



MICHIGAN RESTAURANT INDUSTRY TRENDS

Results from Member Survey (4Q18)



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Survey Demographics

- Michigan restaurant & lodging companies covering over **\$760 million** in annual revenue
- Data reflects feedback from nearly **1,500 locations**
- **63% of responses from single-unit independents** (16% are multi-unit independents)
- **34% of responses from casual dining restaurants**



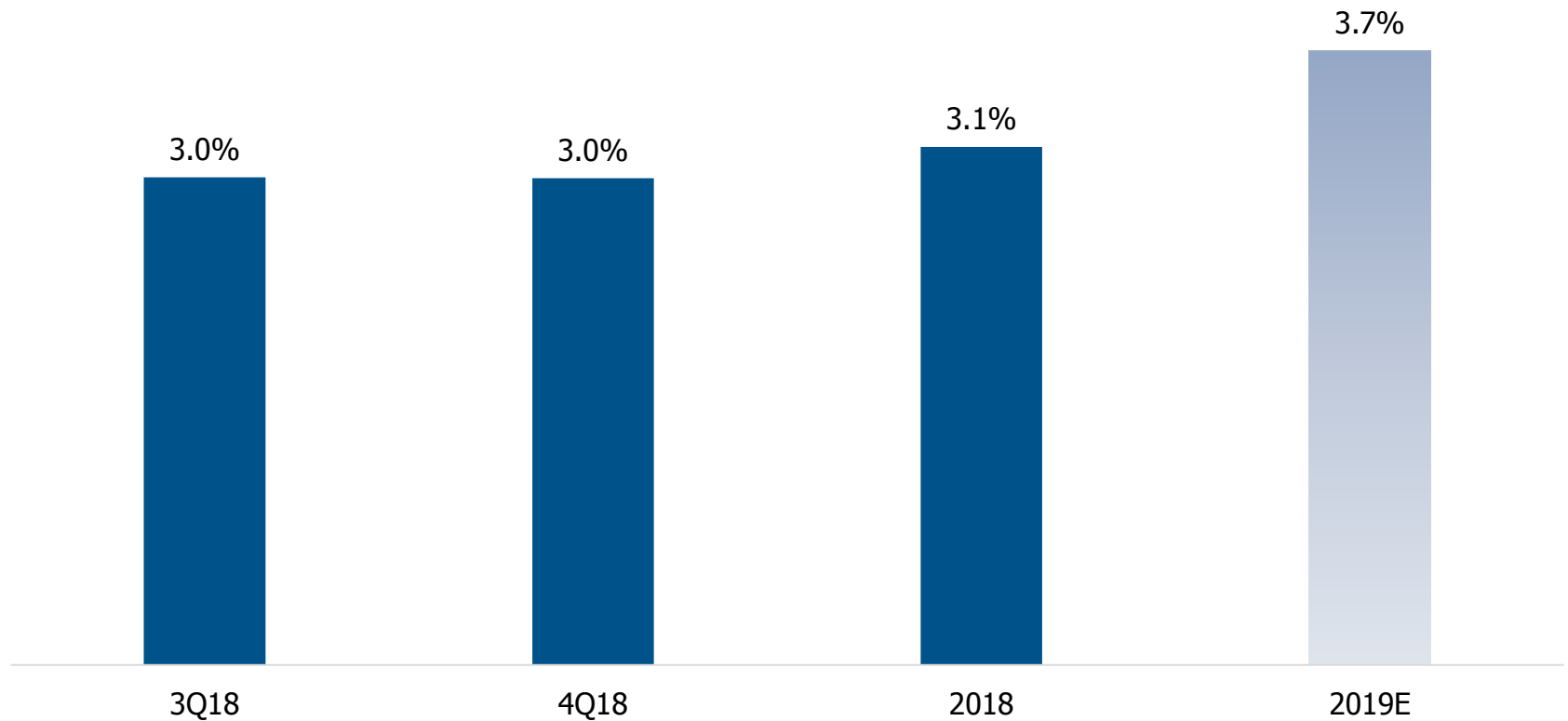
Key Findings

- **Same-store sales in 4Q18 (Oct-Dec) finished up 3%**, similar to the +3% growth reported for 3Q.
 - Traffic growth was +2.9% (a bit better vs. last quarter).
 - Menu prices were up 1.6% in 4Q on a year-over-year basis.
- **Owners expect better 2019 growth** relative to 2018.
 - Expect same-store sales to grow +3.7% (vs. +3.1% in 2018).
 - Expect traffic to grow +3.8% (vs. +3.1% in 2018).
- **Food costs** were 31.5% of total sales and **labor costs** were 30% of total sales for owners during 4Q.

Same-Store Sales

Trending in the 3% range during 2nd half of 2018

Same-store Sales
Michigan Restaurant & Lodging Association

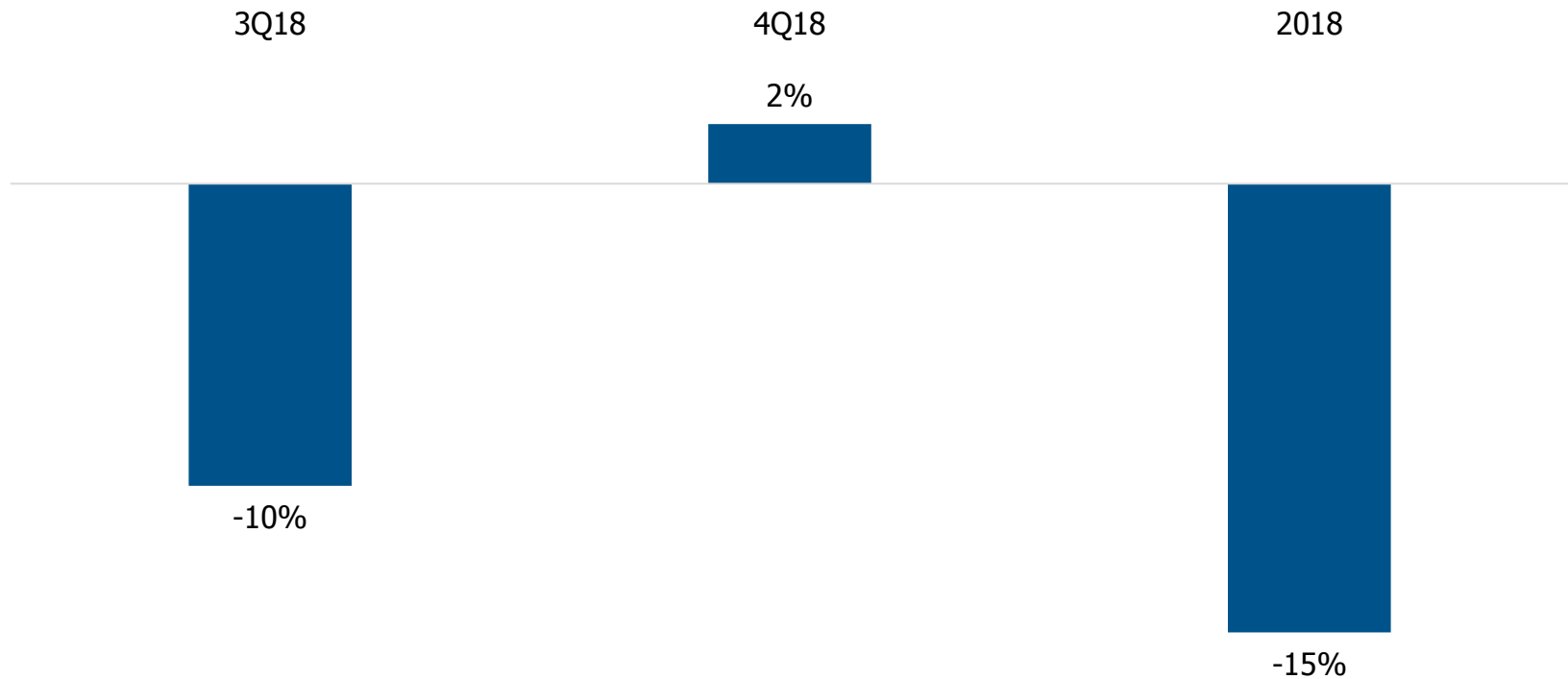


Sales vs. Expectations

Owners finish below plan more often than not

How did these periods perform relative to your expectations (same-store sales growth vs. plan)?

Net= % Above Plan minus % Below Plan

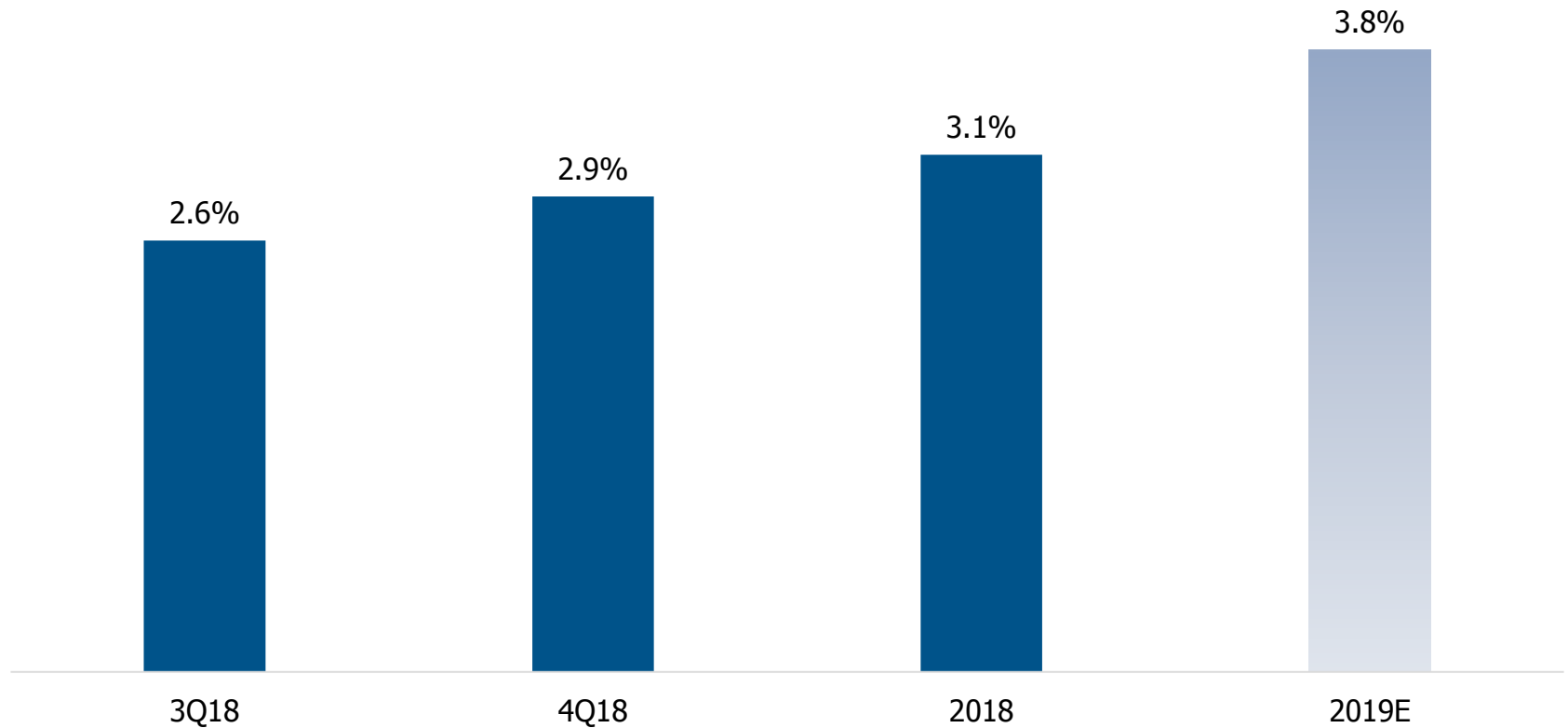


Traffic

Growth increased to finish 2018, outlook positive

Traffic

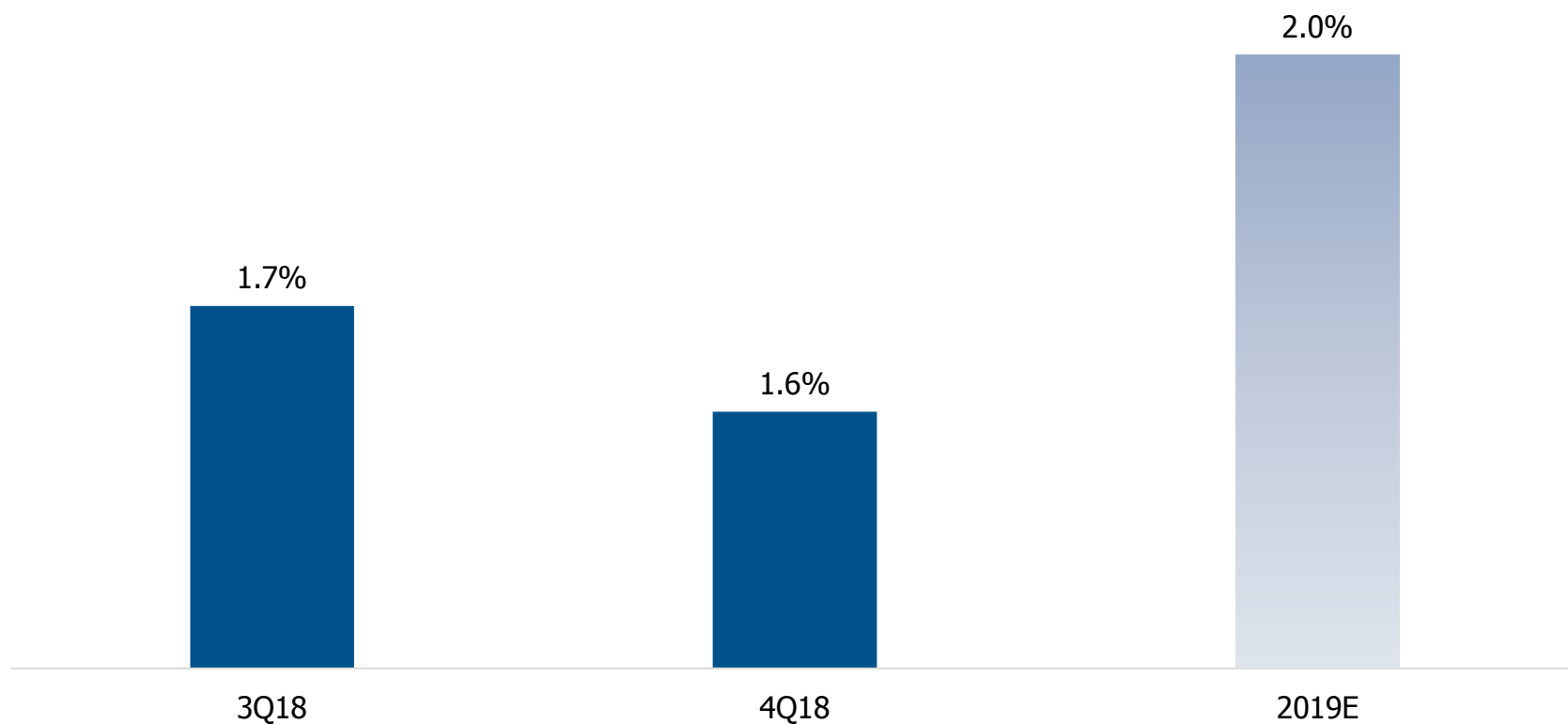
Michigan Restaurant & Lodging Association



Menu Pricing

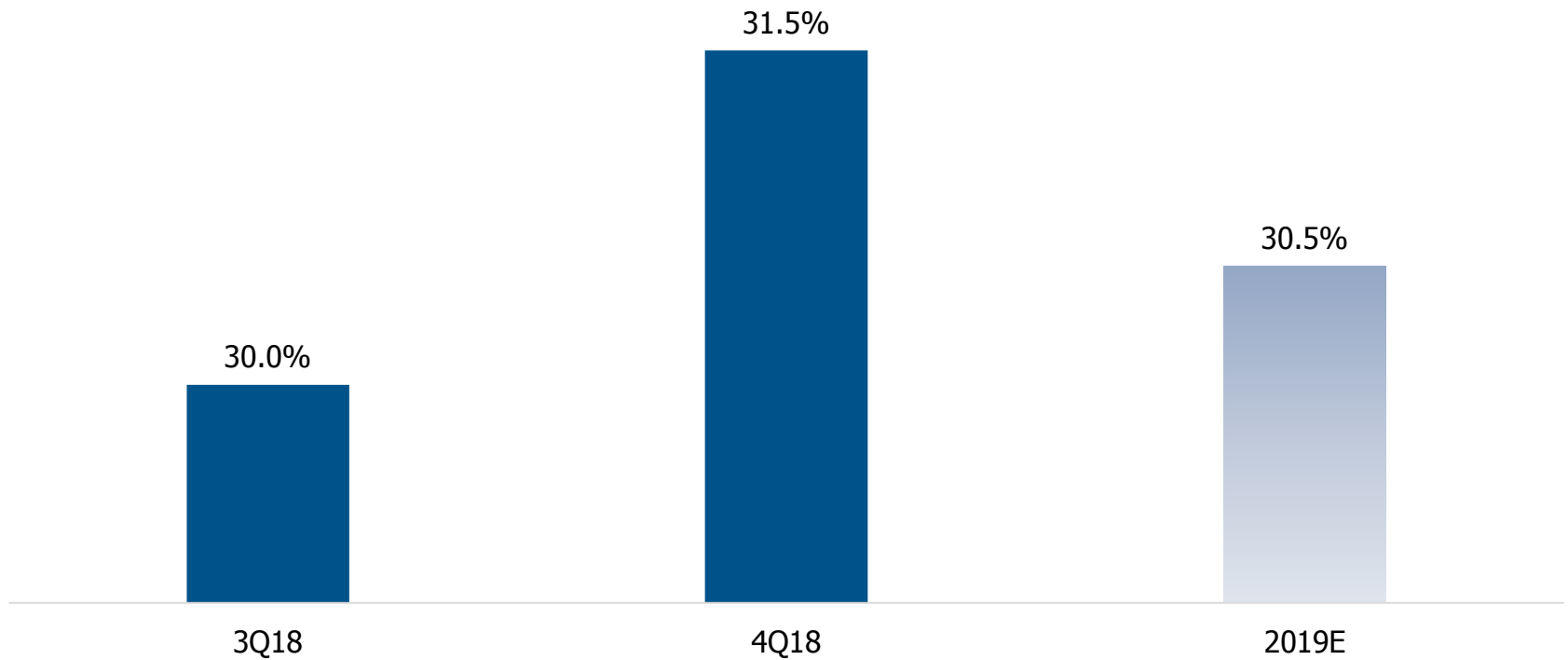
Owners expecting to take ~2% increases in 2019

Menu Price Increase
Michigan Restaurant & Lodging Association



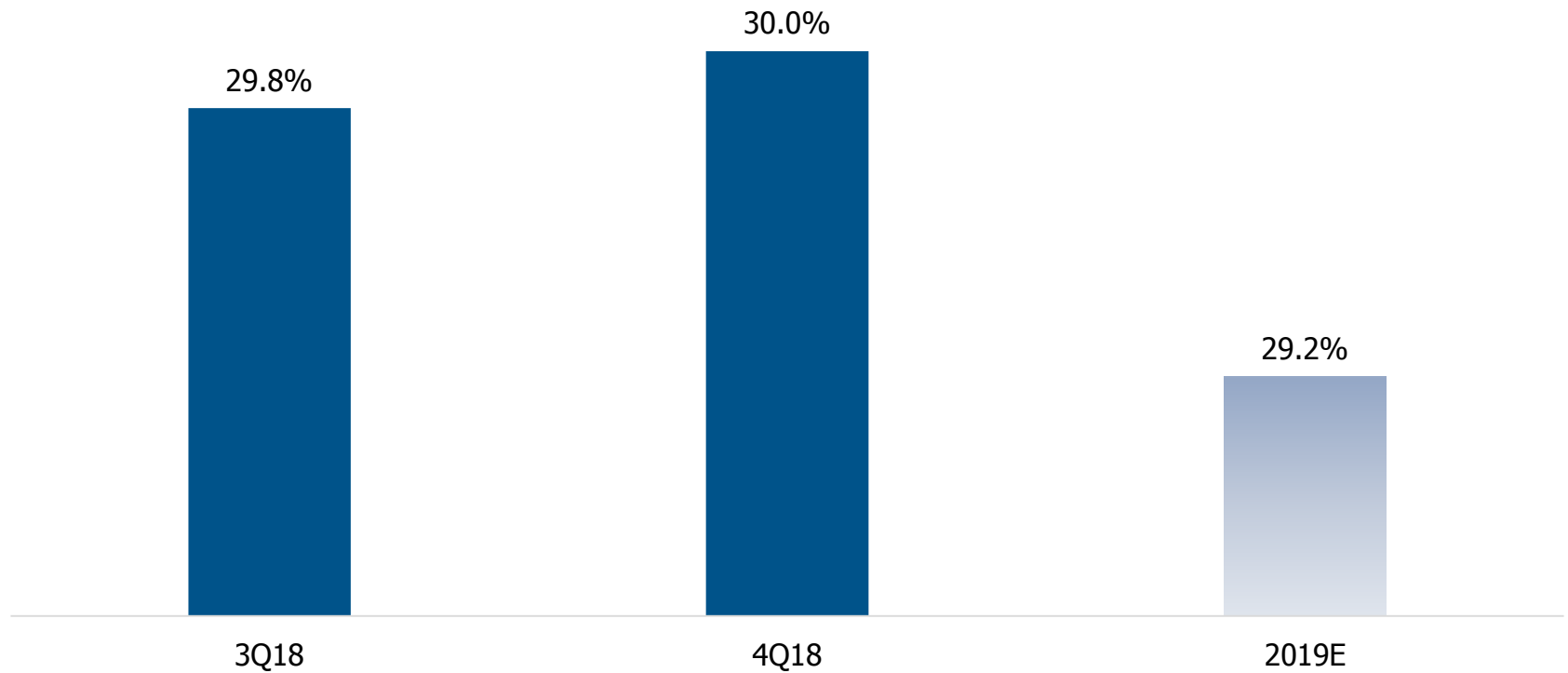
Food Cost Trends

Food Cost as a % of Total Sales
Michigan Restaurant & Lodging Association



Labor Cost Trends

Labor Cost as a % of Total Sales
Michigan Restaurant & Lodging Association

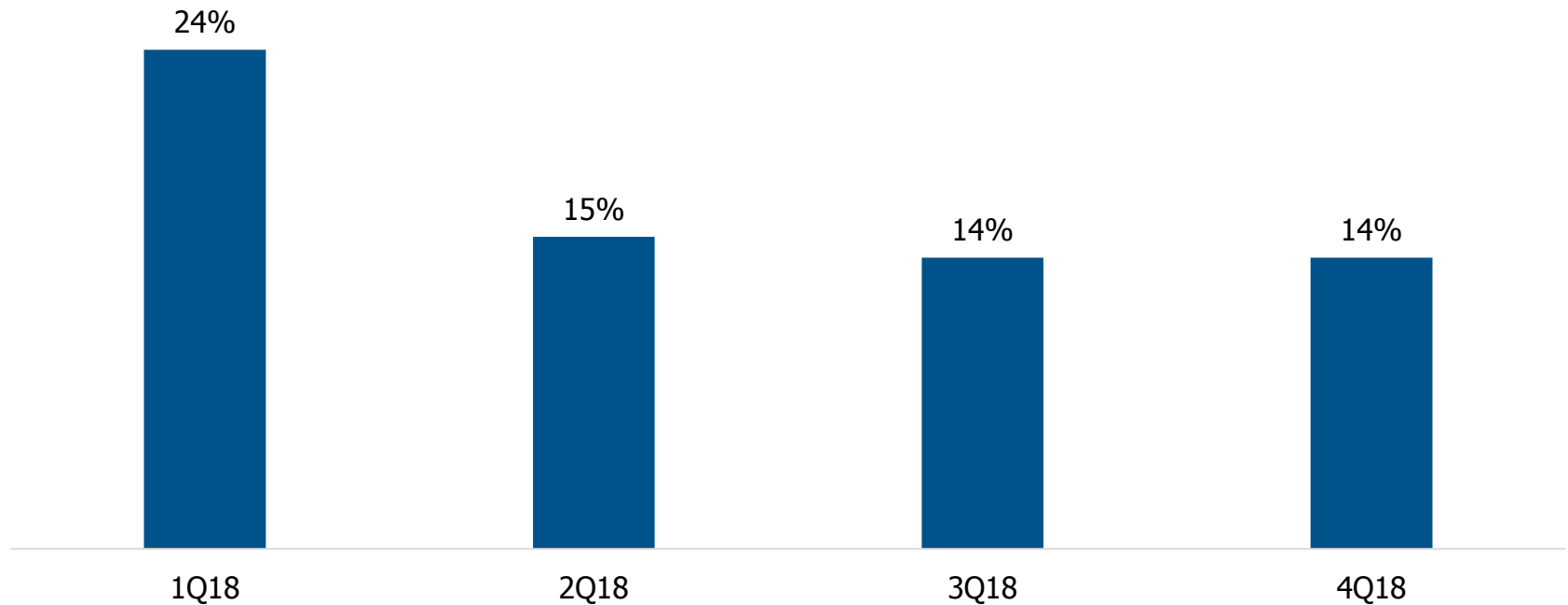


Hiring Plans Next 6 Months

Owners planning to hire more despite labor issues

In the next six months, do you expect the total number of employees in your operation to be higher, lower, or about the same?

Net= % expecting to hire more employees minus % expecting to reduce headcount

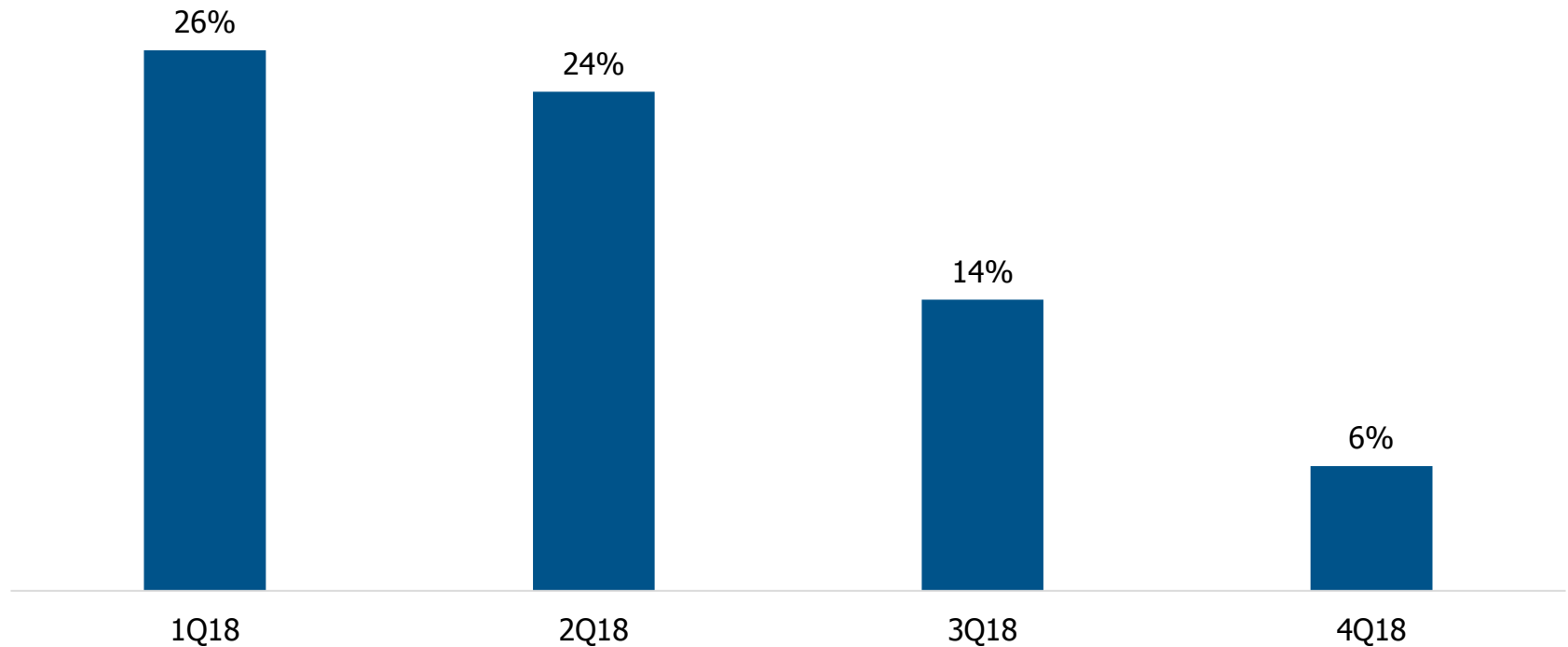


General Business Conditions

More operators expecting similar environment

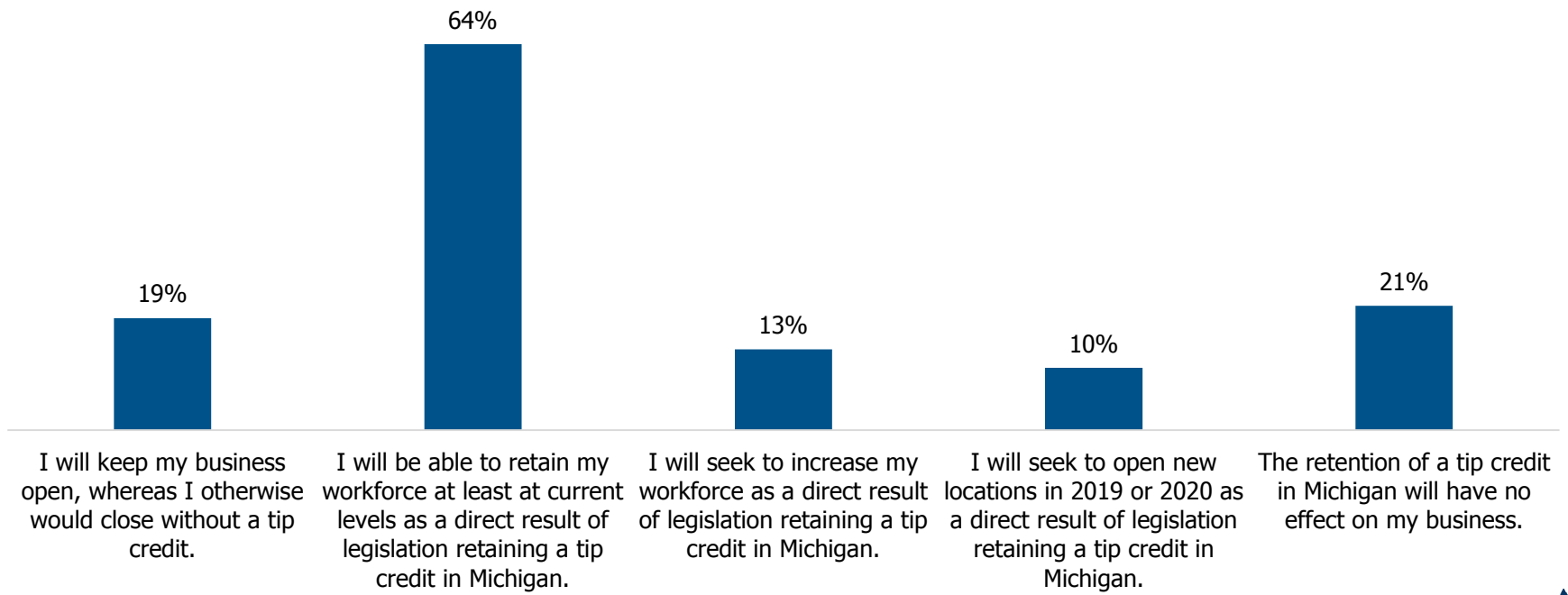
Do you think general business conditions six months from now will be better, about the same, or worse?

Net= % expecting better conditions minus % expecting worse conditions



Michigan Legislation

In December, the governor signed legislation to amend Michigan's minimum wage law to keep a separate, lower wage for tipped employees, commonly known as the "tip credit". The wage for tipped employees will remain at 38% of the full minimum wage due to the law change, whereas it was scheduled to be eliminated (meaning tipped employees would be required to be paid the full minimum wage, currently \$9.25 per hour) had no action been taken. What effect will the recent legislation to retain the tip credit have on your business?



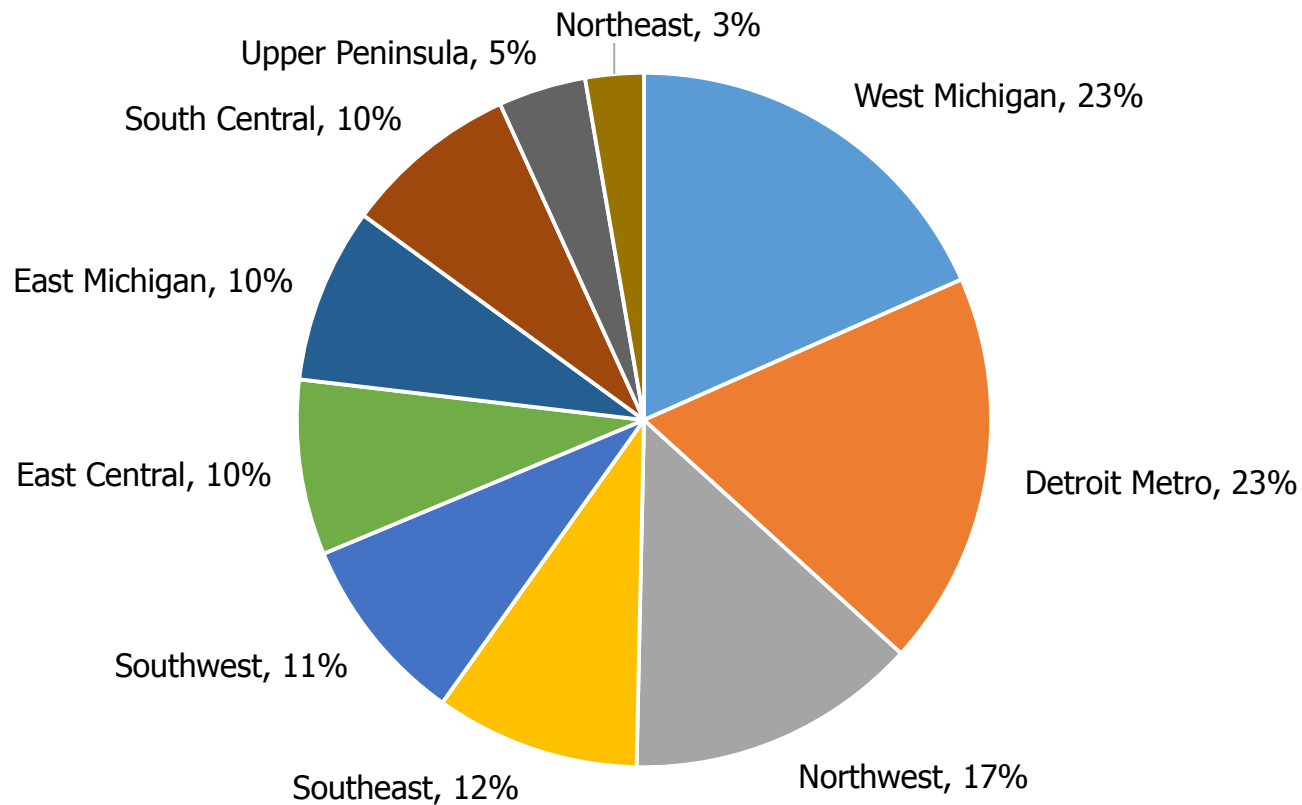
APPENDIX

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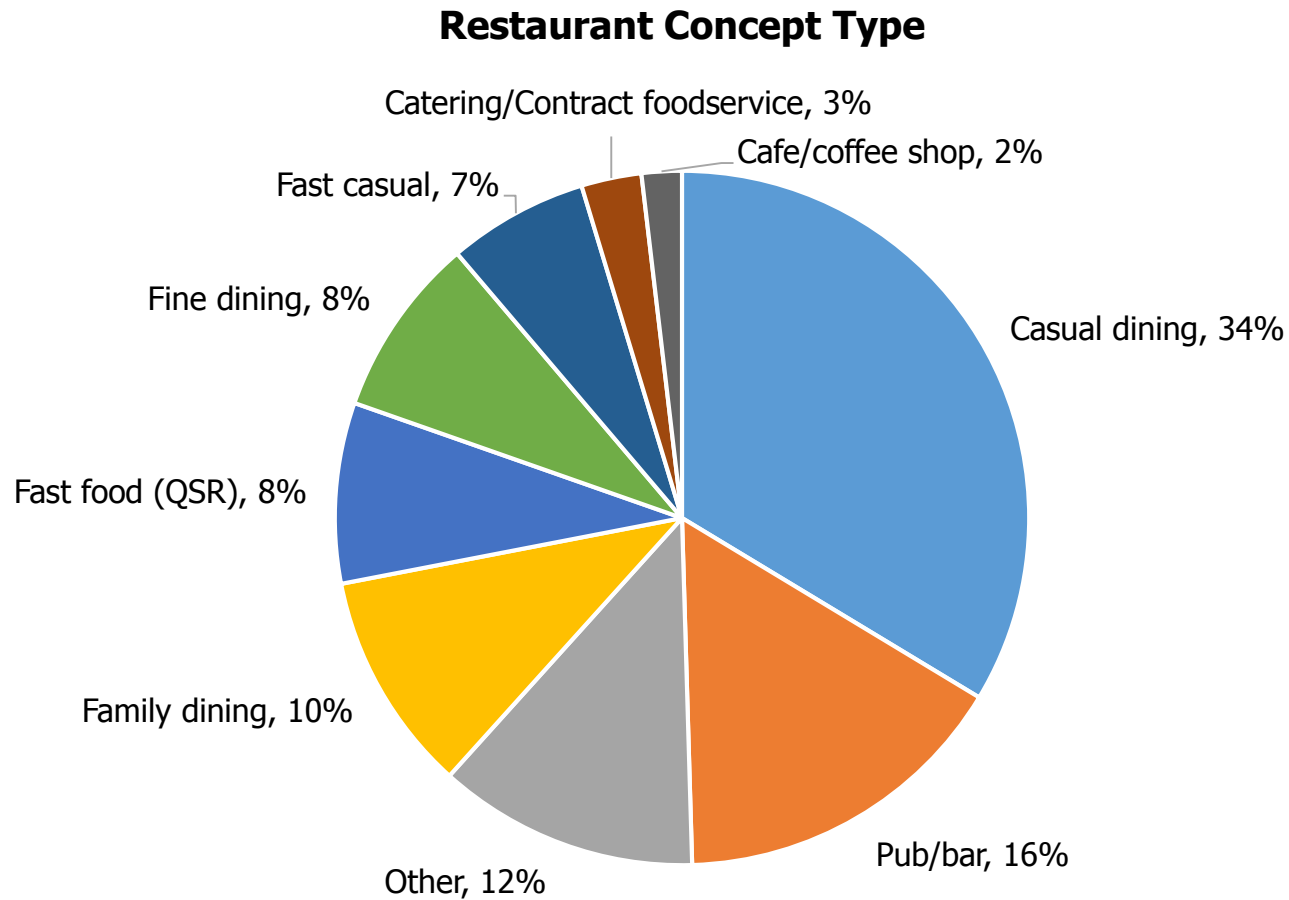


Location Breakdown

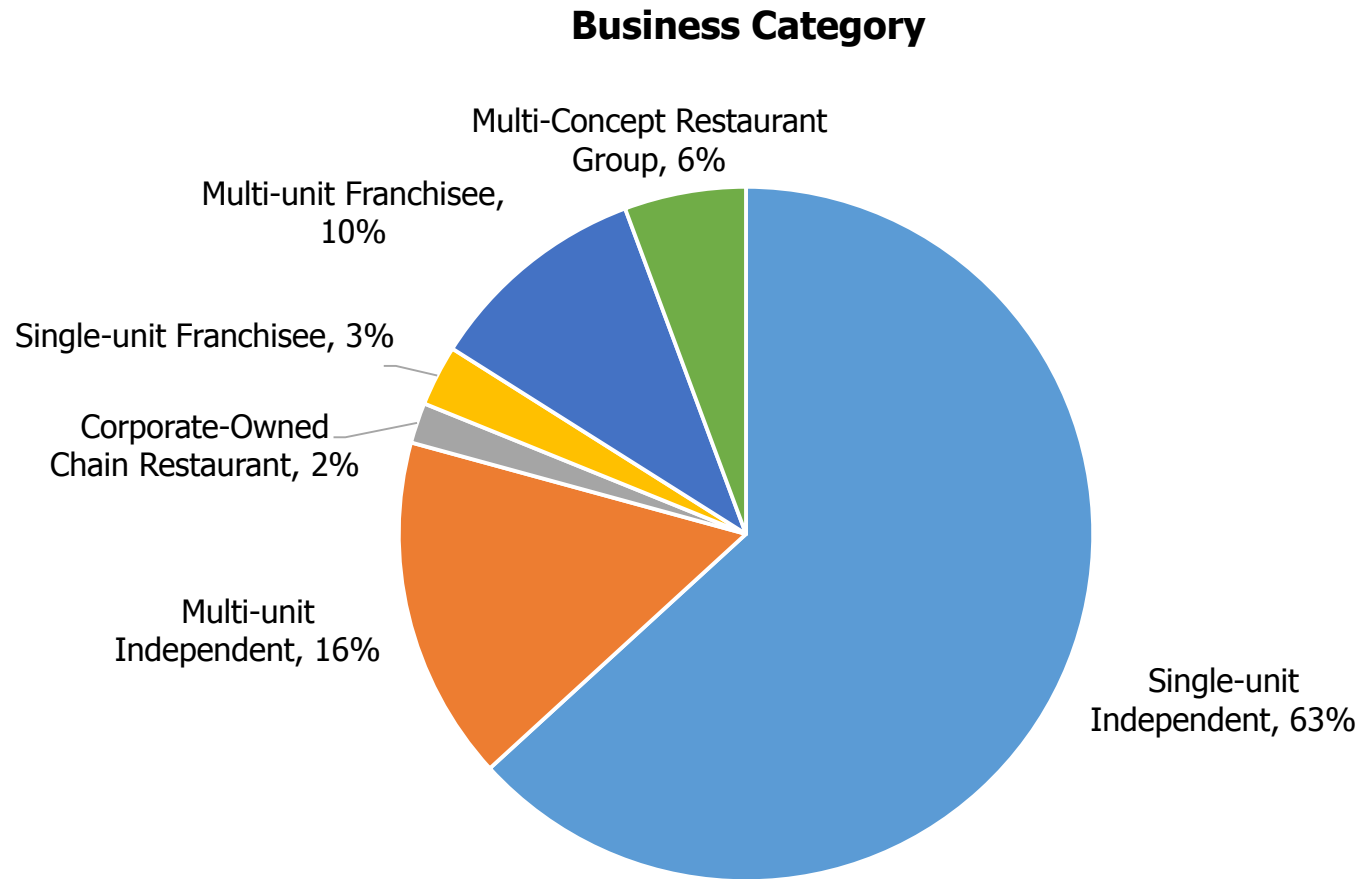
Location of Units in the State of Michigan



Segment Breakdown

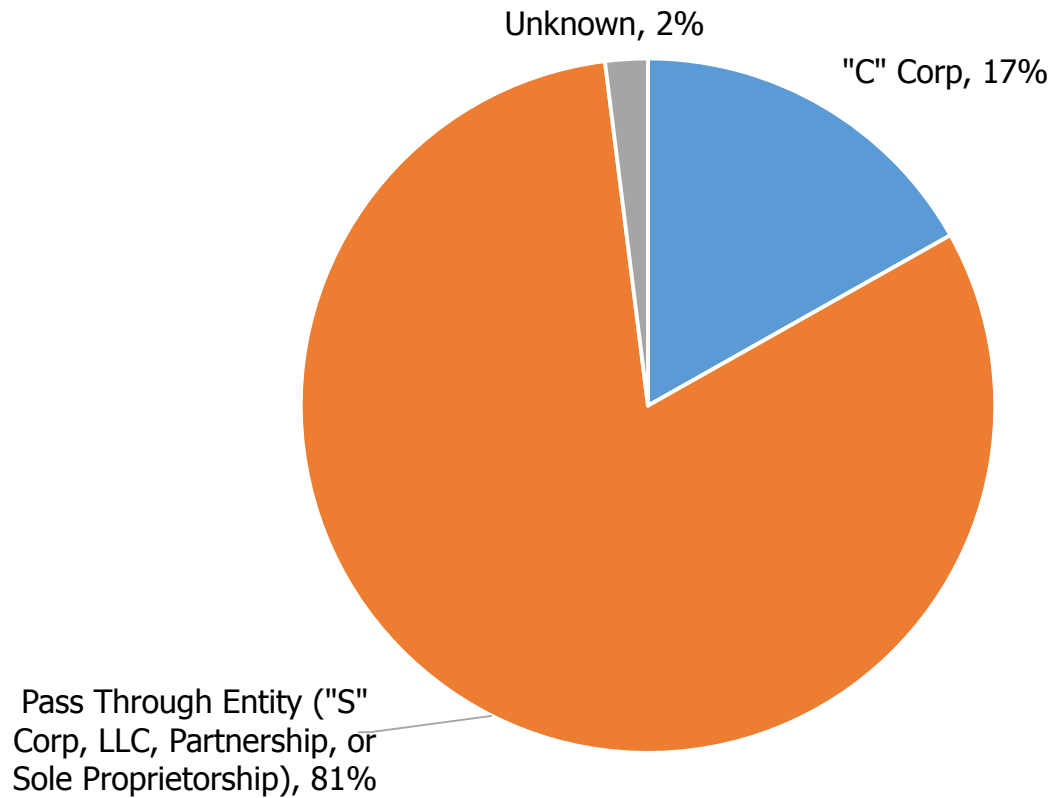


Company Type Breakdown



Ownership Type Breakdown

Ownership Structure



Headcount Breakdown

