to attract customers that prefer region-specific flavors. They have invested heavily in food service technology to effectively scale operations. Examples include mobile ordering apps, real-time tracking, efficient delivery routes, and voucher codes redeemable in-store and online. Pre-pandemic, they had also made strides in supply chain management by vertically integrating the supply of certain ingredients to ensure consistent quality and predictable delivery schedules.

Aromazza's recorded an annual revenue of \$3.941B in 2021 (Exhibit 2). They have managed to increase their free cash flow in recent years, despite the onset of the Covid-19 pandemic, but they grew only 1.2% in 2021 relative to industry growth of 4% and their total debt increased significantly (Exhibits 1 & 3) due to supply chain, technology investments, and marketing campaigns.

## **Aromazza's Current State**

### **Business Overview:**

Aromazza's participates in two distinct service models in the QSR industry: delivery and carry-out. As a highly recognized global brand, Aromazza's focuses on the value it can bring to serving customers through a worldwide network of franchisees. Aromazza's is predominantly a franchisor, with 95% of US locations owned and operated by independent franchisee partners (Exhibit 12). Within each franchised store, the business model is simple: Aromazza's stores use freshly delivered ingredients while charging competitive prices and leveraging technology and intuitive customer interfaces. Franchisees manage the store and its operations: deciding on headcount, supplies, and menu prices while leveraging Aromazza's worldwide branding, operational technology, and supply chain resources. Since 2018 net new store locations has increased 6.4% worldwide.

Aromazza's generates revenues through royalties and fees from franchisee partners. These royalties represent a percentage of sales for use of Aromazza's supply chain, technology, and global brand. In addition, Aromazza's generates revenues in its supply chain operations division by supplying franchises with store equipment, advertisements, and fresh ingredients. Over the years, Aromazza's has leveraged its scale to reduce costs for its franchisees, and therefore prices for its customers. Customers have developed an appreciation for its affordable products, customer-centric business practices, and community-driven involvement. In U.S. markets, car-side delivery became so efficient that Aromazza's introduced a "3-minute guarantee" of delivery of a finished pizza from store to customer vehicle.

The menu is curated to present Aromazza's offerings in an attractive and informative way to customers while maintaining simplicity. The intention is to streamline order-taking and food preparation while minimizing ordering errors. The basic menu features specialty and customizable pizzas (whole pie and by the slice), assorted sandwiches, pasta dishes, salads, garlic cheesy breads, desserts, and soft drink products. The menus of international markets vary by region, and feature items specific to the local culture and palate.

While Aromazza's has created a thriving pizza delivery business for over 68 years, Aromazza's also developed a competitive carry-out business that represents a large portion of the overall revenue stream. Most of Aromazza's stores are built using the carry-out-friendly "Pizza Gallery" store design style: with an open floorplan and a kitchen that is observable from the ordering area. These stores typically provide limited casual seating (for approximately 10-12 guests); table service for dine-in customers is unavailable.

**Franchise Model***U.S. Franchise Model*

Currently, franchised stores represent 95% of Aromazza's US segment. As of 2021, 5,567 US stores are franchised and 338 are corporately owned with a total \$0.788B in store-based revenue: 20% of total revenues. Aromazza's company-owned stores enable Aromazza's to test potential technological innovations, drive operational improvements, and train new store managers, operations members, staff, and potential franchisees. Aromazza's business is built on a wide base of franchisees rather than any single partner. Aromazza's largest independent franchisee partner owns and operates 330 stores in four international markets, but it is more common for a franchise partner to manage 3-5 locations in a single region.

Aromazza's upholds rigorous criteria for prospective U.S. franchisees to ensure that customers receive a highly standardized experience. Franchisees are generally expected to have at least one year of store management experience and have graduated from Aromazza's management training program before earning the right to franchise. The firm's application process ensures that franchisees are good long-term partners from an operational, financial, and cultural perspective. A large portions of domestic franchise owners began their careers in the kitchen as cooks or as delivery drivers, giving them familiarity with the store operations and culture. Aromazza's maintains its relationship with the independent owners through consistent communication, two-way feedback, and the "Aromazza's Pizza 877-PizzaNow" hotline. "Do the Good Thing," "Put Pizza People First," and "Pineapple on pizzas only when the customer asks" are the stated core values at Aromazza's globally. Aromazza's goal is to bring together a diverse, loving, and present people through pizza.

*International Model*

As of 2021, 11,059 international franchised stores across 77 countries, recorded store-based revenues of \$0.827B: 21% of total revenues. Most of this revenue is from royalty payments on retail sales with the operating model being the same for international and domestic franchises. Potential international franchisees seek Aromazza's because it is a globally recognized brand. The historic track record of store level profitability with relatively low upfront capital expenditures required to open and operate the stores is especially appealing to investors thanks to superior technology leadership and operational efficiency.

**Operations and Supply Chain**

Aromazza's franchise support segment accounts for \$2.33B: 59% of revenues. Aromazza's supports approximately 6,390 stores with ingredients, promotional material, equipment, and technology. Aromazza's supply chain business unit leases more than 810 vehicles and trailers. Aromazza's operates 19 regional food manufacturing centers in the U.S. for dough production, vegetable processing, as well as the servicing of specialized Aromazza's cooking equipment. Aromazza's current strategy is to maintain investment in manufacturing centers and capacity initiatives in the future, including one additional regional dough manufacturing and supply chain center that is expected to open in fiscal year 2023. These centers handle purchasing, receiving, manufacturing, warehousing, and delivery of fresh and shelf-stable ingredients and other complementary items to most North American stores. Franchisees are required to purchase ingredients from Aromazza's supply network, so it is critical for the network to scale up at the same rate as new store openings. Continuing to maintain supply to franchisees is paramount to the Aromazza's business.

While the investment in these distribution hubs has been largely successful, some shareholders question if further investments in operations is the optimal strategy for the next 1-2 years (Stock price – Exhibit 13). Franchisees have shared feedback that the ingredients and menu offerings are not aligning with changing consumer tastes for gluten free options, cauliflower, and vegan crusts; plant-based meat and cheese; and wild caught seafood (anchovies). The company is weighing various options including retool existing manufacturing plants, investing in new plants, and divesting the existing supply chain and pursuing third-party alternatives to maintain Aromazza's cost competitive advantage in the QSR market.

**Sourcing**

Aromazza's utilizes a substantial number of third-party suppliers with whom they maintain long-standing partnerships. The supply partner, FreshDock, must meet strict quality criteria regarding food safety to comply with Aromazza's contractual standards. Aromazza's purchases bulk cheese to supply its franchisees from a single supplier, WisconQueso, via an exclusive seven-year agreement at a fixed price. Most of the meat toppings for franchisees also come from a single supplier, Osconi. Both of these agreements are due for renewal at the end of FY 2023, however the partnerships have experienced challenges in recent years. The WisconQueso contract uses a semi-fixed cheese price which poses a risk to Aromazza's given the volatile nature of cheese commodity prices. Osconi cannot confirm the manufacturing facility origins of any particular meat and they have no plans to expand their offerings to plant-based meat options. Aromazza's operations and strategic partnerships groups have been considering the implications for renegotiating with the current suppliers, engaging new suppliers, and exploring the option of vertically integrating through an acquisition or homegrown operations. Although effective, both WisconQueso and Osconi have experienced shortages and problems affecting responsiveness to demand changes.

Balancing resiliency and cost-effectiveness are ongoing efforts (ingredient and labor cost breakdowns – Exhibit 4). Aromazza's has struggled with industry-wide supply chain disruptions stemming from the pandemic and continues to face shortages and delays. As company leadership examines their post-covid supply chain strategy, an important question to consider is: *How can the company best increase resiliency throughout the chain?*

### **Technological Innovation**

Aromazza's believes technology innovation is vital to the company's short and long-term success. In 2020, Aromazza's added GPS to their "Where's my Pizza" pizza tracker, which gives customers the ability to follow their food from preparation, cooking, packaging, and delivery. Due to virus/sanitation concerns in mid-2020, Aromazza's launched a contactless carry-out option for any order to ensure customers felt safe when placing a prepaid order. Developments like digital ordering, while innovative at the time, are now critical requirements in the QSR industry as are omnichannel ordering, AI-enabled personalized ordering suggestions, intuitive front and backend platforms, and data protection considerations. Aromazza's history of being an early adopter fueled its growth in sales when it first introduced online and app-based ordering. More recently, Aromazza's technology efforts enabled customers to order their products across smart speakers, social media platforms, and wearable technology. In the last couple of years, Aromazza's partnered with STAR Industries to develop and test autonomous pizza delivery in a couple small markets.

Aromazza's TopSlice point-of-sale system is used at cash registers and digital ordering platforms. This system ensures operational efficiency for franchises and corporate management by giving a holistic view of their operations, desired KPIs, and support resources in an intuitive dashboard. While franchises have the option to choose the software at their store, TopSlice is used in 95% of U.S. locations and 75% of the international locations. Aromazza's is always looking for ways to enhance the customer journey and increase satisfaction.

### **Customer Satisfaction Trends**

Historically, Aromazza's is an industry leader in customer service, driving satisfaction through timely and accurate delivery. These areas are extremely important in the QSR and delivery industries, with customers emphasizing convenience as a key determinant in their experience. Aromazza's success in these areas has built trust with their customer base, ensuring that problems with orders are minimal and are swiftly corrected when they arise. Over the last few years, labor and supply chain issues have negatively impacted customer satisfaction scores, with speed of service and ingredient availability ratings dropping in customer surveys (Exhibit 6). Furthermore, Aromazza's scores have dropped in multiple customer satisfaction measures, compounding the competitive pressure to differentiate through customer satisfaction (Exhibit 5).

### **Competitive Strengths**

Aromazza's focus on developing its menu, streamlining operations, and integrating technology into the ordering process has historically supported the company's competitive advantage. The chain seemed to have

struck a successful balance of providing customers options for many tastes while adhering to its core strengths and kitchen efficiency. Because of these efforts, customer orders and order fulfillment pre-pandemic had routinely been described as quick and easy. Aromazza's stores were designed to be welcoming and comfortable for all customers while also requiring limited capital investment. The efficient store design, business operating model, supply chain, and technology created a solid foundation for continued scale while maintaining superior store-level financial performance among the QSR industry.

Aromazza's is the largest pizza company in the world, and as such, the Aromazza's brand is one of the most widely recognized brands worldwide. According to market studies, Aromazza's brand is associated with timely delivery and affordability. Based on 2021 data, Aromazza's maintains 26% share of global pizza delivery and 17% of the global pizzeria market. Aromazza's has grown its carry-out business to 14% of carry-out pizza consumer spending. Aromazza's geographic footprint covers most U.S. households. This significant scale advantage allows Aromazza's to utilize its purchasing power to create economies of scale and reduce costs across its business. The general operational efficiency and use of technology in Aromazza's ops currently provide an advantage over competitors, but leadership notes that this gap is closing as competitors replicate Aromazza's investments.

## Industry Landscape

### Low Margin Industry

The QSR industry has traditionally been low margin, with the dominant chains competing based on cost effectiveness. The average net profit margin has consistently been ~14% over the past 5 years. Most QSR chains maximize revenue by offering lower prices to customers while maintaining low costs through economies of scale and operational efficiency. The industry is fixed-cost heavy, and any variable cost pressures directly translates into lower profitability.

The pandemic saw QSR chains face challenges that continue to affect bottom line growth. Most significantly, low-cost labor shortage across the country has impacted staffing levels in stores and delivery services. Talent in warehouses and distribution centers has been affected to a slightly lesser degree. Since 2021, the industry has added jobs, but staffing levels remain below pre-pandemic levels. The percentage of restaurant operators that said recruiting and retaining employees is their top challenge went up from 49% in January 2020 to 75% in July of this year. Worker shortages have caused stores to limit operating hours, capacity, and reduce delivery time windows. In addition, restaurant chains are spending more to attract workers in the form of referral bonuses, new hire benefits, and increased pay which in turn has led to an increase in cost structures.

More recently, high inflation coupled with raw material cost increases have driven up commodity costs which impact QSRs industry wide. Rising energy costs have generally impaired the post-pandemic recovery of the industry. Costs of certain key ingredients such as meats rose by as much as 42% over the past 2 years. This has forced many in the market to embrace "shrinkflation" by reducing size and/or quantity of offerings, to move to different suppliers, or to buy raw materials at a premium. Industry players have had to absorb these costs at the expense of their margins or pass them on to customers thereby hurting demand. Restaurant chains, especially those offering in-house delivery services have been impacted by high fuel/energy costs which translate to unpopular delivery service fees and higher prices for end consumers.

### Role of ESG in the QSR Industry

ESG has been relevant for major brands in the pizza industry over the last decade. The industry has adopted new practices with regard to sustainability, recycling, pollution, and emission reduction. An increase in use of recyclable materials, investments in clean and renewable energy, and reduction of single use plastics are some of the ways the industry is moving towards a more sustainable future. Consumers want the QSR industry to do more to set aggressive sustainability goals. Even though QSR customers report price as their top priority when selecting a

restaurant, almost 45% of consumers surveyed self-report a willingness to pay more for environmentally friendly options. The problem for quick-serve restaurants is balancing sustainability efforts while maintaining low prices in the face of rising costs. Government incentives and rising consumer concern has pushed the industry to accelerate its sustainability efforts, but many consumers remain disappointed by brands over-promising and under-delivering.

Aromazza's has explicitly stated a desire to embrace ESG. Aromazza's has engaged outside experts to measure and quantify its environmental footprint and identify opportunities to improve. Aromazza's conducted a self-assessment across global operations to identify areas of improvement. Based on that analysis, Aromazza's has created reporting methodologies and procedures for tracking its CO<sub>2</sub>, water, and land use footprint. Aromazza's is committed to achieving net zero carbon emissions by 2050.

### **Competitive Landscape**

Many of the issues affecting Aromazza's also impact their competitors as industry-wide revenue is expected to be modest and costs continue to rise. Profit growth year-over-year has been inconsistent across the industry, with Aromazza's profit growing less than the industry average in 2021 (Exhibit 8). Key external drivers of the industry include Consumer Spending, the Consumer Confidence index, and the Healthy Eating index. Recent industry trends include a business model shift to fewer corporate-owned restaurants in favor of more franchised restaurants, efforts to differentiate service options, building and enhancing online ordering platforms, and increased competition from alternative QSRs and the larger food service sector.

Competition is high with low barriers to entry and the industry has reached the mature phase of its life cycle; revenue growth has slowed and the market for industry establishments is reaching saturation. Historically, competition has been amongst national/regional franchises, local pizzerias, and grocery/convenience store chains (Exhibit 7). However, changing consumer tastes and the rapid adoption of food delivery services have materially altered the competitive landscape. Currently there are four key players in the national/regional segment that comprise 54.78% of the pizza market (Exhibit 7).

### **Competitive Landscape: National/Regional Pizza Franchise Competitors**

#### *Aromazza's – 17.43% Market Share*

#### *Pizza Co – 15.13% Market Share*

Pizza Co was founded by Alberto Di Napoli in 1972 in Woodland Hills, California. Di Napoli strived to make his family recipes at scale and in line with American pizza tastes. Recently the chain has prioritized using local, fresh ingredients to appeal to a health-conscious and sustainability-minded crowd. They command 13% of market share.

#### *Little Italy Bros – 13.93% Market Share*

Little Italy Bros, founded by the Romesco brothers in 1985, has focused on bringing the joy of pizza to families at a low price. Their menu is the most limited of the bunch, in effort to streamline operations and purchase widely used supplies at scale. They command 8% of market share.

#### *Cannoli's Pies – 8.36% Market Share*

Cannoli's Pies, founded in 1958 in Woodward, Oklahoma by the Marquetti family, is the oldest and second largest of the 4 major competitors holding 16% of the market. It operates like Aromazza's but takes a more digital and youth-focused approach to marketing and its in-store experience. They have recently opened a few flagship locations with in-store dining, and additional entrée options.

### **Competitive Landscape: Other (Including Local Pizzeria's and Grocery/Convenience Chains) – 45.17% Market Share**

#### *Local Pizzerias*

This segment accounts for approximately 14% of pizza sales, and competitors leverage their connection to the communities they serve. Local pizzerias offer bespoke menu items, community ties and flexibility to create

meaningful value propositions for their customers. Third-party delivery services have allowed independent restaurants and small local chains to compete more directly with their local national franchise competitors.

#### *Grocery/Convenience Chains*

This segment accounts for approximately 20% of pizza sales. Grocery stores and convenience chains leverage existing relationships with a captive audience, low prices, in-store marketing to appeal to children, and convenience. The largest of these stores is Fresh Market that offers \$11 family-sized pizzas at its popular onsite food court. Fresh Market has more than 500 locations and can be found in all 50 states. There are two major players offering about a dozen frozen pizza brands that account for 81% of frozen pizza sales, this includes two international dine-in chain restaurants that have licensed their names for branding. Additionally, private labels comprise another 11%.

#### **New Entrants & Competitive Trends in the Pizza Industry**

The pandemic saw the rise of new entrants in the takeout dining industry made possible by technology and consumer options. Third-party delivery services have started indirectly competing with QSR chains. Smaller restaurants have taken advantage of these delivery services to provide consumers with greater options that weren't available to them pre-pandemic. In addition, many smaller restaurants and chains also adopted the 'ghost kitchen' model which removed the high fixed cost structure of physical locations. Ghost kitchens with nimble infrastructure and greater flexibility are increasingly competing with the traditional pizza delivery industry.

There are two major players in third-party delivery platforms that capture 70% of sales; the overall market is 5% of the pizza market. Although a small proportion of the pizza industry, the growing popularity of third-party delivery apps allows non-pizza competitors to play a larger role. Historically, pizza has been a go-to food for consumers looking for a fast, delivered hot food option, but growth in app usage is increasingly impacting pizza delivery revenue by providing customers with a greater range of convenient food delivery options (Exhibit 9). In 2021, delivery app revenue in the U.S. increased by over \$6B year-over-year and has nearly doubled since 2018 (Exhibit 10). Over the next 5 years, platform-to-consumer delivery revenue is expected to grow at a faster rate than restaurant-to-consumer delivery, widening the existing divide (Exhibit 11). Although only 5% of the pizza market now, the projected growth rate of food delivery app usage suggests this is an important force to address strategically.

#### **Looking Forward**

With rising material costs and softening demand in the post-COVID-19 world, Ms. Park needs new perspectives. How can a leading pizza chain compete in a new paradigm where third-party delivery apps change the market dynamic? Is pizza losing out to healthy eating or will it always be a reliable, enjoyable option for kids and adults alike? Has Aromazza's and the greater pizza restaurant franchise industry reached maturity making stagnate growth the inevitable future, or are there still options for innovation that can keep Aromazza's relevant and the leader of the pack? Ms. Park asked herself these questions over and over, and decided to call her friend Janette and engage her firm's consulting services hoping to develop a strategic plan and better news to deliver at the year-end meeting.



## Case Questions

### Central case question:

***What can Aromazza's Pizza Inc. do to drive profitable growth over the next three years?***

### Supplemental questions

How can Aromazza's address softening demand when food delivery apps increase competition for delivered meals?

How can Aromazza's combat rising food & labor costs in the US? Are there technology and organizational opportunities the company can leverage to improve its bottom line? Can Aromazza's modify its supply chain, third party partners, and cost structure to be competitive in the quick service restaurant industry? What are the factors that need to be considered while shifting costs?

How can Aromazza's diversify revenue, and does M&A or corporate partnerships play a role in any effort to diversify?

What ESG policies can the company adopt as part of their strategy while attempting to revive profitability and fuel growth?

## Exhibits

Exhibit 1: Balance Sheet (in \$thousands)

| Breakdown                               | 12/31/2021    | 12/31/2020    | 12/31/2019    | 12/31/2018    |
|---|---------------|---------------|---------------|---------------|
| Total Assets                            | \$1,512,157   | \$1,339,928   | \$1,243,883   | \$820,730     |
| Total Liabilities Net Minority Interest | \$5,319,683   | \$4,161,775   | \$4,318,066   | \$3,570,338   |
| Total Equity Gross Minority Interest    | (\$3,807,525) | (\$2,821,847) | (\$3,074,183) | (\$2,749,609) |
| Total Capitalization                    | \$659,167     | \$697,349     | \$573,330     | \$412,244     |
| Common Stock Equity                     | (\$3,807,525) | (\$2,821,847) | (\$3,074,183) | (\$2,749,609) |
| Capital Lease Obligations               | \$269,509     | \$203,600     | \$230,135     | -             |
| Net Tangible Assets                     | (\$3,907,556) | (\$2,904,240) | (\$3,153,593) | (\$2,820,818) |
| Working Capital                         | \$244,033     | \$340,774     | \$300,407     | \$169,329     |
| Invested Capital                        | \$709,447     | \$699,790     | \$611,130     | \$444,709     |
| Tangible Book Value                     | (\$3,907,556) | (\$2,904,240) | (\$3,153,593) | (\$2,820,818) |
| Total Debt                              | \$4,786,480   | \$3,725,237   | \$3,915,448   | \$3,194,318   |
| Net Debt                                | \$4,382,961   | \$3,377,295   | \$3,513,759   | \$3,171,309   |
| Share Issued                            | \$32,687      | \$33,232      | \$35,041      | \$37,064      |
| Ordinary Shares Number                  | \$32,687      | \$33,232      | \$35,041      | \$37,064      |

Exhibit 2: Income Statement (in \$thousands)

| Breakdown  | 12/31/2021  | 12/31/2020  | 12/31/2019  | 12/31/2018  |
|--|-------------|-------------|-------------|-------------|
| Total Revenue  | \$3,941,244 | \$3,520,387 | \$3,256,897 | 3,089,580   |
| COGS   | \$2,414,229 | \$2,157,095 | \$1,994,648 | \$1,926,755 |
| Gross Profit   | \$1,527,015 | \$1,363,292 | \$1,262,249 | \$1,178,273 |
| Operating Expense  | \$821,136   | \$742,868   | \$695,783   | \$661,180   |
| Operating Income   | \$705,879   | \$620,424   | \$566,466   | \$517,093   |
| Net Non-Operating Interest Income Expense                  | (\$173,177) | (\$145,788) | (\$132,093) | (\$129,354) |
| Other Income Expense                                       | \$33,247    | -           | -           | -           |
| Pretax Income  | \$565,951   | \$474,636   | \$434,373   | \$387,739   |
| Tax Provision  | \$104,233   | \$54,578    | \$73,735    | \$60,335    |
| Net Income Common Stockholders                             | \$461,717   | \$420,058   | \$360,638   | \$327,404   |
| Diluted NI Available to Com Stockholders                   | \$461,717   | \$420,058   | \$360,638   | \$325,775   |
| Basic EPS  | \$13        | \$10        | \$9         | \$8         |
| Diluted EPS  | \$13        | \$10        | \$9         | \$7         |
| Basic Average Shares                                       | 32,687      | 33,232      | 35,041      | 37,064      |
| Diluted Average Shares                                     | 34,092      | 33,893      | 37,731      | 39,210      |
| Total Operating Income as Reported                         | \$705,879   | \$620,424   | \$566,466   | \$517,093   |
| Total Expenses   | \$3,235,365 | \$2,899,962 | \$2,690,430 | \$2,587,935 |
| Net Income from Continuing & Discontinued Operation        | \$461,717   | \$420,058   | \$360,638   | \$327,404   |
| Normalized Income  | \$461,717   | \$420,058   | \$360,638   | \$327,404   |
| Interest Income  | \$313       | \$1,415     | \$3,643     | \$3,016     |
| Interest Expense   | \$173,488   | \$147,202   | \$135,736   | \$132,370   |
| Net Interest Income  | (\$173,177) | (\$145,788) | (\$132,093) | (\$129,354) |
| EBIT   | \$739,439   | \$621,838   | \$570,110   | \$520,109   |
| EBITDA   | -           | -           | -           | -           |
| Reconciled Cost of Revenue                                 | \$2,414,229 | \$2,157,095 | \$1,994,648 | \$1,926,755 |
| Reconciled Depreciation                                    | \$65,959    | \$55,607    | \$53,937    | \$48,540    |
| Net Income from Continuing Operation Net Minority Interest | \$461,717   | \$420,058   | \$360,638   | \$325,775   |
| EBITDA   | \$805,398   | \$677,446   | \$624,047   | \$568,648   |

Exhibit 3: Cash Flows (in \$Thousands)

| Breakdown           | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|---------------------|------------|------------|------------|------------|
| Operating Cash Flow | \$597,661  | \$457,422  | \$447,255  | \$360,102  |

|  |               |             |             |             |
|--|---------------|-------------|-------------|-------------|
| Cash Flow from Continuing Operating Activities | \$597,661     | \$457,422   | \$447,255   | \$360,102   |
| Investing Cash Flow                            | (\$130,387)   | (\$99,485)  | (\$25,069)  | (\$80,628)  |
| Cash Flow from Continuing Investing Activities | (\$130,387)   | (\$99,485)  | (\$25,069)  | (\$80,628)  |
| Financing Cash Flow                            | (\$477,644)   | (\$344,463) | (\$200,513) | (\$294,903) |
| Cash Flow from Continuing Financing Activities | (\$477,644)   | (\$344,463) | (\$200,513) | (\$294,903) |
| End Cash Position                              | \$135,354     | \$130,269   | \$435,532   | \$216,898   |
| Changes in Cash                                | (\$10,369)    | \$13,474    | \$221,674   | (\$15,429)  |
| Effect of Exchange Rate Changes                | (\$288)       | \$587       | \$181       | (\$491)     |
| Beginning Cash Position                        | \$154,230     | \$147,086   | \$213,677   | \$232,819   |
| Other Cash Adjustment Outside Change in Cash   | (\$8,218)     | (\$30,877)  | -           | -           |
| Capital Expenditure                            | (\$85,605)    | (\$72,101)  | (\$77,009)  | (\$108,980) |
| Issuance of Debt                               | \$1,681,692   | \$128,336   | \$607,500   | \$881,752   |
| Repayment of Debt                              | (\$823,287)   | (\$172,759) | (\$82,877)  | (\$546,397) |
| Repurchase of Capital Stock                    | (\$1,194,756) | (\$260,424) | (\$629,106) | (\$534,751) |
| Free Cash Flow                                 | \$506,551     | \$430,942   | \$370,247   | \$248,089   |

Exhibit 4: Cost of Ingredients &amp; Labor (Current)

| Cost of Ingredients Per Pizza |        |
|-------------------------------|--------|
| Mozzarella                    | \$0.60 |
| Parmesan                      | \$0.35 |

|                   |               |
|-------------------|---------------|
| Pepperoni         | \$0.24        |
| Meat              | \$0.28        |
| Flour             | \$0.20        |
| Olive Oil         | \$0.09        |
| Vegetables        | \$0.08        |
| Tomato Sauce      | \$0.05        |
| Kosher Salt       | \$0.01        |
| <b>Total Cost</b> | <b>\$1.90</b> |

| Average Hourly Labor Costs - US - Store Level |         |
|---|---------|
| Delivery Driver                               | \$11.00 |
| Pizza Cook/Chef                               | \$12.00 |
| Restaurant Employee                           | \$13.00 |
| Supervisor                                    | \$16.00 |
| Assistant Manager                             | \$19.00 |
| Manager                                       | \$22.00 |

Exhibit 5: Customer Satisfaction Scores (2021)

| Category                                    | Aromazza's | Industry Average |
|---|------------|------------------|
| NPS (Net Promoter Score)                    | 78         | 51               |
| ACSI (American Customer Satisfaction Index) | 79         | 77               |
| CSAT (Customer Satisfaction Score)          | 67%        | 73.60%           |
| CES (Customer Effort Score)                 | 3.7        | 5.1              |

## Definitions:

- NPS: Used to gauge how happy and loyal customers are to a brand or organization
- ACSI: an economic indicator that measures the satisfaction of consumers across the U.S. economy
- CSAT: A broader group of metrics designed to show how delighted customers are with your experience as a brand
- CES: Measures how much effort a customer must exert to get an issue resolved or a request fulfilled (7-point scale)

Exhibit 6: Customer Survey Scores (Q1 2020 – Q1 2022)

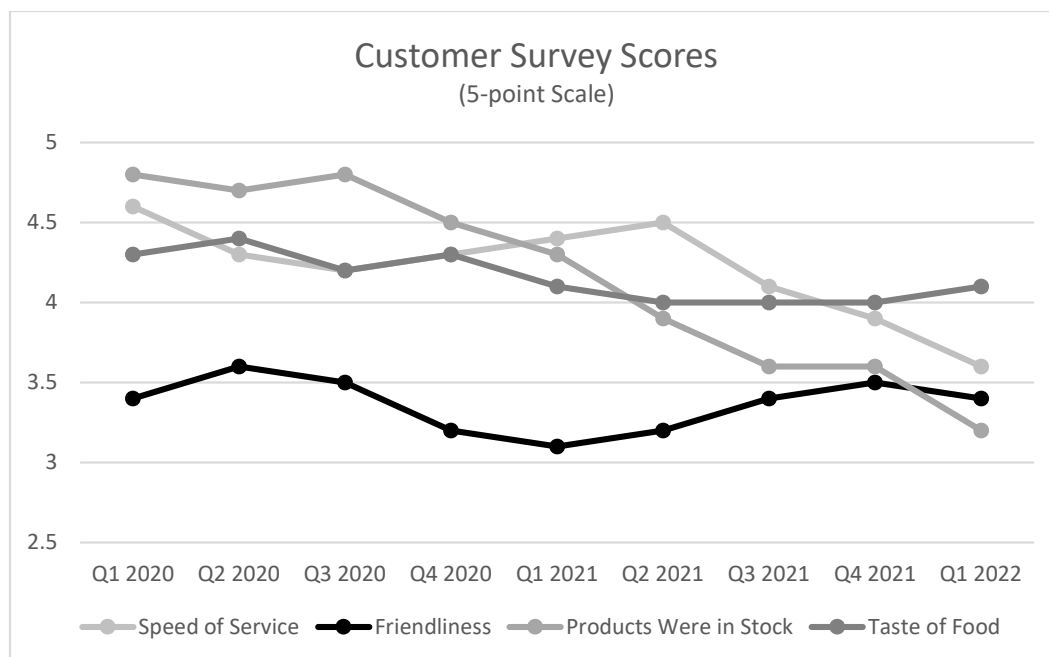
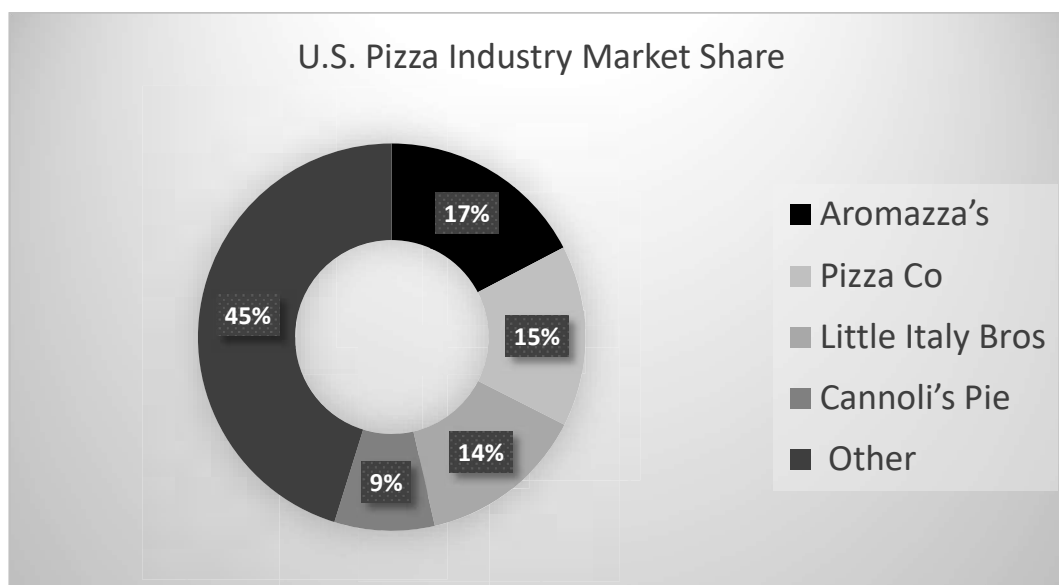


Exhibit 7: Competitor Data (2021)



| Name              | Revenue (\$M) | Market Share (%) | EBIT (\$M) |
|-------------------|---------------|------------------|------------|
| Aromazza's        | 3,941,244     | 17.35%           | 805,398.9  |
| Pizza Co          | 3,420,000     | 15.13%           | 615,979.4  |
| Little Italy Bros | 3,150,000     | 13.94%           | 502,340.7  |
| Cannoli's Pie     | 1,890,000     | 8.36%            | 372,323.1  |
| Other             | 10,216,800    | 45.21%           | Variable   |

Exhibit 8: Changes in Profit Margins (2017-2021)

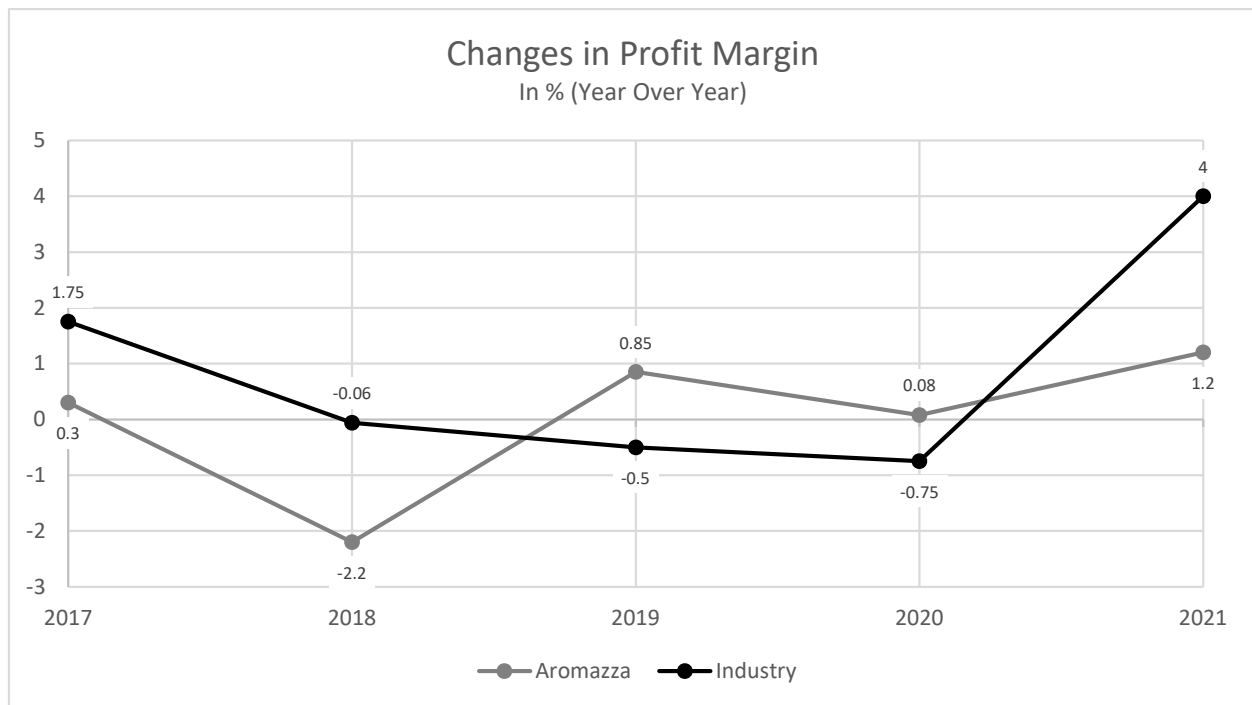


Exhibit 9: US Food Delivery App Users (2015-2021)

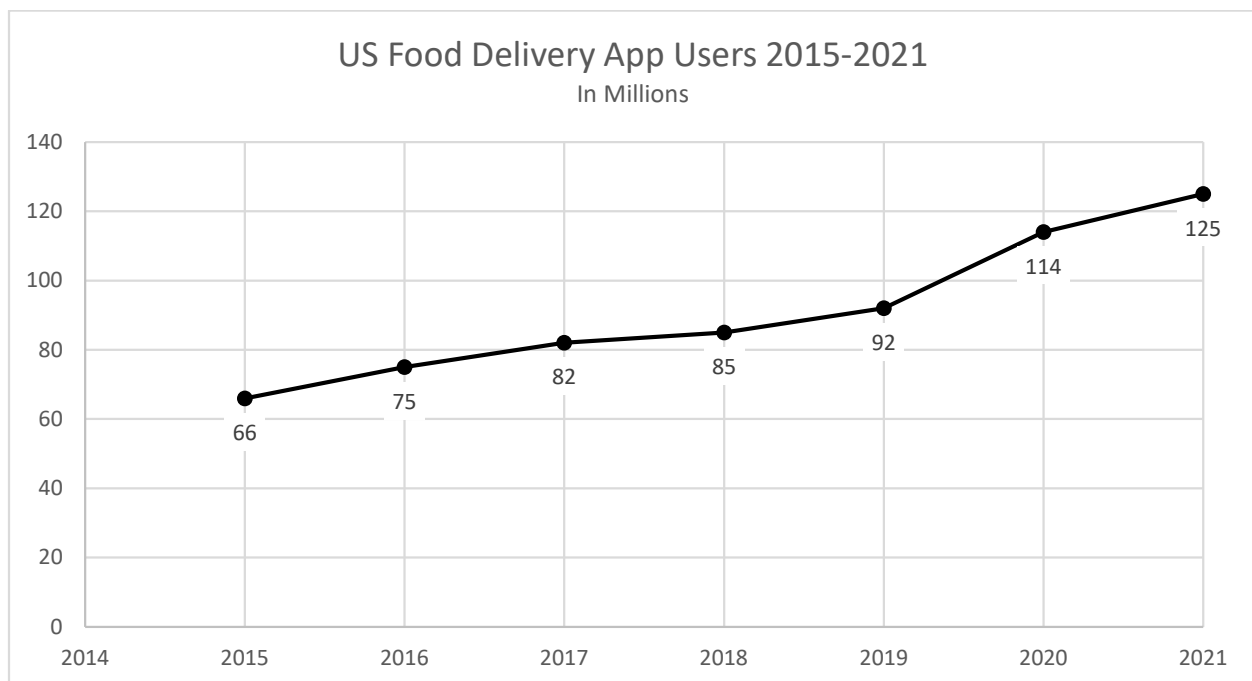


Exhibit 10: US Food Delivery App Revenue

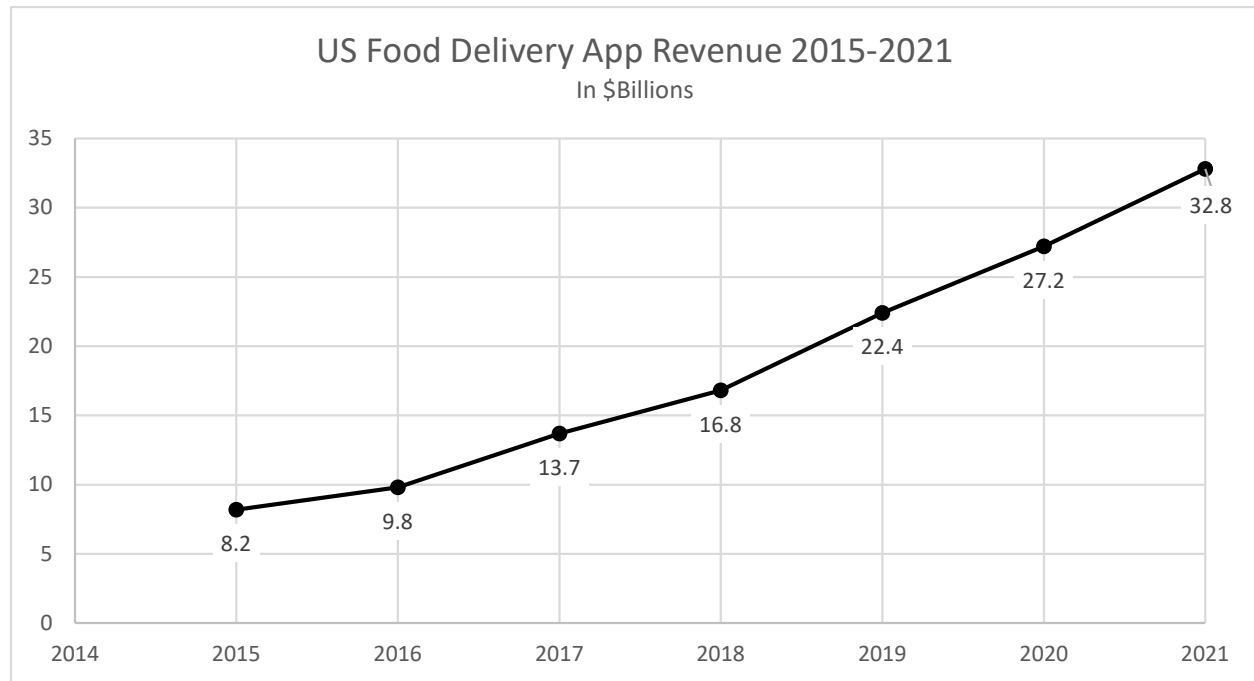


Exhibit 11: Predicted US Online Food Delivery Market (2021-2027)

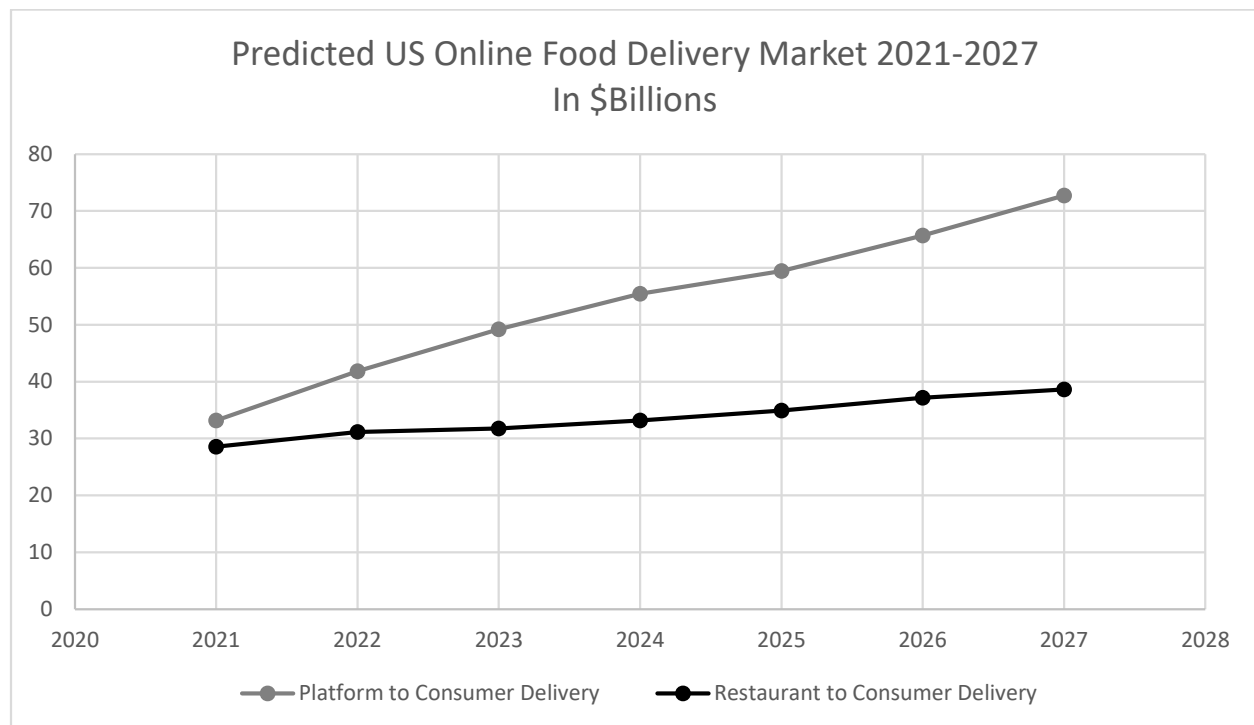


Exhibit 12: Aromazza's U.S. &amp; International Store Data (2019-2021)



| Net Unit Growth  | 2021          | 2020          | 2019          |
|------------------|---------------|---------------|---------------|
| US Franchises    | 5,567         | 5,393         | 5,206         |
| US Company-owned | 338           | 327           | 308           |
| International    | 11,059        | 10,160        | 9,805         |
| <b>Total</b>     | <b>16,963</b> | <b>15,880</b> | <b>15,318</b> |

| Market         | Number of stores (2021) |
|----------------|-------------------------|
| India          | 2,789                   |
| United Kingdom | 2,082                   |
| Japan          | 1,152                   |
| Mexico         | 752                     |
| Australia      | 861                     |
| Turkey         | 753                     |
| Canada         | 586                     |
| South Korea    | 572                     |
| China          | 526                     |
| <i>Other</i>   | 986                     |
| <b>Total</b>   | <b>11,059</b>           |

Exhibit 13: Aromazza's Stock Price

