Restaurant Benchmarks

Key performance indicators
## Key Performance Indicators

### Operations

<table>
<thead>
<tr>
<th>Key Indicator</th>
<th>2016 Results</th>
<th>2015 Results</th>
<th>2014 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All clients</td>
<td>Full svc. rest.</td>
<td>Quick svc. rest.</td>
</tr>
<tr>
<td>Food Cost %</td>
<td>29.0</td>
<td>28.5</td>
<td>29.6</td>
</tr>
<tr>
<td>Store Labor %</td>
<td>28.0</td>
<td>29.0</td>
<td>27.1</td>
</tr>
<tr>
<td>Prime Cost %</td>
<td>57.0</td>
<td>57.5</td>
<td>56.7</td>
</tr>
<tr>
<td>EBITDAR %</td>
<td>12.2</td>
<td>11.7</td>
<td>12.8</td>
</tr>
</tbody>
</table>

*% indicates percent of sales*

### Financial

<table>
<thead>
<tr>
<th>Key Indicator</th>
<th>2016 Results</th>
<th>2015 Results</th>
<th>2014 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All clients</td>
<td>Full svc. rest.</td>
<td>Quick svc. rest.</td>
</tr>
<tr>
<td>Debt to EBITDA</td>
<td>3.8</td>
<td>3.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Funded Debt to EBITDAR</td>
<td>5.5</td>
<td>5.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Fixed Charge Coverage</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Effective Interest Rate</td>
<td>4.6</td>
<td>4.8</td>
<td>4.3</td>
</tr>
<tr>
<td>NBV as % of Cost</td>
<td>46.9</td>
<td>45.6</td>
<td>48.4</td>
</tr>
<tr>
<td>Sales to Investment</td>
<td>1.0</td>
<td>1.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

The data contained in this study has been gathered from financial statements of clients of Baker Tilly. The client base of our Restaurant team generates approximately $1.37 billion in annual sales. The ratios shown above for all clients do not represent a true average of the full service and quick service data because of the composition of the data in that particular year. In many cases, this data has not been audited. This data is intended to be used as a management tool to compare your performance year to year and to compare the performance of similar restaurants. Baker Tilly offers no form of assurance on the data presented.
Definitions

Operations

Food Cost %
Measures the percentage of each sales dollar that is required to cover the cost of food, beverage, and paper supplies, net of any purchase rebates received from vendors. Food costs, generally between 28 and 30% of total food sales, tend to be lower for full service restaurants mainly due to the fact that most full service restaurants serve liquor which is sold at higher margins, and because sales prices include a premium for table service. Paper costs alone typically run from 3% to 4% of sales in quick service restaurants and from 1% to 2% in full service restaurants.

Prime Cost %
Combines the food cost and store labor percentages, which are the two most significant costs that a restaurant incurs. Normally when the prime cost percentage exceeds 60%, it is difficult for a restaurant to maintain an acceptable level of profitability.

Store Labor %
Measures the percentage of each sales dollar that is required to cover the cost of store labor. Our labor calculation includes crew and management labor at the store level, as well as any district or area managers. It also includes vacation and sick pay, but does not include payroll taxes. Generally, labor tends to be higher for full service restaurants due to additional waitstaff, table bus staff, etc. Ideally, management salaries should not exceed 10% of sales in either a full service or quick service restaurant.

EBITDAR %
EBITDAR is an acronym for Earnings Before Interest, Taxes, Depreciation, Amortization, and Rent. It represents the amount of cash available to cover your fixed charges – rent and debt service. When expressed as a percentage of sales, it indicates the overall efficiency of your operations by measuring the cash flow generated per sales dollar without regard to your financial leverage or your level of investment in property and equipment.

Financial

Debt to EBITDA
Measures your ability to repay debt over the long-term. Debt includes borrowings from banks and other sources, including long-term debt, lines of credit, and capital lease obligations. It does not include normal working capital obligations, such as trade payables and accrued expenses. Lenders normally require a ratio ranging from 3 to 5, depending on your credit risk and general economic conditions.

Debt Service Coverage
Measures your ability to repay debt in the near term. The ratio is calculated by dividing EBITDA by required principal and interest payments due on debt in the next year.

Fixed Charge Coverage
Measures your ability to cover your fixed charges (debt service and rent) in the near term. It expands the Debt Service Coverage calculation to include rent in both the numerator and denominator.

Effective Interest Rate
Measures the cost of borrowing. Calculated by dividing interest expense for the year by the average debt outstanding during the year.

Net Book Value as a % of Cost
Measures the relative age of buildings, equipment, and furnishings. Calculated by dividing the net book value of fixed assets by their gross cost.

Sales to Investment Ratio
Measures your sales compared to your investment in real estate and equipment (either through outright ownership or through leasing). A ratio of 1:1 is a typical benchmark utilized in predicting the success or failure of a given location (a slightly lower ratio is acceptable for many QSR concepts). Calculated by dividing sales by the cost of real estate and equipment, plus rents capitalized by a factor of 10.
Baker Tilly restaurant industry focus

Baker Tilly is familiar with the issues our restaurant clients face and provides them with industry-specific solutions. The experienced professionals on our team who specialize in this retail area work with you to develop effective strategies for a successful operation.

You receive industry-relevant, proactive advice, and feedback. And we make it our goal to add value through a full range of services that include those specific to your business needs. Our restaurant services group also stays active in national and state industry organizations, and regularly address, sponsor and attend national conferences for restaurant finance professionals. You can rely on our up-to-date insight.

If you have any questions or would like to learn more about our restaurant service team please contact:

**Todd Bernhardt, CPA**
Partner
608 240 2654
todd.bernhardt@bakertilly.com

**Lindsay Scotto DiVetta, CPA**
Sr. Manager
608 240 2590
lindsay.scottodivetta@bakertilly.com

About Baker Tilly

Baker Tilly Virchow Krause, LLP was founded in 1931 with one central objective: to use our expertise to help our clients improve their businesses. Originally a certified public accounting firm, we have grown steadily over the years, broadening our service offerings and expanding our geographic presence to meet the evolving needs of our clients. With more than 2,700 professionals in 32 offices across the country, we are one of the top 15 largest accounting and advisory firms according to Accounting Today’s “2016 Top 100 Firms.”

Connect with us: bakertilly.com

Published by Baker Tilly Virchow Krause, LLP as a source of information for clients and business associates. Since technical information is presented in generalized form, professional advice should be obtained before implementing specific ideas. No reproduction of this publication may be made without the permission of Baker Tilly Virchow Krause, LLP.

Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments.

Baker Tilly refers to Baker Tilly Virchow Krause, LLP, an independently owned and managed member of Baker Tilly International. The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. © 2017 Baker Tilly Virchow Krause, LLP