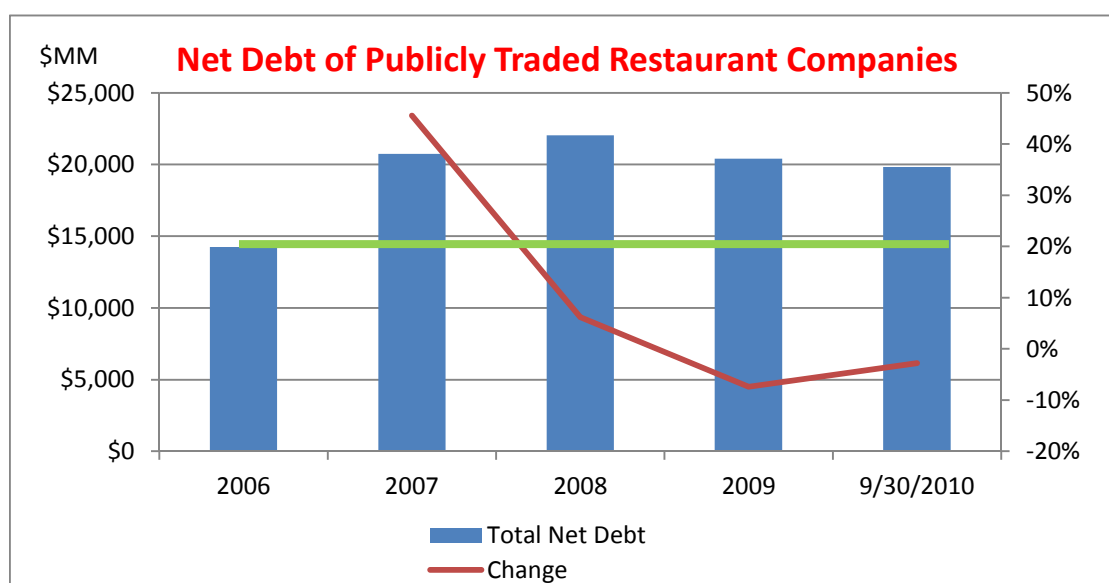


## Restaurant Research Think Piece – January 2011

### Assessing Restaurant Industry Leverage Risk

As we can see from the chart below, the restaurant industry failed to dodge the endemic pre-recession debt bubble build-up that continues to plague our economy. To this point, we note that the net debt of the largest publicly traded restaurant industry players ramped-up +46% y/y during 2007.

The key point of this *Think Piece* is to demonstrate how high the current industry leverage level actually remains. Notably, the industry's current net debt position would have to decline by 28% to return to more normal 2006 levels. This could become a very important point should interest rates rise and/or should the economy weaken...



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Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports.

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