

Key performance indicators

Operations

Key indicator	2019 results			2018 results			2017 results		
	All clients	Full svc. rest.	Quick svc. rest	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick syc. rest.
Food Cost %	29.0	28.1	30.3	29.0	28.4	29.7	29.3	28.3	30.5
Store Labor %	28.3	28.8	27.6	28.7	29.4	27.8	28.2	29.4	26.9
Prime Cost %	57.3	56.9	57.9	57.7	57,8	57.5	57.5	57.7	57.4
EBITDAR %	13.1	12.5	14.0	13	10.7	16.1	11.8	11.0	12.8

[%] indicates percent of sales

Financial

Key Indicator	2019 results			2018 results			2017 results		
	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.	All clients	Full svc. rest.	Quick svc. rest.
Debt to EBITDA	3.7	4.5	2.7	2.6	3.3	2.0	3.5	3.1	3.9
Funded Debt to EBITDAR	5.8	6.2	5.2	4.9	5.5	4.2	5.4	5.2	5.7
Debt Service Coverage	2.1	2.3	2.0	2.1	1.9	2.4	1.4	1.8	1.1
Fixed Charge Coverage	1.4	1.4	1.4	1.4	1.3	1.5	1.2	1.3	1.1
Effective Interest Rate	5.6	5,2	6,5	5.0	4.8	5.3	4.5	4.1	4.8
NBV as % of Cost	54.1	60.0	42.9	44.5	42.1	51.5	47.0	44.2	51.3
Sales to Investment	0.9	0.8	0.9	1.0	0.9	1.1	1.0	1.0	1.0

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 \$1.484 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.

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.

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.

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.

Funded Debt to EBITDAR

Measures your ability to cover fixed charges (debt service and rent) over the long-term. It expands the Debt to EBITDA calculation to include capitalized rent payments in the numerator (we capitalize rents by a factor of 8, a typical factor utilized by many restaurant lenders) and rent payments in the denominator. Lenders normally require a ratio ranging from 5 to 7, 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.

Restaurant industry specialization

Baker Tilly dedicates a team of professionals to the restaurant industry, providing quality audit, tax and consulting services to clients across the nation. This industry specialization means we understand the unique challenges and opportunities restaurants face and can provide specialty services to help drive profitability and growth.

Serving more than 700 franchisor, franchisee and independent restaurant companies across the U.S.



About Baker Tilly

Baker Tilly US, LLP (Baker Tilly) is a leading advisory, tax and assurance firm whose specialized professionals guide clients through an ever-changing business world, helping them win now and anticipate tomorrow.

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