



# STEPHENS NON-DEAL ROADSHOW PREP PACKET

**Carrols Restaurant Group (TAST) – Virtual / United States**

September 8, 2020

# Carrols Restaurant Group (TAST) – Virtual Non-Deal Roadshow

## Questions/Topics of Discussion

### Comp Recovery: Dine-In, Off-Premise, Promotions etc.

- How do you think Carrols' Burger King units are doing vs. the rest of the BK system and the QSR space, and why is Carrols doing better / worse?
- There was a steep drop-off in unemployment benefits and other consumer assistance to start August. Did you notice consumer habits change once assistance dried up, and if so, can you give us your view on the state of the consumer today?
- After introducing delivery in 2Q it mixed at 3% of sales. Where is this number trending today now that you have reopened more dining rooms?
- Carrols has lapped both the double discounting error (June/August) and the launch of the Impossible Whopper (August). What has the impact of lapping these two events been on your 2Q comp, and how does the new 2 for \$5 mix n match promo impact your YOY results?
- Cambridge continues to weigh on the system's comp. Have you seen improvements in the sales gap to legacy units since your last update?
- As of your last update at the beginning of August, 20% of your Burger King units were open to dine-in. Where does this number stand today and what has the progression of comps at units open to dine-in looked like vs. units that have remained open for off-premise only? Are you still capturing near 90% of sales from off-premise channels at these units that have reopened to dine-in?
- From a daypart perspective or a days-of-the-week perspective, are there any meaningful positive/negative outliers in terms of performance?
- How is Burger King / Carrols approaching advertising and marketing during this period? Do you anticipate any new product offerings in 2H20?
- Popeyes comp of +17.1% during F2Q was obviously far ahead of the industry. Has Popeyes been able to maintain this momentum into F3Q?
- What does QSR have in store for Popeyes in the coming months, whether it has to do with advertising, promotions, new products, etc.?

### Margins, Corporate Spend and FCF

- Last quarter, Carrols saw margin improvements around labor and cost of sales due to the closure of dining rooms – how much of these efficiencies are you capturing as dine-in reopens? What do you think the biggest tailwinds/headwinds to margins will be moving forward?
- For Cambridge units, is margin improvement still on track now that the COVID-related margin benefits are disappearing?
- What kind of G&A efficiencies are you seeing due to your regional/corporate streamlining? Where could G&A spend settle long-term?
- What are some catalysts for growing FCF in the coming quarters? Do you have any specific goals for FCF growth that you can share with us?
- Do you anticipate any changes to your strategy on remodels or new builds now that sales have stabilized? Where else will you utilize FCF?

### Operating Status of Restaurants

- As of August 6<sup>th</sup>, 20% of your units were open to dine-in, 11 remained temporarily closed, and you estimated 7 additional permanent closures in FY20 (for a total of 22). Can you provide us with an updated look at what the operating status of your restaurants looks like today?

### Potential Acquisitions

- Now that we are through the initial shock of the pandemic, do you see any appealing acquisition opportunities for either Burger King or Popeyes units? Can you give us a sense of what this market looks like and whether you would be interested in a potential acquisition now?

### Balance Sheet

- With current trends, do you still view your ability to pay down debt, grow EBITDA and get to a leverage ratio below 4x as Carrols' main objective moving forward? How is this strategy working, and do you have a sense of where your leverage ratio will stand by year end?

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## **Stephens TAST Report:**

[We Got the FCF/Profitability We Were Looking For; Raising Target From \\$8 to \\$9](#)

## **Stephens TAST Model:**

[Click here to view the model](#)

Companies Mentioned:  
Restaurant Brands International Inc. (QSR-\$56.31)

## OTHER DISCLOSURES

Note: The purpose of this document is to suggest questions investors might like to ask company management and to help investors develop their own questions. This document is not intended to express any opinion or investment recommendation.

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