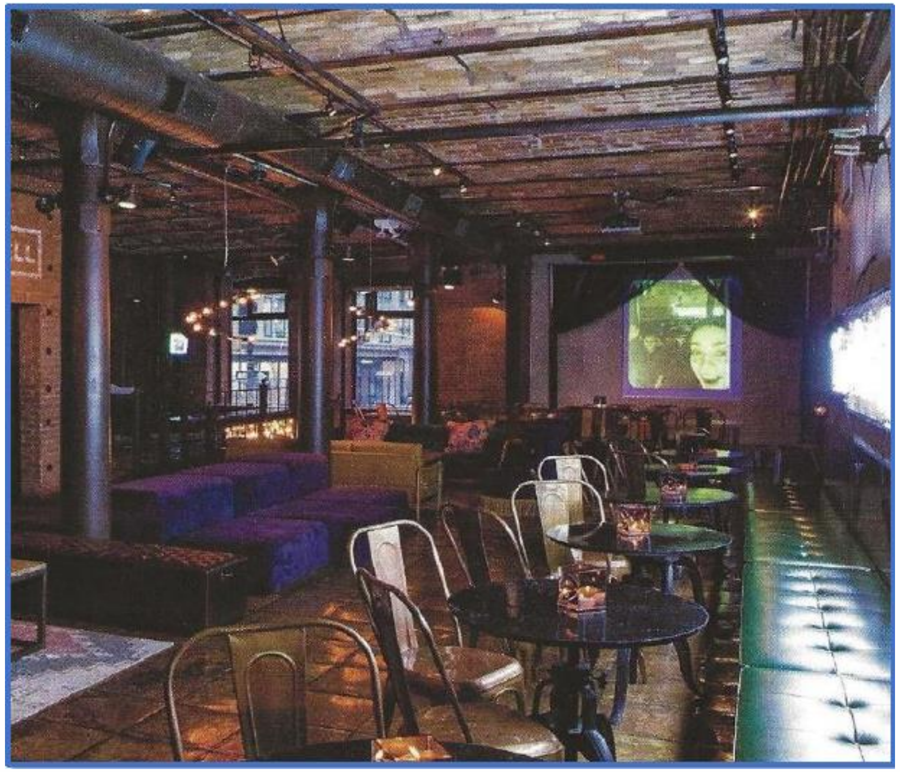
IFMA Updated Foodservice Growth Projections

February 25, 2021

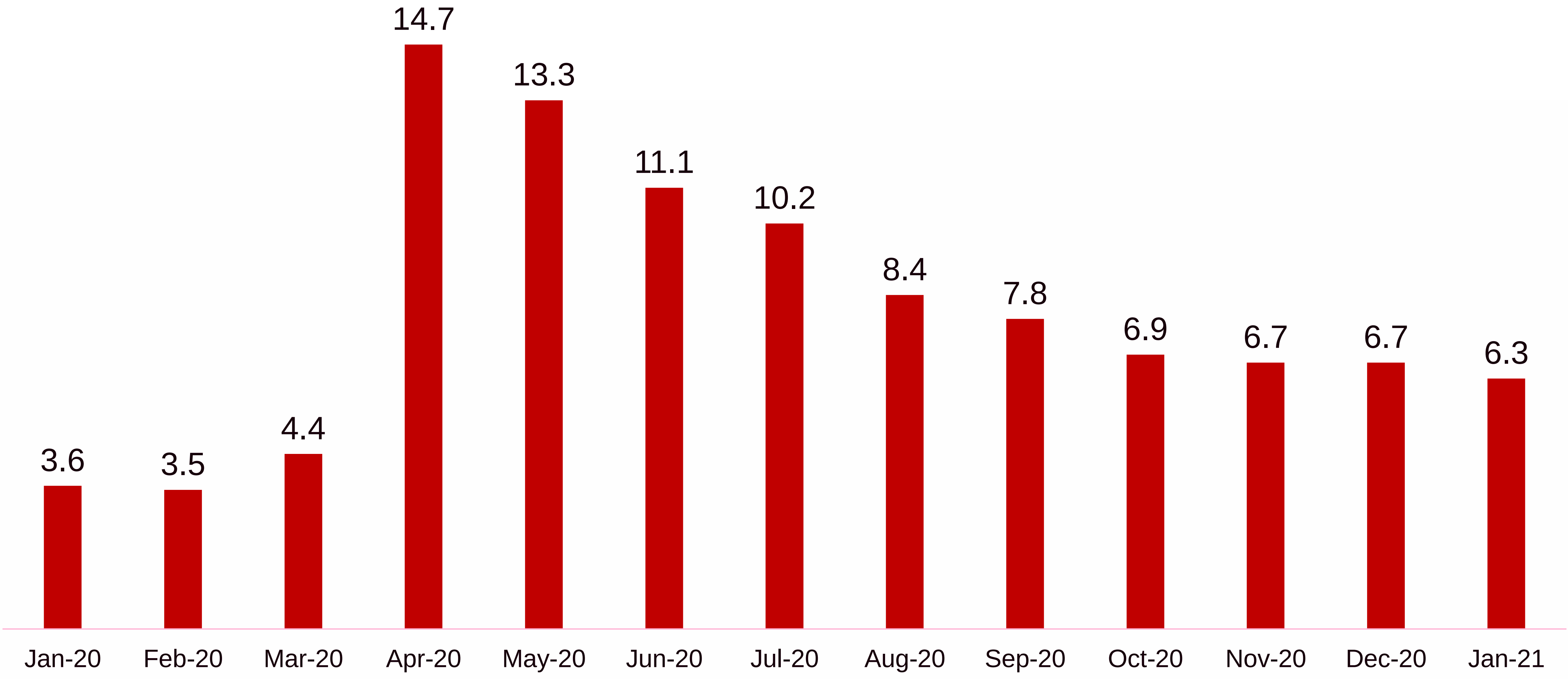
Agenda

- COVID-19 Impact on Economy and Foodservice
- Methodology sources
- 2021 Projections
  - Restaurant Segments
  - On-Site Segments
  - Retail Foodservice Segments
- Recovery Timelines
- Key Takeaways



Civilian Unemployment Rate (%)

Source: Bureau of Labor Statistics



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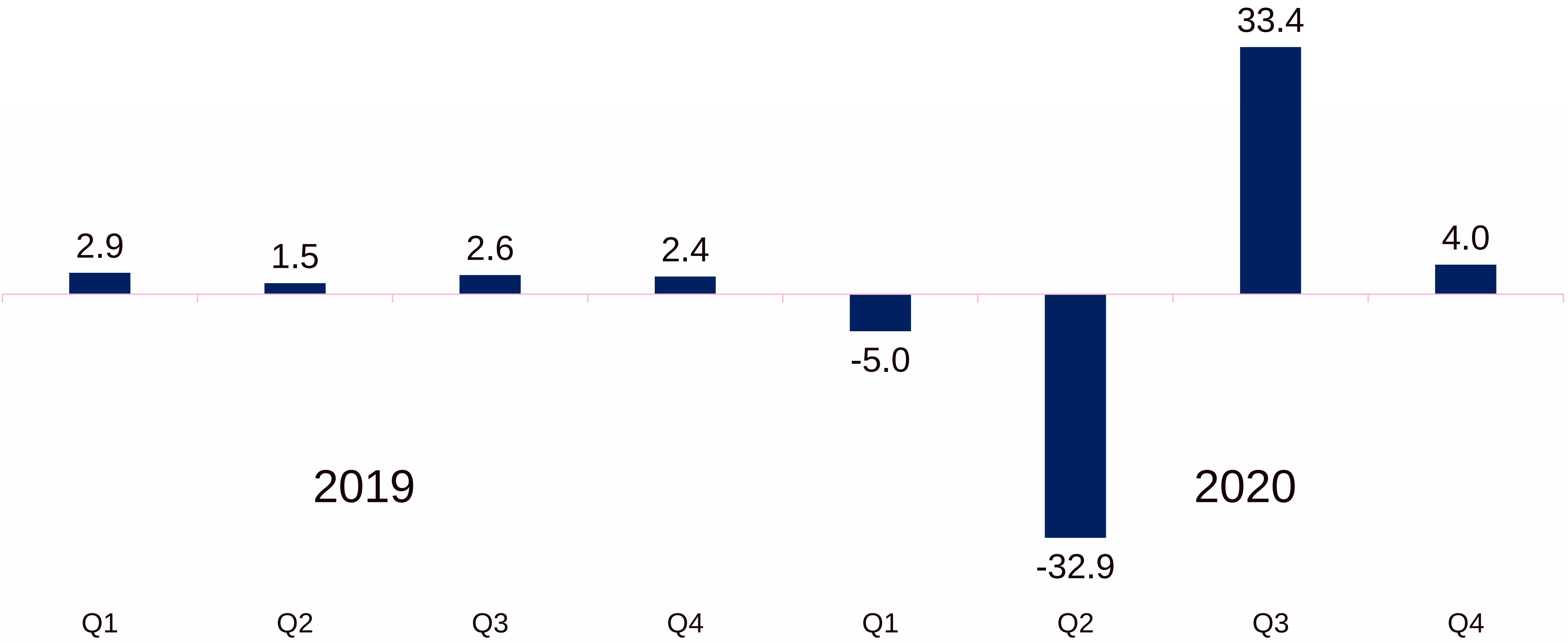
Gross Domestic Product Change (%)

Source: Bureau of Economic Analysis



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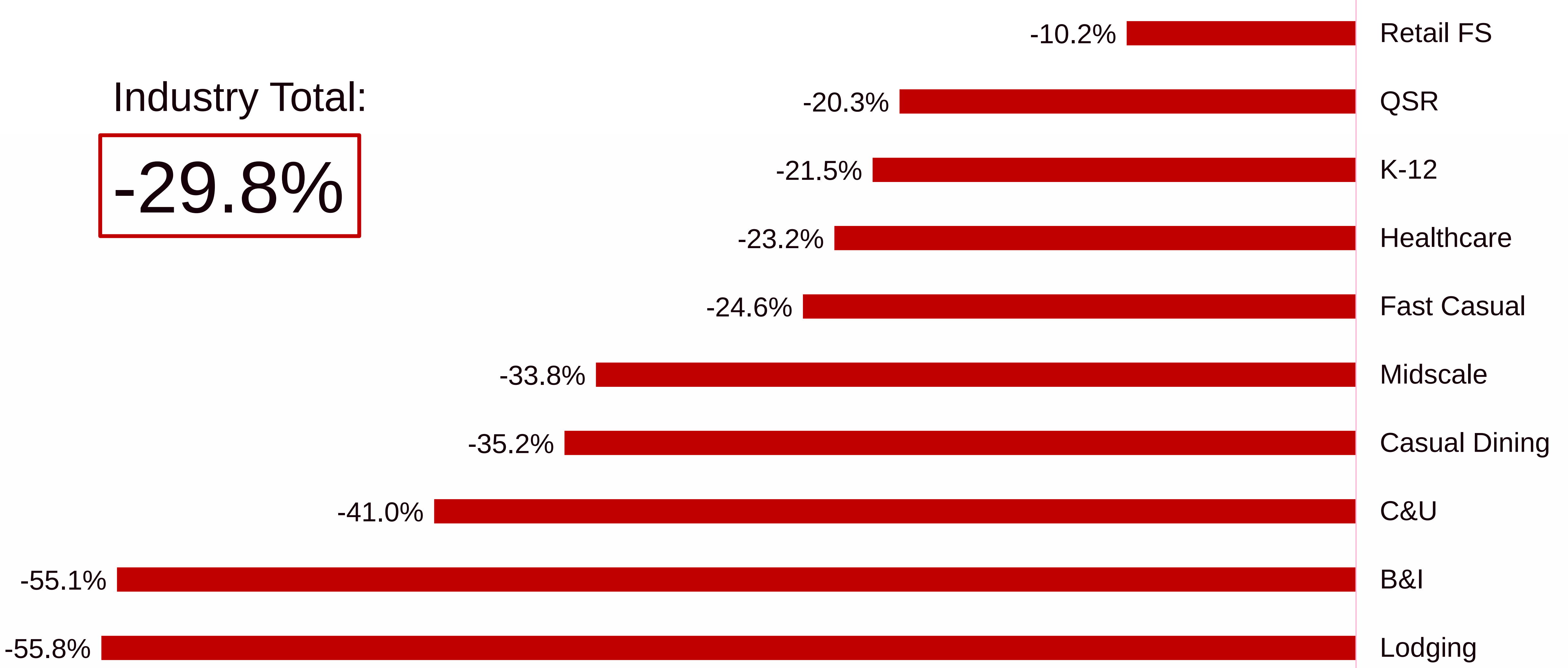
Covid-19 Impact On Operator Spend 2020

Industry Total:

-29.8%



Source: IFMA SCOPE 2021

2021 Foodservice Projections

Information Sources

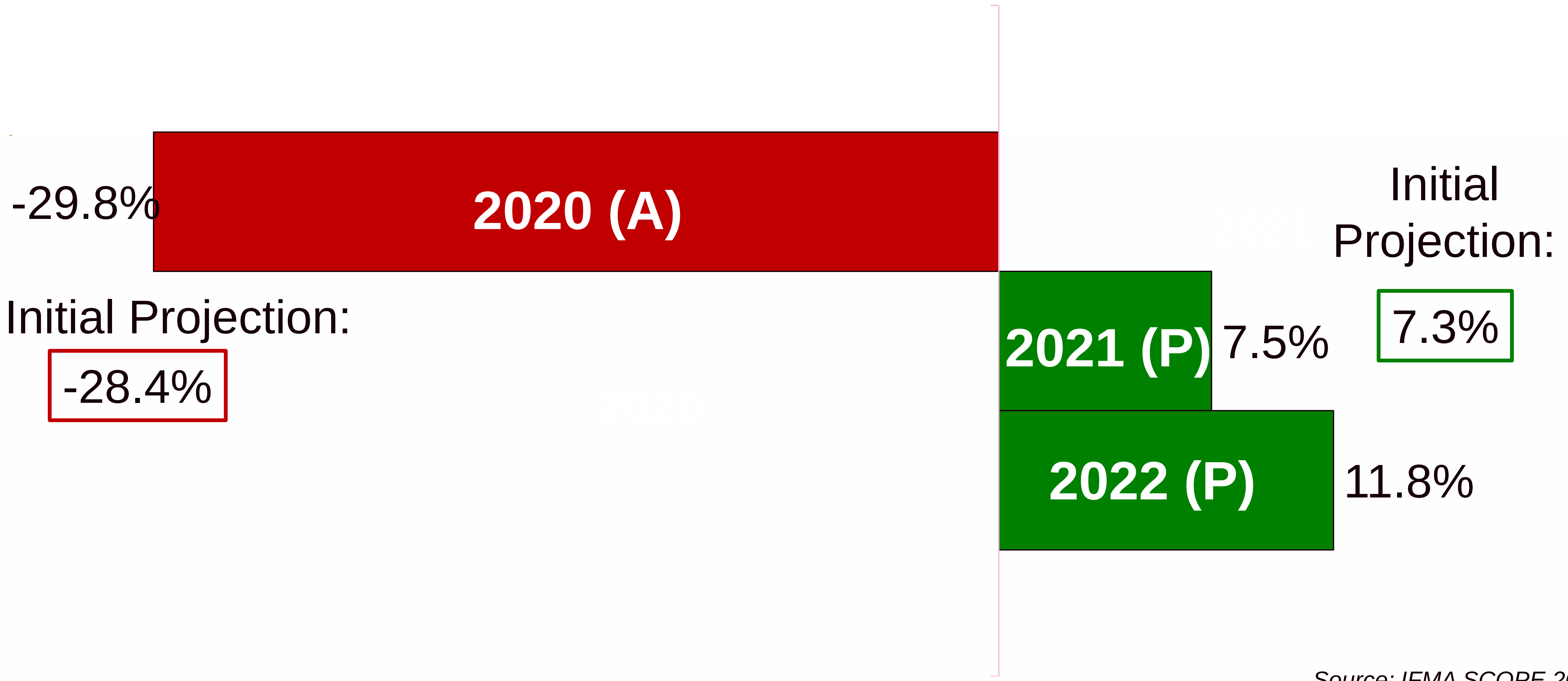
- Government economic data
- Ongoing operator surveys across multiple segments
- Datassential Firefly location counts
- Same-store sales information
- SEC filings from publicly traded companies in foodservice
- Vaccine distribution and COVID cases data
- Pressure tested with IFMA Operator Councils

DATASSENTIAL

2021 Projection Assumptions

- Vaccine available to U.S population
- No new government mandated lockdowns/stay-at-home orders
- Business centers do not return to pre-COVID daytime populations
- Domestic and international tourism is widely constrained
- Unemployment is significantly higher than pre-COVID levels
- <u>NOTE</u>: all spend changes are in real terms, excluding inflation

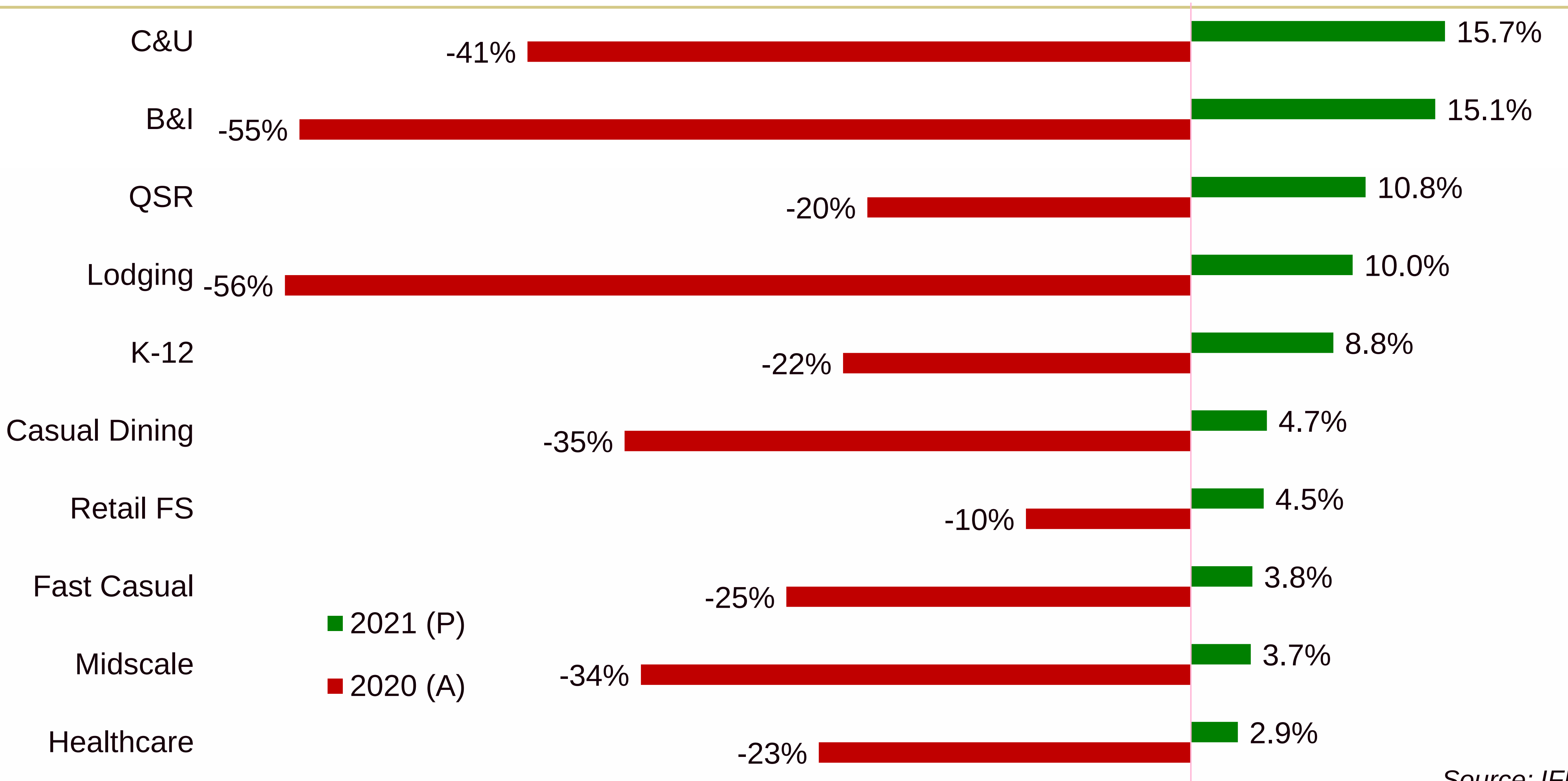
Total Foodservice Operator Spend Projections



Source: IFMA SCOPE 2021

All growth numbers are real, not nominal

Operator Spend Projections



Source: IFMA SCOPE 2021

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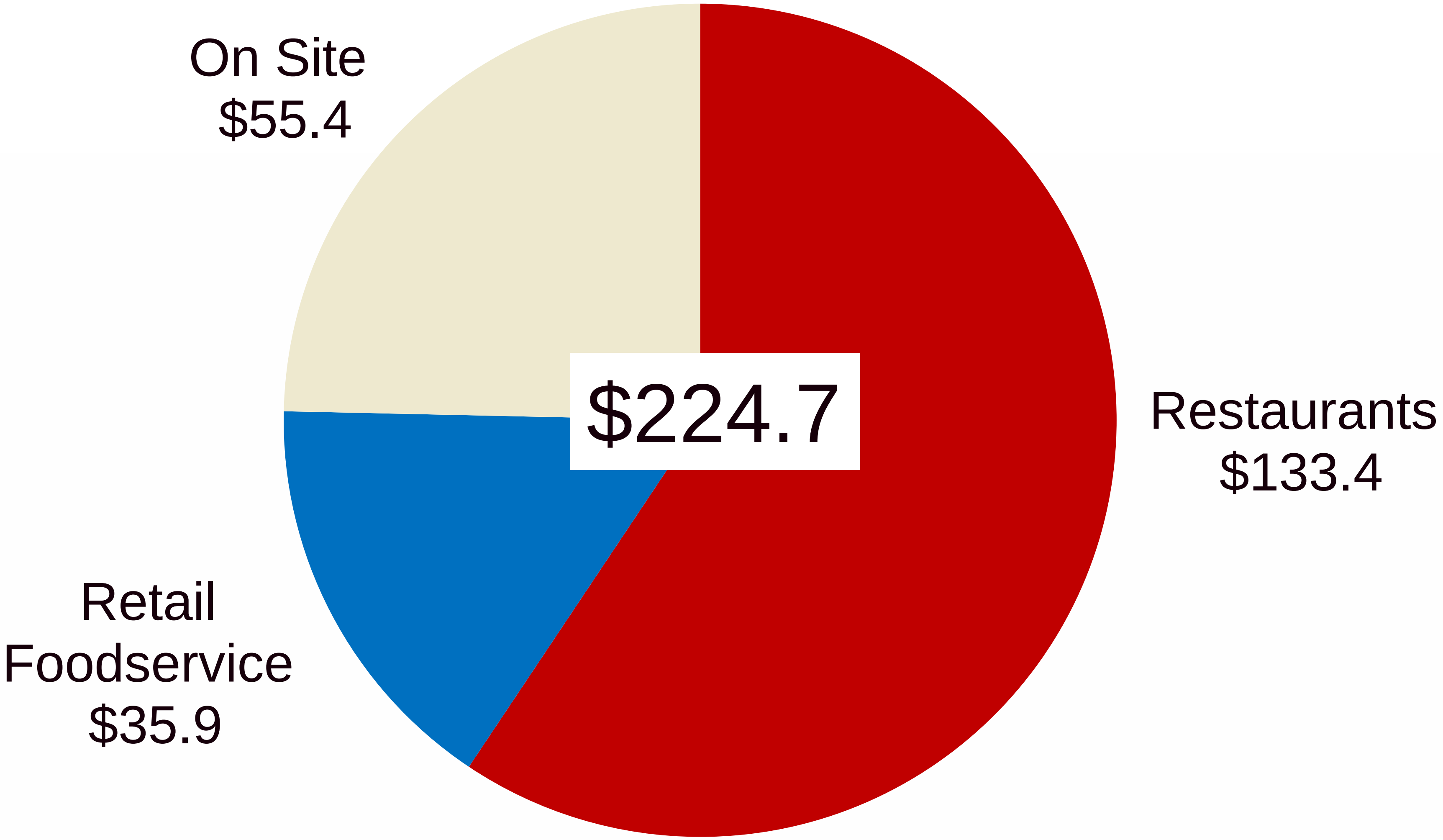
All growth numbers are real, not nominal

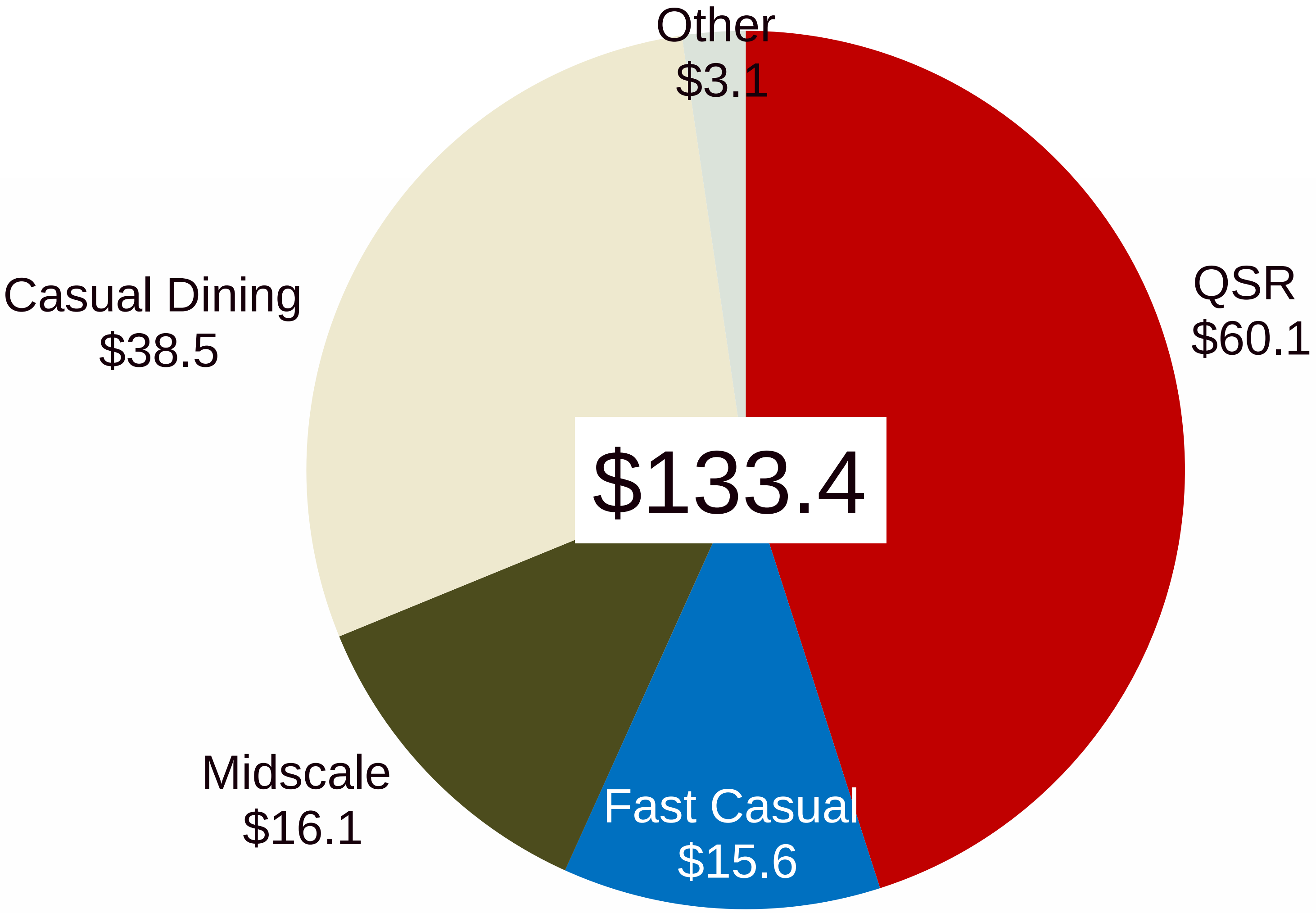
2021 Projected Operator Spend (B)



Source: IFMA SCOPE 2021

Restaurant Segments

2021 Restaurant Operator Spend (B)



2021 Forecast:

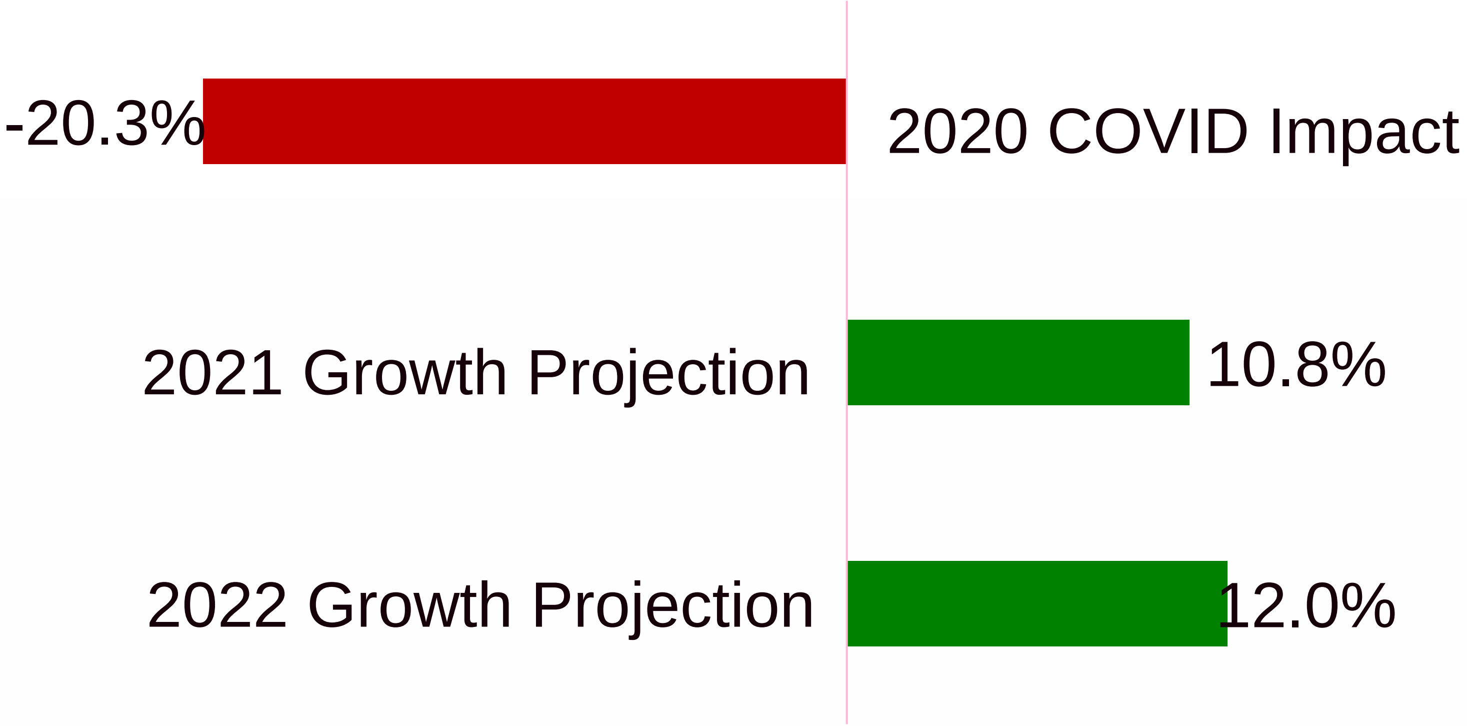
7.4%

Source: IFMA SCOPE 2021

Quick Service Segment

2021 Operator Spend ($B)

$60.1



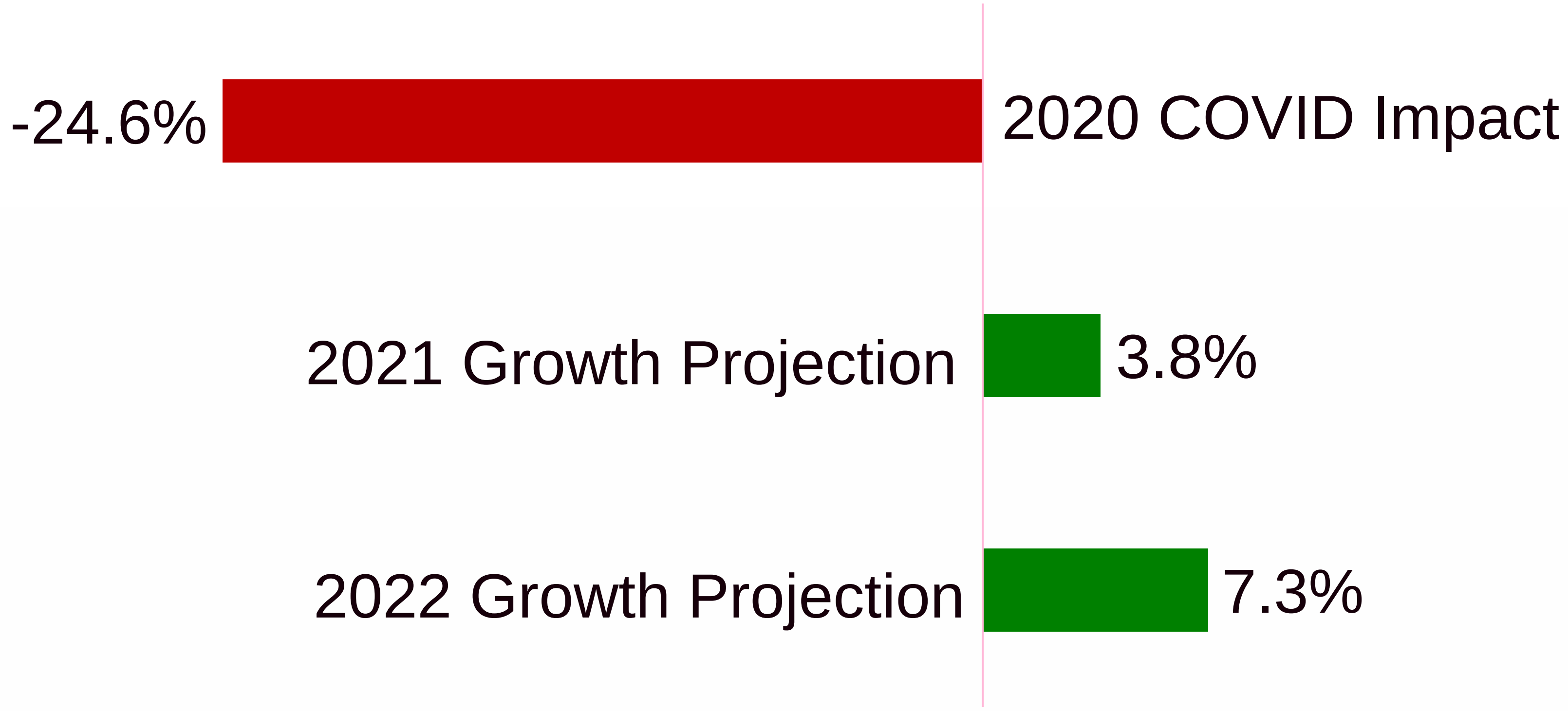
Tailwinds	Headwinds
• LTOs and value meals • Existing drive-thrus • Heavy chain penetration	• Declining breakfast occasions • Shift to remote working • Past reliance on self-serve areas

Source: IFMA SCOPE 2021

Fast Casual Segment

2021 Operator Spend ($B)

$15.6



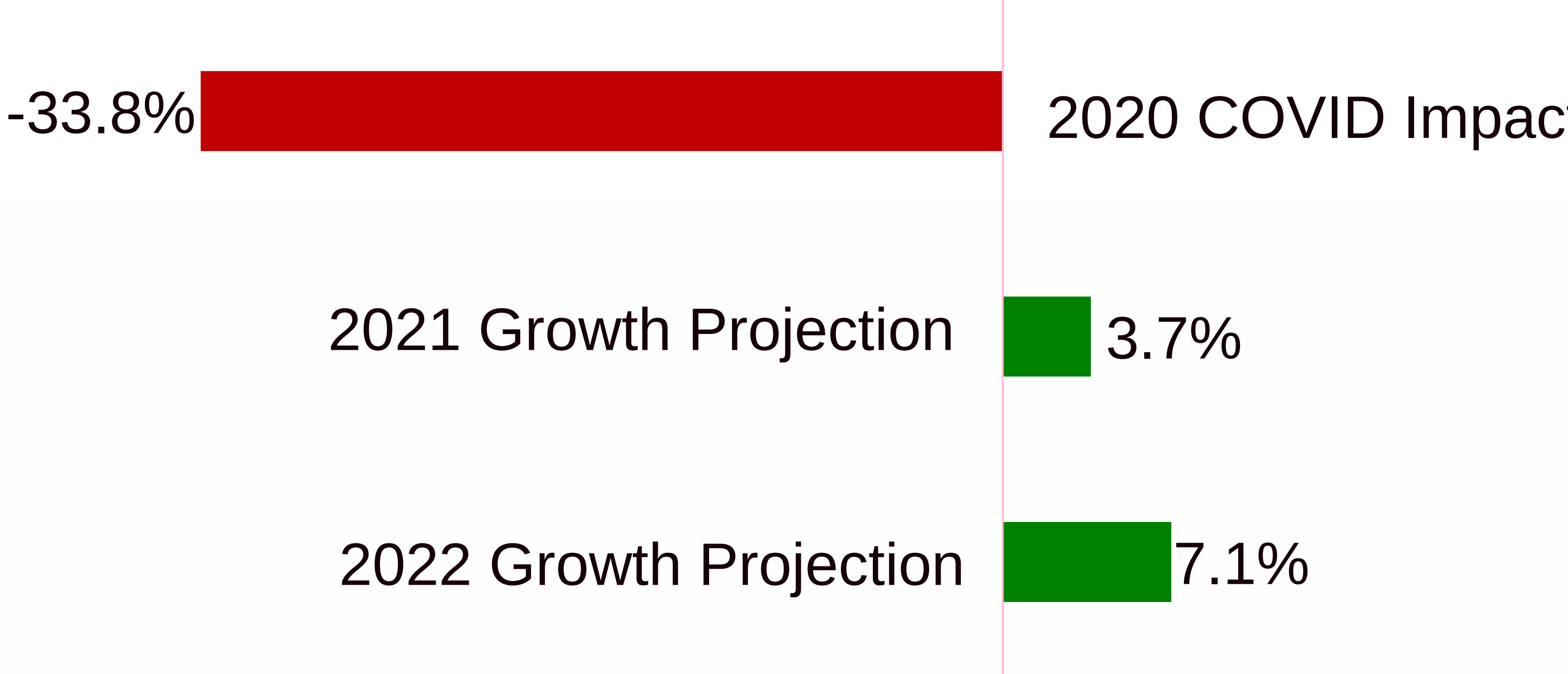
Tailwinds	Headwinds
• Mobile payment methods • Consumer desire for novelty • Innovation and quality	• Previous reliance on customization • Few locations with drive-thrus • Reliance on less trafficked locations

Source: IFMA SCOPE 2021

Midscale Segment

2021 Operator Spend ($B)

$16.1



Tailwinds	Headwinds
• Off-premise family meals • Brand spin-offs and revamps • Increasing desire for comfort foods	• Reliance on on-premise dining • Declining breakfast occasions • More independents than chains

Source: IFMA SCOPE 2021

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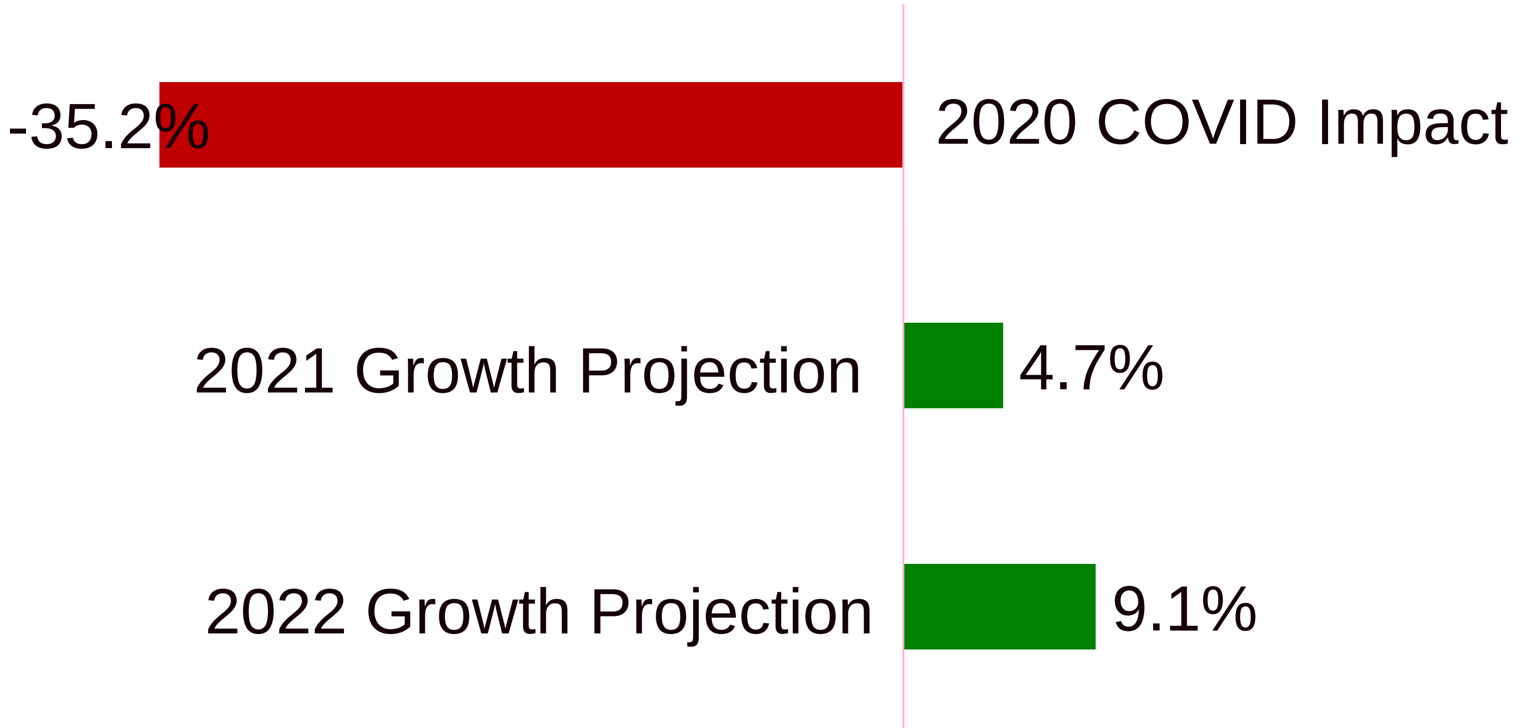
Source: IFMA SCOPE 2020
All growth numbers are real, not nominal

Casual Dining Segment

2021 Operator Spend ($B)

$38.5

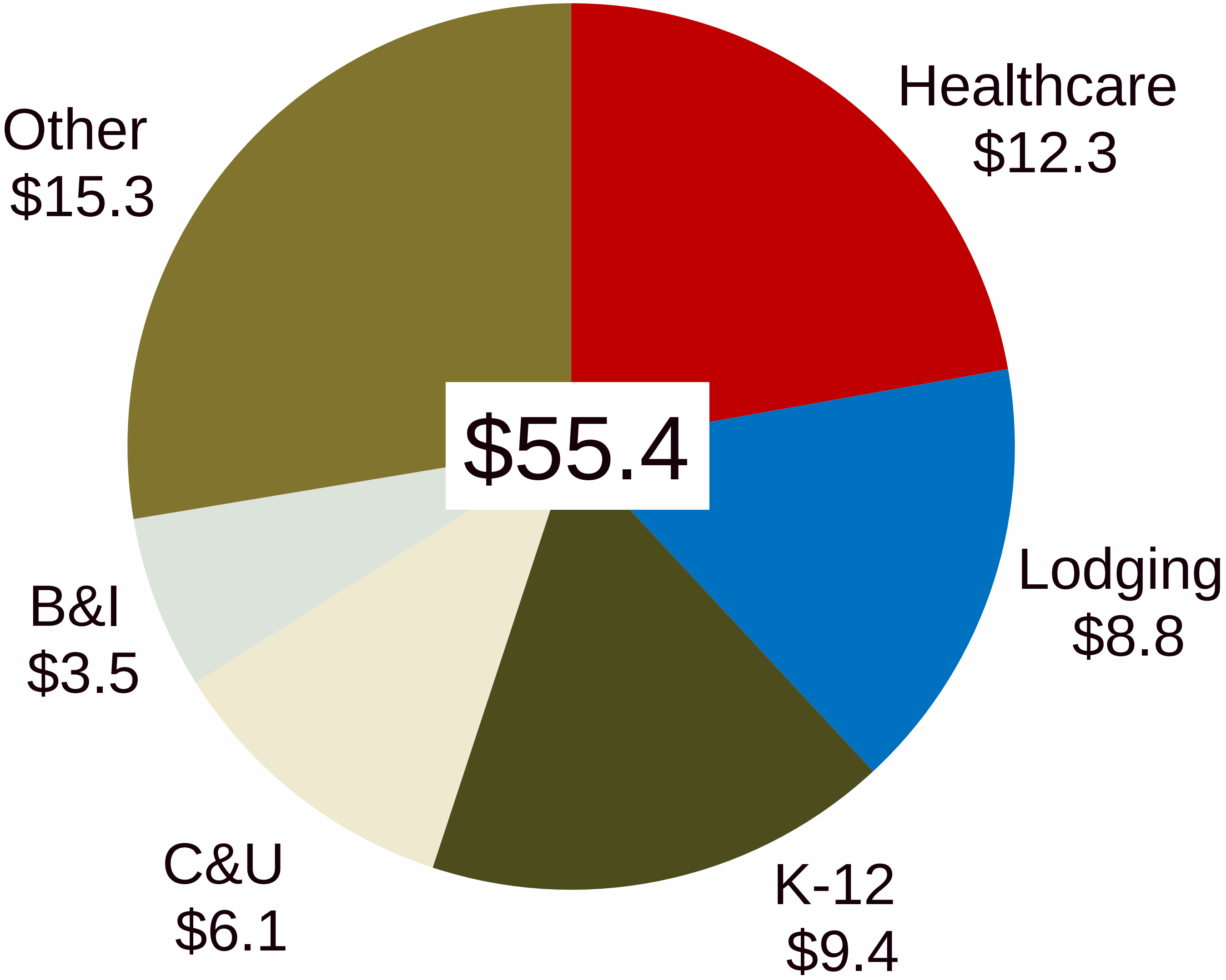


Tailwinds	Headwinds
• Brand spin-offs and revamps • Increase in curbside pick-up and delivery • Dedicated core patron with pent up demand	• Subject to local dining regulations • Limited pre-COVID curb-side and delivery • Staff fluctuations & safety training

Source: IFMA SCOPE 2021

On Site Segments

2021 On-Site Operator Spend (B)



2021 Forecast:

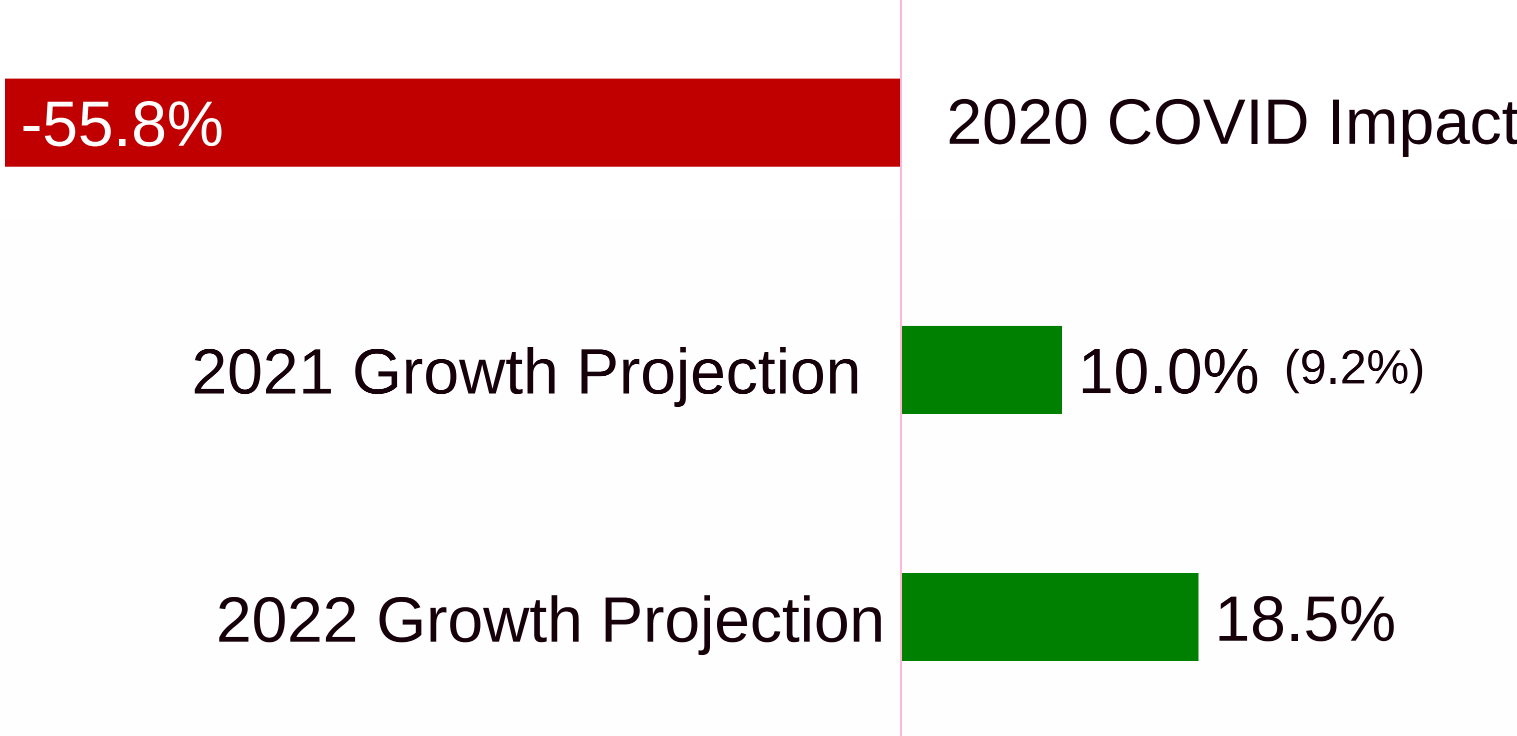
10.0%

Source: IFMA SCOPE 2021

Lodging Segment

2021 Operator Spend ($B)

$8.8



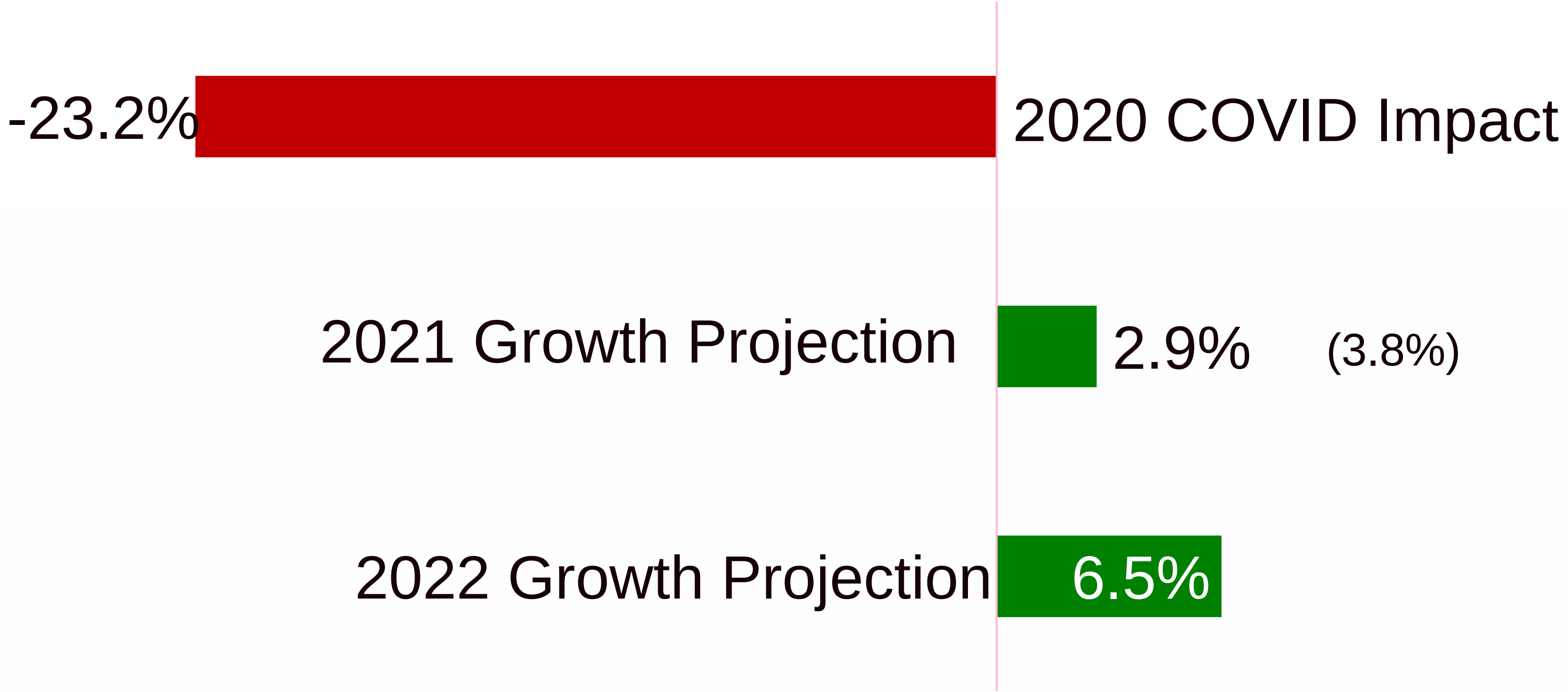
Tailwinds	Headwinds
• Micro markets and smart vending • Wide range of dining formats • Pent-up demand	• Telecommuting and electronic conferencing • Large events discouraged • Decrease in business travel

Source: IFMA SCOPE 2021

Healthcare Segment

2021 Operator Spend ($B)

$12.3

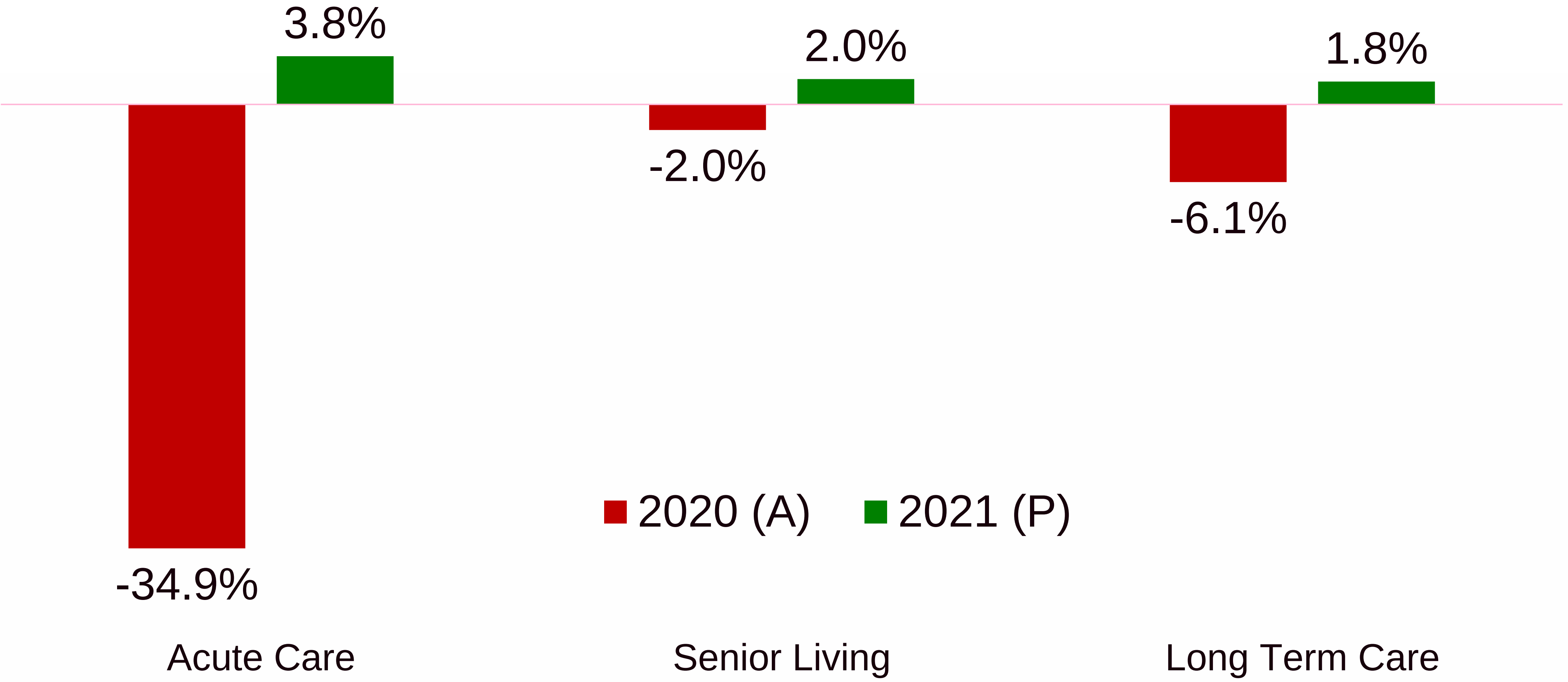


Tailwinds	Headwinds
• Full staff & similar purchasing • Patient-focused evaluation system • At-risk populations & disaster familiarity	• Visitor restrictions • Admin staff now working from home • Decrease in elective procedures

Source: IFMA SCOPE 2021

Healthcare Segments

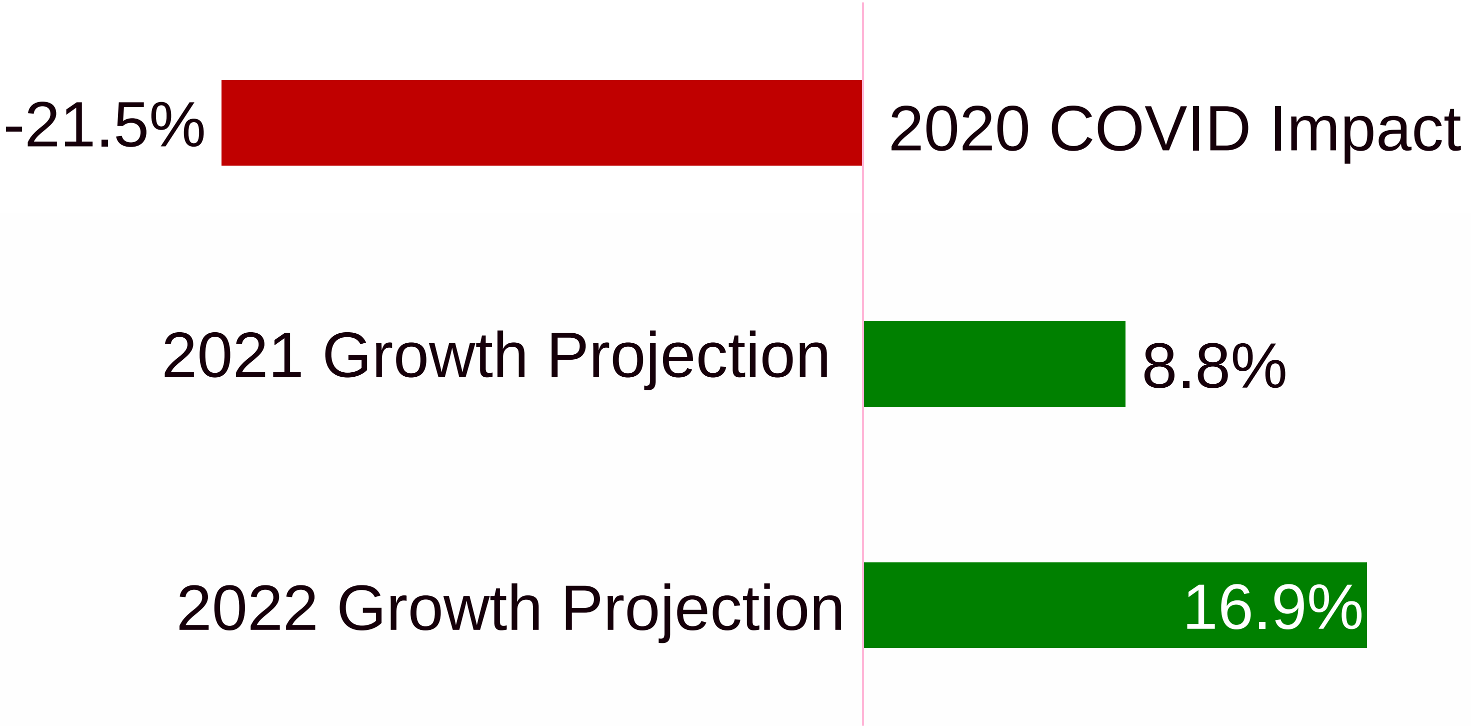
Source: IFMA SCOPE 2021



K - 12 Segment

2021 Operator Spend ($B)

$9.4



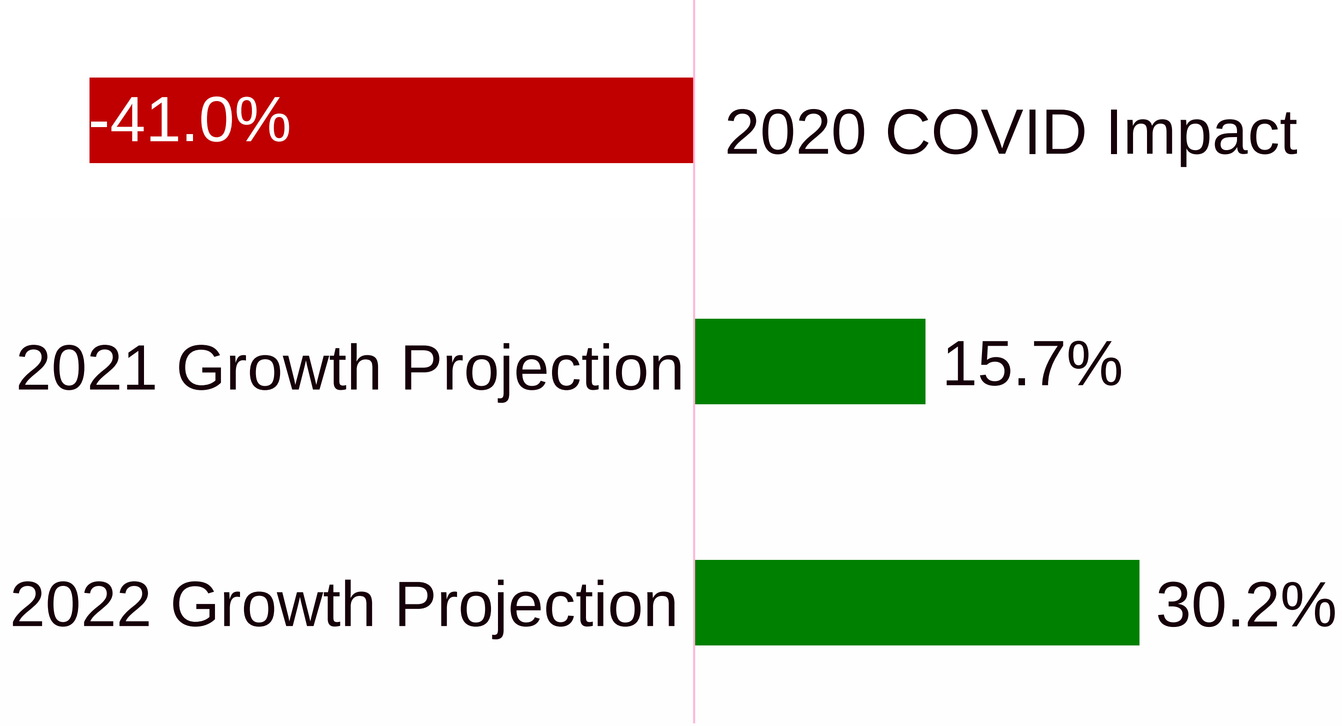
Tailwinds	Headwinds
• Continued need for student feeding • Reimbursement restrictions lifted • COVID-19 Child Nutrition Response Act	• Budgets slashed • Logistics of serving students off-premise • A switch to online education

Source: IFMA SCOPE 2021

College & University Segment

2021 Operator Spend ($B)

$\boxed{\$6.1}$



Tailwinds	Headwinds
• Foodservice as an attractive amenity • Retail grab-and-go options • Students return from gap years	• A switch to online education • Decreased usage of meal plans • Loss of catering events

Source: IFMA SCOPE 2021

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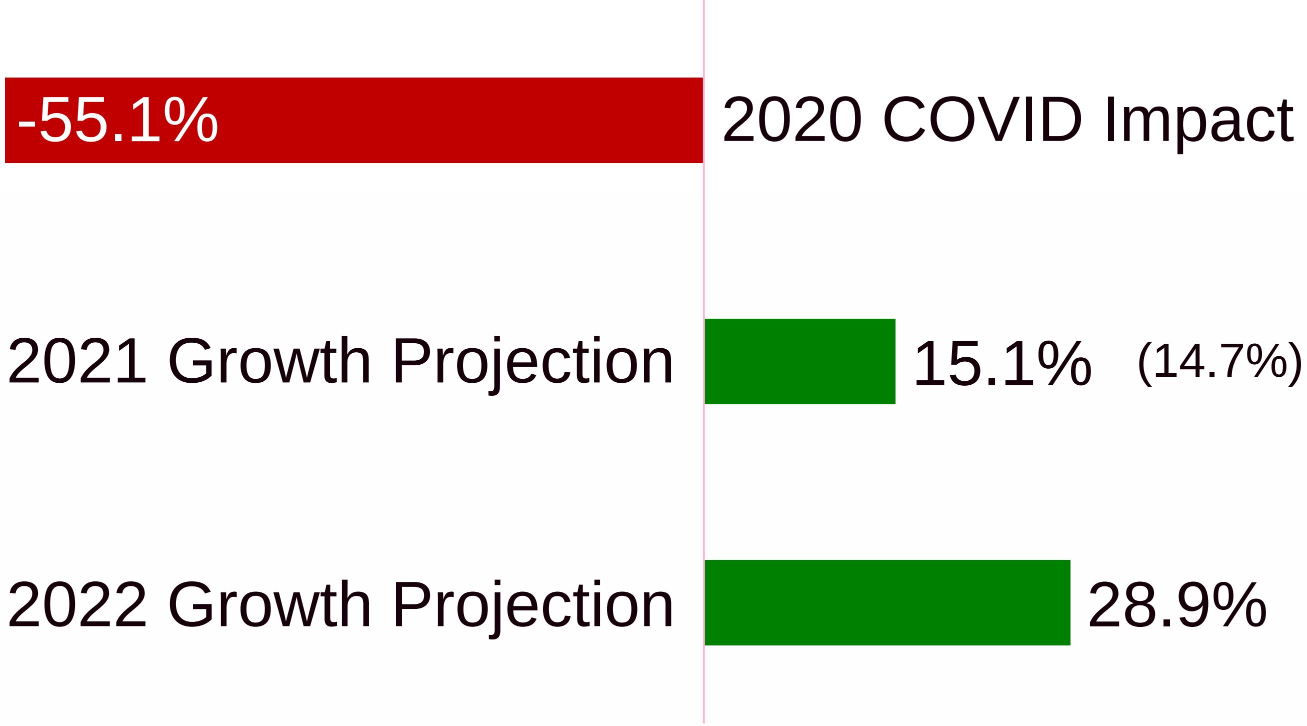
Source: IFMA SCOPE 2020
All growth numbers are real, not nominal

Business And Industry Segment

2021 Operator Spend ($B)

$3.5



Tailwinds	Headwinds
• Food used as an amenity to attract talent	• More remote workers
• Manufacturing plants deemed essential	• Higher unemployment
• Increase use of commissary and off-site prep	• Overall economic downturn

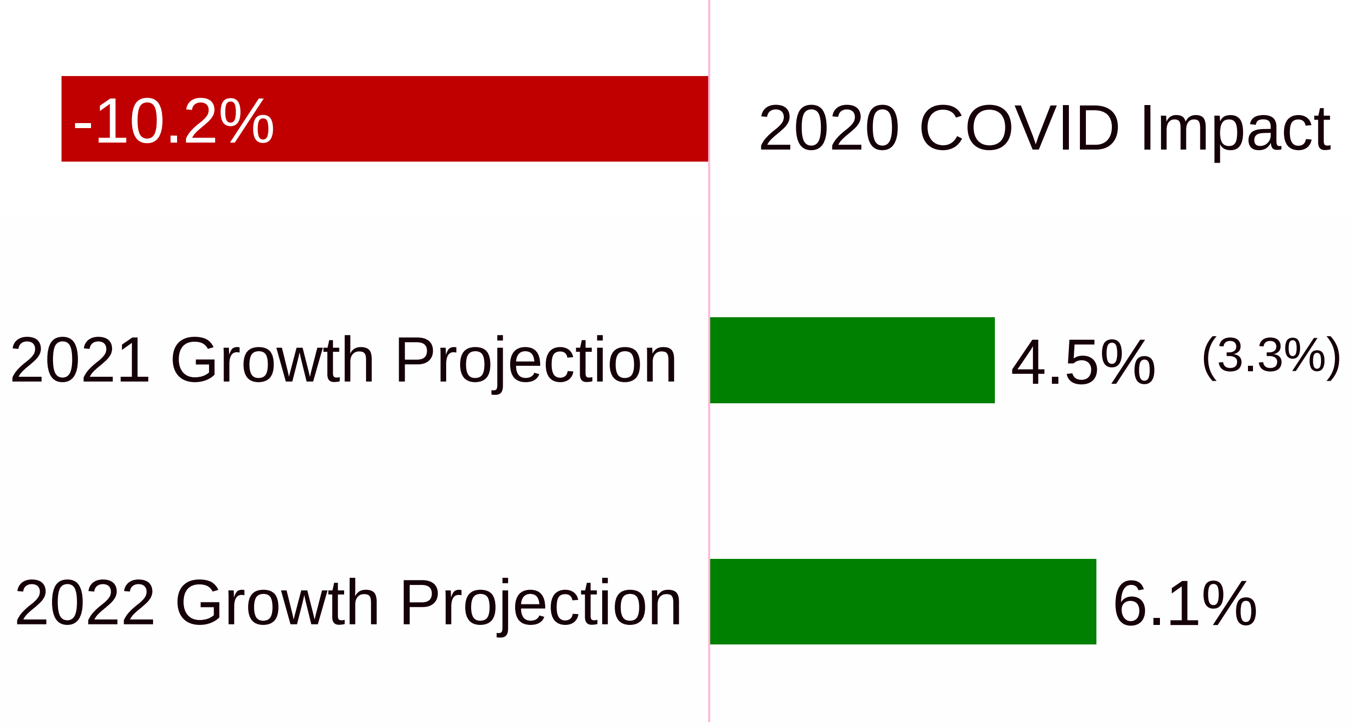
Source: IFMA SCOPE 202

Retail Foodservice

Retail Foodservice

2021 Operator Spend ($B)

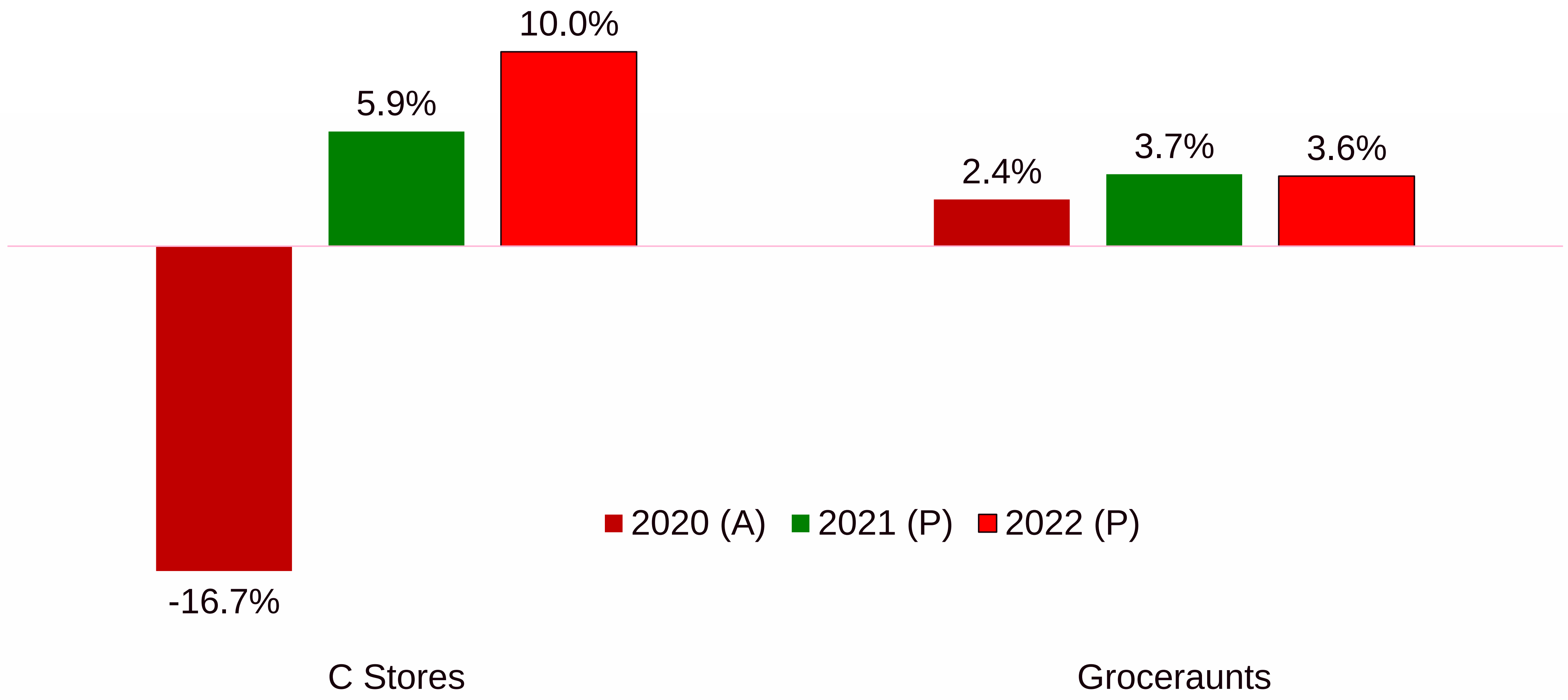
$35.9



Tailwinds	Headwinds
• Heavy off-premise consumption • Increased foodservice options • Loyalty programs and mobile apps	• Fewer commuters • Declining breakfast occasions • Negative perceptions of foodservice items

Source: IFMA SCOPE 2021

Retail Foodservice Segments



Source: IFMA SCOPE 2021

Long Term Segment Outlook

Near Term Recovery	Mid Term Recovery	Long Term Recovery
• Healthcare • K-12 • College & University • QSR • Retail Foodservice	• Fast Casual • Casual Dining	• Midscale • B&I (White collar) • Recreation • Lodging

OPERATOR LANDSCAPE

it counts are powered dynamically by **Datassential Firefly** and change continuously throughout the year as each segment evolves

Key model assumptions can be found **here**

OVERVIEW

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SEGMENT	UNITS	TOTAL 2020 IMPACT	2020 OPERATOR SPEND ($B)	2020 VS. 2021	2021 OPERATOR SPEND ($B)	OPERATOR SHARE OF SPEND
TOTAL	**1,407,158**	**-28.4%**	**$204.1**	**7.3%**	**$227.4**	**100%**
Restaurants	**717,522**	**-27.9%**	**$119.7**	**7.4%**	**$133.4**	**59%**
QSR	313,505	-20.3	52.3	10.8	60.1	26
Fast Casual	80,902	-24.6	14.5	3.8	15.6	7
Midscale	117,848	-33.8	14.9	3.7	16.1	7
Casual Dining	186,404	-35.2	35.4	4.7	38.5	17
Fine Dining	7,870	-39.5	2.0	4.6	2.2	1
Food Truck	10,593	-41.0	0.4	15.7	0.5	<1
Ghost/Virtual Restaurants	400	+16.9	0.2	***	0.4	<1
Retail Foodservice	**281,730**	**-8.7%**	**$32.3**	**3.3%**	**$34.7**	**15%**
Supermarkets/Grocerants	102,432	+2.4	19.4	2.7	20.7	9
Convenience Stores	166,809	-21.7	12.2	4.4	13.2	6
Club Stores	1,793	+3.4	0.5	1.2	0.5	<1
Other Retailers	10,696	-43.4	0.2	5.2	0.3	<1
Education	**130,149**	**-26.4%**	**$14.2**	**11.3%**	**$16.4**	**7%**
K-12	125,804	-14.5	9.1	8.8	10.3	5
College & University	4,345	-41.0	5.1	15.7	6.1	3
Business and Industry	**14,660**	**-48.2%**	**$3.4**	**14.7%**	**$4.1**	**2%**
Office/ White Collar	6,927	-59.1	0.8	7.1	0.9	<1
Manufacturing/Warehouse	7,733	-43.4	2.6	17.1	3.2	1
Travel & Leisure	**153,406**	**-56.7%**	**$12.3**	**10.3%**	**$14.0**	**6%**

Key Takeaways

1. Expect some growth in 2021; full recovery will take time
2. Menus are shrinking, focused on core items
3. Operators highly focused on labor reduction innovation
4. Shifting consumer behaviors may be long-lasting
5. Getting product in front of operators will require creativity


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