

RESTAURANTS



RESTAURANT SEGMENTS

LIMITED SERVICE (LSR) - Counter service where patrons pay before eating

- Quick-Service Restaurants
- Fast Casual

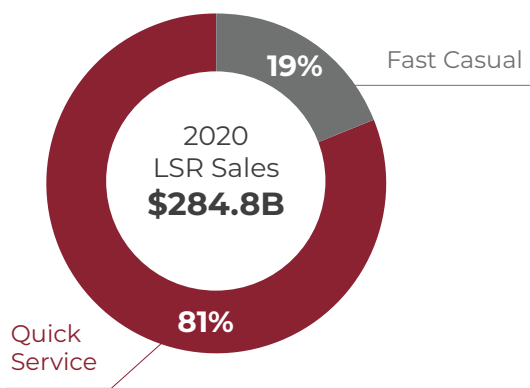
FULL SERVICE (FSR) Table service + wait staff where patrons pay after eating

- Midscale
- Casual Dining
- Fine Dining

RESTAURANTS | LIMITED SERVICE RESTAURANTS (LSR)

WHAT IS A LIMITED SERVICE RESTAURANT (LSR)?

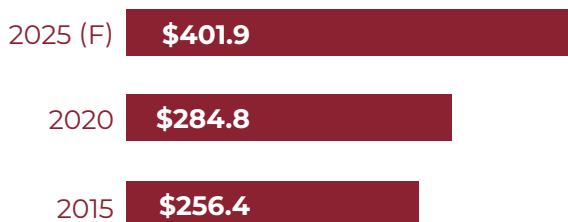
Restaurants that offer counter service where patrons generally order or select items and pay before eating. Food and drink may be consumed on-premise, taken out or delivered to customers. In some hybrid concepts, runners bring food to tables. Subsegments of limited service include quick service and fast casual.



Key Segment Metrics

The limited-service restaurant segment was worth \$284.8 billion in 2020. Within limited service, quick service has the largest share of total sales at about 81% of the segment, while fast casual forms a smaller proportion of the total segment and has about 19% of the total sales. Consumer spend in the segment is expected to increase by \$117.1 billion and value \$401.9 billion by 2025.

Limited-Service Restaurant Sales (\$B)

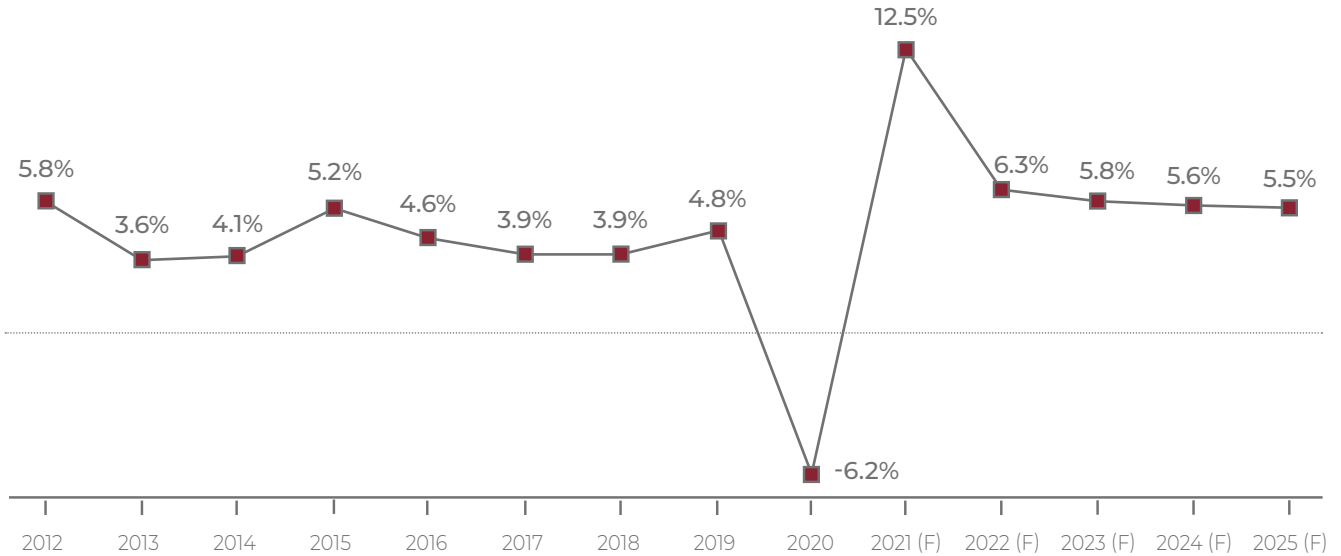


Years	CAGR (%)
2015-2020	2.1%
2020-2025	7.1%

The limited-service restaurant segment has seen a few periods of fluctuations, with year-over-year growth dipping to 3.6% and 3.9% in 2013 and 2017, respectively. Growth rates for this segment dropped significantly to -6.2% in 2020 due to the pandemic, but the segment has rebounded this year and is expected to grow at or above 5.5% through 2025.

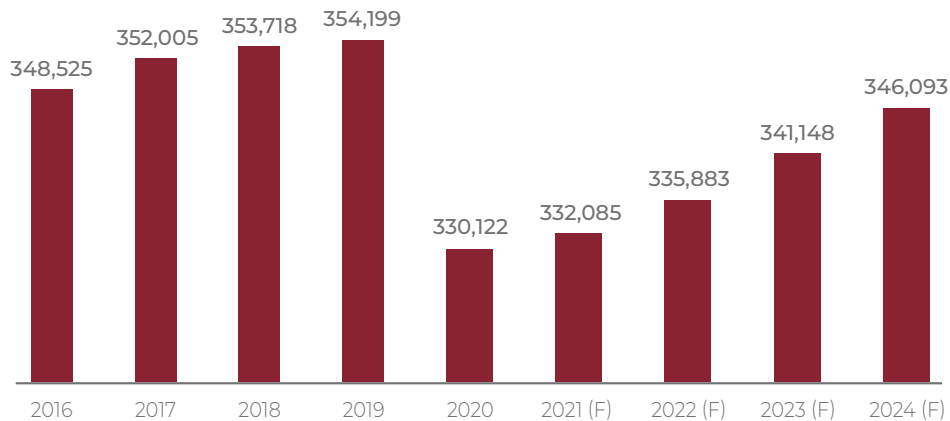
RESTAURANTS | LIMITED SERVICE RESTAURANTS (LSR)

Limited-Service Restaurants Segment Nominal Growth (%)



The number of limited-service restaurant units in the U.S. has steadily increased by an average of 0.5% per year since 2016 through 2019. Limited-service restaurant units decreased by 6.8% between 2019 and 2020 due to the pandemic. While units are expected to grow through 2024, they are not expected to reach pre-pandemic levels.

Historic and Forecasted Limited-Service Restaurant Units

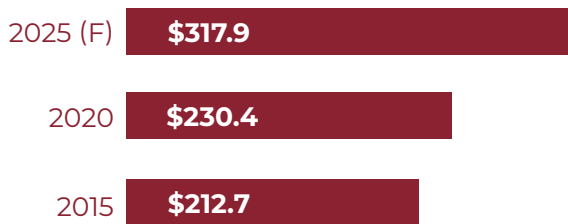


RESTAURANTS | LSR – QUICK-SERVICE RESTAURANTS

WHAT IS A QUICK-SERVICE RESTAURANT?

A quick-service restaurant is one which is focused on providing customers with food as quickly and efficiently as possible. This generally means there is no table service and food is cooked to order in a short space of time.

Quick-Service Restaurant Sales (\$B)

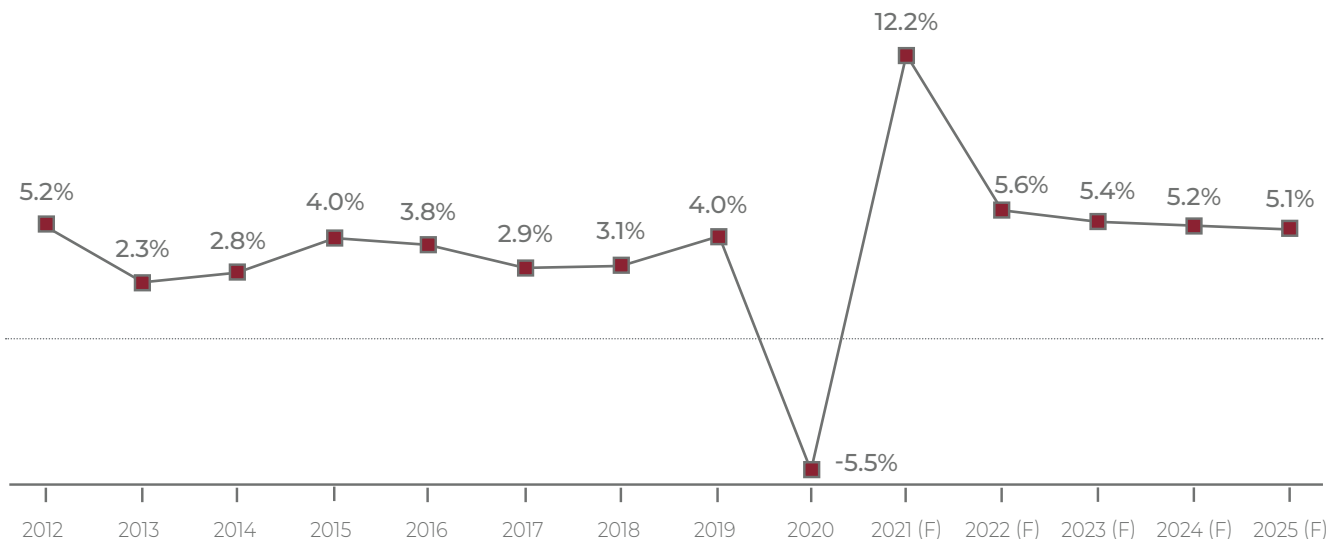


Years	CAGR (%)
2015-2020	1.6%
2020-2025	6.6%

Key Segment Metrics

The quick-service restaurant segment, with sales valued at \$230.4 billion in 2020, forms the largest share of the limited-service restaurant industry. This segment is expected to grow by \$87.5 billion to reach \$317.9 billion in 2025.

Quick-Service Restaurants Segment Nominal Growth (%)



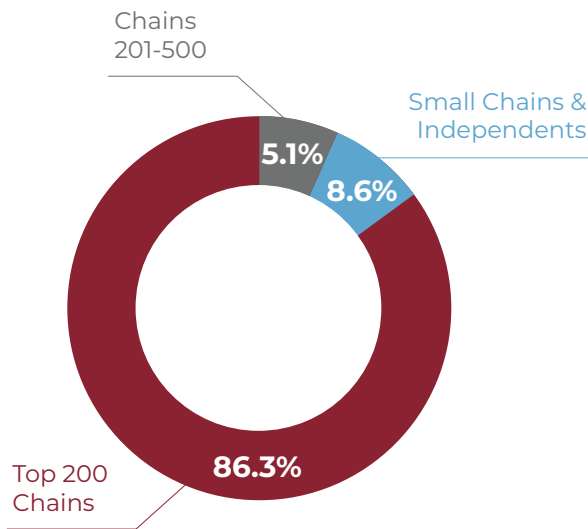
The quick-service restaurant segment has seen periods of low growth levels between 2012 and 2019, with growth dipping down to 2.3% in 2013. The growth rate recovered somewhat in 2019 but declined significantly to -5.5% in 2020 due to the pandemic. The growth rate is expected to rebound to 12.2% in 2021 and, going forward into 2025, the growth rate is expected to stay relatively constant at just above 5%.

INDUSTRY STANDARDS

RESTAURANTS | LSR – QUICK-SERVICE RESTAURANTS

Overall, the quick-service segment is heavily dominated by chain operators. About 86% of the total sales in this segment were generated by the top 200 chain operators, 5% generated by chains ranked 201-500, and small chains and independent quick-service restaurants make up about 9%.

2020 Quick-Service Sales Share



Nine of the 10 biggest chains in the U.S. all operate in the quick-service segment. Among the top 10 quick-service restaurants, McDonald's, Chick-fil-A, Wendy's, Domino's and Sonic Drive-In all reported positive year-over-year sales. However, Starbucks, Chick-fil-A, Taco Bell, Wendy's and Domino's witnessed an increase in their number of units year-over-year despite the pandemic. Looking broadly, more than three-quarters of total sales in quick service are made by the top 200 chains in segment, a proportion greater than that of any other restaurant segments.

2020 TOP 10 QUICK-SERVICE CHAINS

Rank	Company	2020 Sales	% Change Sales	2020 Units	% Change Units
1	McDonald's	\$40,517,000	0.3%	13,682	-1.2%
2	Starbucks	\$18,485,000	-13.5%	15,337	1.9%
3	Chick-fil-A	\$13,745,000	13.0%	2,659	6.7%
4	Taco Bell	\$11,294,000	0.0%	6,799	0.5%
5	Wendy's	\$10,231,300	4.8%	5,881	0.5%
6	Burger King	\$9,657,000	-5.4%	7,081	-3.6%
7	Dunkin'	\$8,762,000	-5.1%	9,083	-5.7%
8	Subway	\$8,318,000	-18.5%	22,005	-7.5%
9	Domino's	\$8,287,100	17.6%	6,355	3.7%
11	Sonic Drive-In	\$5,680,323	21.2%	3,526	0.0%

Source: Technomic Ignite Company

RESTAURANTS | LSR – QUICK-SERVICE RESTAURANTS

KEY SEGMENT TRENDS

1. Off-premise occasions, such as delivery and takeout, continue to grow substantially year over year as more and more restaurants utilize curbside delivery and drive-thrus, expand their delivery offering or partner with third-party delivery services.
2. Tech amenities have redefined the customer experience with a focus on convenient ordering options. Demands for frictionless ordering experiences continue to grow, with consumers increasingly likely to expect mobile ordering.
3. Quick-service restaurants should prepare for fluctuations in value definitions and perceptions in the foreseeable future. While affordability will be top of mind as the unemployment rate stabilizes, attitudes will most likely change as the economy recovers, perhaps with increased demands for social responsibility and a greater willingness to pay for higher-quality fare—core components of value definitions pre-coronavirus.
4. Operators are prepared to reinvent the in-store experience to emphasize cleanliness and safety as well as establish new guidelines for employees. A key challenge will be understanding which safety initiatives are temporary, such as requiring guests to wear masks, and which will be staples of the longer-term in-store experience, such as more frequent cleanings.

KEY DECISION-MAKERS

1. **Owner**—Owners of quick-service restaurants (particularly independent QSR operators) have the most important role in the decision to purchase and repair equipment.
2. **Director of Operations**—This role functions prominently in corporately owned and operated chains. The regional director of operations manages and coordinates the procedures for maintenance and purchase of equipment.
3. **Area Managers**—Within corporately owned or operated chains, the area managers escalate equipment needs, issues and concerns to upper management.
4. **General Manager**—General managers oversee day-to-day operations of restaurants. They may not have a direct say in the equipment purchase but can escalate equipment-related concerns.

ROLE OF EQUIPMENT WITHIN THE SEGMENT

1. With the rise of smaller or nontraditional floorplans in emerging chains, restaurants may look for flexibility and accommodation in their food equipment placement for efficiencies.
2. As restaurants continue to struggle with labor shortages, technology and equipment that reduce labor costs will be highly influential in operators' purchasing decisions. For instance, multipurpose equipment, such as combi-ovens and conveyor ovens, allow operators to streamline the amount of equipment they need which results in fewer employees and less time spent moving between equipment.
3. Operators in the quick-service segment often face challenges with limited space in their kitchens. As a result, the use of ventless cooking equipment continues to be used in such areas where ventilation is not ideal and space is limited.
4. Equipment specific to food waste reduction can help many of the restaurant operators engaged in waste reduction and sustainability efforts. Especially with the shift to off-premise due to the pandemic, a focus on reducing waste for food and packaging is becoming more important to operators.

RESTAURANTS | LSR – FAST-CASUAL RESTAURANTS

WHAT IS A FAST-CASUAL RESTAURANT?

Fast-casual restaurant concepts offer the convenience of fast food without the full service of fine dining. Fast casual dining consists of a more inviting sit-down ambiance, and often, the ability to build your own meal. The menu consists of better quality ingredients that can be found at most fast food establishments.

Key Segment Metrics

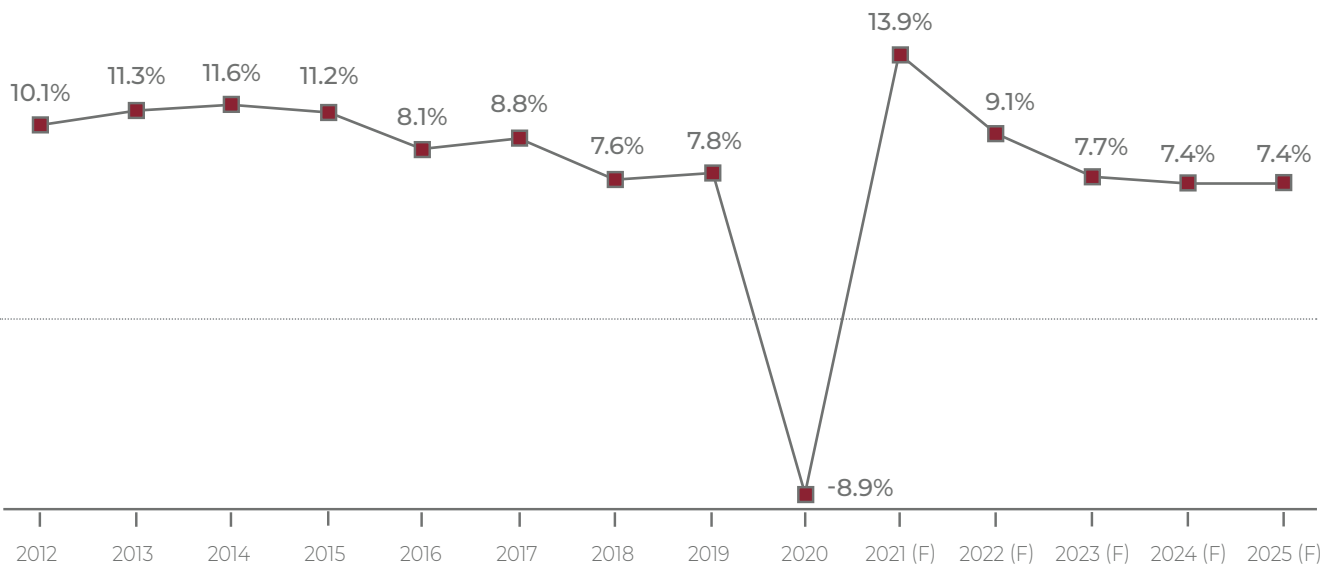
Fast casual makes up 19% of the total value of the broader limited-service restaurant industry. In 2020, the fast-casual segment's sales were \$54.4 billion, down from \$59.7 billion in 2019. Looking ahead, this segment is expected to reach \$84 billion in sales by 2025.

Fast-Casual Restaurant Sales (\$B)



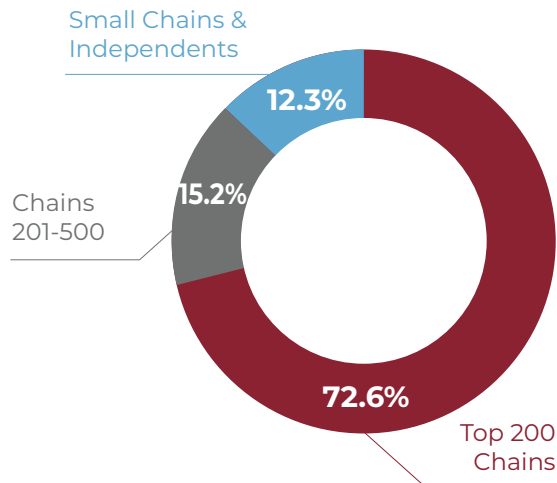
The fast-casual segment has seen continuous monumental growth in the years leading up to the pandemic. Prior to 2016, fast casual grew by double digits. The growth rates dipped since, reaching their lowest in 2020 at -8.9%. Looking into 2025, the growth rates are expected to improve, reaching above 7%.

Fast-Casual Restaurants Segment Nominal Growth (%)



RESTAURANTS | LSR – FAST-CASUAL RESTAURANTS

2020 Fast-Casual Sales Share



Like the quick-service restaurant segment, fast casual is also heavily dominated by chain operators. In 2020, the top 200 chain operators made up about 73% of all the sales in this segment, 15% of sales were generated by chains ranked 201-500, and small chain and independent operators, having a lower footprint, amassed about 12% of the sales.

The following table identifies the key players in the fast-casual segment based on their total U.S. sales in 2020. These top fast-casual chains are all ranked among the top 50 U.S. chains across all segments. Additionally, all chains except Panera Bread, Panda Express and Jimmy John’s Gourmet Sandwiches reported positive increases in year-over-year sales as well as units. Moreover, the top 200 fast-casual restaurant chains accounted for just under three-quarters of all the sales in this segment in 2020. The smaller chains as well as the independent operators within the fast-casual segment have a much larger foothold relative to those in quick-service restaurant segment, making up 27% of all sales.

2020 TOP 10 FAST-CASUAL CHAINS

Rank	Company	2020 Sales	% Change Sales	2020 Units	% Change Units
10	Chipotle Mexican Grill	\$5,920,545	6.5%	2,724	5.6%
13	Panera Bread	\$5,350,000	-10.5%	2,106	-2.3%
19	Panda Express	\$3,817,000	-3.3%	2,263	2.4%
30	Zaxby's	\$1,996,000	5.0%	909	0.6%
32	Jimmy John's Gourmet Sandwiches	\$1,925,405	-8.5%	2,705	-2.9%
33	Wingstop	\$1,823,000	31.0%	1,359	10.4%
38	Raising Cane's Chicken Fingers	\$1,722,500	17.5%	509	11.4%
39	Five Guys	\$1,710,956	3.0%	1,382	1.0%
40	Jersey Mike's Subs	\$1,595,000	19.6%	1,854	11.4%
49	Firehouse Subs	\$840,016	0.9%	1,153	-0.2%

Source: Technomic Ignite Company

RESTAURANTS | LSR – FAST-CASUAL RESTAURANTS

KEY SEGMENT TRENDS

1. The build-your-own option has been a key driver for fast casual, found especially in cuisine categories such as Mexican, sandwich, Asian and pizza. This allows consumers the opportunity to customize their own product and creates a point of differentiation for the fast-casual operator.
2. Increasingly, consumers want to know where their food is coming from and the ethical impact it has on the environment and labor around the world. Fast-casual restaurants have been sourcing locally, as well as using organic and free-trade products, in order to appeal to their customers' sensibilities.
3. As delivery opportunities grow, fast-casual operators may consider investments in improving the value equation for these occasions. This could include in-house delivery drivers to allow for more control over the execution; lower delivery fees for orders placed directly with the restaurant; contactless delivery; rewards programs or subscriptions specific to delivery; or time guarantees.
4. Regardless of their concept positioning, brands across the fast-casual segment are focusing intently on convenience, quality and value. This includes more digital ordering channels, upgraded drive-thrus, investments in ingredient quality and more value initiatives.
5. Urban fast-casual locations have significant catering business that has seen significant negative impact during the pandemic. This part of the fast-casual business will likely be later to recover.

KEY DECISION-MAKERS

1. **Owner**—Owners of fast-casual restaurants (particularly independent fast-casual operations) have the most important role in the decision to purchase and repair equipment.
2. **Director of Operations**—Director of operations function prominently in corporately owned and operated chains. The regional director of operations manages and coordinates the procedures for maintenance and purchase of equipment.
3. **Area Managers**—Within corporately owned or operated chains, the area managers escalate equipment needs, issues and concerns to upper management.
4. **General Manager**—General managers oversee day-to-day operations of restaurants. They may not have a direct say in the equipment purchase but can escalate equipment-related concerns to owner or area managers.

ROLE OF EQUIPMENT WITHIN THE SEGMENT

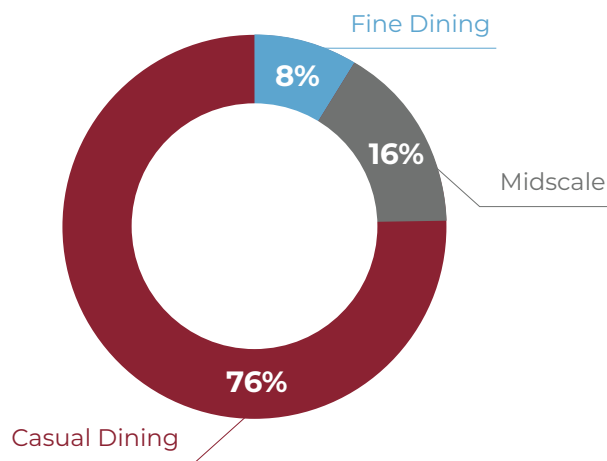
1. The need for speed and creating efficiencies are essential in both the fast-casual and quick-service restaurant segments. Equipment that will deliver on these may prove to be very attractive to operators, such as cooking appliances with automated features like smart-sensor technology that can cook quicker and more consistently, equipment that is self-cleaning, and equipment that can automate washing and cutting of produce.
2. Cutting down on food waste and measures to improve sustainability are being implemented by fast-casual restaurants. Foodservice equipment such as pulpers, dehydrators and digesters, along with equipment for composting, can help drive down disposal costs as well as help achieve sustainability goals of operators.
3. As restaurant kitchens have downsized, so has the need for downsized equipment to fit into more compact spaces. Apart from space-saving equipment, the need for multifunctional equipment has also emerged, such as multicook ovens that can be programmed to cook four to seven items at once, all at different temperatures and times.
4. With a focus on fresh, refrigeration can play an important role in fast casual, both back of house (where the need to store larger amounts of fresh food is needed) as well as front of house, where grab-and-go food and beverage are popular.

RESTAURANTS | FULL-SERVICE RESTAURANTS (FSR)

WHAT IS A FULL-SERVICE RESTAURANT?

Restaurants that offer table service and wait staff are Full Service Restaurants. Patrons pay after eating in these restaurants. Most offer a relatively broad menu of meals and snacks for immediate consumption primarily on-premise, although some may also offer takeout and catering services.

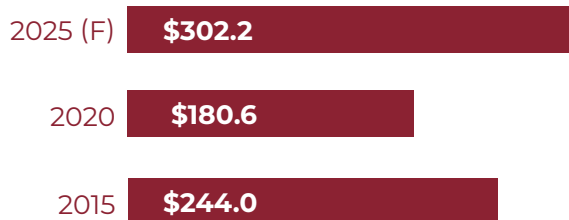
The full-service restaurant segment was valued at \$180.6B billion in 2020 and is primarily composed of three subsegments: midscale, casual-dining and fine-dining restaurants.



Casual dining forms the largest subsegment of the full-service restaurant industry, representing 76% of all sales in this segment in 2020. Midscale restaurants follow suit, making up around 16% of the total sales. The fine-dining segment, the smallest out of the three, made up roughly 8% of all full-service restaurant sales in 2020.

The full-service restaurant industry grew by about 3.3% compounded annually between the years 2014 and 2019 but experienced a significant decline of 52% due to the pandemic in 2020. Full-service restaurants had to quickly adapt to takeout and delivery models, which were previously not robust programs in the segment. The segment is bouncing back in 2021 and is expected to grow at a slightly higher compounded growth rate of 6% annually going into 2024; the total sales in 2025 are expected to reach \$302.2 billion.

Full-Service Restaurant Sales (\$B)



Years	CAGR (%)
2015-2020	-5.8%
2020-2025	10.8%

Historically, the segment has seen modest growth rates, especially compared to the limited-service segment. Growth peaked at 5% in 2015 before dropping down to and staying around 3% between 2016 and 2019. Growth rates dropped drastically in 2020 to -34.2%. Looking ahead, the growth rates are expected to rebound and average 6% through 2025.

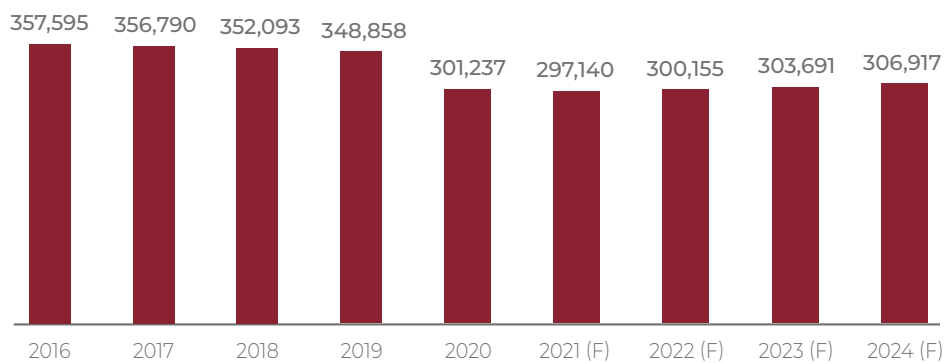
RESTAURANTS | FULL-SERVICE RESTAURANTS (FSR)

Full-Service Restaurants Segment Nominal Growth (%)



The full-service segment has seen a steady decline in the number of units between 2016 and 2019; units decreased by more than 8,000 in this period. 2020 saw a bigger drop in the number of full-service units due to the pandemic. The number of units are expected to continue to decline into 2021 but begin to recover through 2024, though they are not likely to return to pre-pandemic numbers in this timeframe. This is driven largely by saturation of units in the full-service restaurant industry and a shakeout of underperforming operations.

Historic and Forecasted Full-Service Restaurant Units



RESTAURANTS | FSR – MIDSCALE RESTAURANTS

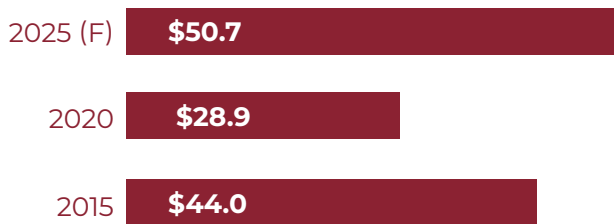
WHAT IS A MIDSCALE RESTAURANT?

Mid-scale restaurants occupy the middle ground between quick-service and upscale restaurants. They offer full meals but charge prices that customers perceive as good value. Midscale offers a range of limited- and full-service options.

Key Segment Metrics

The midscale restaurant sales were worth \$28.9 billion in 2020, a decrease of \$19.3 billion from 2019. The segment declined by 67% in 2020 due to the pandemic. By 2025, sales in this segment are expected to be around \$50.7 billion.

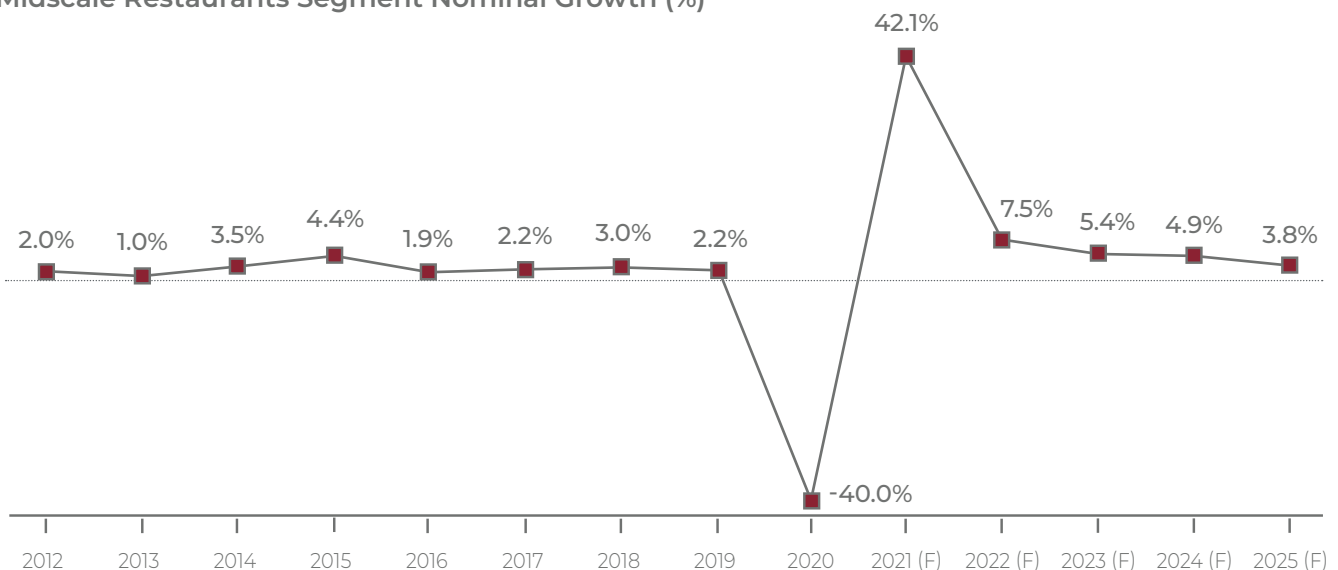
Midscale Restaurant Sales (\$B)



Years	CAGR (%)
2015-2020	-8.0%
2020-2025	11.9%

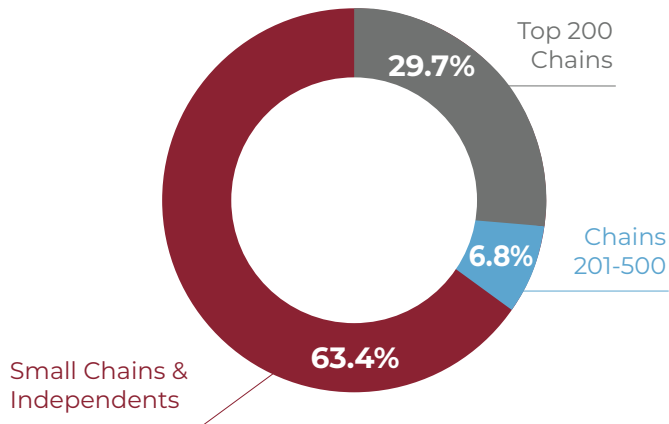
Historically, the segment has seen turbulent growth rates, with growth rates declining to 1% in 2013 before peaking at 4.4% in 2015. The midscale segment saw a significant slump in 2020 when growth rates plummeted to -40%. The growth rate is expected to increase to 42.1% in 2021. Looking ahead, the segment is expected to recover its growth rate incrementally settling at 3.8% in 2025.

Midscale Restaurants Segment Nominal Growth (%)



RESTAURANTS | FSR – MIDSACLE RESTAURANTS

2020 Midscale Sales Share



The midscale restaurant segment is largely dominated by small chains and independent operators who held nearly 63.4% of all 2020 sales in this segment. The share of total sales held by the top 200 chain operators was about 29.7% in 2020 and chains ranked 201-500 made up 6.8% of sales.

The table below identifies the key players in the midscale restaurant segment based on their total U.S. sales in 2020. All the top 10 midscale chain restaurants reported year-over-year decreases in their sales in 2020 due to COVID-19 dining restrictions. Nevertheless, three of the top 10 midscale restaurant chains, Cracker Barrel, Waffle House and Black Bear Diner, experienced an increase in their number of units in 2020.

2020 TOP 10 MIDSACLE CHAINS

Rank	Company	2020 Sales	% Change Sales	2020 Units	% Change Units
28	IHOP	\$2,137,700	-34.6%	1,670	-2.3%
35	Cracker Barrel	\$1,770,011	-29.7%	663	0.5%
37	Denny's	\$1,744,452	-35.2%	1,534	-2.0%
56	Waffle House	\$735,700	-36.0%	1,960	0.1%
82	Bob Evans	\$440,000	-42.5%	451	-5.1%
88	First Watch	\$424,000	-24.0%	410	11.4%
105	Perkins Restaurant & Bakery	\$319,000	-42.0%	283	-11.6%
129	Black Bear Diner	\$245,700	-27.0%	143	3.6%
139	Big Boy/Frisch's Big Boy	\$208,000	-38.5%	182	-6.2%
164	Village Inn	\$164,948	-49.0%	137	-25.5%

Source: Technomic Ignite Company

RESTAURANTS | FSR – MIDSCALE RESTAURANTS

KEY SEGMENT TRENDS

1. Despite the change in dining occasion since the start of the pandemic, family meals have proliferated during the pandemic and consumer demand suggests long-term potential for these items. To stay relevant with today's kids (and their foodie parents), restaurants are offering options that help kids expand their palates.
2. Midscale restaurants attract a wide age range of customers. Preferences vary among these diners, with older diners strongly preferring traditional choices, while younger consumers are more likely to opt for less-common options. Further, the pandemic hasn't slowed down ongoing menu trends that started before the coronavirus, such as cold, iced or cold-brew coffees or plant-based proteins.
3. Many local governments have eased restrictions during the pandemic to allow operators to sell adult beverages for takeout and delivery. Family-style consumers are increasingly likely to say alcohol beverages are important at these restaurants. While alcohol was typically not a part of the family-style experience, things are changing as emerging and established brands differentiate with alcohol.

KEY DECISION-MAKERS

1. **Owner**—Owners of midscale restaurants have the most important role in the decision to purchase and repair equipment.
2. **Director of Operations**—Director of operations function prominently in corporately owned and operated chains. The regional director of operations manages and coordinates the procedures for maintenance and purchase of equipment.
3. **Area Managers**—Within corporately owned or operated chains, the area managers escalate equipment needs, issues and concerns to upper management.
4. **General Manager**—General managers oversee day-to-day operations of restaurants. They may not have a direct say in the equipment purchase but can escalate equipment related concerns to owner or area manager.

ROLE OF EQUIPMENT WITHIN THE SEGMENT

1. As family-dining restaurants have varied and extensive menu item offerings, versatility in cooking equipment is key so that multiple functions can be performed using the same equipment. For instance, two-sided commercial grills allow the same equipment to produce different items across breakfast, brunch, lunch and dinner meals.
2. Family-dining restaurants have larger portions and that, coupled with an extensive menu list, means that operators look for cooking and refrigeration equipment that is tailored to and suitable for a high-volume kitchen.
3. Family-style restaurant diners looking for healthier options on the kids menu can be satisfied by using equipment such as half-sized convection ovens that cater to a smaller serving size and serve as an alternative to traditionally deep-fried foods.

RESTAURANTS | FSR – CASUAL-DINING RESTAURANTS

WHAT IS A CASUAL-DINING RESTAURANT?

Casual-dining restaurants have a very relaxed atmosphere but are a step up from fast-food and fast-casual restaurants. A casual restaurant generally has table service, meaning a server takes your order while you're seated at a table. A food runner or server brings your meal to the table.

Key Segment Metrics

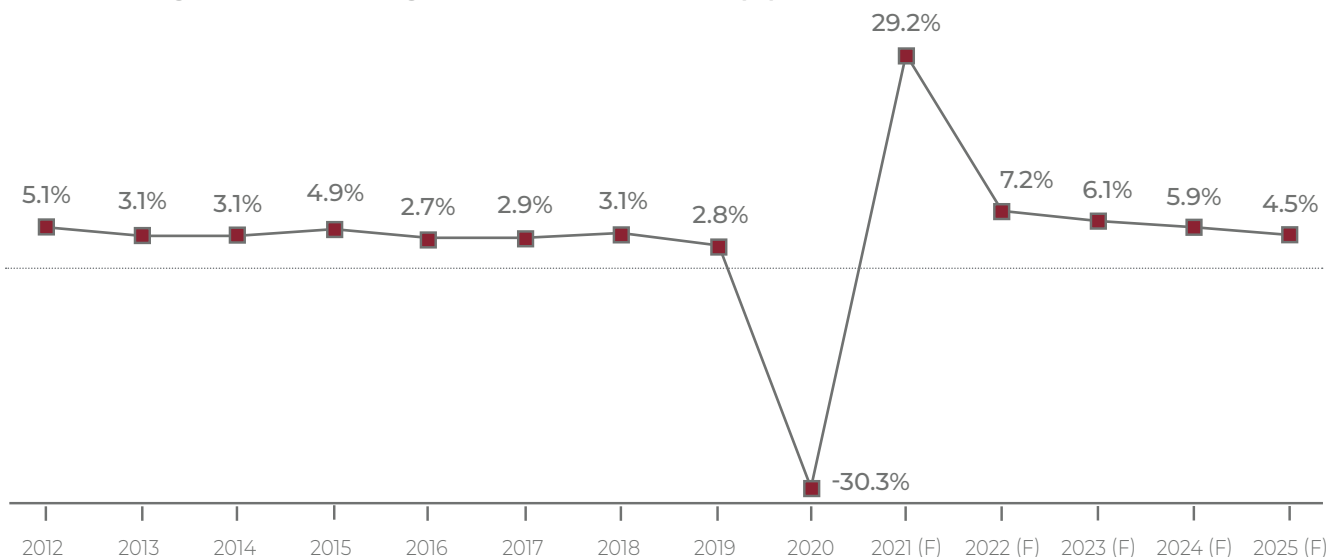
Casual dining makes up the largest share of the full-service restaurant segment and amassed \$137.4 billion worth of sales in 2020. Between 2015 and 2020, the segment contracted by a compounded growth rate of -4.8% annually. Casual dining experienced a drop in sales in 2020 to \$137.4 billion. By 2025, the segment's sales are expected to reach \$223.5 billion.

Casual-Dining Restaurant Sales (\$B)



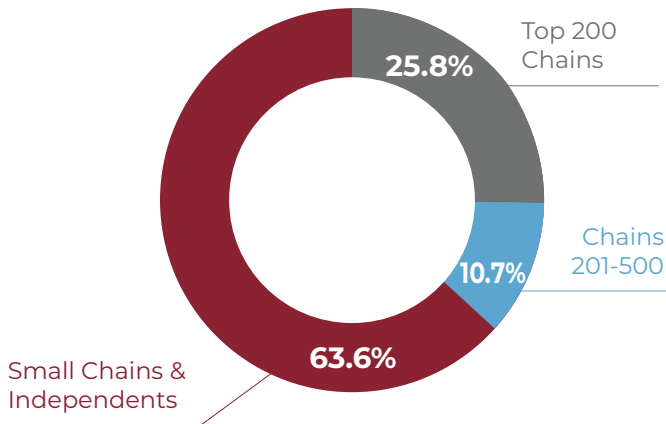
Historically, the segment has seen variations in its growth levels. Growth rate decreased in 2013 from 5.1% to 3.1% before recovering back to 4.9% in 2015. Post-2015, the growth rate declined to 2.9% in 2019. Casual dining experienced a significant decrease in growth rate in 2020 due to the pandemic to -30.3%. The segment is expected to grow at an increasing rate from 2021 onwards, with an average growth rate of 5.9% by 2025.

Casual-Dining Restaurants Segment Nominal Growth (%)



RESTAURANTS | FSR – CASUAL-DINING RESTAURANTS

2020 Casual-Dining Sales Share



The casual-dining restaurant segment is largely dominated by small chains and independent operators. In 2020, the small chains and independently operated casual-dining restaurants made up 63.6% of the segment's sales, down from 66.3% in 2018. The top 200 chains only make up 25.8% of the segment's sales in 2020.

The following casual-dining chains have been identified as key players within this segment based on their total U.S. sales in 2020. Within the top 10 chains, none reported year-over-year sales growth in 2020 due to the pandemic. Interestingly, for the first time ever, there is no casual-dining chain in the top 20 chains in the U.S. for calendar year 2020—an indication of the challenges this segment has faced during the pandemic. Olive Garden, Texas Roadhouse and LongHorn Steakhouse added units in 2020.

2020 TOP 10 CASUAL-DINING CHAINS

Rank	Company	2020 Sales	% Change Sales	2020 Units	% Change Units
21	Olive Garden	\$3,407,300	-20.5%	868	0.2%
23	Buffalo Wild Wings	\$3,113,717	-15.1%	1,204	-0.2%
24	Applebee's	\$3,101,000	-24.1%	1,600	-3.9%
25	Chili's Grill & Bar	\$3,082,000	-13.5%	1,233	-0.7%
27	Texas Roadhouse	\$2,694,200	-13.4%	572	3.4%
29	Outback Steakhouse	\$2,087,071	-20.8%	706	-2.5%
36	Red Lobster	\$1,755,000	-29.5%	675	-0.6%
41	LongHorn Steakhouse	\$1,587,000	-15.0%	538	1.5%
42	The Cheesecake Factory	\$1,585,008	-27.3%	206	0.0%
46	Red Robin	\$1,049,700	-32.4%	546	-1.8%

Source: Technomic Ignite Company

RESTAURANTS | FSR – CASUAL-DINING RESTAURANTS

KEY SEGMENT TRENDS

1. Since the start of the COVID-19 pandemic, delivery and takeout are trending across the industry, and FSRs are trying to adapt. However, off-premise occasions tend to challenge the typical FSR value proposition of highlighting service and ambiance. Off-premise occasions are expected to remain at elevated levels for the foreseeable future. FSRs will be expected to make continued investments in their off-premise programs, including packaging and digital ordering channels, to improve execution for off-premise orders.
2. Technology has taken on an elevated role during the pandemic. A higher percentage of casual-dining visitors are ordering from digital channels such as apps or websites, and FSR consumers are increasingly likely to cite the importance of tech integration.
3. Large chain accounts have had challenges in creating a differentiated and unique experience, and chain growth is well below that of the independent casual-dining operator. Independents tend to receive higher ratings from consumers specific to menu appeal, food and beverage quality, and overall ambience and experience.
4. FSR chains have been trimming menus for years as they looked to highlight specialty options, but the pandemic has greatly accelerated these cuts. Item counts have fallen drastically at FSRs, as operators look to not only highlight core items but reduce costs and boost efficiencies.

KEY DECISION-MAKERS

1. **Owner**—Owners of casual-dining restaurants have the most important role in the decision to purchase and repair equipment.
2. **General Manager**—General managers oversee day-to-day operations of restaurants. They may not have a direct say in the equipment purchase but can escalate equipment related concerns to owner or area manager.
3. **Chefs**—Chefs play a secondary role as influencers. They often won't make the final decision but can have an impact on what is being evaluated.
4. **Operations and Facilities Management**—Often, larger chains have facilities or operations teams that get involved in equipment selection.

ROLE OF EQUIPMENT WITHIN THE SEGMENT

1. As casual-dining restaurants move to incorporate more global fare, the use of specialized equipment—such as spits, work ranges, tortilla makers and chip warming cabinets—will support operators looking to add globally inspired menu items.
2. As casual-dining restaurants have varied and extensive menu item offerings, versatility in cooking equipment is key, so that multiple functions can be performed using the same equipment. For instance, two-sided commercial grills allow the same equipment to produce different items across breakfast, brunch, lunch and dinner meals.
3. As an increasing number of casual-dining restaurants offer delivery, the use of and need for heated holding cabinets and other heated solutions may become prominent so that casual-dining restaurants can ensure that their food arrives to their customers without a loss in quality.

RESTAURANTS | FSR – FINE-DINING RESTAURANTS

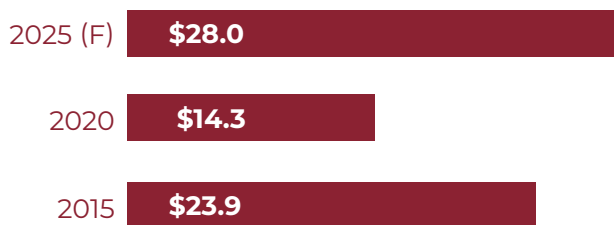
WHAT IS A FINE-DINING RESTAURANT?

Fine dining refers to a restaurant experience that is of a higher quality and greater formality compared to the experience at a casual dining restaurant. The atmosphere of a fine dining establishment is usually more elegant, and the food is served in a more formal way.

Key Segment Metrics

Fine-dining, the smallest segment among all full-service restaurant segments, had \$14.3 billion in sales for 2020, a decrease of \$14.8 billion from 2019. Fine dining felt the brunt of the pandemic due to the segment's limited carryout programs and indoor dining restrictions. By 2025, fine-dining sales are expected to increase to \$28 billion.

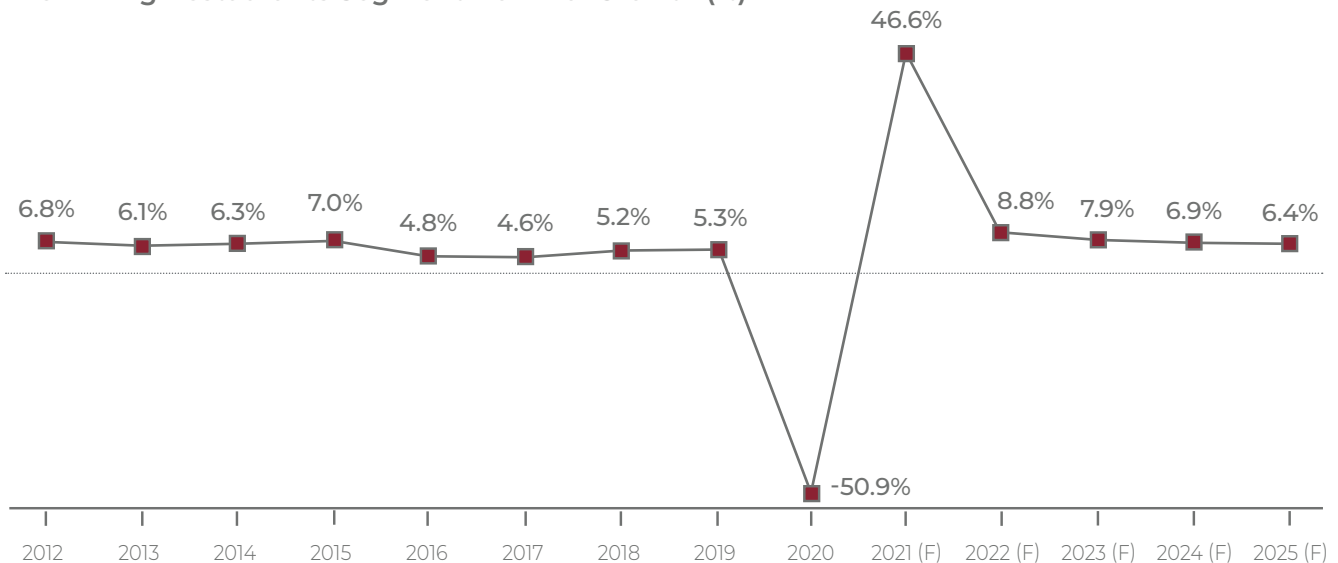
Fine-Dining Restaurant Sales (\$B)



Years	CAGR (%)
2015-2020	-9.8%
2020-2025	14.4%

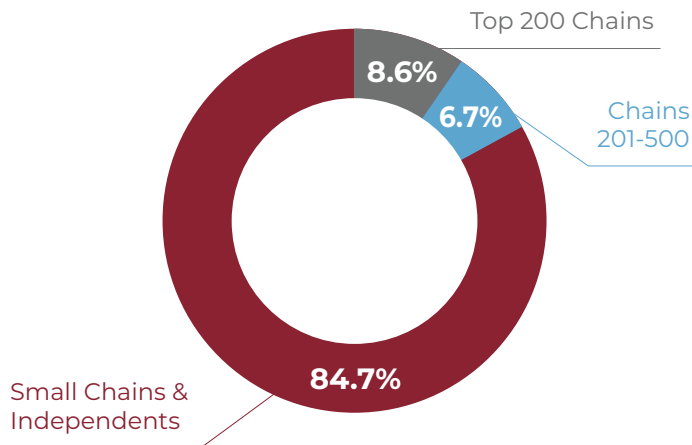
Historically, the segment reached its peak growth rate in 2015 as well, when the segment grew by 7%. Since then, the growth rates have faltered to 5.3% in 2019. The segment's growth is expected to rebound in 2021, growing at 46.6%. Its growth is expected to level out in 2025 to 6.4%. Despite the pandemic, the fine-dining segment is the fastest-growing, full-service restaurant segment.

Fine-Dining Restaurants Segment Nominal Growth (%)



RESTAURANTS | FSR – FINE-DINING RESTAURANTS

2020 Fine-Dining Sales Share



Fine dining is the most independent operator-dominated segment out of any restaurant segment. In 2020, small chains and independent operators made up 84.7% of all sales in this segment. The top 200 chains represented only 8.6% of sales and chains ranked 201-500 make up 6.7% of sales in the segment.

The following chains emerge as the key players in this segment based on their total U.S. sales in 2020. Reflecting the impact of COVID-19 on the full-service segment, all of the top 10 fine-dining chains reported decreases in year-over-year sales in 2020. Despite the pandemic, The Capital Grille, Eddie V's Prime Seafood, Perry's Steakhouse & Grille and Nobu grew their unit counts in 2020.

2020 TOP 10 FINE-DINING CHAINS

Rank	Company	2020 Sales	% Change Sales	2020 Units	% Change Units
85	Ruth's Chris Steak House	\$429,000	-39.0%	128	-5.2%
100	The Capital Grille	\$337,000	-27.0%	60	3.4%
138	Fleming's Prime Steakhouse & Wine Bar	\$209,564	-31.8%	63	-7.4%
193	Morton's The Steakhouse	\$131,800	-50.5%	59	-6.3%
200	Mastro's Restaurants	\$125,500	-48.2%	18	0.0%
235	Eddie V's Prime Seafood	\$104,100	-28.0%	23	9.5%
238	Del Frisco's Double Eagle Steak House	\$102,500	-50.5%	16	0.0%
267	STK	\$89,900	-32.5%	13	0.0%
269	Perry's Steakhouse & Grille	\$89,500	-30.7%	20	5.3%
282	Nobu	\$82,000	-41.0%	18	5.9%

Source: Technomic Ignite Company

RESTAURANTS | FSR – FINE-DINING RESTAURANTS

KEY SEGMENT TRENDS

1. Some fine-dining restaurants offered more approachable and affordable takeout menus during the pandemic. While their focus is dine-in, especially to meet pent-up demand, they may continue to offer takeout programs during slow times of business.
2. Multi-sensory dining and chef's table experiences are predicted to return to the forefront in 2021 as premium restaurants focus on developing unique experiential offerings that were unavailable during the pandemic. Multisensory dining refers to the incorporation of ambient sights, sounds, and smells in addition to the food to drive up the overall experience of diners.
3. Fine-dining restaurants are moving away from overly fussy, finicky and overbearing service to one which is centered on warmth and genuine hospitality. Overall, the "casualization" of fine dining shows that many operators are trying to broaden the appeal of these types of restaurants.

KEY DECISION-MAKERS

1. **Owner**—Owners of fine-dining restaurants have the most important role in the decision to purchase and repair equipment.
2. **General Manager**—General managers oversee day-to-day operations of restaurants. They may not have a direct say in the equipment purchase but can escalate equipment-related concerns to the owner or area manager.
3. **Chefs**—Chefs may play a secondary role as influencers. They often won't make the final decision but can have an impact on what is being evaluated. Many fine-dining establishments are chef-led, and their influence and role will be more involved in such cases..

ROLE OF EQUIPMENT WITHIN THE SEGMENT

1. As many fine-dining restaurants are smaller and/or open for fewer hours than restaurants in other segments, their cooking equipment needs will not be extensive, as they do not see high-volume output in their kitchens.
2. The role of equipment in the fine-dining segment goes beyond back of house. For fine-dining restaurants aiming for a multisensory experience, front-of-the-house equipment plays an important role to center the various senses of smell and sights as well as convey their concepts to guests.
3. Larger fine-dining restaurants with hundreds of seats per unit are making use of more compact and more multipurpose equipment than what traditional fine-dining restaurants used 10 years ago for greater efficiency and flexibility.