



University of  
Massachusetts  
Amherst

## 2012 – A Performance Review for Restaurant Firms

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Authors	Sheel, Atul
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## Editor's Note.....

### 2012 – A Performance Review for Restaurant Firms

The restaurant industry continues to show a steady growth since its recent recessionary trough in 2008-2009. Per the latest report from the National Restaurant Association (NRA), the outlook for the restaurant industry appears even brighter for 2012. 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 \$632 billion for the first time in the history of the US restaurant sector, a 4.6 percent increase over 2011 annual sales. Such growth should continue to be a welcome reprieve after the industry's recent recessionary trends.

Table 1 summarizes the current trend of stock returns for key restaurant firms in 2012. The one-year average return (21.47%) of restaurant stocks as of the October 2012 surpassed and more than doubled the 2011 S&P 500 index returns (9.77%). Such trend is suggestive of the industry's strong recovery since its slump in 2008-2009. Quick service restaurants (QSRs) performed much better than family, casual and full service restaurants. On an average, this group's stocks returned 31.64 percent year-to-date, significantly more than the average returns yielded by the family, casual and full service group. The trend suggests continued preference of our cautious and economically challenged consumers for cheaper QSRs, relative to more expensive fine dining restaurants.

<b>Stock Name</b>	<b>MarketCap (Millions)</b>	<b>YTD %</b>	<b>1-Month</b>	<b>3-Month</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
<b>QUICK SERVICE RESTAURANTS</b>							
AFC Enterprises, Inc.	632.31	78.98	6.56	15.45	83.86	47.43	17.24
Biglari Holdings, Inc.	510.26	-3.34	-5.03	-9.23	2.83	13.94	6.65
Carrols Restaurant Group, Inc.	155.56	115.15	9.87	19.67	158.77	52.93	18.57
Domino's Pizza, Inc.	2299.64	28.16	7.23	16.74	33.34	80.00	26.04
Jack In The Box, Inc.	1145.24	22.92	-6.45	-3.24	23.33	10.35	-1.42
McDonald's Corporation	87205.41	-11.33	-4.55	-1.63	-5.24	15.18	11.12
Sonic Corporation	584.25	49.78	-1.27	8.50	33.69	0.37	-15.54
Wendy's Co	1664.53	-19.40	1.43	-5.93	-21.23	0.22	-13.71
Yum Brands Inc	32476.00	23.83	9.42	7.61	33.75	28.63	15.08
<b>Average Quick Service</b>	<b>14074.80</b>	<b>31.64</b>	<b>1.91</b>	<b>5.33</b>	<b>38.12</b>	<b>27.67</b>	<b>7.11</b>

<b>Restaurants</b>							
<b>QUICK SERVICE SPECIALTY RESTAURANTS</b>							
Caribou Coffee Company, Inc.	239.44	-15.56	-10.69	-0.25	-17.85	10.89	15.54
Chipotle Mexican Grill, Inc.	8594.02	-19.21	-2.87	-10.36	-19.55	46.69	15.77
Krispy Kreme Doughnut Inc	494.01	16.21	-2.69	20.44	1.74	31.93	22.02
Panera Bread Company, Inc.	4795.10	17.94	-1.52	6.23	22.80	39.55	35.01
Starbucks Corporation	39375.37	13.71	6.30	14.34	18.67	36.10	17.17
Tim Hortons, Inc.	7691.12	3.99	-5.15	-6.58	1.62	22.03	5.95
<b>Average Quick Service Specialty Restaurants</b>	<b>10198.18</b>	<b>2.85</b>	<b>-2.77</b>	<b>3.97</b>	<b>1.24</b>	<b>31.20</b>	<b>18.58</b>
<b>Average Quick Service and Specialty Restaurants</b>	<b>12524.15</b>	<b>20.12</b>	<b>0.04</b>	<b>4.78</b>	<b>23.37</b>	<b>29.08</b>	<b>11.70</b>
<b>FAMILY DINING RESTAURANTS</b>							
Bob Evans Farms, Inc.	1034.10	12.12	-5.13	-5.63	12.60	13.23	10.53
Cracker Barrel Old Country Store, Inc.	1510.99	29.56	-4.28	1.55	43.38	25.74	14.79
Denny's Corporation	435.91	23.67	-1.90	0.43	29.53	26.63	1.62
DineEquity Inc	1135.44	45.96	7.92	16.49	40.12	40.47	2.24
<b>Average Family Dining Restaurants</b>	<b>1029.11</b>	<b>27.83</b>	<b>-0.85</b>	<b>3.21</b>	<b>31.41</b>	<b>26.52</b>	<b>7.30</b>
<b>CASUAL DINING RESTAURANTS</b>							
Brinker International, Inc.	2243.21	17.15	-10.43	-4.31	38.63	34.05	6.24
Buffalo Wild Wings, Inc.	1388.25	10.56	-14.23	0.95	16.24	20.63	20.47
Darden Restaurants Inc	6782.76	19.79	-4.27	0.24	15.38	20.58	7.72
Red Robin Gourmet Burgers, Inc.	458.87	16.25	2.58	12.51	19.93	29.29	-4.39
Ruby Tuesday, Inc.	471.68	7.39	4.51	15.06	-5.12	4.25	-12.20
Texas Roadhouse, Inc.	1188.92	14.77	-1.81	-4.03	18.73	16.31	8.08
<b>Average Casual Dining Restaurants</b>	<b>2088.95</b>	<b>14.32</b>	<b>-3.94</b>	<b>3.40</b>	<b>17.30</b>	<b>20.85</b>	<b>4.32</b>
<b>FULL SERVICE RESTAURANTS</b>							
BJ's Restaurants, Inc.	961.76	-24.27	-16.88	-15.92	-34.10	26.29	13.55
CEC Entertainment, Inc.	574.96	-4.76	8.80	9.65	-3.36	3.54	3.35
Cheesecake Factory, Inc.	1800.67	15.09	-3.14	1.29	23.60	22.51	9.10
Kona Grill, Inc.	74.53	41.34	-6.59	12.05	41.34	47.15	-13.00
Ruth's Hospitality Group, Inc.	246.89	39.84	8.93	2.06	36.81	32.03	-10.63
<b>Average Full Service</b>	<b>731.76</b>	<b>13.45</b>	<b>-1.78</b>	<b>1.83</b>	<b>12.86</b>	<b>26.30</b>	<b>0.47</b>

<b>Restaurants</b>							
<b>Average Family, Casual and Full Service Restaurants</b>	<b>1353.93</b>	<b>17.63</b>	<b>-2.39</b>	<b>2.83</b>	<b>19.58</b>	<b>24.18</b>	<b>3.83</b>
<b>Restaurant Industry Average</b>	<b>6939.04</b>	<b>18.88</b>	<b>-1.18</b>	<b>3.81</b>	<b>21.47</b>	<b>26.63</b>	<b>7.77</b>

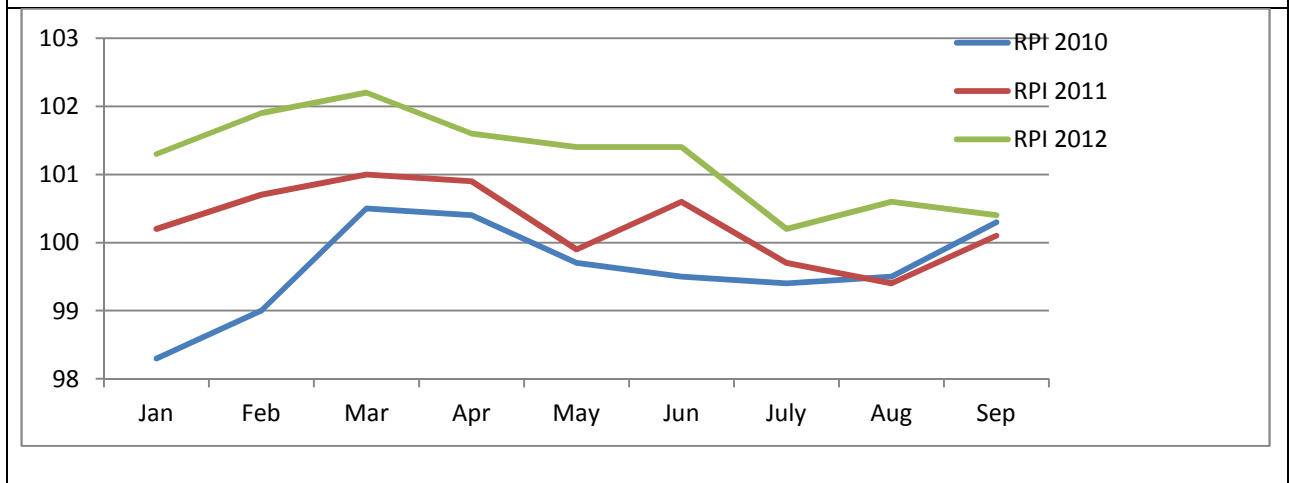
According to latest reports of the National Restaurant Association (NRA), restaurant-industry sales are projected to surpass almost 4 percent of the U.S. gross domestic product in 2012. With this industry's job growth outpacing the overall economy in 12 consecutive years since 2000, restaurants are projected to employ 12.9 million people in 2012, or nearly 10 percent of the U.S. workforce.

Recent changes in 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) and the expectations index (derived from forward-looking restaurant industry indicators), and is based on NRA's monthly survey of US restaurateurs. Table 2 and Figure 1 summarize recent trends in NRA's statistical barometer, the RPI for the first three quarters of 2010-2012.

<b>Table2</b>			
<b>Restaurant Performance Index (RPI) Trend</b>			
<b>January-September 2010-2012</b>			
<b>Month</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Jan	98.3	100.2	101.3
Feb	99	100.7	101.9
Mar	100.5	101	102.2
Apr	100.4	100.9	101.6
May	99.7	99.9	101.4
Jun	99.5	100.6	101.4
July	99.4	99.7	100.2
Aug	99.5	99.4	100.6
Sep	100.3	100.1	100.4

**Figure 1-National Restaurant Association's Restaurant Performance Index**

*Values Greater than 100 = Expansion; Values Less than 100 = Contraction*



RPI values above 100 indicate expansion, while values below 100 suggest a period of contraction for key restaurant industry indicators. As shown in figure 1, the RPI values for the first three quarters of 2012 clearly surpassed those for 2010 and 2011, and were significantly over the 100 benchmark. Historically, RPI has consistently shown some decline in the third quarter suggesting an erosion of optimism among restaurant operators. However, given that the index has clearly surpassed its historic levels in 2010 and 2011 and has consistently averaged over its 100 benchmark in 2012, experts predict that the performance of the restaurant industry should continue to grow and improve in the coming months.

**Atul Sheel, Ph.D.  
University of Massachusetts**