

Active is: Dining Out & Self-care

Restaurant & Personal Care
Initiation
June 2020

Courtney Sheldon, CFA
Director, Senior Research Analyst
US Consumer Discretionary



Value. Shared.

Internal

Allianz 
Global Investors

New Stock Recommendations

DRI

Darden

\$9.9 bn Market Cap

4 Vote

-37% since 2/19/20 pre-COVID19 market peak¹

As of 6/12/20:

DRI Darden	Base	Street	Bear	Bull
FY 2020 Sales Growth Est. (Ended May 2020)	-9.3%	-8.5%	-9.3%	-9.3%
FY 2021 Sales Growth Est.	2.8%	-0.5%	-11.6%	14.3%
FY 2020 Oper. Margin bps. chg. Est.	(448)	(468)	(448)	(448)
FY 2021 Oper. Margin bps. chg. Est.	(106)	70	(239)	195
FY 2019 EPS Act.	\$5.82	\$5.82	\$5.82	\$5.82
FY 2020 EPS Est.	\$2.70	\$2.64	\$2.70	\$2.70
FY 2021 EPS Est.	\$1.95	\$2.68	\$0.94	\$4.17
FY 2022 EPS Est.	\$6.47	\$5.64	\$3.13	\$6.83
1 Year Out Target NTM P/E Multiple	16.5x	15.1x	12.4x	20.0x
1 Year Out Target Rel. to CCS' Universe				
2019 NTM P/E	0.86x	0.79x	0.65x	1.05x
Price Target	\$107	\$85	\$39	\$136
Upside	46.9%	17.0%	-46.1%	87.0%

WING

Wingstop

\$3.5 bn Market Cap

4 Vote

+20% since 2/19/20 pre-COVID-19 market peak¹

As of 6/12/20:

WING Wingstop	Base	Street	Bear	Bull	
FY 2020 Comp Growth Est.	15.2%	11.9%	11.0%	19.5%	
FY 2021 Comp Growth Est.	5.3%	5.0%	0.5%	10.8%	
FY 2019 Oper. Margin Rate Act.	22.3%	22.3%	22.3%	22.3%	Ref: YUM
FY 2020 Oper. Margin bps. chg. Est.	368	330	181	467	Op. Margin
FY 2021 Oper. Margin bps. chg. Est.	112	126	9	238	rate in the
FY 2019 EPS Act.	\$0.73	\$0.73	\$0.73	\$0.73	low 30%
FY 2020 EPS Est.	\$1.14	\$1.04	\$0.98	\$1.26	range
FY 2021 EPS Est.	\$1.39	\$1.23	\$1.07	\$1.71	
1 Year Out Target NTM P/E Multiple	111.8x	110.3x	63.0x	119.0x	
1 Year Out Target Rel. to CCS' Universe					
2019 NTM P/E	5.85x	5.78x	3.30x	6.23x	
DCF Discount Rate Assumed	7.5%		9.5%	7.5%	
Price Target	\$155	\$136	\$68	\$203	
Upside	32.4%	16.8%	-41.9%	73.4%	

¹As of June 15, 2020. S&P 500 -11% over same time frame.

Quick thoughts on Russell 1000 owned names in the space that I am not currently recommending

EL

Estee Lauder

- Uncertainty surrounding travel, department stores & beauty

DNKN Dunkin'

- Neutral on the name

MCD

McDonald's

- Neutral on the name

SBUX

Starbucks

- Uncertainty surrounding what prolonged working from home will mean to the business

WEN

Wendy's

- Neutral on the name

CMG

Chipotle

- Like the stock, will revisit

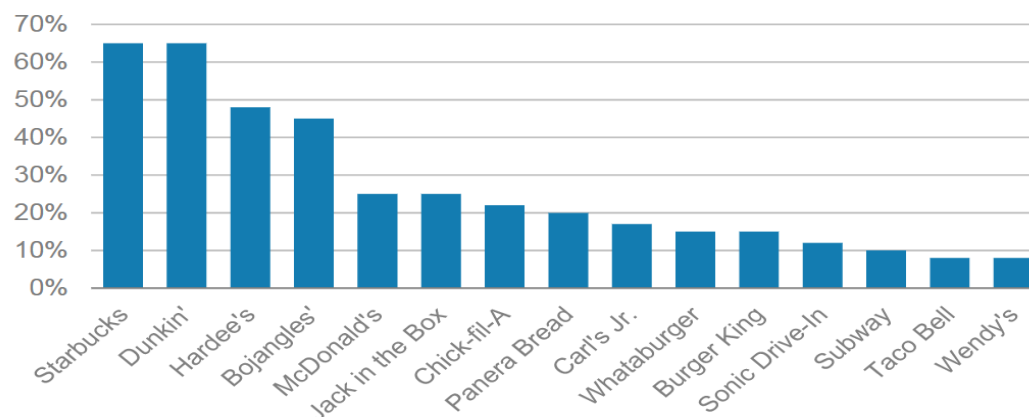
PLNT

Planet Fitness

- Like the stock, will revisit

Exhibit 22: SBUX and DNKN have the greatest AM daypart exposure; MCD, JACK and Burger King (QSR) have significant breakfast share among traditional fast food

Estimated Percent of Sales at Breakfast



Source: Company data, Morgan Stanley Research. WEN reflects current mix following breakfast launch in March 2020.

New Benchmark Stocks

Company Symbol	Company Name	Current Market Value (USD)	Foreign Sales % Tot Geo Sales	P/E NTM	NTM PEG	EV/ FY1 EBITDA	EV /Sales FY1	EPS Growth Act. - FY1	EPS Growth FY1 - FY2	Sales Growth Act. - FY1	Sales Growth FY1 - FY2	Oper Margin	% Price Target Is Above Price	Short Int Shs Pct Tot Float	Div Yield	Div Payout	FCF Yield	ROIC	3Yr Avg ROIC	North Field Beta Factor	Up Revisions Eps FY1 1Mo	Down Revisions Eps FY1 1Mo	50 Day Rec X 2007	BEST STYLES	Brkr Sentiment
COTY	Coty Inc. Class A	3,716	72	23.0	2.0	12.3	1.8	-75.7	116.8	-17.0	-6.6	6.9	18	9.1			-9.0	-26.8	-10.7	1.38	4	4		850	-0.25
EL	Estee Lauder Companies Inc.	68,897	71	42.0	4.4	24.7	5.1	-18.1	19.0	-3.9	7.4	17.0	-3	1.4		35	2.0	23.3	18.7	0.60	1	4		789	-0.26
NUS	Nu Skin Enterprises, Inc. Clas	1,917	86	15.5		7.2	0.9	-28.8	21.0	-8.7	5.6	11.0	-5	3.4	4.06	48	4.7	14.1	12.7	1.36	1	0		143	-0.37
	453-Restaurants																								
CMG	Chipotle Mexican Grill, Inc.	27,663	0	100.4		51.8	5.3	-36.0	108.8	0.7	16.3	8.7	-5	5.6		0	1.2	12.1	12.5	1.18	8	2	YES	294	0.17
DNKN	Dunkin' Brands Group, Inc.	5,309	15	24.8	5.5	18.1	6.6	-18.2	17.0	-8.4	8.9	31.6	2	3.8		52	4.2	9.5	9.8	1.10	6	2		470	0.05
DPZ	Domino's Pizza, Inc.	14,794	65	34.3	2.6	24.5	4.7	18.4	7.5	9.4	5.2	17.4	7	4.5	0.83	27	2.8	61.0	77.4	1.00	21	0		190	0.26
DRI	Darden Restaurants, Inc.	9,863			17.2	14.0	2.0	-54.7	1.8	-8.5	-0.5	9.7	12	5.3		53	2.7	21.2	19.2	1.70	10	4		125	-0.10
MCD	McDonald's Corporation	140,659	63	32.9	4.9	20.7	10.4	-28.7	41.6	-15.5	17.1	41.8	10	1.0	2.64	60	2.7	19.0	21.0	0.91	2	5		447	-0.19
SBUX	Starbucks Corporation	89,219	30	70.9	2.4	32.3	4.7	-65.6	170.7	-12.4	19.3	14.7	5	1.8	2.15	49	0.6	47.0	41.3	1.02	3	25		857	-0.39
WEN	Wendy's Company	4,839	6	37.2	4.2	17.2	4.8	-8.0	24.1	0.4	2.2	16.0	6	4.0	0.92	72	3.9	3.6	7.8	1.37	12	1		285	0.01
WING	Wingstop, Inc.	3,472	0	110.7	6.5	55.1	16.3	41.9	19.0	16.1	11.2	21.5	16	9.8	0.37	58	0.7	21.5	27.5	1.35	1	0	YES	519	0.05
YUM	Yum! Brands, Inc.	27,474	46	29.7	2.7	21.4	6.9	-18.1	29.6	-3.1	10.9	33.8	1	2.0	2.06	41	3.7	56.5	53.4	1.07	11	0		409	-0.15
	455-Leisure Activities																								
PLNT	Planet Fitness, Inc. Class A	5,349	2	80.9	2.9	39.0	14.1	-59.5	179.2	-32.0	57.2	33.8	8	12.5		0	2.1	12.3	10.3	1.53	2	2		700	-0.16

Digital and Dining: A blessing, or a curse? Like most things, it depends.

**Third Party examples: Door Dash,
Uber Eats, Grubhub**

Ordered via Restaurant owned technology, picked up at the Restaurant

- **Margin rate > traditional co. rate; > full Third Party enabled order.** Once the technology is built out, this can be even more profitable to the restaurant than a regular in-restaurant order, as they can optimize the preparation of these orders better than historic on-demand in-restaurant orders.
- **Order & customer data retention > other options,** including traditional restaurant operation.
- **WING & DRI both have this option.**

Ordered via Restaurant owned technology, delivered by a Third Party

- **Margin rate vs. traditional co. rate depends; > full Third Party enabled order.** Once the technology is built out, this can be more profitable to the restaurant than being ordered on & delivered by the Third Party, given the fee will only be paid for the delivery piece.
- **Order & customer data retention > traditional restaurant operation; > full Third Party enabled order; < Restaurant owned delivery.**
- **WING has this option.**

Ordered via Restaurant owned technology, delivered by the Company

- **Margin rate comparison depends.** The profitability of this option depends on the scale of the Restaurant's delivery operation.
- In-house delivery is typically only done by pizza delivery companies.
- **Order & customer data retention > other options,** including traditional restaurant operation.

Digital and Dining: A blessing, or a curse? Like most things, it depends.

**Third Party examples: Door Dash,
Uber Eats, Grubhub**

Ordered on a Third Party app, picked up at the Restaurant

- **Margin rate comparison depends.** The restaurant will have the ability to optimize the preparation and no delivery cost or fee, but that may be offset somewhat by the fee paid to the Third Party app for the order.
- **Order & customer data retention > traditional restaurant operation; > full Third Party enabled order; < Restaurant owned order technology.**
- **WING has this option.**

Ordered on a Third Party app, delivered by that Third Party

- **Margin rate < traditional co. rate, < partial Third Party enabled order.** Probably the lowest profitability to the restaurant all else equal, given fee paid to the third party for both the order & the delivery.
- If the orders are incremental to business, can still grow the EBIT dollars. If the orders start to take away from in-house dining, the economics become questionable.
- **Order & customer data retention < other options**, but > traditional restaurant operation.
- **WING has this option, DRI is experimenting.**

Digital and Dining: A blessing, or a curse?

Like most things, it depends.

- Behind the pizza category, WING has by far the highest digital penetration which has increased during COVID-19.
- DRI has a relatively low exposure to digital, but have experimented more during COVID-19... an opportunity.

Company	Current Status of Digital
BJRI	9.5% of Total Sales
CAKE	8% of Total Sales
CHUY	4.3% of Total Sales
CMG	26.3% of Total Sales
DNKN*	4% of Dunkin' U.S. Transactions
DPZ	65%+ of 2019 U.S. Retail Sales; 50%+ of Global Retail Sales
DRI	Olive Garden: 6% of Total Sales; LongHorn: 2.5% of Total Sales
JACK	N/A
LOCO	3% of Total Sales
MCD	N/A
SBUX**	18% of U.S. Company-Operated Transactions
TXRH	2% of Total Sales
WING	40% of Total Sales
QSR	N/A
YUM	N/A

Year-Ago Status of Digital
N/A
4-5% of Total Sales
N/A
15.7% of Total Sales
N/A
60%+ of 2017 U.S. Retail Sales; 50%+ of Global Retail Sales
N/A
N/A
2.6% of Total Sales
N/A
15% of U.S. Company-Operated Transactions
1.5% of Total Sales (2018)
30.2% of Total Sales
N/A
N/A

*DNKN reflects on-the-go mobile order transactions as % of total Dunkin' U.S. transactions.

**SBUX reflects mobile order transactions as % of total U.S. transactions in company-operated locations.

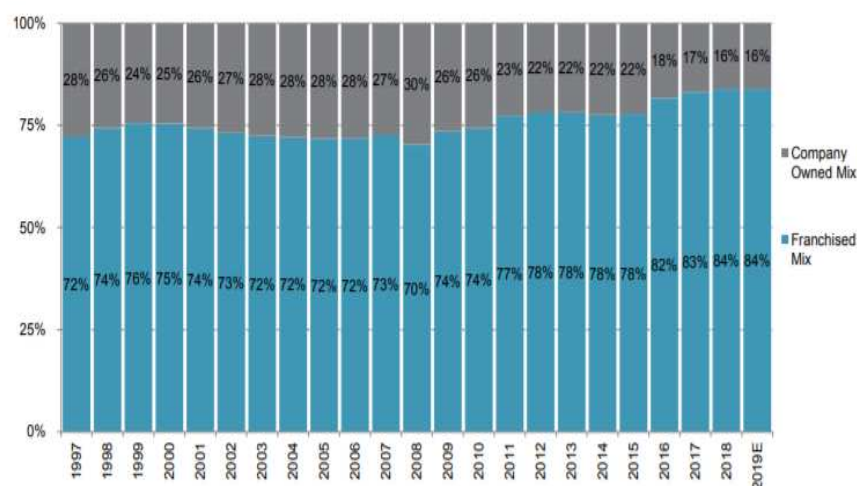
Source: Company Documents

Franchise vs. Company Owned?

Like most things, it depends.

- **The percentage of franchised vs. company owned restaurants in the public space has increased over time.** While in general I tend to like the attributes of the franchise model, both can be attractive depending on the operators and the point in the cycle. Coming out of a downturn, company owned (DRI) could potentially outperform a franchise model (WING) given the larger opportunity for regained upside.

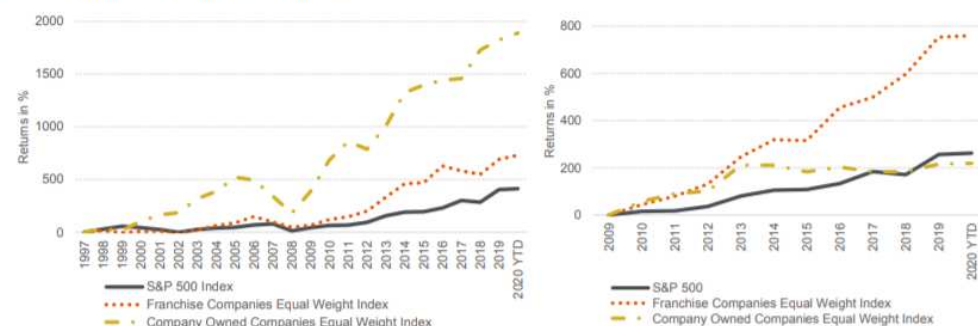
Company vs. Franchised Restaurant Ownership



Source: Company filings and Piper Sandler & Co. estimates

- **What does history say?** Over a longer time period, company owned have outperformed. However, if one shortens that time frame to start post-the Great Recession, franchised companies have performed better.

Stock Performance of Franchised Models



Source: Piper Sandler Restaurant Benchmark Analysis; Performance data as of January 28, 2020
Companies included in the franchised index include: 1997 onward: DENN, DIN, JACK, MCD, PZZA, WEN, YUM and 2009 onward: DENN, DIN, JACK, MCD, PZZA, WEN, DPZ, YUM, DNKN, WING, QSR
Companies included in the company-owned index include: 1997 onward: BJRI, EAT, CAKE, CBRL, DRI, SBUX and 2009 onward: BJRI, EAT, CAKE, CBRL, DRI, SBUX, TAST, CMG, RRGB, RUTH, TXRH, KONA, PLAY, DFRG, TACO, LOCO, FRGI, HBT, NDLS, STKS, PBFB, ARCO, BLMN, SHAK, CHUY

Franchise vs. Company Owned?

Like most things, it depends.

Worldwide Company-Operated Store Mix
(Calendarized)

#	Company	Ticker	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	Arcos Dorados Holdings	ARCO	74%	74%	75%	75%	74%	74%	72%	71%	69%	69%
2	BJ's Restaurants	BJRI	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3	Bloomin' Brands	BLMN	87%	86%	86%	89%	89%	89%	84%	80%	80%	80%
4	Brinker International	EAT	56%	55%	54%	55%	54%	61%	60%	59%	59%	67%
5	Carrols Restaurant Group	TAST	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6	Cheesecake Factory	CAKE	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%
7	Chipotle Mexican Grill	CMG	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
8	Chuy's Holdings	CHUY	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
9	Cracker Barrel Old Country Store	CBRL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
10	Darden Restaurants	DRI	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
11	Dave & Buster's Entertainment	PLAY	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
12	Del Taco	TACO					56%	55%	56%	55%	56%	50%
13	Denny's	DENN	14%	12%	10%	10%	9%	10%	10%	10%	10%	4%
14	Dine Brands Global	DIN	9%	5%	1%	1%	1%	0%	0%	0%	2%	2%
15	Domino's Pizza	DPZ	5%	4%	4%	4%	3%	3%	3%	3%	2%	2%
16	Dunkin' Brands Group	DNKN	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
17	El Pollo Loco	LOCO		42%	42%	42%	41%	43%	44%	44%	44%	40%
18	Fiesta Restaurant Group	FRGI	88%	87%	85%	85%	87%	89%	89%	89%	89%	89%
19	Habit Burger Grill, The	HABT	100%	100%	100%	100%	99%	96%	94%	92%	90%	89%
20	Jack in the Box	JACK	39%	32%	30%	27%	26%	25%	27%	22%	6%	6%
21	McDonald's	MCD	20%	19%	19%	19%	19%	18%	15%	8%	7%	7%
22	Noodles & Company	NDLS	83%	84%	84%	84%	88%	86%	86%	86%	86%	85%
23	One Group Hospitality, The	STKS				32%	61%	30%	36%	36%	41%	65%
24	Papa John's International	PZZA	17%	16%	17%	16%	16%	15%	15%	14%	12%	11%
25	Potbelly Corporation	PBPB	100%	97%	95%	93%	92%	91%	91%	89%	90%	90%
26	Red Robin Gourmet Burgers	RRGB	70%	70%	72%	73%	81%	82%	84%	85%	84%	82%
27	Restaurant Brands International	QSR	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%
28	Ruth's Hospitality Group	RUTH	56%	65%	63%	62%	61%	60%	60%	64%	65%	67%
29	Shake Shack	SHAK			62%	53%	49%	52%	56%	57%	60%	59%
30	Starbucks	SBUX	52%	52%	51%	51%	54%	52%	50%	53%	52%	51%
31	Texas Roadhouse	TXRH	79%	80%	82%	82%	82%	83%	83%	84%	84%	84%
32	Wendy's Company, The	WEN	25%	21%	22%	18%	15%	10%	5%	5%	5%	5%
33	Wingstop	WING		4%	4%	4%	3%	2%	2%	2%	2%	2%
34	Yum! Brands	YUM	19%	20%	8%	8%	8%	7%	7%	3%	2%	2%
AVERAGE			62%	61%	58%	57%	58%	57%	57%	56%	56%	56%

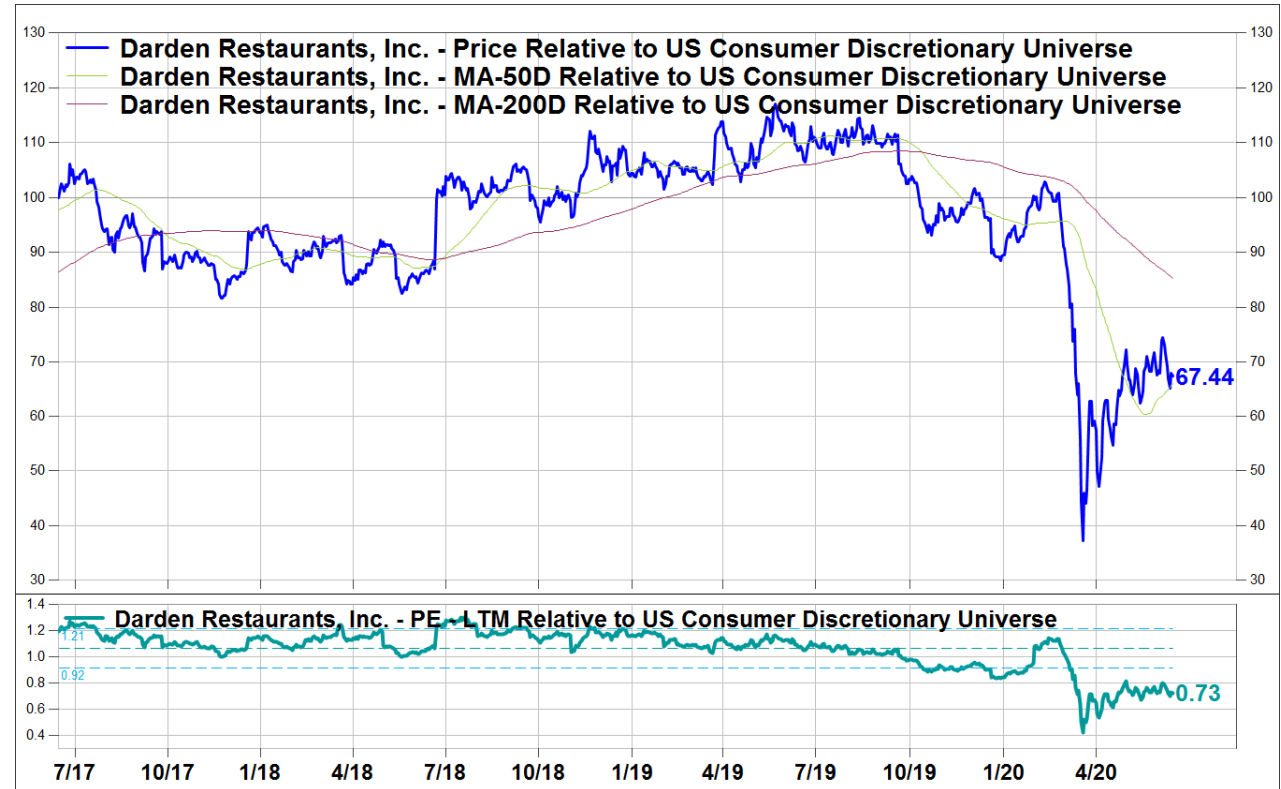
Source: Company Reports, Piper Sandler Estimates

01

DRI US Darden

\$9.9 bn Market Cap

4 Vote





Darden (4 Vote)

An attractive recovery play

Company Details:

- 50% of sales Olive Garden (58% of profits), 21% Longhorn, 7% Fine Dining, 21% Other
 - Italian is differentiated relative to the highly competitive burger space – just have the Macaroni Grill etc. to compete with
 - Olive Garden & Longhorn in general outperform the industry. Opportunity in Cheddar's (8% of sales) operating margin
- 85% of sales are in the US, the rest Canada
- Historically have done a +LSD% comp
- Operating margin and gross margin rate have been more or less steady over the last couple of years
- Between 2015 – 2019 had an activist come in, did things like simplify the menu at Olive Garden (i.e. had burgers on the menu at one point). Completely turned over the Board. Very big on guiding conservatively, beating and raising
- Pre-COVID-19 Off Premise = 15% of Olive Garden, 40% of which was ordered digitally. Very quickly ramped up digital with COVID-19
 - They were doing to-go at 60% of AUVs during the closure
 - Up until COVID-19 they did nothing through third party delivery other than catering.
 - Now they are listed on other websites (like experimenting on UberEats)
- DRI could come out of COVID-19 more profitable as they analyze the cost structure

Long-Term Value Creation Framework

		Annual Target, Over Time		
Business Performance (EAT Growth)	Same-Restaurant Sales	1% - 3%		
	New Restaurant Sales Growth	2% - 3%		7% - 10%
	EBIT Margin Expansion	10 - 30bps		
Return of Cash	Dividend Payout Ratio	50% - 60%		
	Share Repurchase (\$millions)	\$150 - \$250		3% - 5%
Total Shareholder Return (EPS Growth + Dividend Yield)		10% - 15%		

Source: Darden company website, July 2018

Olive Garden: still popular among teens

Average Income Teens						
	1	2	3	4	5	
2020	Spring	Chick-fil-A	Starbucks	McDonald's	Chipotle	Taco Bell
	Fall	Chick-fil-A	Starbucks	McDonald's	Olive Garden	Taco Bell
2019	Spring	Chick-fil-A	Starbucks	McDonald's	Olive Garden	Taco Bell
	Fall	Chick-fil-A	Starbucks	McDonald's	Chipotle	Taco Bell
2018	Spring	Starbucks	Chick-fil-A	McDonald's	Taco Bell	Buffalo Wild Wings
	Fall	Starbucks	Chick-fil-A	McDonald's	Olive Garden	Buffalo Wild Wings
2017	Spring	Starbucks	Chick-fil-A	McDonald's	Chipotle	Buffalo Wild Wings
	Fall	Starbucks	Chick-fil-A	McDonald's	Olive Garden	Chipotle
2016	Spring	Starbucks	McDonald's	Chick-fil-A	Olive Garden	Buffalo Wild Wings
	Fall	Starbucks	McDonald's	Chipotle	Chick-fil-A	Olive Garden
2015	Spring	Starbucks	McDonald's	Chipotle	Chick-fil-A	Olive Garden
	Fall	Starbucks	McDonald's	Chipotle	Chick-fil-A	Taco Bell
2014	Spring	Starbucks	McDonald's	Chipotle	Olive Garden	Taco Bell
	Fall	Starbucks	McDonald's	Olive Garden	Taco Bell	Chipotle
2013	Spring	Starbucks	McDonald's	Olive Garden	Taco Bell	Buffalo Wild Wings
	Fall	Starbucks	McDonald's	Olive Garden	Red Lobster	Taco Bell
2012	Spring	Starbucks	McDonald's	Olive Garden	Taco Bell	Red Lobster
	Fall	Starbucks	McDonald's	Olive Garden	Taco Bell	Applebee's
2011	Spring	Starbucks	McDonald's	Olive Garden	Taco Bell	Applebee's
	Fall	McDonald's	Starbucks	Olive Garden	Taco Bell	Apple Bee's
2010	Spring	Starbucks	Olive Garden	McDonald's	Applebee's	Chili's

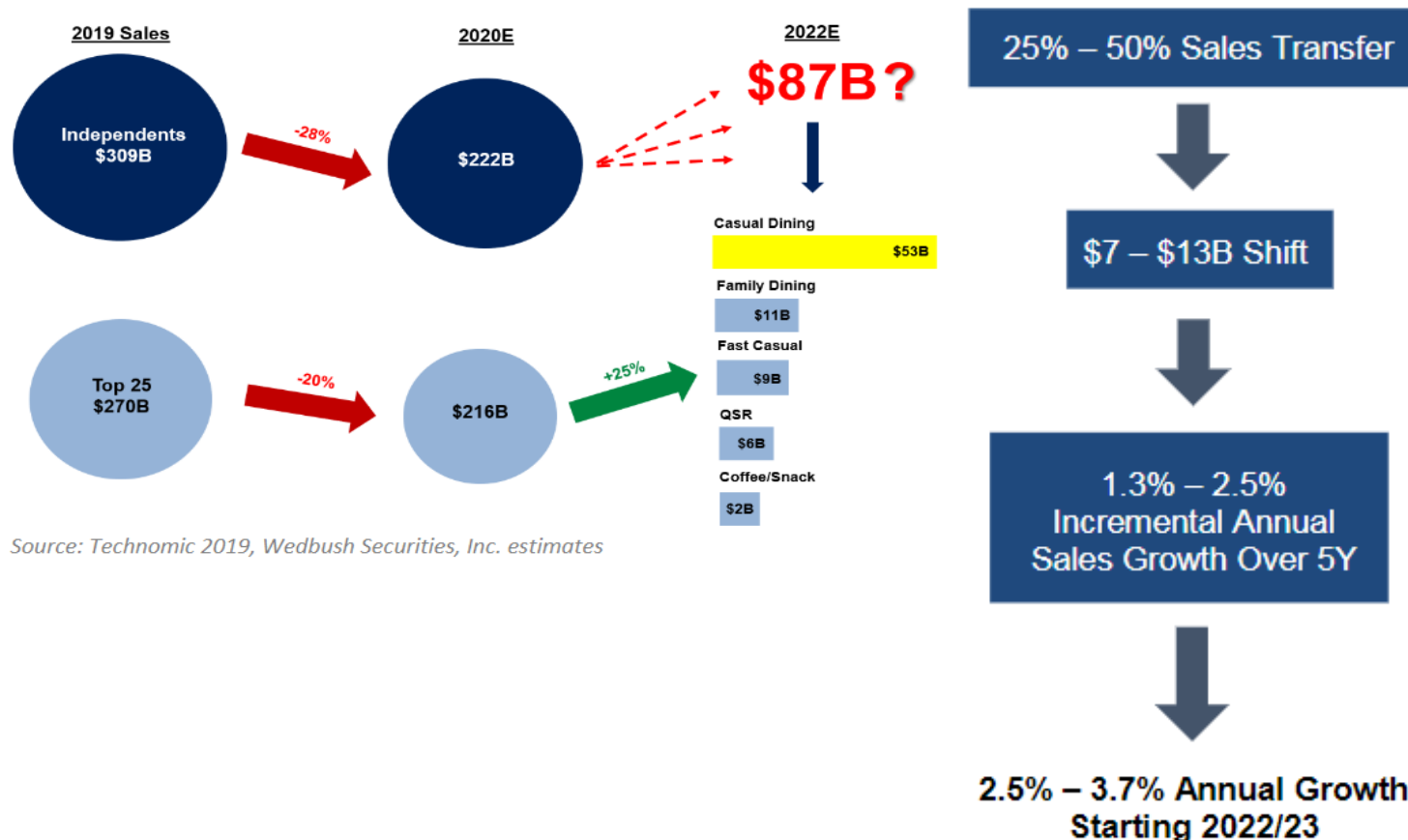
Source: Piper Sandler & Co. estimates

Darden (4 Vote)

Casual dining is the restaurant space most likely to benefit from industry consolidation post-COVID-19

- There are roughly 650K restaurants in the US, expect many to go out of business due to COVID-19, especially in casual dining
- Share recapture by the survivors could add a couple of comp points to historical comps
- The size of DRI's restaurants will likely be a benefit in the post-COVID-19 world
- There may be attractive M&A possibilities
- They have the scale to better handle inflation relative to mom and pops

Figure 12: Estimated Sales Transfer from Independent to Chains



Source: Technomic 2019, Wedbush Securities, Inc. estimates

Figure 14: Casual Dining Market Share (Top 25)

(\$, 000s)	Market Share
Casual Dining	
Olive Garden ¹	2.2%
Applebee's	2.1%
Buffalo Wild Wings	2.0%
Chili's Grill & Bar ¹	1.7%
Texas Roadhouse	1.6%
Outback Steakhouse	1.3%
Red Lobster	1.2%
Cheesecake Factory, The	1.1%
LongHorn Steakhouse ¹	0.9%
Red Robin Gourmet Burgers	0.8%
TGI Fridays	0.6%
BJ's Restaurant & Brewhouse	0.6%
P.F. Chang's	0.4%
Hooters	0.4%
Cheddar's Scratch Kitchen ¹	0.3%
Ruby Tuesday	0.3%
Carrabba's Italian Grill	0.3%
California Pizza Kitchen	0.3%
Yard House ¹	0.3%
Bonefish Grill	0.3%
Dave & Buster's	0.3%
Logan's Roadhouse	0.2%
O'Charley's	0.2%
Mellow Mushroom	0.2%
Miller's Ale House	0.2%

¹ Calendar-year adjusted

Source: Technomic, Wedbush Securities, Inc. estimates

Darden (4 Vote)

Business update on May 19th showed gradually improving weekly sales, and confidence in the balance sheet:

Sales for Olive Garden and LongHorn Steakhouse restaurants open with limited dining room capacity, including To Go sales, are as follows:

<u>Total Sales per Restaurant</u>	<u>WE 5/3</u>	<u>WE 5/10*</u>	<u>WE 5/17</u>
Olive Garden	\$61,601	\$80,806	\$69,555
Same-Restaurant Sales %	(34.3)%	(32.0)%	(26.1)%
# of Restaurants	179	280	398
Average number of days dining rooms were open**	4.0	6.7	6.7
LongHorn Steakhouse	\$46,992	\$58,118	\$48,290
Same-Restaurant Sales %	(31.5)%	(32.6)%	(28.1)%
# of Restaurants	120	202	275
Average number of days dining rooms were open**	5.5	6.9	6.9

* Includes Mother's Day in both years

** Total days dining rooms were open divided by total restaurants with dining rooms open

Same-restaurant sales performance for Darden and its reportable segments are as follows:

	<u>WE 4/26</u>	<u>WE 5/3</u>	<u>WE 5/10*</u>	<u>WE 5/17</u>	<u>QTD 5/17</u>
Darden	(60.1)%	(57.7)%	(50.8)%	(49.0)%	(47.9)%
Olive Garden	(46.3)%	(44.4)%	(40.6)%	(38.1)%	(39.4)%
LongHorn Steakhouse	(59.0)%	(54.5)%	(46.6)%	(44.1)%	(45.8)%
Fine Dining	(84.4)%	(86.2)%	(67.0)%	(75.4)%	(63.1)%
Other Business	(86.5)%	(83.4)%	(74.7)%	(70.7)%	(65.5)%

* Includes Mother's Day in both years

Liquidity and Cash Balance

Based on week ending May 17 results, the Company's ongoing weekly cash burn rate has improved to less than \$10 million including capital expenditures. Given the increased confidence in our cash flow projections and stabilization in the credit markets, the Company fully repaid its \$750 million credit facility on May 5, 2020. With approximately \$700 million of cash on hand as of May 17, the Company is well positioned for the near term while retaining financial flexibility to fully access its \$750 million credit facility should capital requirements present. Including cash available through the credit facility and cash on hand, we have access to over \$1.4 billion of liquidity.

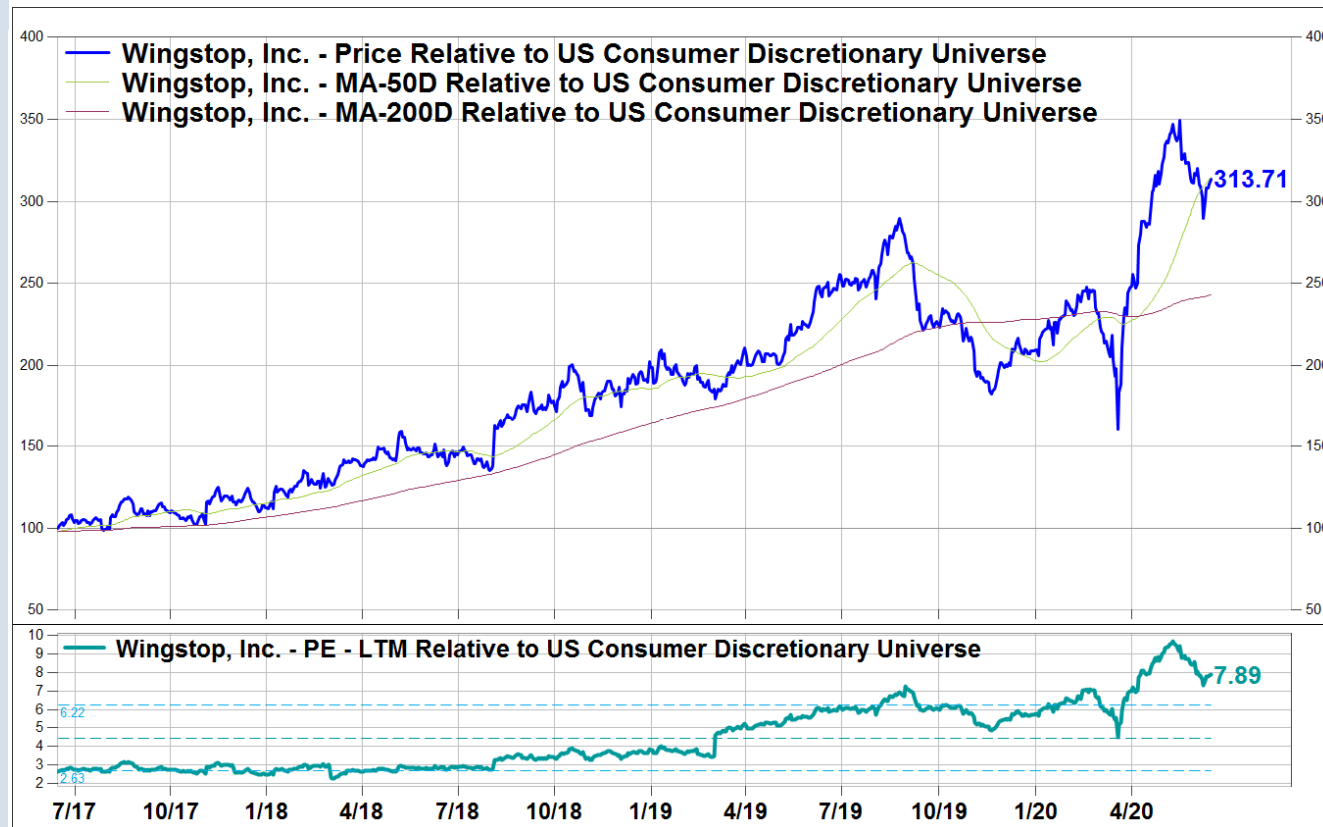
Source: Company Press Release

02

WING US Wingstop

\$3.5 bn Market Cap

4 Vote

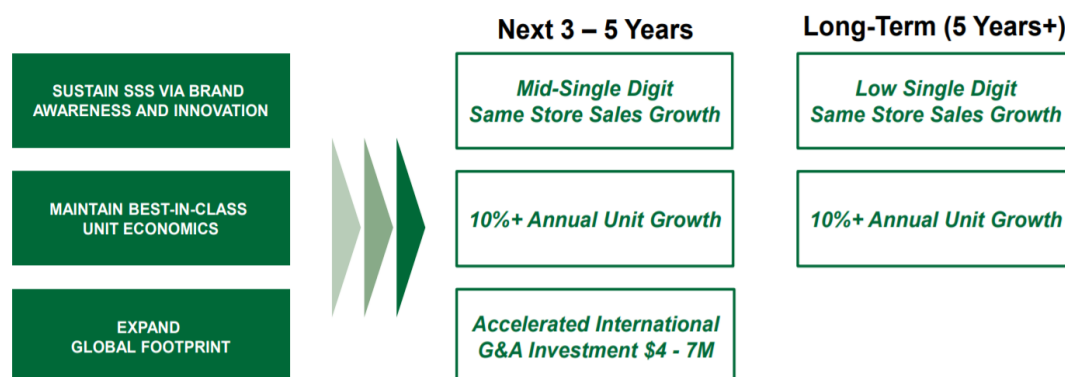


Wingstop (4 Vote)

Advanced digital penetration & an attractive value proposition led to 30+% comps in April 2020

- 98% franchise
- 75% of sales off-premise
- Historically have done +L-HSD% comps over the last few years
- \$17 avg. check (which is typically for 2+ people)
- Targets lower income, ethnic consumers which may be favorable in a post-COVID-19 world. Targets lower cost B, C sites
- 40% of pre-COVID-19 sales were digital (from 5-10% a few years ago), including 2/3s direct.
 - Digital tends to be \$5 higher check
 - Per WING, they get good customer data if the order is through their own site (2/3s) or DoorDash (1/3)
 - 40% of orders are phoned in
- They do a very good job on social media
- It is thought that delivery is 80% incremental to WING
- Square footage +10% growth annually – the current 1,300 stores can be 6,000 globally; 3,000 US

TOP 10 GLOBAL RESTAURANT BRAND



MAXIMIZE FREE CASH FLOW CONVERSION AND BEST-IN-CLASS SHAREHOLDER RETURNS

Source: Wingstop company website



*Chicken Wing price represents wings (jumbo, cut)

Source: Weekly Commodity Report, ARA

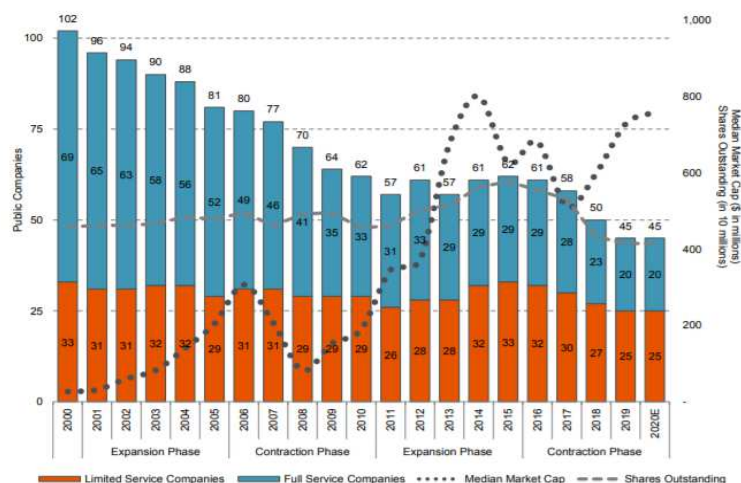
Wingstop (4 Vote)

Valuation looks optically high. However, there is a heightened scarcity premium for high quality growth relative to history, given fewer names in the space.

I calculate price targets (on p. 2) using a DCF, given the longer term opportunity to get to 6,000 stores.

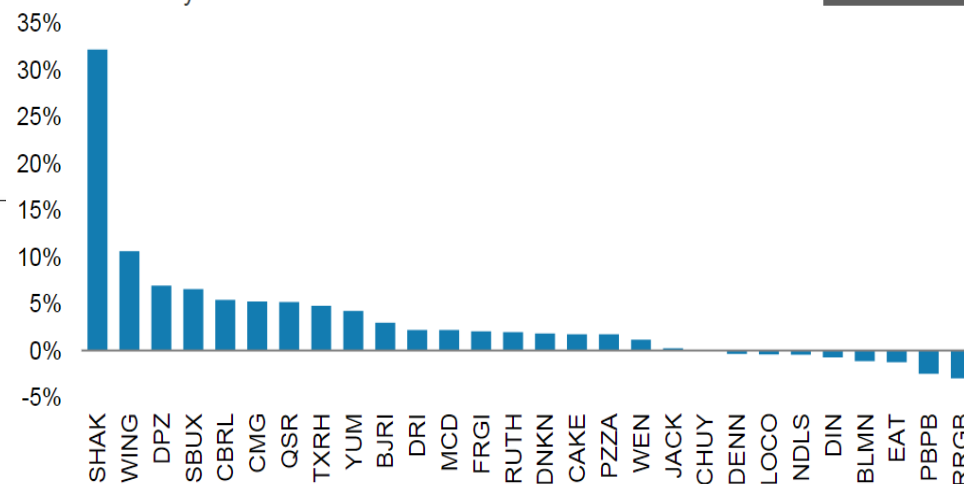
Exhibit 16

Consolidation of Equity Market Supply



Source Piper Sandler & Co. estimates Year-to-date data as of January 28, 2020

2019 Global System Unit Growth



Source: Company reports and Morgan Stanley Research. CAKE 2018 base includes units from FRC acquisition to represent organic growth.

Wingstop (4 Vote)

WING reported Q1 2020 on May 6th and gave an update for April 2020 indicating extremely strong sales in a COVID-19 world:

I would like to provide more clarity on our performance and a preliminary update on domestic same-store sales for the first four weeks of the second quarter of 2020. As a reminder, our domestic same-store sales experienced a slight uptick as we closed out the first quarter with an 8.9% increase from March 15 to March 28. The first four weeks of April were even stronger. Prior to the outbreak of COVID-19, our off-premise sales accounted for 80% of our domestic system sales, and digital sales consisted of just over 40% of our sales. Since closing our dining rooms on March 16, 2020, 100% of sales are off premise and digital orders account for nearly 65% of our sales. We believe the investments made over the past few years to build a world-class digital and delivery foundation for our brand positioned us for the success we have seen during this time. To quantify that, our domestic same-store sales increased more than 30% in the month of April, far exceeding our own expectations. However, our brand partners, supplier partners, and our delivery partner Doordash have not missed a beat with this strong increase. We are humbled by our performance and remain confident in the solid positioning of our brand

Source: Company Press Release