Restaurant Research®

Concept Analysis & Benchmark Report

Subway 2024/2025

Executive Summary

Subway is the largest sub sandwich chain by far with an ad budget larger by multiples than the other sub chains. An extensive menu primarily features sub sandwiches but also includes wraps, salads and bowls. The chain's "fresh" menu equity is represented by: veggies cut in-house; deli meat sliced in-store; multiple sauce options; and bread baked in-house. A 2023 addition of meat slicers aligns with the brand's goal of improving its overall menu quality and the chain's pivot towards premium is reflected by a material check increase since 2019. Notably, while guests have historically moved along Subway's iconic make line to customize their orders, the chain's current goal is to push customers to order from standard menu options to improve operational efficiency (leveraging the chain's 2022 Subway Series launch which provided customers with the ability to order by sandwich name or number for the first time). Brand presence benefits from an abundance of TV ads featuring some of the most famous sports stars and its fast-growing digital sales are supported by its 36MM Subway MVP Rewards program. Notably, the system generated 12 consecutive quarters of positive comps through 4Q23 and sales strength reflects recent efforts to cull & relocate its weakest stores. Further, its check benefits from add-on sales generated by its new Footlong Sidekicks platform (Churro, Pretzel & Cookie footlongs). In any case, the chain remains challenged by many competing options for consumers, including c-store and grocery chains offering quality sandwiches at low price points. Further, while Subway's menu pricing more closely resembles fast casual as opposed to QSR, its average check still significantly underperforms the sub-sandwich segment average. Subway also has a long history of struggling to find a competitive value equation that works with its price conscious customers (especially important given the current economic environment), and which is profitable for franchisees. In conclusion, while Subway has turned the corner in terms of improving its relevancy and market positioning, the chain has a lot of work to do to improve its unit level economics in a crowded sub sandwich field.

Table of Contents

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt [(1)]/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Apr-24
Roark Capital	Private	Not Rated	N/a	N/a	N/a	N/a	
$1B+ Chains			5.49	15.52	21.1%	7.7%	

Table of Contents

	Page		Page		Page
Strengths & Challenges	2	Operations	10	Closings	18
RR Dashboard	3	Tech & Equipment	11	Remodeling	19
System Statistics	4	Sales & Market Share	12	Franchise Summary	20
Marketing Strategy	5	Unit Economic Summary	13	Menu Exhibit	21 - 22
Marketing Spend	6	Unit Economic Trends	14	State Unit Map	23
Menu Strategy	7	New Build Costs	15	State Unit Detail	24
Menu Trends	8	New Build vs. Buy Analysis	16	Photos	25
New Products & Promotions	9	Development	17	RR Overview	26

(1) Net Debt includes operating leases.

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