Restaurant Research®

Building Bridges between Franchisees, Franchisors & Financiers

Restaurant Finance & Valuations - 2024

Key Points

Restaurant Finance Update

- $9.8B in total financing originations to $1B+ restaurant chains during 2023 represented a -28% y/y decrease and a -30% decline in origination projections made by survey participants at the beginning of 2023.
- 2024 originations are forecasted to increase +18% y/y to $11.5B (in-line with 2019), with 63% of financiers planning to increase their 2024 loan originations and 8% planning to cut back.
- The aggregate 2023 loan portfolio balance for the national lenders of $1B+ restaurant chains decreased by -0.8% to $65.9B as principal repayments exceeded net new originations.
- Lenders indicate a modest improvement in the financial condition of both their QSR & FSR borrowers.
- While interest rate spreads have not changed since 2021, borrowing index rates have increased dramatically since 2H22.
- Underwriting ratios remain conservative relative to 2019 (although significantly more favorable for QSR).
- 2023 SBA loan originations made to $1B+ Chains declined -35% y/y even though these loans continue to experience extremely low loss rates/charge offs.

Valuation Update

- Aggregate franchisee unit EBITDA valuation multiples increased slightly to their highest level since 2H21.
- 1H24 EBITDA multiple is forecasted to decline -2.7%, reflecting increasing unit level margin pressure (slowing sales & rising labor costs) aggravated by high borrowing costs.
- The 2H23 $1B+ Chain public restaurant company valuation multiple & premium bounced off the 1H23 lows.

Marcus & Millichap Real Estate Cap Rates

- Aggregate cap rates for single-tenant net-leased $1B+ Chain restaurant properties increased +0.2% to 5.9% during 2H23 while the spread over the 10-Year Treasury compressed -0.5% to 1.6% (lowest in 9+ years).

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Data in spreadsheet form available at http://www.ChainRestaurantData.com

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RR's 22nd Annual Restaurant Finance Overview

	2020		2021		2022		2023		2024P	
Survey Participant Restaurant Portfolios & Originations ($ Billions)										
Portfolio Balance										
% Change										
Annual Originations										
% Change										
Lending Terms - Senior Debt Solid Credit										
Rates & Spreads [1]										
	QSR	FSR	QSR	FSR	QSR	FSR	QSR	FSR	QSR	FSR
SOFR Spread										
3 Month SOFR Index [2]										
Lending Rate - 3 Month SOFR Index										
5 Year Treasury Spread										
5 Year Treasury Index										
Lending Rate - 5 Year Treasury										
All-In Fixed Rate Equivalent										
SBA 7(a) Avg. Rate ($1B+ Chains)										
Minimum Equity Requirements										
Acquisitions										
New Construction										
Equipment										
Leverage Ratios										
Funded Debt/EBITDA										
Total Debt/EBITDA										
FCCR (Pre Distribution)										
FCCR (Post Distribution)										
Debt+Leases/EBITDAR										
Loan to Value										
Loan Terms (Years)										
Equipment										
Enterprise										
Building/Ground Lease										
Fee Simple										
Amortization Terms (Years)										
Equipment										
Enterprise										
Building/Ground Lease										
Fee Simple										

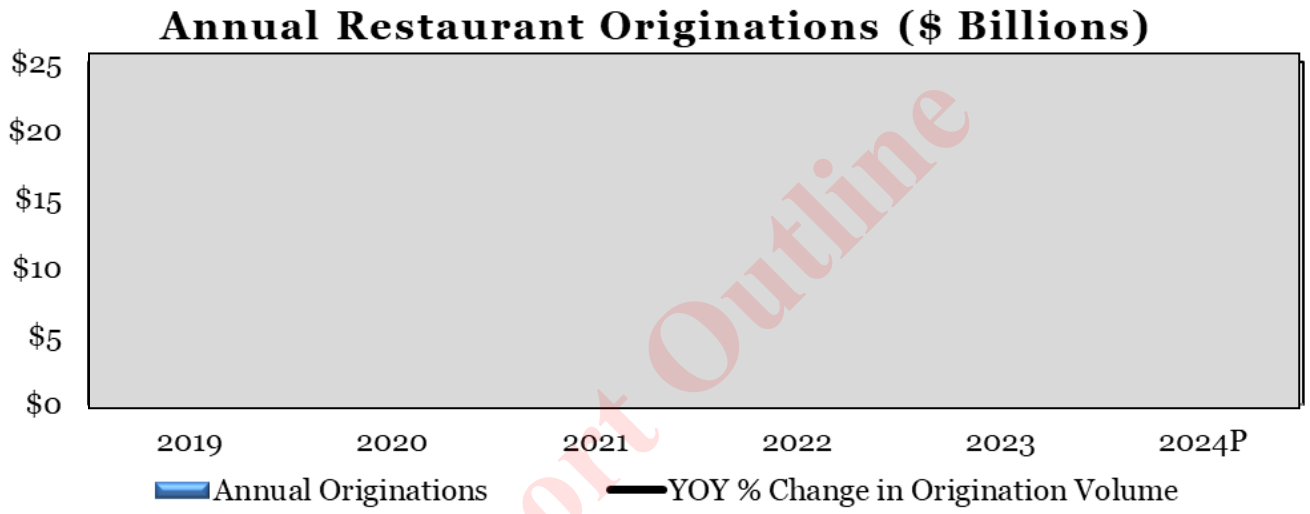
Report Outline

Source: Restaurant Research 22nd Annual Restaurant Finance Survey

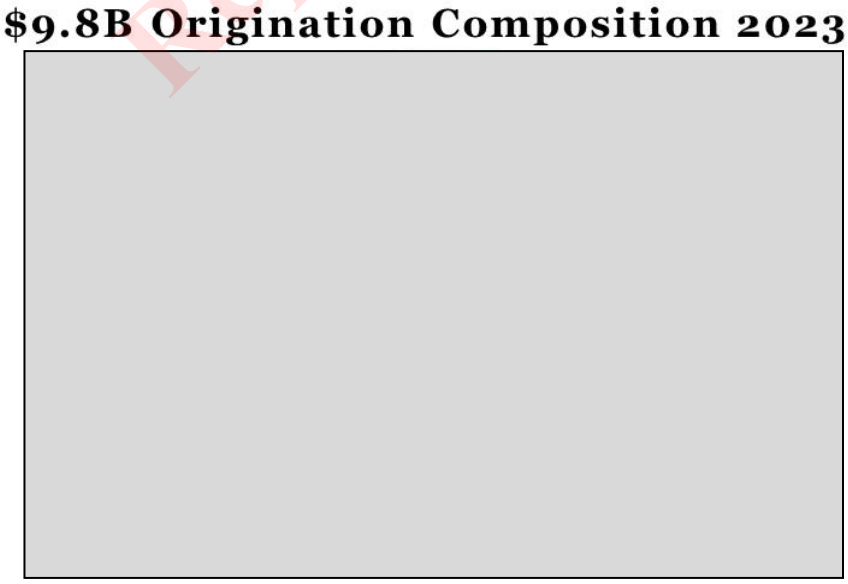
(1) SOFR and 5 Yr. Treasury rates represent an annual average except the 2024P figures which are as of YTD 2/9/24.

Origination Volumes

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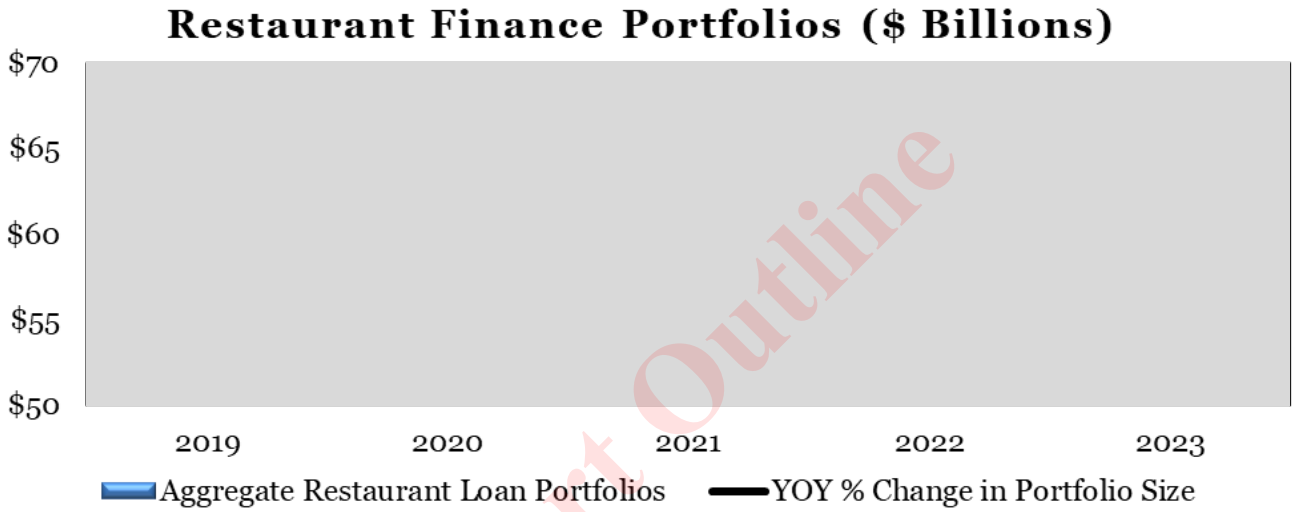


Report Outline



Portfolio Size[1]

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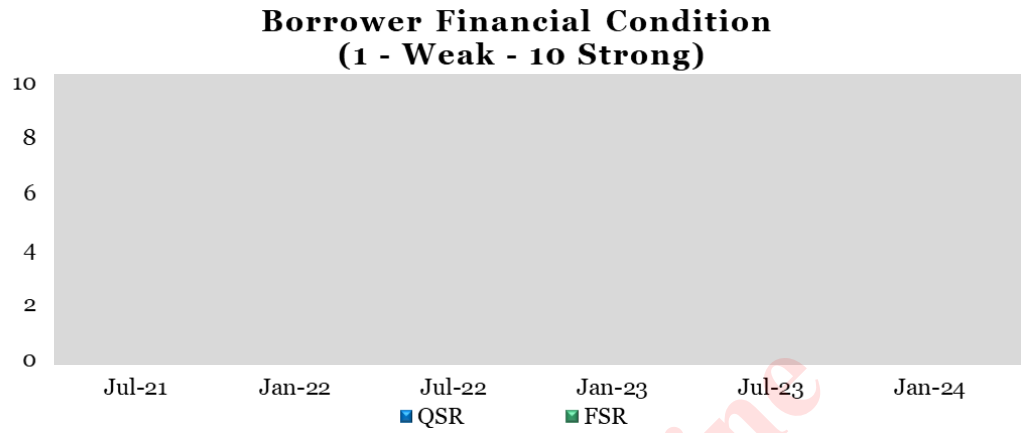


Report Outline



[1] Portfolio size reflects originations – loan amortization – loan payoffs.

Collateral Value: Borrower Financial Condition



Report Outline

Hypothetical Franchisee Borrower

	FYE 9/19	FYE 9/20	FYE 9/21	FYE 9/22	FYE 9/23E
AUV	*% Sales*	*% Sales*	*% Sales*	*% Sales*	*% Sales*
COGS					
Labor					
Marketing					
Royalty					
Utilities					
Other op. costs					
Occupancy (Includes Dep.)					
Store Level Operating Margin					
EBITDA					
Rent					
EBITDAR					
Valuation Assumptions					
Store Level EBITDA					
G&A Assumption					
Adjusted EBITDA (Post G&A)					
EBITDA Multiple [1]					
Enterprise Value					
Credit Ratios & Financing Assumptions [2]					
Remaining Loan Balance					
Loan to Value					
Debt/EBITDA					
Lease Adjusted Debt/EBITDAR					
FCCR					

Initial Loan Amount	Interest Rate	Amort Term	Annual Payment (P&I)

(1) Based on RR EBITDA multiple estimate for each period.
(2) Initial financing assumptions based on 2019 finance survey lending parameters.

Estimated Annual Franchisee Financing Needs

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Estimated Franchisee Financing Needs ($ Billions)

	2019	2020	2021	2022	2023E
New Builds					
Franchisee M&A					
Corp. Refranchising					
Remodels					
Total Franchise Financing Needs					

Report Outline

Estimated Financing Needs 2023

RR's Estimated 2023 Financing Needs by Brand ($ Millions) (1)

	M&A (2)	Re-franchising (2)	New Builds (2)	Remodels (3)	Total
Applebee's					
Buffalo Wild Wings					
Chili's Grill & Bar					
Red Robin					
Texas Roadhouse					
Casual					
IHOP					
Denny's					
Perkins					
Family					
Qdoba					
Panera Bread					
Moe's Southwest Grill					
Fast Casual					
McDonald's					
Taco Bell					
Wendy's					
Burger King					
Dairy Queen					
Sonic Drive-In					
Culver's					
Jack in the Box					
Arby's					
Zaxby's					
Five Guys					
Carl's Jr.					
Checkers/ Rally's					
Hardee's					
Del Taco					
Sandwich					
Domino's					
Pizza Hut					
Papa John's					
Little Caesars					
Pizza					
Popeyes					
KFC					
Wingstop					
Bojangles'					
Church's					
Chicken					
Dunkin'					
Tim Horton's					
Krispy Kreme					
Coffee/Bakery					
Subway					
Jersey Mike's					
Jimmy John's					
Firehouse Subs					
Sub-Sandwich					
Total					

(1) Excludes refinancing and includes real estate financing.

(2) M&A model inputs: 50% fee/50% leasehold with real estate capped at 6%; and 30% equity down payment.

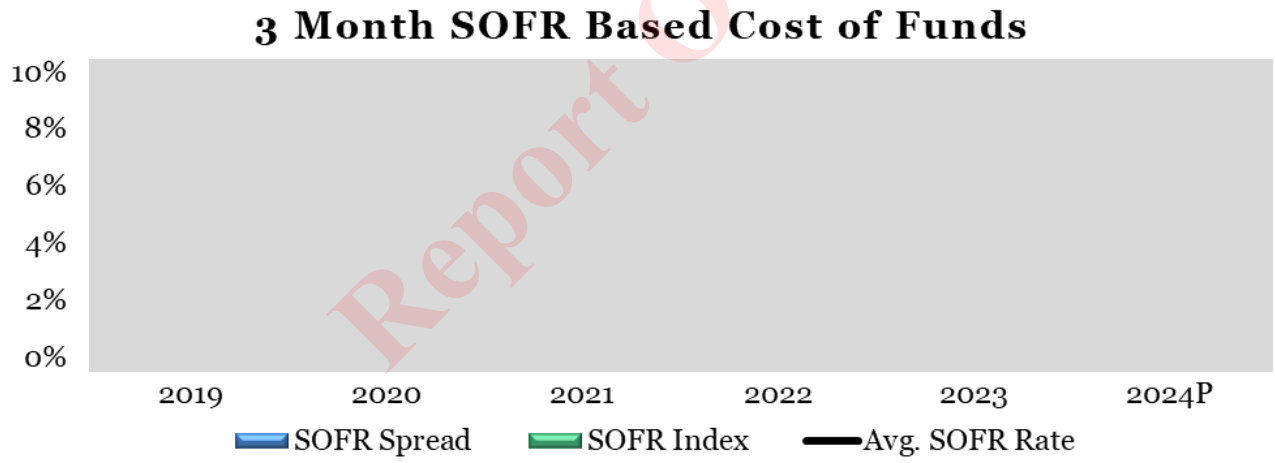
(3) Based on estimated number of franchise remodels completed each year.

Report Outline

Key Rates

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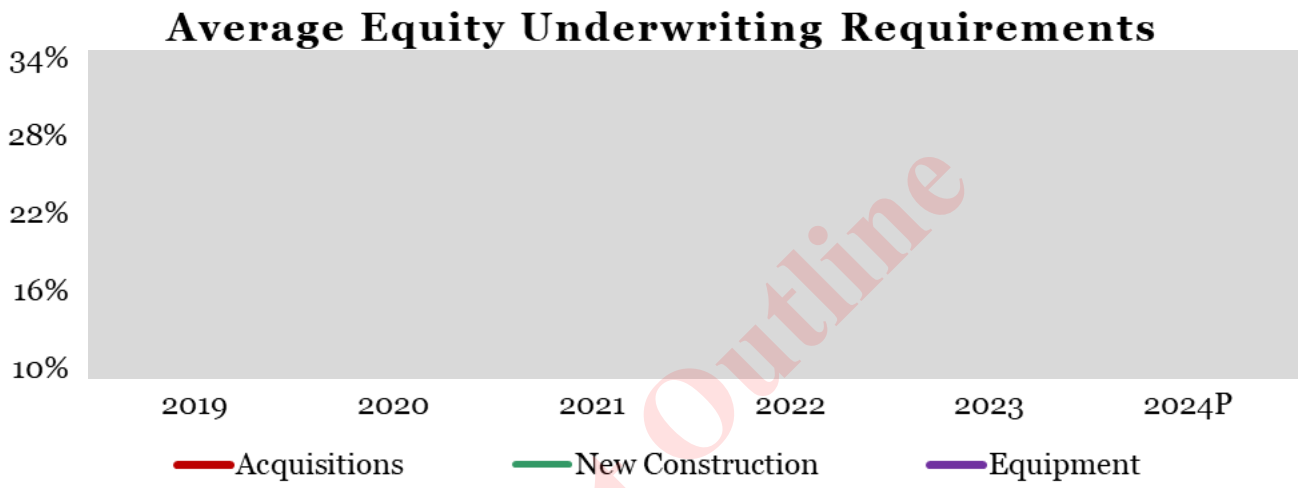
Report Outline





Equity Requirements

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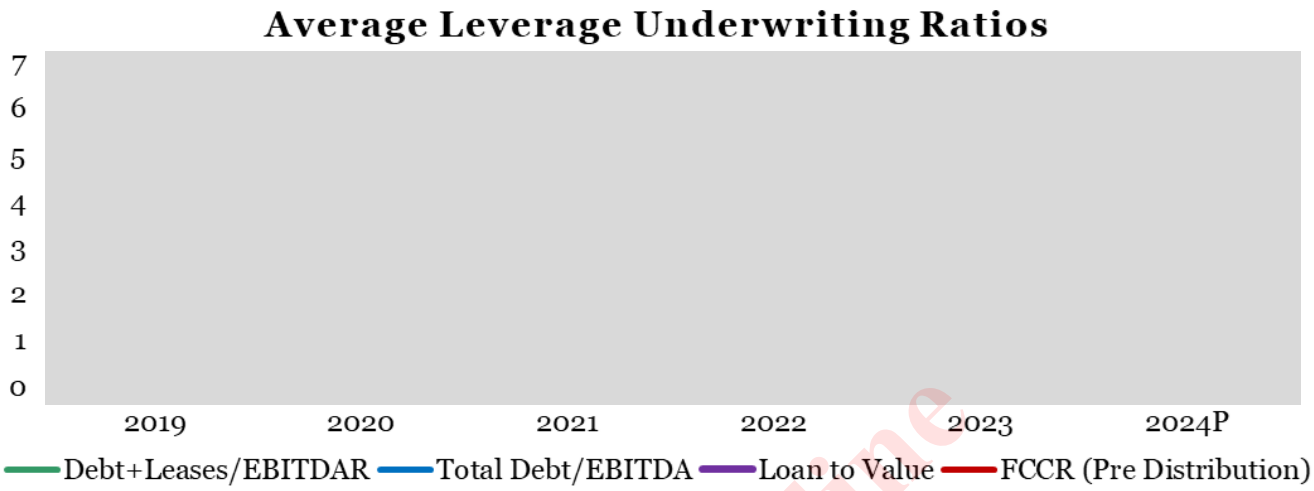


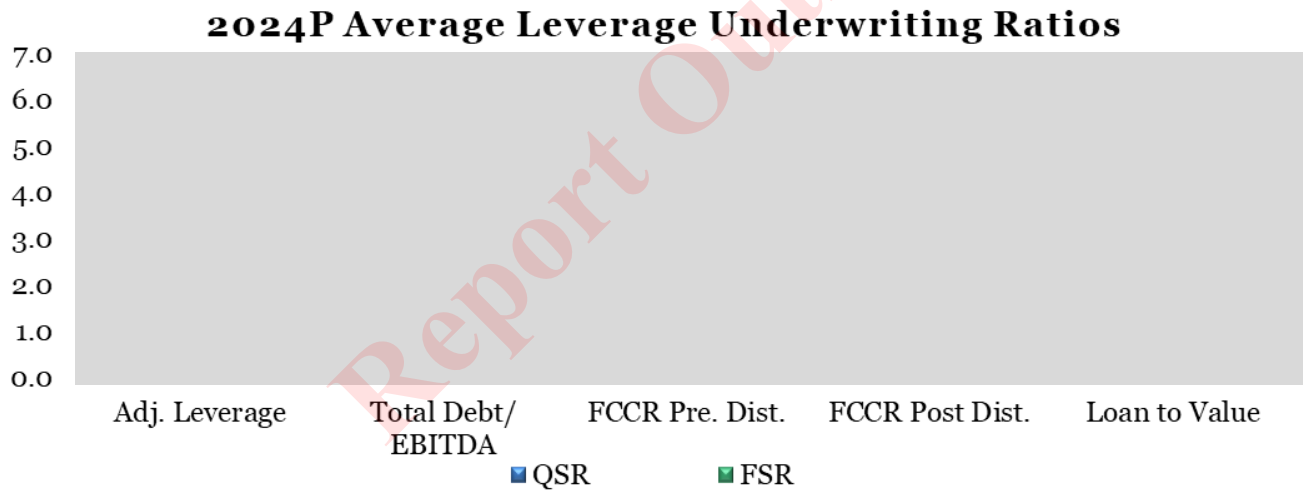


Report Outline

Leverage Underwriting Ratios

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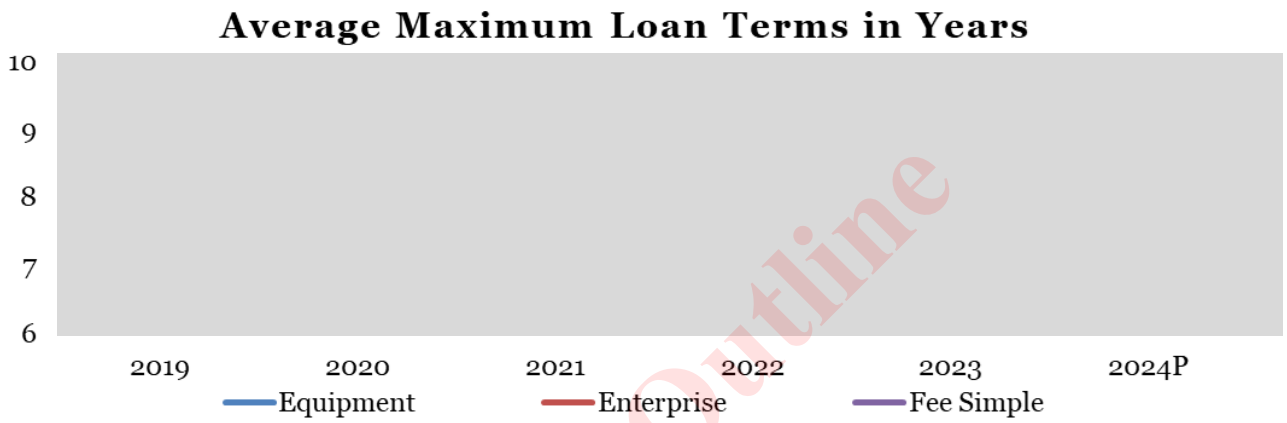


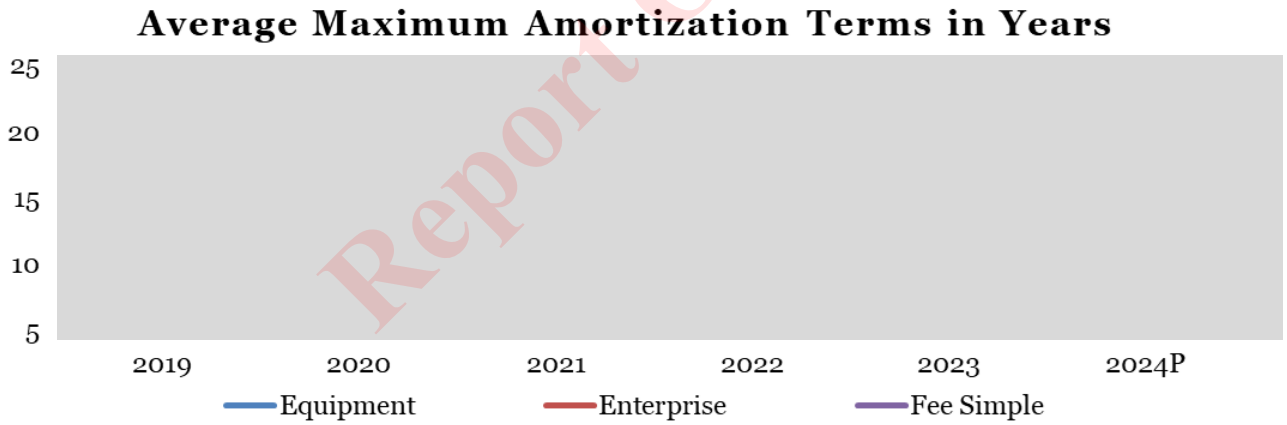
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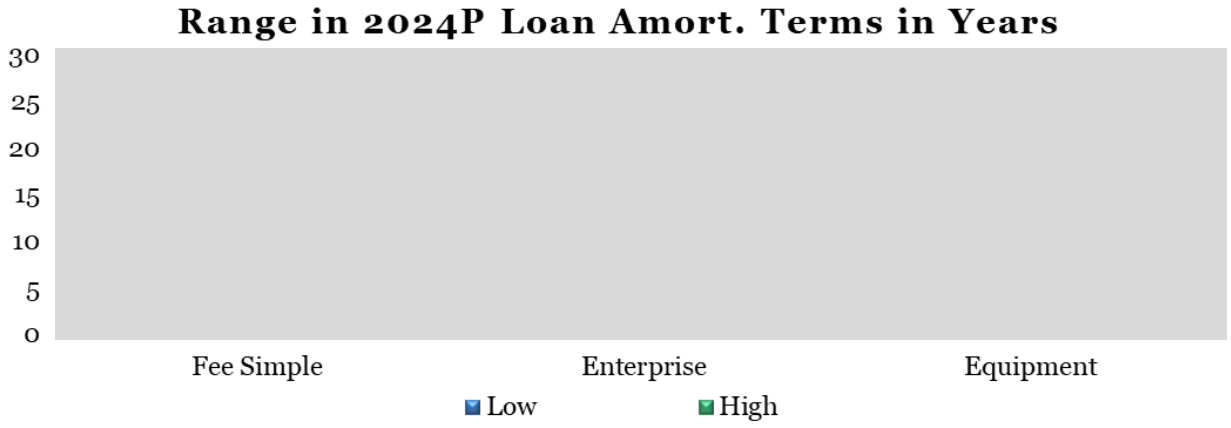
Range in 2024 Underwriting Ratios				
	QSR		FSR	
	Low	High	Low	High
Funded Debt/EBITDA				
Total Debt/EBITDA				
FCCR (Pre-Distribution)				
FCCR (Post Distribution)				
Debt+Leases/EBITDAR				
Loan to Value				

Loan & Amortization Terms

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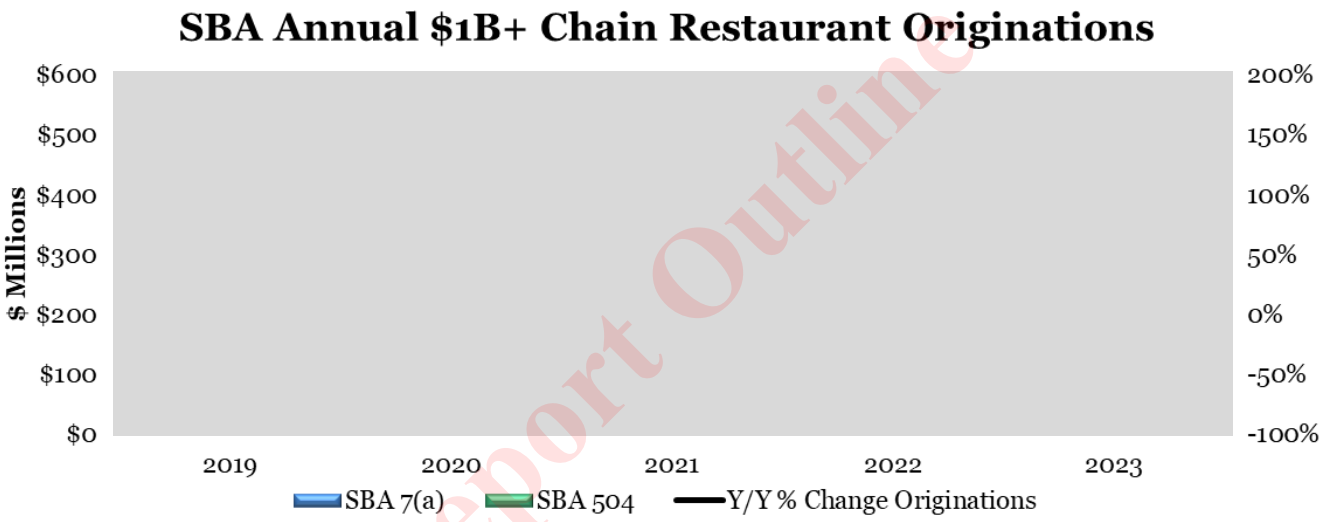




Report Outline

SBA $1B+ Chain Lending Data

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Report Outline

SBA Lending Program Overview					
SBA Program	**Purpose**	**Loan Amounts**	**Interest Rate**	**Maximum Terms**	**Equity & Collateral**
Standard 7(a)	Start new or purchase existing business & working capital	>$50k <$5MM	Variable	- 25 (real estate) - 10 (acquisition) - 10 (working capital)	>10% equity Guarantees (business, personal & residence)
504	Commercial real estate & equipment (owner-occupied)	>$125k <$5MM	Fixed	- 20 (real estate) - 10 (equipment)	10% equity Guarantees (business & personal)

SBA Annual $1B+ Chain Restaurant Lending Summary ($ Millions)

	2019	2020	2021	2022	2023
SBA 7(a)					
7(a) Portfolio Balance					
Y/Y % Change Portfolio					
7(a) Originations					
Y/Y % Change Originations					
Total # 7(a) Loans					
Average Loan Amount					
Average Interest Rate					
Total Charge Offs					
Total Charge Offs as a % of Portfolio					
SBA 504					
504 Portfolio Balance					
Y/Y % Change Portfolio					
504 Originations					
Y/Y % Change Originations					
Total # 504 Loans					
Average Loan Amount					
Total Charge Offs					
Total Charge Offs as a % of Portfolio					
Total SBA					
Total $1B+ Chain SBA Portfolio Balance					
Y/Y % Change Portfolio					
Total $1B+ Chain Originations					
Y/Y % Change Originations					
Total Charge Offs					
Total Charge Offs as a % of Portfolio					

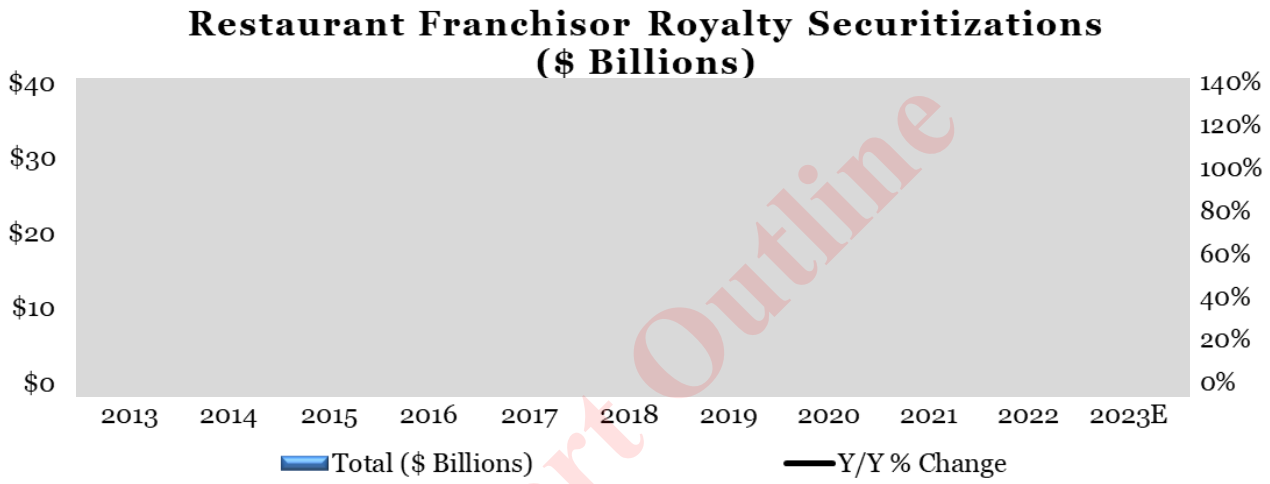
(1) Includes only funded loans.
(2) Assumes 10% of existing portfolio burns off annually.

Report Outline

Contact Restaurant Research to Purchase Complete $1B+ Chain SBA 10 -year Data Set

Franchisor Royalty Securitizations

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Report Outline

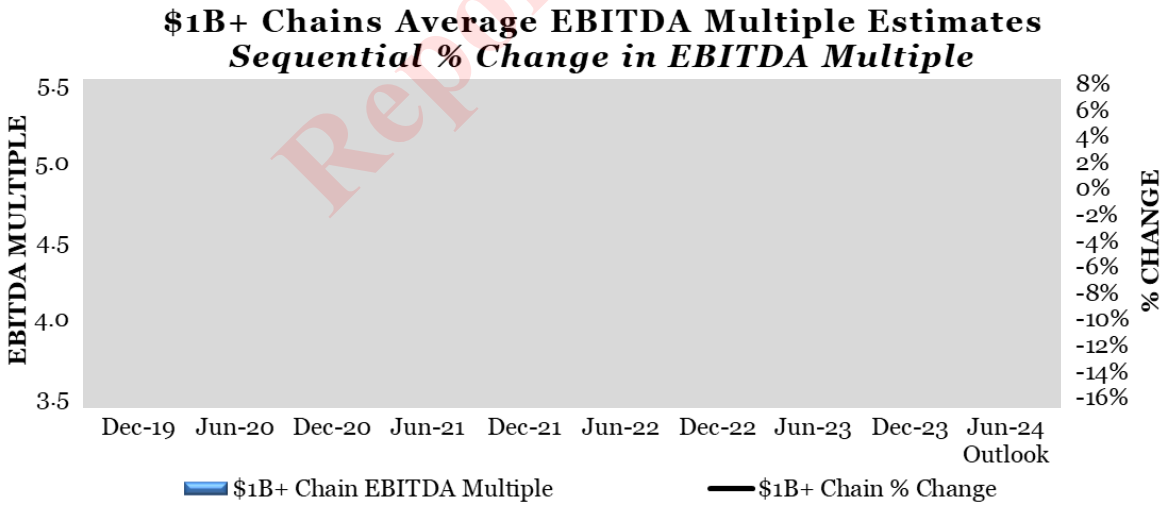
Restaurant Franchisor Royalty Securitizations Balances ($ Millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E
Applebee's/IHOP											
Arby's											
Carl's Jr./Hardee's											
Church's											
Domino's											
Dunkin' Brands											
FAT Brands											
Five Guys											
FOCUS											
Hooters											
Jack in the Box											
Jersey Mike's											
Jimmy John's											
Qdoba											
Sonic											
Taco Bell											
TGI Friday's											
Wingstop											
Wendy's											
Zaxby's											
Total ($ Millions)											
Total ($ Billions)											
Y/Y % Change											
RR Estimates											

Estimated Franchisee Unit Level Valuations

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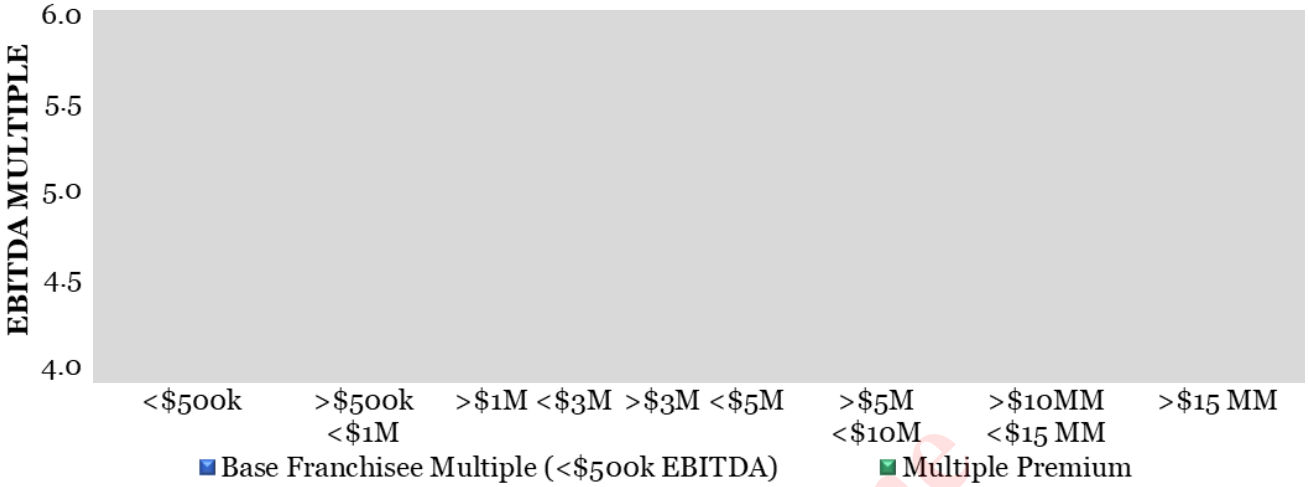
Report Outline



Sequential % Change	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23	Jun-24 Outlook
$1B+ Chain EBITDA Multiple										
% Change in EBITDA Multiple										
FSR Multiple										
% Change in EBITDA Multiple										
QSR Multiple										
% Change in EBITDA Multiple										

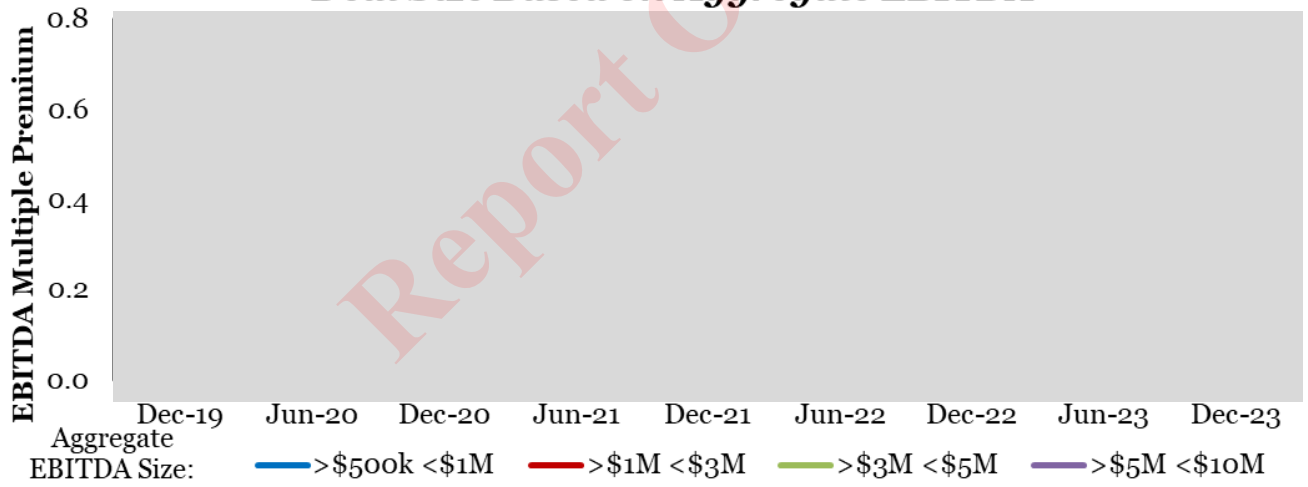
2H:23 Large Deal EBITDA Multiple Premium

Higher Aggregate EBITDA Can Increase Multiple



Large Deal Premium Trends

Deal Size Based on Aggregate EBITDA



Report Outline

Large Franchisee M&A Transactions

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2023 Restaurant Franchisee M&A Activity (10+ Unit Transactions)

Concept	Units	Seller	Buyer	Date
Total	**0**			

(1) Toms King was a Chapter 11 bankruptcy sale to 4 separate buyers including BK Corp., DC Burger and Karali Group. 8 stores were closed as part of the proceeding.

(2) Meridian Restaurants Unlimited filed for bankruptcy protection in March 2023. The remaining 70 stores were sold for ~$18 million to BK corporate (32 stores) and 4 other franchisees in September 2023.

(3) Summit Restaurant Holdings was a 145 store Hardee's franchisee that filed bankruptcy in May 2023. 39 stores were closed prior to the filing and 81 were acquired by High Bluff Capital Partners for $16.5 million in July 2023.

(4) Qdoba Corp. sold 77 company owned stores to existing franchisee North Fork Fresh Mex and 6 to The Falcons Group in 2023 as part of its strategy to increase franchisee ownership and accelerate growth.

Report Outline

2H:23 Estimated $1B+ Chains Enterprise Valuations (EBITDA Multiple)

Concept	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23	% Change Dec-23 vs. Jun-23	2H:23 Average & Range Low	High	# Estimates
Applebee's														
Buffalo Wild Wings														
Chili's Grill & Bar														
Red Robin														
T.G.I. Friday's														
Texas Roadhouse														
Casual														
Corner Bakery Café														
Moe's Southwest Grill														
Panera Bread														
Qdoba														
Fast Casual														
Denny's														
Golden Corral														
IHOP														
Perkins														
Family														
Arby's														
Burger King														
Carl's Jr.														
Checkers/ Rally's														
Culver's														
Dairy Queen														
Del Taco														
Five Guys														
Hardee's														
Jack in the Box														
McDonald's														
Sonic Drive-In														
Taco Bell														
Wendy's														
Zaxby's														
Sandwich														
Firehouse Subs														
Jersey Mike's														
Jimmy John's														
Subway														
Sub-Sandwich														
Dunkin'														
Tim Horton's														
Krispy Kreme														
Coffee/bakery														
Bojangles'														
Church's														
KFC														
Popeyes														
Wingstop														
Chicken														
Domino's														
Little Caesars														
Papa John's														
Pizza Hut														
Pizza														
FSR Average														
% Change														
QSR Average														
% Change														
Average														
% Change														
10 Year Treasury Rate														

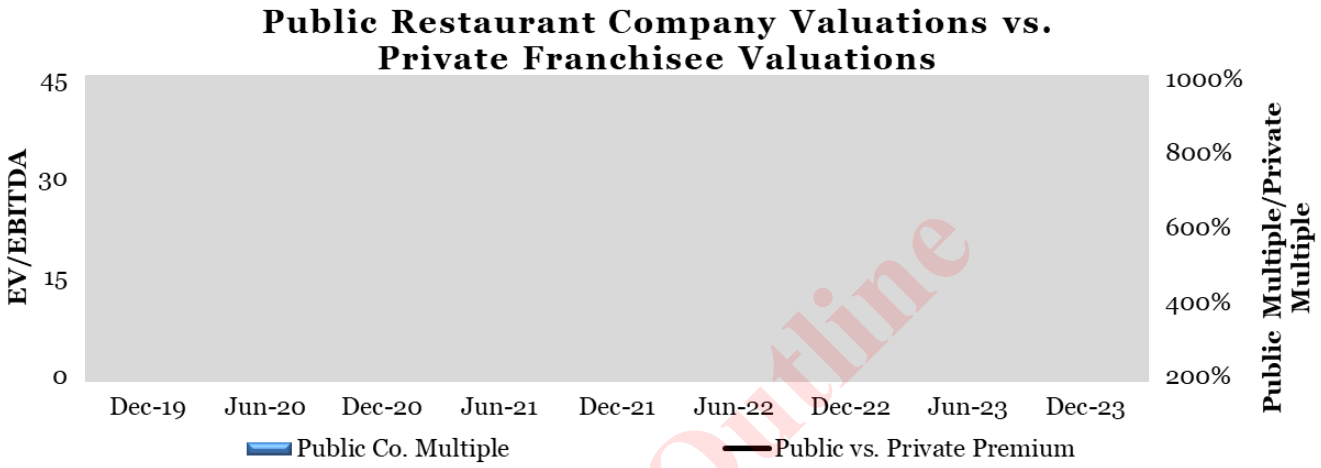
(1) Valuation averages are based on estimates provided by survey participants (not individual transactions) as well as RR estimates and reflect "normal" operating businesses with 5 units after an adjustment for G&A.

(2) January 2024 survey participants include AB Advisory & Analytics, Advanced Restaurant Sales, Auspex Capital, FranBizNetwork, National Franchise Sales, Newmark Valuation & Advisory, Praetorian Group, and Trinity Capital.

Report Outline

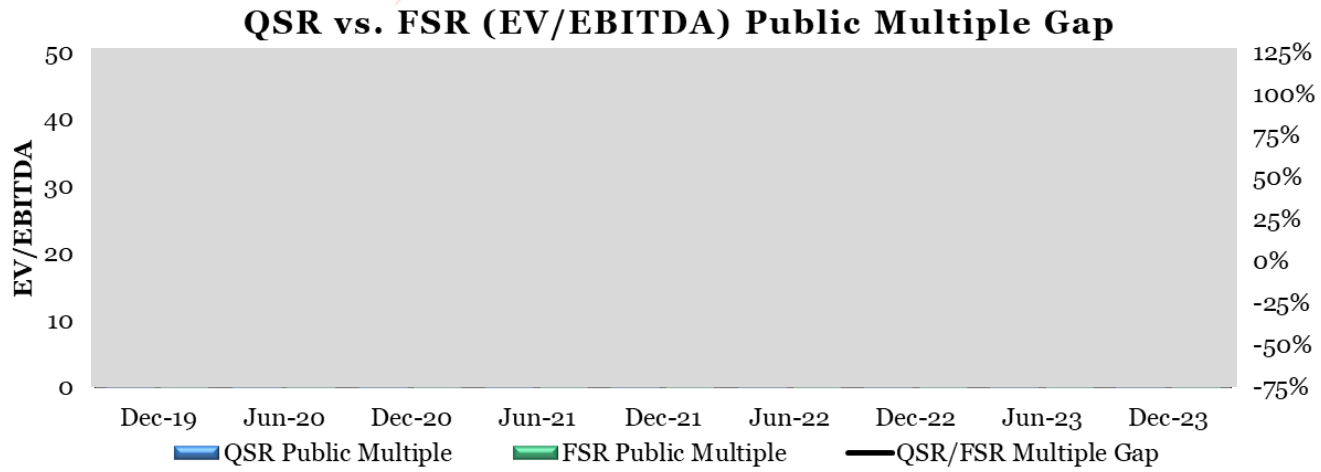
Public Company Valuations (EV/EBITDA)

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Report Outline



Public vs. Private Multiples by Chain
(Sorted by Public Premium)

Concept	Parent Company	EV/EBITDA Multiples 2H:23		
		Public	Private	Public Premium (1)
Wingstop	Wingstop			
Domino's	Domino's Pizza, Inc.			
Pizza Hut	Yum! Brands, Inc.			
KFC	Yum! Brands, Inc.			
Tim Horton's	Restaurant Brands International Inc.			
Burger King	Restaurant Brands International Inc.			
Popeyes	Restaurant Brands International Inc.			
Taco Bell	Yum! Brands, Inc.			
Papa John's	Papa John's International, Inc.			
McDonald's	McDonald's Corporation			
Wendy's	The Wendy's Company			
Jack in the Box	Jack in the Box Inc.			
QSR				
Texas Roadhouse	Texas Roadhouse, Inc.			
Denny's	Denny's Corporation			
Applebee's	DineEquity, Inc.			
IHOP	DineEquity, Inc.			
Chili's Grill & Bar	Brinker International, Inc.			
Red Robin	Red Robin Gourmet Burgers, Inc.			
FSR				

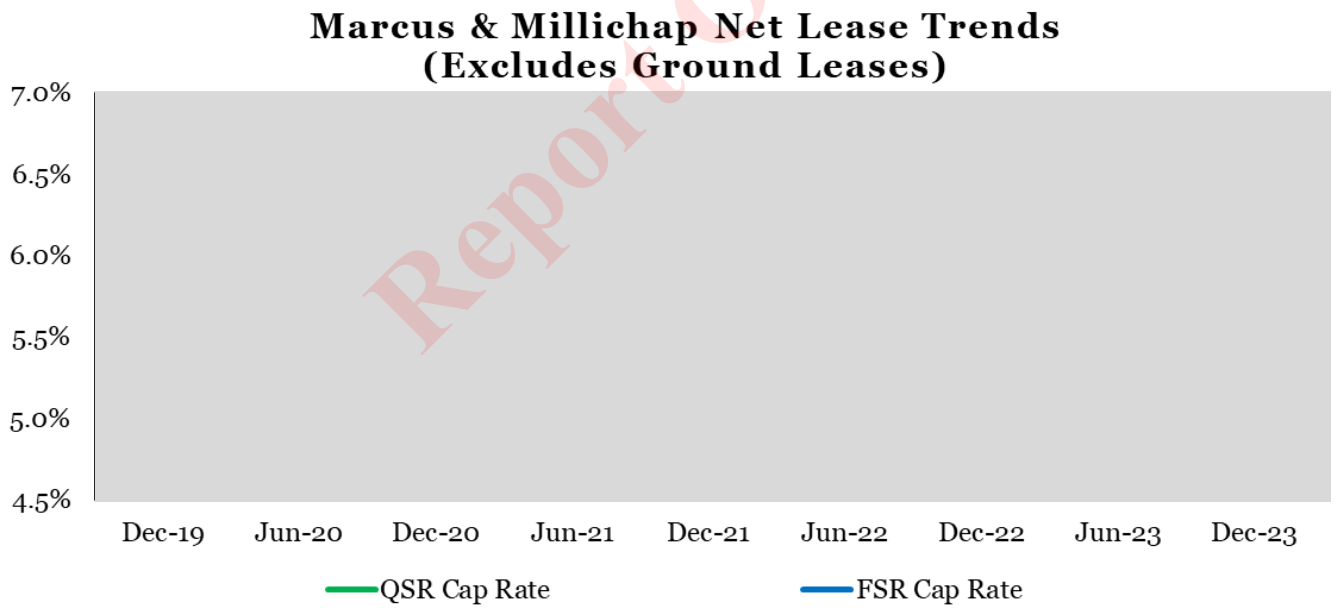
(1) Public multiple premium = (Public EV/EBITDA)/(Private Franchisee EV/EBITDA)

Report Outline

Marcus & Millichap Real Estate Cap Rates

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Report Outline



About the Contributing Firm: Marcus & Millichap which specializes in representing institutional and private companies in the disposition of multi-tenant and single tenant retail properties.

For more information, please contact Hank Wolfer of Marcus & Millichap at (425) 770-2495

Valuation Methodology

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Report Outline

(1) **Business Value** is determined by using an appropriate multiple of adjusted EBITDA.

Some typical *EBITDA adjustments* include:

- An implied/market rent deduction for fee units
- Above/below market rents for leased units
- Excessive/burdensome landlord requirements on leased units (to adjust implied rent)
- The exclusion of non-recurring events
- Normalized G&A expense
- A franchisee royalty imputed for franchisor-operated stores (only for refranchising)

(2) **Real Estate Value** (land and building) is determined by:

- Calculating an implied/market rent
- Applying an appropriate capitalization rate
- Using a reality check against sales of comparable properties

Example - Fee Restaurant Property

Business Value	**Real Estate Value**
Sales	Implied Rent/sales
Adjusted EBITDAR	Implied Rental Income
Implied Rent	Cap Rate
Adjusted EBITDA	**Real Estate Value**
Multiple	
Business Value	**Total Value**

2024 Restaurant Finance Survey Participants	
Agree Realty Corporation (*)	Huntington National Bank
Amegy Bank	Live Oak Bank
Auxilior Capital	M&T Bank Franchise Finance
Bank of America	MidCap Financial
Bank of Hope	MUFG
BankRI	National Retail Properties (*)
BMO Franchise Finance	NBT Bank
BOK Financial	Northern Bank & Trust Co.
Bremer Bank	Old National Bank
Broadstone (*)	Pacific Premier Bank
Cadence Bank	Pinnacle Financial Partners
Capital One	Realty Income (*)
Citizens Bank Restaurant Finance	Rockland Trust Company
City National Bank	Simmons Bank
CrossFirst Bank	SMBC Manubank
Customers Commercial Finance	SouthState Bank
East West Bank	Spirit Realty Capital (*)
Eastern Bank	Star Hill Financial
Essential Properties (*)	STORE Capital (*)
Fifth Third Bank, National Association	Synovus Bank
First Fidelity Bank	TD Bank - Restaurant & Franchise Finance Group
First Franchise Capital Corporation	Texas Capital Bank
First Horizon Bank, Restaurant Finance	The Northern Trust Company
Flagstar Bank, N.A.	Vendor Alliance Capital, Inc.
Four Corners Property Trust (*)	Wells Fargo Restaurant Finance
Gulf Coast Restaurant and Franchise Finance	Western Alliance Bank
Horizon Bank	Western Equipment Finance
HTLF Bank	Wintrust Franchise Finance

(*) Did not participate in survey. Data based on public filings.

Report Outline

Industry Player Roster Changes (2H23)

New Entrants	Exits	Mergers/Name Changes
•	•	•
•	•	•
•		
•		
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•		

Restaurant Research Franchise Finance Contacts - 2024

Company	Contact	Phone #	Regional Focus	Industries Served			Type of Financing				Devel. Financing	Typical Deal size			Minimum Requirements	
				Restaurant	C&G	Other Retail	Real Estate	Equipment	Enterprise	SBA		Min	Max	Avg	Yrs. In Business	Units Owned
Finance Companies																
Amegy Bank																
Auxilior Capital																
Bank of America																
Bank of Hope																
BankRI																
BMO Franchise Finance																
BOK Financial																
Bremer Bank																
Cadence Bank																
Capital One																
Citizens Bank Restaurant Finance																
City National Bank																
CrossFirst Bank																
Customers Commercial Finance, LLC																
East West Bank																
Eastern Bank																
Fifth Third Bank, National Association																
First Franchise Capital																
First Horizon Bank, Restaurant Finance																
Flagstar Bank, N.A.																
Gulf Coast Restaurant and Franchise Finance																
Horizon Bank																
HTLF Bank																
Huntington National Bank																
Live Oak Bank																
M&T Bank Franchise Finance																
MidCap Financial																
MUFG																
NBT Bank																
Northern Bank & Trust Co.																
Old National Bank																
Pacific Premier Bank																
Pinnacle Commercial Capital																
Pinnacle Financial Partners																
Rockland Trust Company																
Simmons Bank																
SMBC Manubank																
SouthState Bank																
Star Hill Financial																
Synovus Bank																

Report Outline

Restaurant Research Franchise Finance Contacts - 2024

Company	Contact	Phone #	Regional Focus	Industries Served			Type of Financing				Devel. Financing	Typical Deal size			Minimum Requirements	
				Restaurant	C&G	Other Retail	Real Estate	Equipment	Enterprise	SBA		Min	Max	Avg	Yrs. In Business	Units Owned
TD Bank - Restaurant & Franchise Finance Group																
Texas Capital Bank																
The Northern Trust Company																
Vendor Alliance Capital, Inc.																
Wells Fargo Restaurant Finance																
Western Alliance Bank																
Western Equipment Finance, Inc.																
Wintrust Franchise Finance																
Sale Leaseback Companies																
Marcus & Millichap																
Valuation Experts/Brokers/M&A Advisors																
AB Advisory & Analytics																
Advanced Restaurant Sales																
Auspex																
FranBizNetwork																
National Franchise Sales																
Newmark																
Praetorian Group																
Trinity Capital, a division of Citizens Capital Markets																

Report Outline

Restaurant Research®

Restaurant Research Coverage

Concept Reports	Industry Data Reports
Applebee's	Restaurant Lending & 2nd Half Unit Valuations
Arby's	Ad Spending
Burger King	Menus & Promotions
Carl's Jr.	Unit Growth & Sales Analysis
Chili's Grill & Bar	Unit Economics
Church's	1st Half Unit Valuations & Lending Update
Denny's	New Build Costs & Franchise Fees
Domino's	Remodeling
Hardee's	
IHOP	**Databases & Special Reports**
Jack in the Box	RR Databook (Annual Data Summary 50+ Chains)
KFC	RR LTOverview (Monthly Promotions 50+ Chains)
McDonald's	FDD Library (40+ Chains)
Panera Bread	Concept Updates (Quarterly 20+ Public Chains)
Papa John's	Same Store Sales Database (Quarterly 25+ Chains)
Pizza Hut	New Store ROI Model
Popeyes	SBA Lending Database
Sonic Drive-In	
Subway	
Taco Bell	
Wendy's	**www.ChainRestaurantData.com**

Visit www.chainrestaurantdata.com or contact us at (203) 829-9005 or info@ChainRestaurantData.com to:

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