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2014 – A PERFORMANCE REVIEW FOR RESTAURANT FIRMS

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Editor's Note: 2014 – A Performance Review for Restaurant Firms

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EDITOR'S NOTE . . .

2014 – A PERFORMANCE REVIEW FOR RESTAURANT FIRMS

The restaurant industry continues to show a steady growth thus far in 2014. Per the latest report from the National Restaurant Association (NRA), the outlook for the restaurant industry continues to be quite robust this year. Experts predict the industry to grow steadily with improving economic climate, generating more jobs and income. Total annual restaurant industry sales are expected to reach a record high of \$683.4 billion in 2014. Such growth constitutes a 3.6% increase over 2013 annual sales.

[Table 1](#) summarizes the current trend of stock returns for key restaurant firms in 2014. The one-year average return (41.11%) of restaurant stocks as of March 5, 2014, surpassed the one-year average return of the S & P 500 index (25.48%) by almost 15.63%. The trend is suggestive of this industry's continued growth and strong recovery since its pre-2010 slump. The quick service restaurants (QSRs) maintained a healthy performance with their stocks yielding a 48.89% one-year average return. The average one-year return for the family, casual, and full-service restaurants was 38.82%, almost similar to the previous year. Such a trend suggests a significant growth in consumer preference for fine dining spurred by steady recovery in per capita income and the overall economy.

According to latest reports of the NRA, restaurant industry sales are once again projected to reach almost 4% of the U.S. gross domestic product in 2014 (NRA, [2014](#)). With this industry's job growth outpacing the overall economy in 14 consecutive years since 2000, restaurants are

projected to employ 13.5 million people in 2014, or nearly 10% of the U.S. workforce.

Recent changes in the NRA's Restaurant Performance Index (RPI) support the optimism of NRA experts. RPI is a combination of the current situation index (derived from recent-period restaurant industry indicators, such as same-store sales traffic and labor and capital expenditures) and the expectations index (derived from forward-looking or the six-month outlook for restaurant industry indicators) and is based on the NRA's monthly survey of U.S. restaurateurs. [Table 2](#) summarizes recent trends in the NRA's statistical barometer, the RPI for the period January 2009 to January 2014. [Figure 1](#) presents the graph for RPI trends until January 2014.

RPI values above 100 indicate expansion, whereas values below 100 suggest a period of contraction for key restaurant industry indicators. As shown in [Figure 1](#), the RPI values clearly reveal an expansionary trend for restaurant industry indicators continuously for the period March 2013 to January 2014, with peaks during the summer months. Restaurant spending and expansionary RPI trends are often closely related to economic growth and disposable income of consumers. The U.S. GDP grew at an annual rate of 3.2% in the last quarter of 2013, showing the highest consumer spending levels in three years (Rushe, [2014](#)), regardless of the government shut-down threats. Such growth was particularly impressive, because it followed yet another 4.1% gain in the preceding third quarter. The U.S. disposable personal income in current dollars grew steadily in 2013 at 4.0, 4.9, and 1.7 percent, during the second, third, and fourth quarters, respectively (U.S. Department of Commerce, [2014](#)). Given

Color versions of one or more figures in the article can be found online at <http://www.tandfonline.com/uhfm>

TABLE 1. 2014 Restaurant Stock Return Trends – (March)

Stock Name	Market Cap (Millions)	YTD %	1-Month	3-Month	1-Year	3-Year	5-Year
QUICK SERVICE RESTAURANTS							
AFC Enterprises, Inc.							
Biglari Holdings, Inc.	784.71	– 10	8.44	– 5.09	23.47	4.46	32.37
Carrols Restaurant Group, Inc.	184.82	18	34.72	19.27	44.71	52.03	59.64
Domino's Pizza, Inc.	4,429.66	14.11	16.37	15.97	65.08	68.78	66.85
Jack In The Box, Inc.	2,449.26	16.87	17.15	25.77	83.89	38.15	25.79
McDonald's Corporation	94,018.93	– 1.28	2.9	0.08	3.23	10.9	15.26
Sonic Corporation	1,131.93	– 0.74	14.51	– 2.91	77.98	30.97	20.77
Wendy's Co.	3,467.55	9.17	7.81	11.48	76.6	25.32	18.29
Yum Brands Inc.	33,060.39	– 0.79	3.58	– 0.86	16.16	15.41	25.51
Average Quick Service Restaurants	17440.91	5.67	13.19	7.96	48.89	30.75	33.06
QUICK SERVICE SPECIALTY RESTAURANTS							
Chipotle Mexican Grill, Inc.	18,143.86	9.77	8.18	12.88	81.76	31.88	63.05
Krispy Kreme Doughnut Inc	1,261.40	– 0.88	18.39	– 5.39	36.09	45.32	75.45
Panera Bread Company, Inc.	5,063.68	3.36	8.81	3.59	13.02	14.95	32.93
Starbucks Corporation	54,167.79	– 8.25	1.43	– 9.53	30.34	30.71	53.17
Tim Hortons, Inc.	7,425.00	– 7.46	4.81	– 6.5	9.67	8.38	19.46
Average Quick Service Specialty Restaurants	17212.35	– 0.69	8.32	– 0.99	34.18	26.25	48.81
Average Quick Service and Quick Service Specialty Restaurants	17326.63	2.49	10.75	3.49	41.53	28.50	40.94
FAMILY DINING RESTAURANTS							
Bob Evans Farms, Inc.	1,369.91	2.27	4.82	– 1.11	31.29	21.25	25.52
Cracker Barrel Old Country Store, Inc.	2,403.92	– 7.63	5.41	– 3.7	34.72	30.58	36.31
Denny's Corporation	587.18	– 8.48	2.17	– 9.62	15.44	16.89	34.41
DineEquity Inc.	1,616.35	1.58	10.68	2.62	24.34	15.33	64.57
Average Family Dining Restaurants	1,494.34	– 3.07	5.77	– 2.95	26.45	21.01	40.20
CASUAL DINING RESTAURANTS							
Brinker International, Inc.	3,649.78	17.31	14.93	18.35	59.65	33.54	39.96
Buffalo Wild Wings, Inc.	2,792.73	0.87	5.49	1.18	81.52	41.53	36.98
Darden Restaurants Inc	6,382.07	– 9.56	1.91	– 5.84	9.73	5.45	17.24
Red Robin Gourmet Burgers, Inc.	1,114.20	5.18	23.35	2.03	74.37	47.96	42.42
Ruby Tuesday, Inc.	371.01	– 12.84	11.85	– 11.18	– 14.93	– 22.94	40.84
Texas Roadhouse, Inc.	1,848.55	– 4.96	13.44	– 3.1	35.58	17.81	27.92
Average Casual Dining Restaurants	2,693.06	– 0.67	11.83	0.24	40.99	20.56	34.23
FULL-SERVICE RESTAURANTS							
BJ's Restaurants, Inc.	791.09	– 10.17	1.45	– 5.07	– 5.39	– 8.77	19.04
CEC Entertainment, Inc.							
Cheesecake Factory, Inc.	2,488.83	0.41	11.53	1.34	39.55	19.33	45.31
Kona Grill, Inc.	165.69	4.1	22.03	23.19	123.15	60.08	60.33
Ruth's Hospitality Group, Inc.	453.92	– 10.27	4.51	– 7.21	38.83	37.41	69.13
Average Full-Service Restaurants	974.8825	– 3.9825	9.88	3.0625	49.035	27.0125	48.4525
Average Family, Casual, and Full Service Restaurants	1,720.76	– 2.57	9.16	0.12	38.82	22.86	40.96
Restaurant Industry Average	9319.42	0.36	10.40	2.25	41.11	25.66	39.57
S & P 500		1.75	7.03	5.05	25.48	14.82	23.94

Source: Morningstar Investment Research Center.
Note: Data until March 5, 2014.

such steady growth in disposable income accompanying economic recovery, and with the restaurant industry constantly improving with new innovations, mobile and other

technology, web-based reimaging and emarketing efforts, experts seem quite optimistic that the performance of this industry should continue to be strong in the coming months.

FIGURE 1. National Restaurant Association's Restaurant Performance Index. **Source:** National Restaurant Association. Values Greater than 100 = Expansion; Values Less than 100 = Contraction.

TABLE 2. Restaurant Performance Index (RPI) Trend January 2009–January 2014

Month	2009	2010	2011	2012	2013	2014
Jan	97.4	98.3	100.2	101.3	100.6	100.7
Feb	97.5	99.0	100.7	101.9	99.9	
Mar	97.7	100.5	101.0	102.2	100.6	
Apr	98.6	100.4	100.9	101.6	101.0	
May	98.3	99.7	99.9	101.4	101.8	
Jun	97.8	99.5	100.6	101.4	101.3	
July	98.1	99.4	99.7	100.2	100.7	
Aug	97.9	99.5	99.4	100.6	100.5	
Sep	97.5	100.3	100.1	100.4	100.2	
Oct	98.0	100.7	100.0	99.5	100.9	
Nov	97.8	99.9	100.6	99.9	101.2	
Dec	98.7	101.0	102.2	99.7	100.5	

Source: National Restaurant Association.

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