
THE BOTTOM LINE

RESTAURANT BUSINESS

Welcome to The Bottom Line newsletter, Restaurant Business' *look at the week's finance news from Executive Editor Jonathan Maze, as well as data from our sister company Technomic and its partner GroundTruth.*

WENDY'S MAKES ITS CASE FOR INDEPENDENCE

At its Investor Day presentation Friday, Wendy's made its argument for joining its rivals in serving breakfast.

But company executives also made their case for the burger chain's independence. The message, in summary, was this: We have enough growth levers to pull without either selling ourselves to another brand or buying something else.

The restaurant industry has entered an era of consolidation, leading to the creation of large-scale operating companies such as Restaurant Brands International and Inspire Brands. Among the three largest burger chains, Wendy's is by far the smallest organization.

That could put pressure on the company to either sell itself to a larger organization or create one with acquisitions. Wendy's wants to do neither.

"We're all in on Wendy's," CEO Todd Penegor said Friday, when asked whether Wendy's was a buyer of other restaurant chains or a seller of itself.

It has plenty of growth potential on its own. Its ultra-aggressive breakfast strategy is just one part, an idea that could, if the company is right, add $1 billion in system sales in relatively short order.

Executives touted an equally aggressive international growth strategy: It wants to double its international sales by 2024. Assuming modest growth in its domestic lunch business, the two plans on their own would see Wendy's grow by 25% within five years.

To be sure, Wendy's has wanted to grow in international markets for years. It has also wanted breakfast for years. Neither strategy has quite reached the company's initial goals, and there is some pressure on management for these plans to work, given the competitive dynamics.

But if they do work, Wendy's will essentially add the equivalent of Cracker Barrel to its system sales within five years. It's just all coming from within.

THIS WEEK'S FINANCIAL NEWS

Speaking of Cracker Barrel and acquisitions, the chain bought Maple Street Biscuit Co.

Guillermo Perales bought into yet another brand.

Restaurant menu prices are soaring.

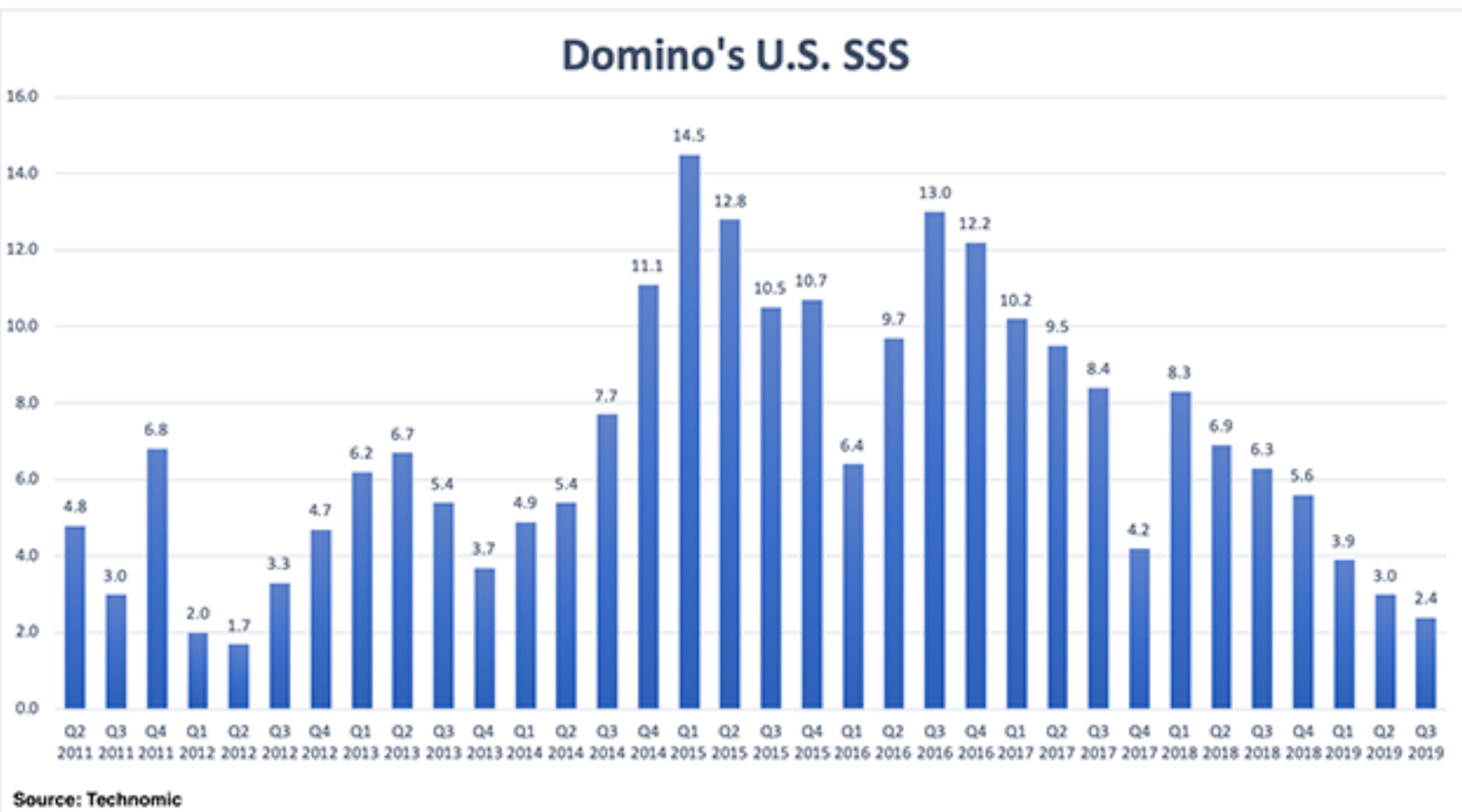
A South Carolina Burger King operator filed for bankruptcy.

[Subway made a bunch of management additions](#).

[Teens' spending dropped to its lowest rate in eight years](#).

NUMBER OF THE WEEK

[Domino's reported that its same-store sales rose just 2.4% in the third quarter](#). That was its lowest rate in seven years and continues a consistent slowdown that dates back to 2016. Look at the company's same-store sales since 2011, based on *Restaurant Business* and Technomic data.



QUOTE OF THE WEEK

“Traffic is a little harder right now, given the dynamism in the industry, especially around the delivery business.” —Domino’s CEO Ritch Allison, explaining his company’s strategies for fending off third-party delivery players.

ANOTHER ODD INDUSTRY MERGER

I’ll admit that I didn’t quite expect to write this headline last week: “Hooters operator gets into the drug business.”

The operator, Chanticleer Holdings, owns several better-burger chains as well as some Hooters locations. The company is in financial trouble, and merged with a drug company, Sonnet BioTherapeutics.

It will take Sonnet’s name and spin off the restaurant operations. Its shareholders will get 6% of Sonnet, and the restaurant operations get $6 million in badly needed cash.

It’s the latest in a series of strange mergers in the restaurant business, as some chains go for super cheap prices and others seek out unusual deals to rescue their finances. Last year, for instance, Coco’s and Carrows were sold, and the buyers were contractually obligated to not talk about the deal or even acknowledge its existence for several months.

The Chanticleer deal contrasts from where the restaurant business was four years ago, when investors behind an oil company, Nexus Energy Services, opted to buy a fast-casual burger chain in Denver, deciding that restaurants were a safer bet. Now we have restaurants getting into the extremely risky business of making biotech cancer drugs.

ON THE PODCAST

Last week, we hosted a debate of sorts between Matt Haller of the International Franchise Association and franchisee advocate Keith Miller about the riskiness of the business model. Check out our other podcast episodes here.

PODCAST
A DEEPER DIVE

ON THE BLOG

I wrote about franchisee debt levels and why that's a major problem. I also wrote about soaring menu prices and Wendy's breakfast.

Questions? Comments? Shoot me an email at jmaze@winsightmedia.com. And follow me on Twitter at @jonathanmaze.