Houlihan Lokey

U.S. Restaurant Industry Update

Spring 2025

About Our Firm

Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank with expertise in mergers and acquisitions, capital solutions, financial restructuring, and financial and valuation advisory.

Our firm is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2024 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**415**
2	Rothschild & Co	406
3	Goldman Sachs & Co	371
4	JP Morgan	342
5	Morgan Stanley	309

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Solutions Group

FINANCIAL RESTRUCTURING

2024 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**88**
2	PJT Partners Inc	59
3	Rothschild & Co	48
4	Lazard	44
5	Perella Weinberg Partners LP	40

Source: LSEG (formerly Refinitiv).

No. 1
Global Restructuring Advisor

1,800+
Transactions Completed Valued at More Than $3.8 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

2000–2024 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,243**
2	Duff & Phelps, A Kroll Business	1,045
3	JP Morgan	1,020
4	UBS	792
5	Morgan Stanley	698

Source: LSEG (formerly Refinitiv).
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion Advisor Over the Past 25 Years

2,000+
Annual Valuation Engagements

Learn more about how our advisors can serve your needs:

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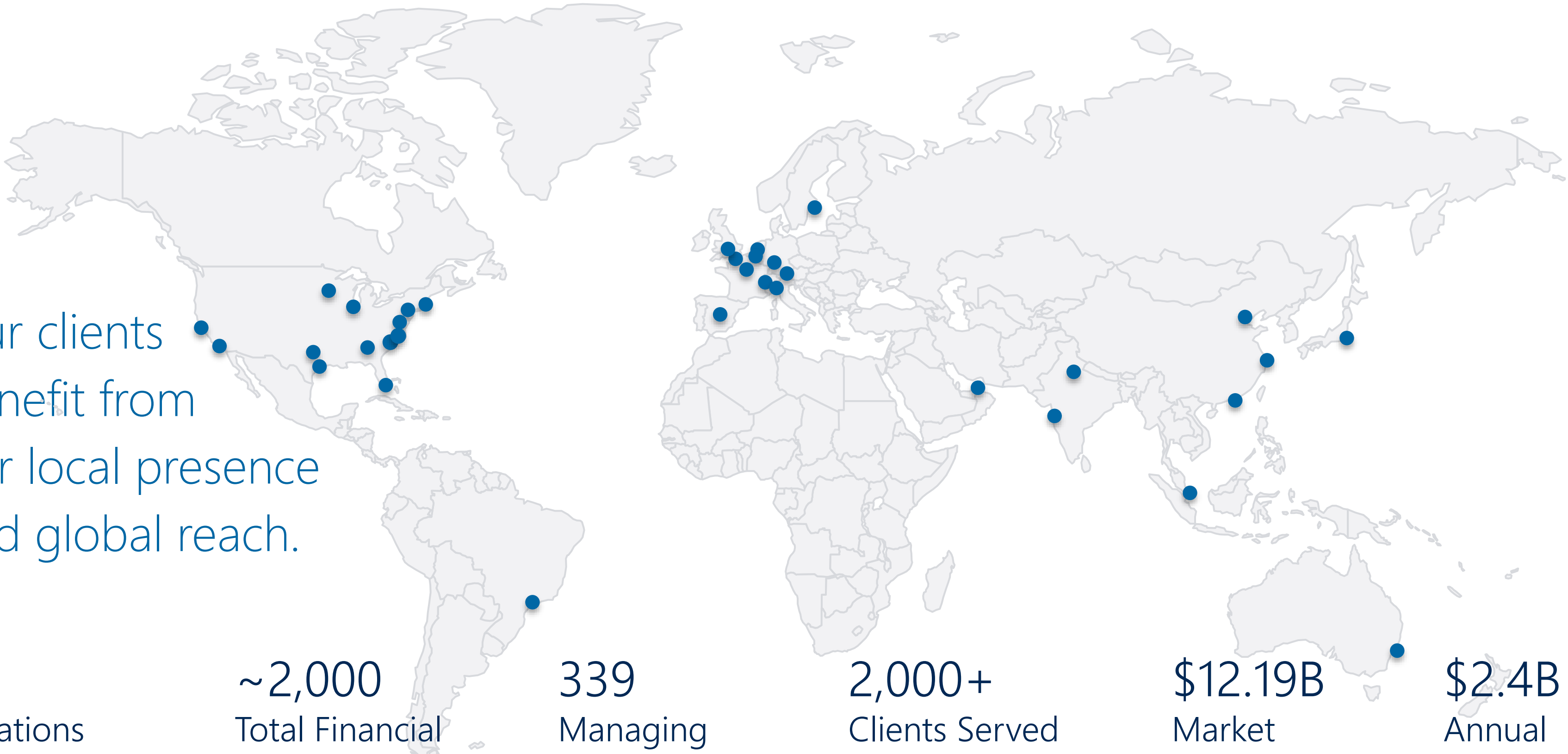
Financial Restructuring →

Financial and Valuation Advisory →

Our Industry Coverage →



Our clients benefit from our local presence and global reach.

34
Locations Worldwide

~2,000
Total Financial Professionals

339
Managing Directors(1)

2,000+
Clients Served Annually

$12.19B
Market Cap(2)

$2.4B
Annual Revenue(3)

AMERICAS

Atlanta
Baltimore
Boston
Charlotte
Chicago
Dallas
Houston
Los Angeles
Miami
Minneapolis
New York
San Francisco
São Paulo
Washington, D.C.

EUROPE AND MIDDLE EAST

Amsterdam
Antwerp
Dubai
Frankfurt
London
Madrid
Manchester
Milan
Munich
Paris
Stockholm
Zurich

ASIA-PACIFIC

Beijing
Gurugram
Hong Kong SAR
Mumbai
Shanghai
Singapore
Sydney
Tokyo

Fully Integrated Financial Sponsor Coverage

25
Senior officers dedicated to the sponsor community in the Americas and Europe.

1,900+
Sponsors covered, providing market insights and knowledge of buyer behavior.

800+
Companies sold to financial sponsors over the past five years.

HLI LISTED NYSE

(1) As of March 31, 2025.
(2) As of May 30, 2025.
(3) LTM ended March 31, 2025.

Restaurant Market From 30,000 Feet

Resilient Private Markets Amid Public Market Volatility

01

SSS, margins, and EBITDA outperformed expectations during the holiday season, supported by consistent consumer traffic. Although momentum softened in Q1 amid broader macroeconomic uncertainty, investor appetite in the private markets remained strong. Valuations for top-tier assets continued to command premiums, reflecting sustained confidence in long-term fundamentals.

Conflicting Consumer Signals, but Spending Persists

02

Consumer trends remain mixed: CPI is easing, yet inflation remains elevated, and the widening gap between savings and credit card debt suggests growing financial strain. Still, March retail sales indicate that spending remains steady, supported by a strong job market. Together, these dynamics are driving consumers to be more selective, allowing strong operators to maintain—and even win—wallet share.

Evolving Value of Dining Out: Pricing, Perception, and Profitability

03

The gap between food-at-home and food-away-from-home narrowed at year-end, as grocery prices increased while out-of-home food prices moderated slightly. As some food costs eased (chicken, dairy), others remained volatile (beef, coffee, packaging). Menu engineering was critical as brands optimized price to balance profitability and guest perception.

Strategic Loyalty Programs Outperform Blanket Promotions

04

Overall promotional intensity remained elevated as brands worked to win back customers following years of aggressive price hikes. Brands with data-driven personalization strategies (e.g., targeted app offers, tiered rewards) saw stronger customer retention.

The Labor Picture: Stabilizing but Not Cheap

05

Staffing shortages eased in many markets, but labor costs remained stubbornly high, particularly in urban areas. Operators are balancing staffing levels carefully to mitigate excess costs and impact to guest experience. AI and automation gained traction in ordering, scheduling, and prep efficiency, reducing reliance on costly labor in select areas.

M&A Activity Poised for a Pivotal Year

06

The year kicked off with several large owned and franchised brands preparing to enter the market. While early signs point to a strong pipeline, market appetite will be tested in the months ahead as buyers and investors navigate a complex economic and global environment. Meanwhile, many operators are doubling down on greenfield strategies, prioritizing efficient new builds, and enhanced unit economics.

Sources: Restaurant Business, Bureau of Labor, Wall Street Research.

The Gap Is Widening: Bankruptcies Abound as Consumer Is Increasingly Discerning Where to Eat Away From Home…

As beleaguered restaurant brands struggle and close in 2025, the supply-demand balance increasingly favors the stronger players that remain.

	Bertucci's Kitchen • Bar	Burger King	Hooters	On The Border	Bar Louie
Situation Overview	• On April 24, 2025, Bertucci's filed for Chapter 11 bankruptcy, marking its third filing in the past seven years. • It plans to quickly reorganize for a more successful future under Bertucci's new Pronto format.	• On April 16, 2025, a large Burger King franchisee operating 57 locations across Florida and Georgia filed for Chapter 11 bankruptcy. • The franchisee aims to use the process to reduce debt obligations and pursue a potential sale of the business.	• On March 31, 2025, Hooters filed for bankruptcy to resolve its $376 million debt. • It plans to revamp its brand image through "re-Hooterization," focusing on a family-friendly atmosphere, faster service, and fresher ingredients.	• On March 5, 2025, the On The Border chain voluntarily filed for Chapter 11 bankruptcy protection in Georgia. • The Tex-Mex casual dining chain currently operates 60 restaurants in the United States across 18 states.	• On March 26, 2025, Bar Louie filed for bankruptcy protection, marking its second filing in less than five years. • The casual dining franchise reached a deal with a lender to reduce debt and restructure the business.
Financial Challenges	• Bertucci's cited a drop in consumer demand for legacy casual dining brands. • As seen among other casual dining chains, inflation led to traffic and sales declines as well as problems servicing debt. • The Massachusetts-based chain saw a 62% drop in sales and a reduction in locations from 56 to 20 between 2019 to 2024.	• The operator filed with $36.6 million in debt and had less than $179,000 in cash on hand. • The business had posted operating losses for at least the past two years, compounded by rising costs, soft sales, and strained relations with the franchisor over required remodel investments.	• Similar to other casual dining chains, Hooters faced challenges from inflation, rising labor, food costs, and reduced consumer spending. • Restaurant prices have increased by ~30% over the past five years, outpacing overall consumer inflation. • Casual dining restaurants have been hit especially hard by rising costs throughout 2024, causing many to file for bankruptcy.	• The company did not specify the reasons for its Chapter 11 filing, but declining foot traffic across casual dining was a factor. • It faced a rapid loss of liquidity, prompting holds on vendor and rent payments to preserve cash. • The resulting service disruptions caused vendors and landlords to withhold supplies, repossess properties, and exercise set-off rights, leading to store closures and operational challenges.	• The company reduced its locations from 134, pre-2020 bankruptcy, to fewer than 50 today, with over half corporate-owned. • Franchised Bar Louie restaurants (excluding hotel locations) had an average unit volume of $3.2 million in 2022 and $3.1 million in 2023. • It launched a brand refresh in 2023 as part of its post-bankruptcy comeback, with sales split evenly between food and alcohol and new store designs emphasizing the bar.
Outcome	• The company plans to focus on a new fast-casual format called Bertucci's Pronto. • Pronto opened its first location in Boston the same week, offering a scaled-down version of the larger brand, serving brick-oven pizza, salads, and sandwiches for dine-in and takeout.	• The company intends to continue operating while restructuring and marketing the business for sale. • A successful reorganization would likely involve shedding unprofitable units and transferring ownership to a better capitalized operator, with Burger King Corp. closely monitoring and supporting progress.	• Hooters intends to sell all company-owned locations to a franchise group backed by original founders, with court approval expected in June 2025. • The $35 million sale is expected to facilitate an exit from bankruptcy by early Q3 2025. • The buyer group plans to revitalize the brand by returning to its original concept and rebranding select locations.	• Pappas Restaurants, the DIP lender, acquired the company through a court-approved bankruptcy sale on May 10, 2025. • The transaction followed the closure of 77 underperforming locations as part of a broader operational restructuring. • Remaining locations will continue operating under Pappas' ownership, with plans to drive long-term revitalization.	• Bar Louie secured DIP financing to maintain operations and meet obligations to employees and suppliers. • In its filing, Bar Louie reported having between 5,001 and 10,000 creditors. • The company will continue operations throughout the restructuring, with no impact on day-to-day activities.
Article Link	LEARN MORE	LEARN MORE	LEARN MORE	LEARN MORE	LEARN MORE

Sources: Company Filings, Press Releases.

…All the While Investors Have Continued to Pay Premium Multiples for Differentiated Assets

Investors continue to pay premium valuations for scaled, franchise-driven brands—particularly those in buzzworthy or resilient categories—with clear potential for national expansion.

Transaction	Date[(1)]	EV	Strategic Rationale
crumbl cookies / TSG CONSUMER	May-25	~$2.0B	TSG plans to support Crumbl's next phase of growth by enhancing digital capabilities, scaling store development, and building on the brand's strong social-media-driven consumer engagement.
Dave's Hot Chicken / ROARK CAPITAL GROUP	Feb-25	~$1.0B	Roark plans to leverage its portfolio synergies and operational playbook to fuel Dave's Hot Chicken's continued national expansion.
Jersey Mike's Subs / Blackstone	Nov-24	~$8.0B	Blackstone's investment supports Jersey Mike's rapid U.S. and international expansion alongside enhancements in digital and technology infrastructure.
Playa Bowls / SYCAMORE PARTNERS	Sept-24	$350M	Sycamore's retail and multi-unit expertise is expected to accelerate Playa's domestic and international growth.
tropical smoothie CAFE / Blackstone	Apr-24	$2.0B	Blackstone aims to scale Tropical Smoothie's footprint and capitalize on growing consumer demand for healthier quick-service options.
SUBWAY / ROARK CAPITAL GROUP	Aug-23	$9.6B	Roark intends to reinvigorate Subway's brand and operations by applying its extensive franchise expertise to drive global growth and operational efficiency.

Sources: S&P Capital IQ, Wall Street Research.
(1) Reflects announcement date, unless otherwise denoted.

Thematic Observations

- Franchise assets continue to command premium valuations, driven by their asset-light economics, predictable cash-flow profiles, and ability to scale rapidly through multi-unit development.
- Recent premium multiples have favored platforms with 200+ locations, reflecting investor preference for concepts with proven operating models, geographic diversity, and runway for continued unit expansion.
- Private equity interest spans both trend-driven and enduring categories—from viral, culturally relevant brands like Dave's and Crumbl to more established formats like sandwich and bakery, supported by evolving consumer preferences and digital engagement.
- Foundational investments in founder-led platforms remain highly attractive, particularly where PE can serve as the first institutional partner to drive digital transformation, operational sophistication, and disciplined growth—as seen in deals like Subway, Dave's, and Crumbl.

State of Consumer: A Multifaceted View

There is no monolithic consumer—one must parse the data, end markets, and demographics to find pockets of strength.

Consumer Sentiment Index

Index Value (1966 = 100)

Consumer sentiment is retracing since the tariff announcement, **down 22 points** since March 2024.

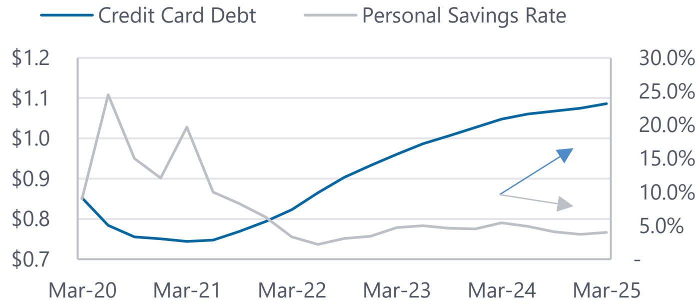
U.S. Total Housing Starts

Units in Thousands

Housing starts have experienced rampant volatility in recent years, **down 13% YTD.**

U.S. Credit Card Debt and Personal Savings

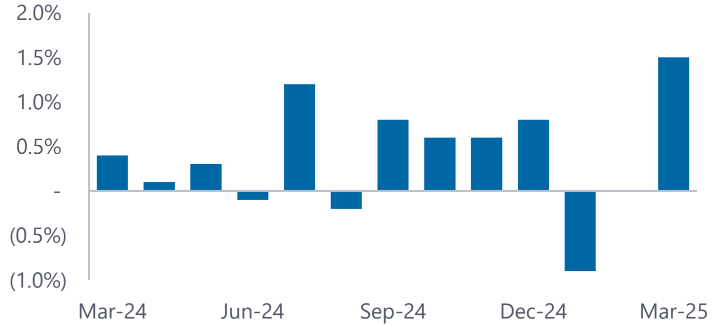
Credit Card Debt, $ in trillions, Personal Savings Rate



While consumers still have savings, **the rate of new savings has declined** while **credit card debt surpassed $1.1 trillion.**

Monthly Change in U.S. Retail Sales

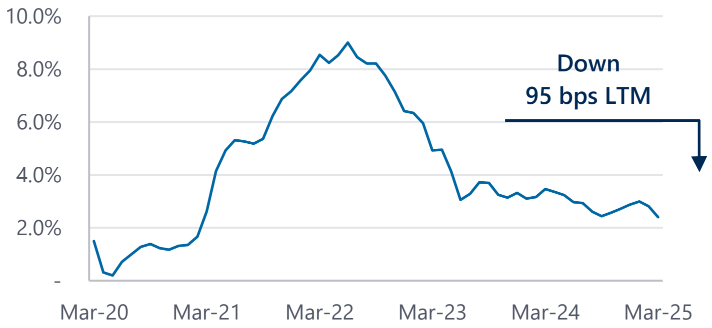
Seasonally Adjusted



March's positive rebound suggests **healthy consumer spending** despite inflationary pressures.

Year-Over-Year Change in U.S. CPI

Seasonally Adjusted



YoY CPI is down **almost 95 bps LTM**, with YoY change in CPI sitting at 2.4% as of March 2025.

Job Openings, All Nonfarm Industries

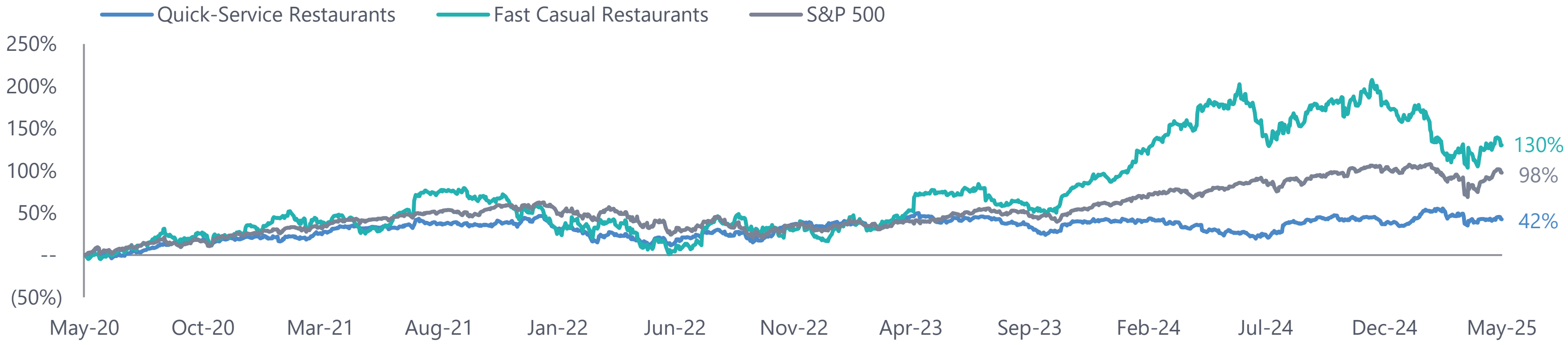
Seasonally Adjusted, in Millions

The labor market **continues to rebalance** as companies reduce job vacancies.

Sources: University of Michigan Survey of Consumers, U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics.

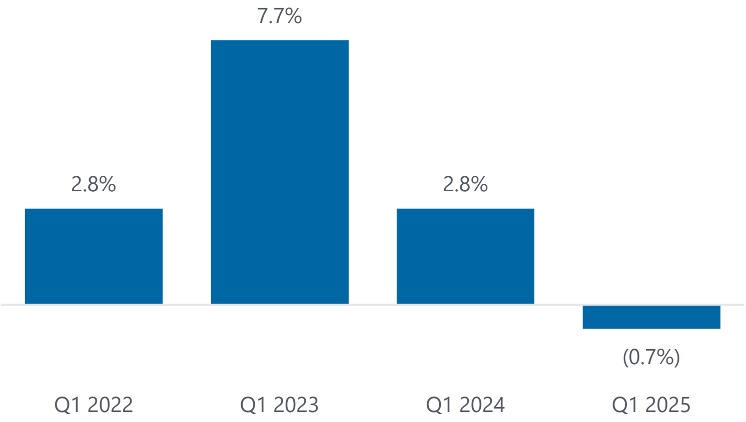
Limited-Service Operator (LSO) Update

Public Market Performance

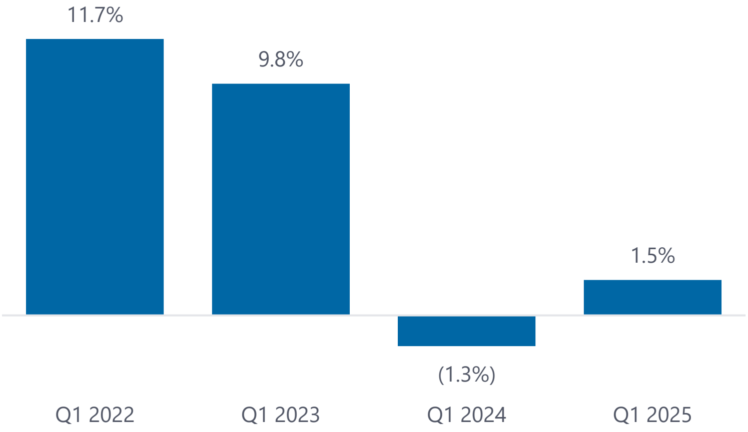


Recent Same-Store Sales Trends: LSOs[(1)]

Quick-Service Restaurants (QSR)



Fast Casual



Sources: Restaurant Business, Wall Street Research.
Notes: Companies included in each category have been trading from May 22, 2020, through May 22, 2025. Pricing as of May 22, 2025.
(1) Summarizes SSS performance as an equal-weighted average of the foremost public brands in each respective category.

Industry Trends

Leadership Changes Reshape the Industry

- 2024 saw a wave of executive transitions, driven by sluggish sales, declining traffic, and shifting strategic priorities.
- Some sought leadership outside the industry, as Wendy's brought in Kirk Tanner from PepsiCo. Others retained industry veterans, as Charlie Morrison, former Wingstop CEO, joined Jersey Mike's and Brian Niccol transitioned as CEO at Chipotle to Starbucks.

Sales Strategies Evolve Amid Consumer Price Sensitivity

- Operators continued refining strategies to drive SSS and profitability amid persistent consumer pullback. LTOs and menu innovation drove social media buzz, bolstering brand awareness.
- Brands that emphasized value, high-quality ingredients, generous portions, and craveable menu items performed the strongest.
- Technology remained key to optimize operations, from Pizza Hut's interactive kiosks to Chipotle's use of AI in streamlining hiring.

QSR Performance: A Mixed Picture

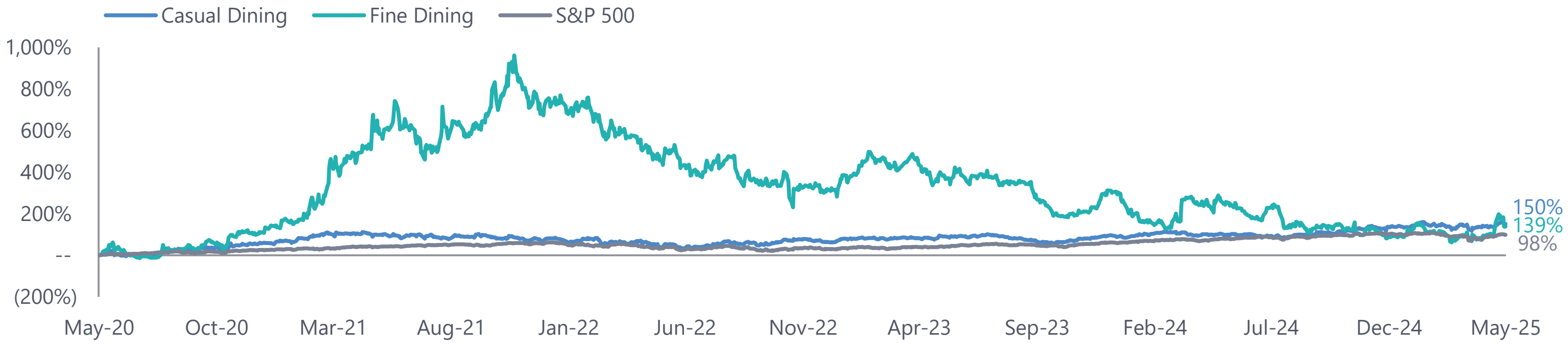
- QSR has historically been insulated from economic turbulence but showed flat to negative results, as headwinds persisted through the first quarter, with heightened promotions, modest sales performance, and FX fluctuations impacting multinationals.
- McDonald's reported its weakest quarter since the pandemic and is extending hours to midnight or later to offset declining visits from middle-income consumers.
- Buzzy concepts such as Dutch Bros and Taco Bell continued to perform. Dutch Bros' rewards program and mobile ordering helped drive double-digit SSS growth, while Taco Bell's aggressive value offerings and new collaborations (e.g., Mike's Hot Honey) drove high single-digit comps.

Fast Casual Sits on Cava's Shoulders

- The fast casual segment was buoyed by Cava's industry-leading comps, while Chipotle posted its weakest quarter since the pandemic.
- Cava continues to generate buzz with its healthy/active lifestyle positioning (e.g., Gabby Thomas partnership, Falafel Crunch bowl).
- Chipotle has taken a similar approach—partnering with the NHL and Strava—but has seen limited traction by comparison.

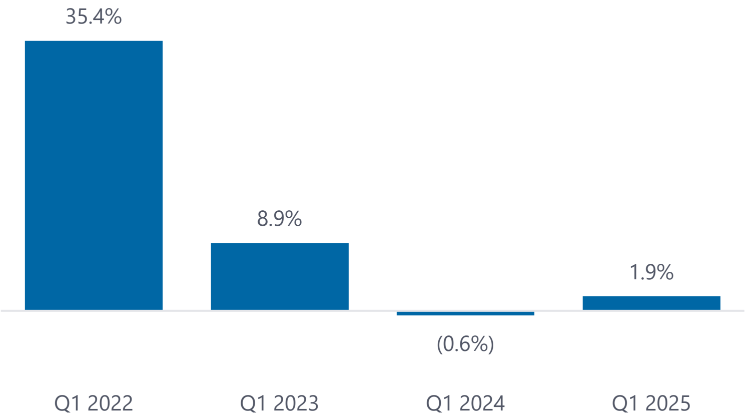
Full-Service Operator (FSO) Update

Public Market Performance

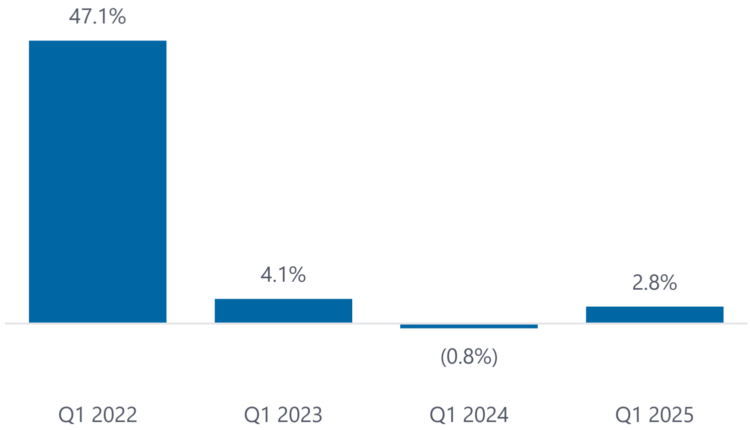


Recent Same-Store Sales Trends: FSOs(1)

Casual Dining



Fine Dining



Sources: Restaurant Business, Wall Street Research.
Notes: Companies included in each category have been trading from May 22, 2020, through May 22, 2025. Pricing as of May 22, 2025.
(1) Summarizes SSS performance as an equal-weighted average of the foremost public brands in each respective category.

Industry Trends

Industry Landscape and Consolidation Opportunities

- Ongoing disruption in full-service dining is opening consolidation opportunities, as underperforming concepts struggle to adapt.

Casual Dining: Winners and Losers

- Casual dining remains pressured by weak sales and traffic, as its core consumers, lower- and middle-income families, face declining disposable income but seek affordable sit-down meals.
  - Menu prices have increased 30%+ since 2019, outpacing overall inflation and diminishing the category's value proposition.
  - As a result, some diners are returning to cooking at home, while others are trading down to fast food and fast casual.
- Struggling brands are testing strategies to re-engage consumers:
  - Applebee's, which posted -2.2% Q1 SSS, is pursuing aggressive remodels and co-branded locations with IHOP (-2.7% SSS).
  - Denny's also saw negative Q1 SSS and low traffic. Targeted closures and remodels aim to boost future sales and traffic.
- A few brands are bucking the trend:
  - Chili's, Texas Roadhouse, and Olive Garden posted positive comps, driven by strategic pricing and operational investments.
  - Chili's led the category with a 31.6% SSS increase, backed by Brinker's $400 million+ investment to simplify menus, add servers and bussers, and upgrade restaurants.
    - These moves have allowed Chili's to enhance core offerings while maintaining fast-food-like pricing.

Fine Dining: Softer but More Insulated

- The fine dining segment also saw sales and traffic challenges, but its middle- to upper-income customer base remained resilient.
  - In Q1, restaurant comps broadly decelerated due to inclement weather, but fine dining remained an exception. Given the reservation-driven nature of fine-dining occasions, consumers are less likely to modify their plans at the last minute.
  - At year-end, higher-income consumers remained confident in their financial outlook and continued dining out.
  - Select fine-dining brands continue to present strong value, as the gap between grocery and full-service dining inflation narrowed to +190 bps.

Featured Recent M&A Transactions

Transaction	Date(1)	Strategic Rationale	
SevenRooms / DoorDash	May-25	This deal will expand DoorDash's capabilities beyond delivery by adding reservation, waitlist, and guest experience management tools used by over 1,500 hospitality operators globally.	LEARN MORE
Nothing Bundt Cakes / FS Investors	May-25	FS Investors acquired nine company-owned Nothing Bundt Cakes bakeries in San Diego and entered into a development agreement to build 16 additional locations, positioning the firm as a key growth partner in one of the brand's most promising markets.	LEARN MORE
deliveroo / DoorDash	May-25	DoorDash will strengthen its international footprint by acquiring a major U.K.-based food delivery competitor with strong market presence in Europe and the Middle East.	LEARN MORE
crumbl cookies / TSG Consumer	May-25	TSG Consumer's investment supports Crumbl's rapid domestic expansion, leveraging its 1,000+ unit base, rotating weekly menu, and viral marketing engine to deepen consumer loyalty and brand awareness.	LEARN MORE
Sizzling Platter / Bain Capital	Apr-25	Bain Capital acquired Sizzling Platter, a franchisee with over 750 Wingstops, Dunkin's, and Jersey Mike's, among other brands, to drive growth across its diverse brand portfolio.	LEARN MORE
Tastemade / Wonder	Mar-25	With the $90 million acquisition of media network Tastemade, Wonder expanded its restaurant brands and delivery service expertise to include content production and advertising.	LEARN MORE
Lenwich / Pacific General	Mar-25	The investment is intended to accelerate Lenwich's expansion beyond its home market in New York City across the East Coast and the broader United States.	LEARN MORE

Sources: Nation's Restaurant News, Reuters, Restaurant Business, Wall Street Research.
Note: (1) Reflects announcement date, unless otherwise denoted.

Featured Recent M&A Transactions (cont.)

Transaction	Date[1]	Strategic Rationale	
Pizza Hut / Flynn Restaurant Group	Mar-25	Flynn Group acquired 45 Pizza Hut restaurants in the Southeast, bringing Flynn's U.S. ownership to nearly 20% and expanding its presence in existing markets with other quick-service and fast casual brands.	LEARN MORE
Big Chicken / Craveworthy Brands	Mar-25	To further the chain's aggressive growth strategy, Craveworthy Brands became a managing partner, investor, and stakeholder in Big Chicken, a fast casual chicken brand founded by Shaquille O'Neal.	LEARN MORE
Dave's Hot Chicken / Roark Capital Group	Feb-25	Roark Capital invested in Dave's Hot Chicken to back the continued national rollout of a high-growth, cult-favorite brand known for its simple menu, strong unit economics, and viral appeal among younger consumers.	LEARN MORE
Just Salad / Wellington Management, D1 Capital Partners, Neuberger Berman, Stripes	Feb-25	Just Salad raised $200 million, valuing the ~90-unit brand at $1 billion, to support growth, consumer experience, technology, and menu innovation.	LEARN MORE
Rita's / Maple Park Capital	Jan-25	Ideal for Maple Park's focus on service-oriented businesses, the investment fuels Rita's growth and expansion into new regions in the United States, including Texas and Michigan.	LEARN MORE
Uncle Julio's Mexican from Scratch / Sun Holdings, Inc.	Jan-25	The acquisition is part of Sun Holdings' strategy to grow its market share in the Mexican dining segment, and it provides Uncle Julio's with a shared supply chain and the ability to scale operations.	LEARN MORE
SPB Hospitality / Kelly Companies	Dec-24	An affiliate of Kelly Companies acquired SPB Hospitality's brewery brands, allowing SPB to focus on the growth of its specialty brands and Kelly Companies to deepen its portfolio.	LEARN MORE

Sources: Nation's Restaurant News, Reuters, Restaurant Business, Wall Street Research.
Note: (1) Reflects announcement date, unless otherwise denoted.

2025 Outlook: Concepts Positioned for Strong Cash-on-Cash Return

Public Market Performance

($ in Thousands)	Wingstop	Chipotle	CAVA	Shake Shack	Dutch Bros	sweetgreen	Starbucks	Portillo's	Domino's	Potbelly	First Watch	Texas Roadhouse	The Cheesecake Factory	BJ's
AUV	$2,202	$3,328	$2,922	$4,035	$2,077	$2,925	$2,240	$8,400	$1,408	$1,319	$2,248	$8,912	$12,648	$6,405
RL EBITDA[1]	361[2]	894	733	892	631	597	426	1,932	166[1]	203	436	1,503	2,112	954
EBITDA % Margin	16.4%	26.9%	25.1%	22.1%	30.4%	20.4%	19.0%	23.0%	11.8%	15.4%	19.4%	16.9%	16.7%	14.9%
EBITDAR % Margin	22.2%	32.2%	31.3%	28.5%	36.1%	29.1%	26.7%	28.2%	16.6%	26.9%	27.8%	18.6%	23.5%	19.6%
Cash Investment	535	1,375	1,375	2,200	1,738	1,592	1,250	5,500	500	775	1,750	5,950	8,900	6,000
Pre-Opening	65	150	225	400	130	300	140	850	50	100	200	950	1,500	700
Total Cash Costs	600	1,525	1,600	2,600	1,868	1,892	1,390	6,350	550	875	1,950	6,900	10,400	6,700
Cash-on-Cash Returns	**60%**	**59%**	**46%**	**34%**	**34%**	**32%**	**31%**	**30%**	**30%**	**23%**	**22%**	**22%**	**20%**	**14%**
Sales-to-Cash Investment	**3.7x**	**2.2x**	**1.8x**	**1.6x**	**1.1x**	**1.5x**	**1.6x**	**1.3x**	**2.6x**	**1.5x**	**1.2x**	**1.3x**	**1.2x**	**1.0x**

Sources: Company Reports, Consensus Metrix, and Gordon Haskett Research Advisors estimates.
(1) RL EBITDA stands for restaurant-level EBITDA. (2) Margin includes franchise royalty.

New Buildouts: Smaller Footprints, Higher Returns

- To optimize unit economics, several brands are embracing more cost-efficient and compact prototype designs.
- Shake Shack, Dutch Bros, Portillo's, and BJ's are steering toward lower investment costs in 2025.
  - Shake Shack stands out as the only concept achieving a cash-on-cash return trifecta in 2025.
    - Shake Shack is working to achieve (i) an increase in average unit volume, (ii) an improvement in restaurant-level EBITDA margin, and (iii) a reduction in new restaurant investment cost.
    - Shake Shack's shift to a 2,000-square-foot format is expected to enhance returns, increasing from 30% to 34%.
- Concepts generating the highest cash-on-cash returns typically maintain a sales-to-cash investment ratio exceeding 2 to 1.
- Of the eight restaurant brands forecasting 10%+ unit growth in 2025, Wingstop and Chipotle deliver the highest cash-on-cash returns.

2025 Restaurant Trends to Watch

01	**Rising Costs Driving Operational Innovation**	Tariffs are adding another layer of pressure on top of already elevated labor costs and rising buildout expenses. With limited pricing power, especially in QSR, operators will need to get creative to maintain traffic and optimize costs. Technology is playing a growing role—Portillo's is testing facial recognition for faster, personalized drive-thru ordering, reducing transaction times to just 10 seconds.
02	**Daypart Expansion**	Operators are pushing into new dayparts to boost traffic and diversify revenue. Just Salad is targeting dinner with its new Market Plates, echoing Sweetgreen's Protein Plates rollout last year. Portillo's is testing breakfast in select Chicagoland locations—a bold move in a notoriously challenging daypart. Morning menus remain tough to crack—even Taco Bell, with all its marketing muscle, struggled to gain traction.
03	**Beverage Innovation and Competition**	The beverage category is heating up, driven by Gen Z demand for bold, indulgent drinks. QSR giants are responding with new formats (e.g., Taco Bell's Live Mas Café, McDonald's CosMc's). As costs rise and new players like Dutch Bros and 7 Brew expand, Starbucks faces a competitive reset.
04	**Chicken Wars: Market Shake-Up**	A shift is underway among chicken chains. Wingstop is on track to surpass KFC in sales in 2025, while Raising Cane's and Chick-fil-A continue to post exceptional AUVs. Growth will hinge on brand relevance and marketing firepower—all eyes are on the next phase of Dave's Hot Chicken under new ownership and consumer responses to new innovations (e.g., Saucy by KFC, Wingstop's new crispier recipe, etc.).

Restaurant Industry Market Map

Limited-Service Restaurants

Quick-Service Restaurants

Fast Casual

Full-Service Restaurants

Casual Dining

Fine Dining

Note: The sub-buckets denote approximate company size (small-, mid-, and large-cap).

Houlihan Lokey Restaurant Coverage

Houlihan Lokey has comprehensive global coverage and specialized resources dedicated to the restaurant sector.

Investment Banking

We have a track record of structuring and executing value-optimizing transactions for our clients.

We run efficient, momentum-driven processes that drive results in M&A and capital raising for our clients.

Our team has an extensive and expansive reach of the highest-likelihood debt and equity investors within the restaurant sector globally.

We are well versed in crafting tailored solutions to achieve client objectives, with deep experience across sectors, company types, and market cycles.

We advise clients on strategic alternatives that enable them to accomplish next-level strategic goals—whether the aim is accelerated growth or partial or full sale.

We are uniquely positioned to help address special situations, ranging from liquidity management to recapitalizations.

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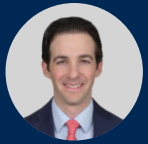

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Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.

Request a Meeting

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