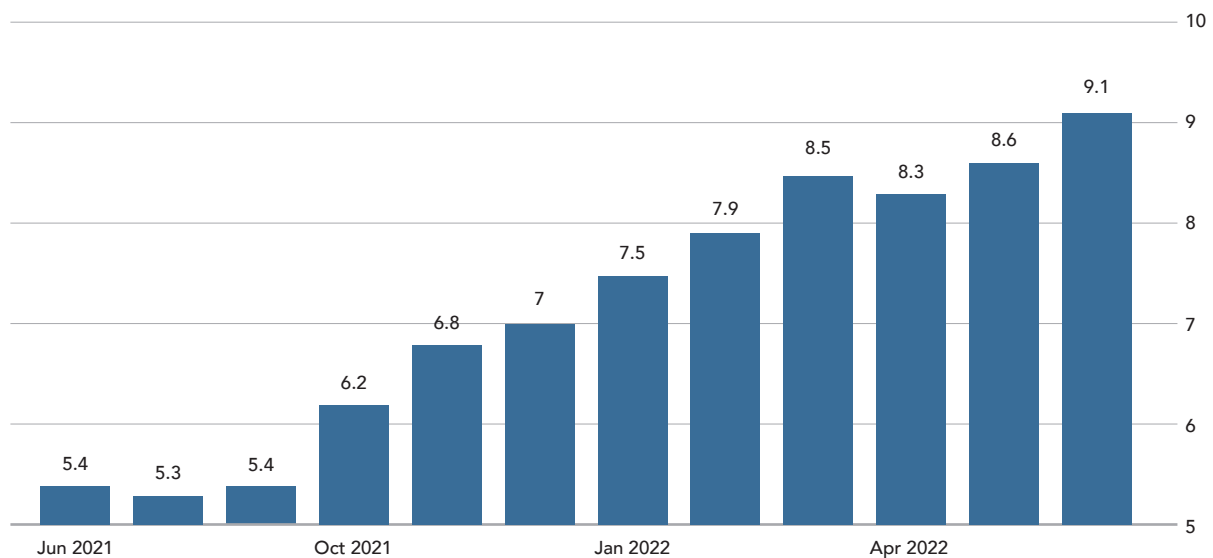


FEELING THE BITE OF INFLATION: AS AMERICANS WORRY ABOUT INFLATION RATES, QUICK SERVICE RESTAURANTS CONTINUE TO THRIVE

Today, **70% of Americans** view inflation as the nation's biggest problem, and it is easy to see why.¹ The annual inflation rate exceeded many expectations and **rose to 9.1%** in June, the highest annual increase in more than 40 years.²

United States Inflation Rate



Source: Tradingeconomics.com, U.S. Bureau of Labor Statistics

1. Doherty, Carroll and Gomez, Vianney. "By a Wide Margin, Americans View Inflation as the Top Problem Facing the Country Today." Pew Research Center. May 12, 2022. <https://www.pewresearch.org/fact-tank/2022/05/12/by-a-wide-margin-americans-view-inflation-as-the-top-problem-facing-the-country-today/>
2. "United States Inflation Rate." <https://tradingeconomics.com/united-states/inflation-cpi>

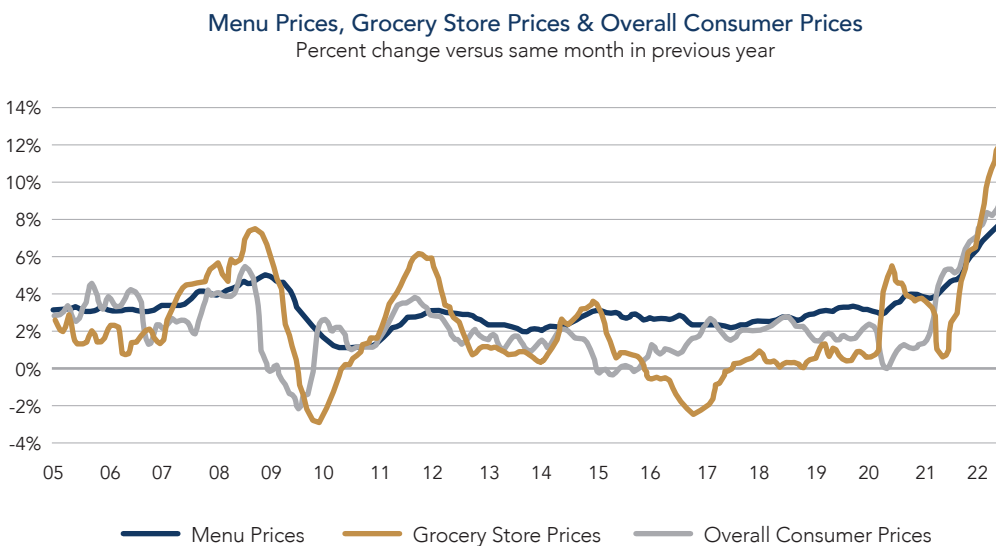
POSSIBLE CAUSES OF INFLATION

At its core, inflation is about supply and demand. Many sources may affect current supply and demand levels, such as:

	Worker shortages across industries
	Increased post-pandemic demand
	Supply chain issues
	Fiscal and monetary policy
	War in Ukraine

INFLATION AFFECTS NEARLY EVERY INDUSTRY

Prices have risen across the board. Electricity has increased 13.7%.² Energy is up 41.6%.² In June, the highest national average gas price in history was recorded at \$5.016 per gallon.³ Quick service restaurants (QSRs) have taken advantage of this trend with annual menu prices increasing 7.7% as of June, the biggest 12 month increase since 1981.⁴ Still, this increase was well below the 12.2% increase in grocery store prices.⁴



Sources: Bureau of Labor Statistics, National Restaurant Association; figures are not seasonally adjusted

Though QSRs have increased menu prices **7.7%** it is well below the **12.2%** increase in grocery store prices.

2. "United States Inflation Rate." <https://tradingeconomics.com/united-states/inflation-cpi>

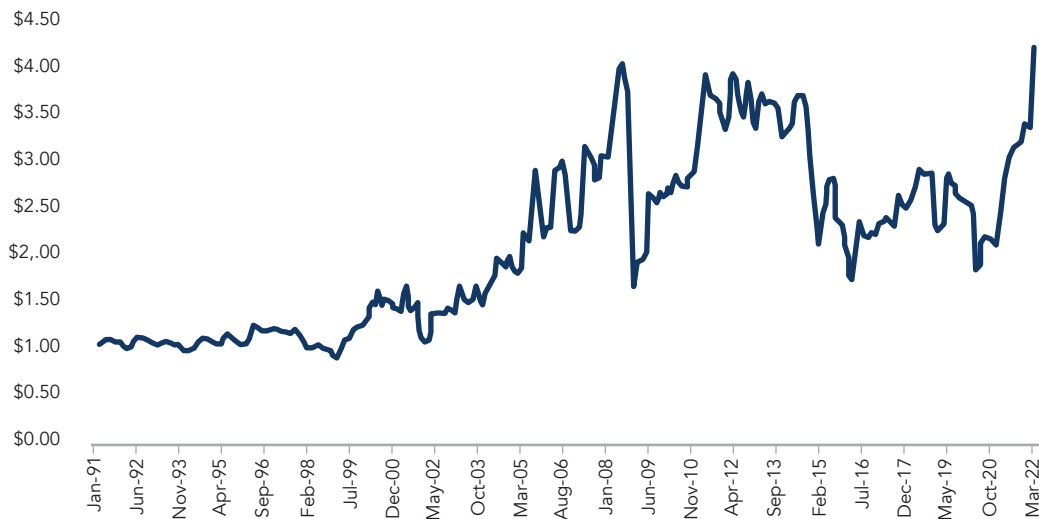
3. "National Average Gas Prices." AAA. 7/4/22. <https://gasprices.aaa.com/>

4. "Menu Prices." National Restaurant Association. <https://restaurant.org/research-and-media/research/economists-notebook/economic-indicators/menu-prices/>

QUICK SERVICE RESTAURANTS: HAVE A RESILIENT HISTORY

The last time that gas prices increased in a manner comparable to today was from 2005 through 2007, just before the Great Recession. In 2008, the first full year of the Great Recession, restaurant spend actually increased 3%, despite Americans feeling the pinch at the pump.⁵

National Average Gas Prices (Regular) Since 1991



Sources: U.S. Energy Information Administration, AAA

Historically, QSR spend has been a “fairly defensive category of consumer spending”, and, while gas prices and an increase in wage costs have contributed to the higher menu prices, fast food continues to be an affordable option for many Americans.⁵ Individuals always need to eat and, currently, one out of every three Americans consumes fast food daily.⁶ Historically, busy individuals have not been shown to significantly alter their eating habits, no matter how strained their finances may become.

Restaurant spend increased 3% during 2008, the first full year of the Great Recession.

Currently, **one out of every three Americans** consumes fast food daily.



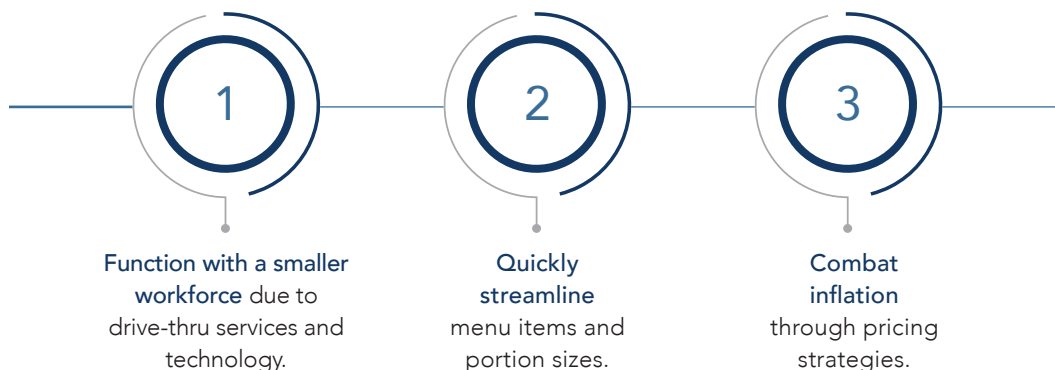
5. Rutherford, James. “Consumer: Restaurants Industry Note.” Stephens. March 9, 2022.

6. “Fast Food Statistics.” The Barbeque Lab. July 2022. <https://thebarbecuelab.com/fast-food/#:~:text=Statistics%20from%20a%20survey%20conducted,eating%20fast%20food%20every%20day!>

QUICK SERVICE RESTAURANTS: CONTINUE TO PUSH FORWARD

QSRs have many potential advantages that may allow them to thrive in an inflationary market.

Some of these advantages include:



With concerns about the impact of inflation, **QSRs may be a viable alternative worth considering.**

This may be why, last year, McDonald's was able to report its highest revenue since 2016 and why Chipotle beat expectations for earnings in the last quarter of 2021.^{7,8}



Tasty Brands, LP ("Tasty"), a Triton Pacific Capital Partners company, has experienced similar results through the utilization of price increases to offset the inflationary impact, which has contributed to strong year-to-date growth in some of its QSR businesses. Despite challenging market conditions, Tasty has expanded into new territories, while working to grow its restaurant revenue. Together, this has allowed Tasty to continue to strive toward its shareholders' goals and expectations. As individuals continue to be concerned about the impact of inflation, QSRs may be a viable alternative worth considering.

7. Creswell, Julie. "McDonald's, Now with Higher Prices, Topped \$23 Billion in Revenue in 2021." The New York Times. January 27, 2022. <https://www.nytimes.com/2022/01/27/business/mcdonalds-earnings.html#:~:text=McDonald's%20said%20in%20a%20financial,year%20earlier%2C%20to%20%247.5%20billion>
8. Lucas, Amelia. "Chipotle Shares Rise on Better-Than-Expected Earnings, CEO Says Chain is 'Fortunate' It Can Raise Prices." CNBC. February 8, 2022. <https://www.cnbc.com/2022/02/08/chipotle-mexican-grill-cmg-q4-2021-earnings.html>

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