Yale

SCHOOL *of* MANAGEMENT

Definition of Ratings:

Overweight: **Expected to outperform the market by 15%**
Marketweight: **Expected to perform in line with the market**
Underweight: **Expected to underperform the market by 15%**

Time Frame: **12 Months**
Industry Analysis: **Restaurants**

Industry Sectors:
Quick Service, Family Dining, Casual Dining, and Specialty

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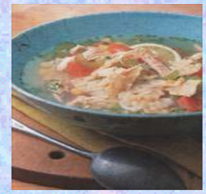
OVERWEIGHT



"Chicken Soup for Investors"

Executive Summary

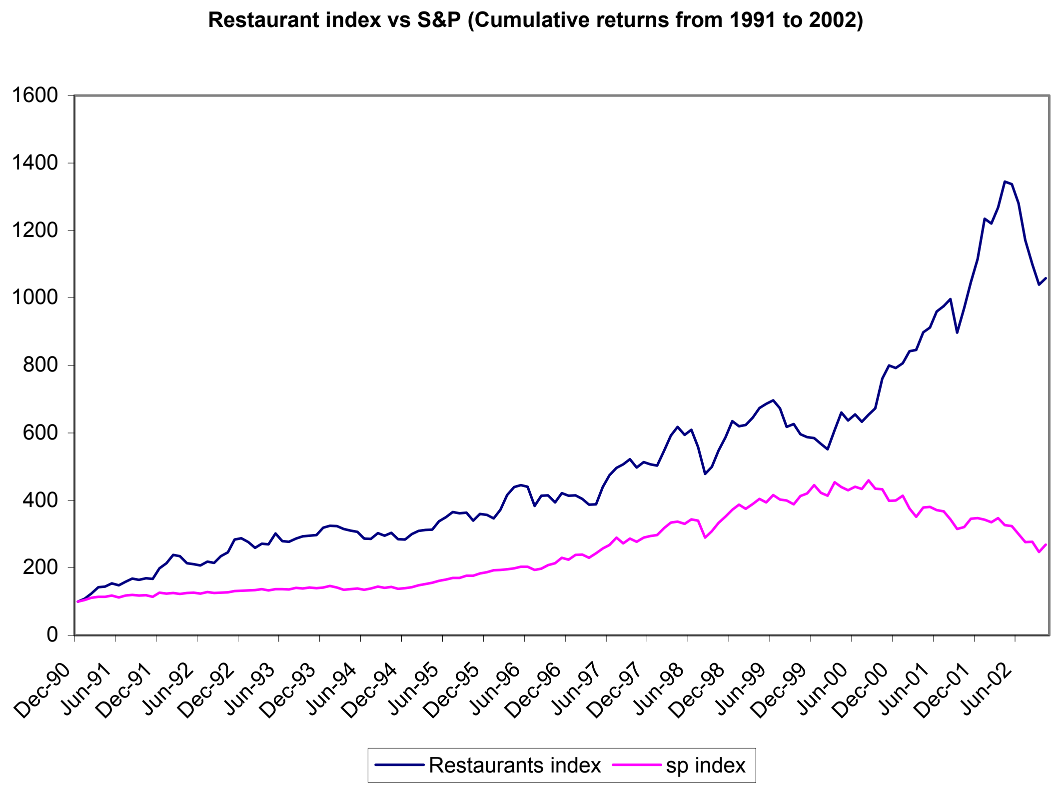
- **Demand growth outpaces supply growth**
Demand growth has historically rebounded faster than supply growth after recessions. As consumers' confidence recovers and real income increases, same-store sales increases.

- **Real pricing power improvement environment**
Historically, restaurants are able to raise menu prices at a faster rate than their cost inflation during the average post-recession period. It is estimated that this is the case at present.

- **Timely - as shares of restaurant stocks are historically the best performing sector exiting a recession**. Over the past five post-recessions, Restaurant stocks have averaged a three-year return of +151% versus the S&P 500's +47%. We believe that the current economic recession may prove to be the best ever for restaurants.

- **Fundamentals are excellent –** Low management turnover (the key determinant of performance); demographic factors are favorable, low investment in supply, and the renewed interest in "real" businesses associated with the Dot.Com bust.

Please see the disclaimer at back of this report for important information


Restaurant index vs S&P (Cumulative returns from 1991 to 2002)
1600
1400
1200
1000
800
600
400
200
0
Dec-90
Jun-91
Dec-91
Jun-92
Dec-92
Jun-93
Dec-93
Jun-94
Dec-94
Jun-95
Dec-95
Jun-96
Dec-96
Jun-97
Dec-97
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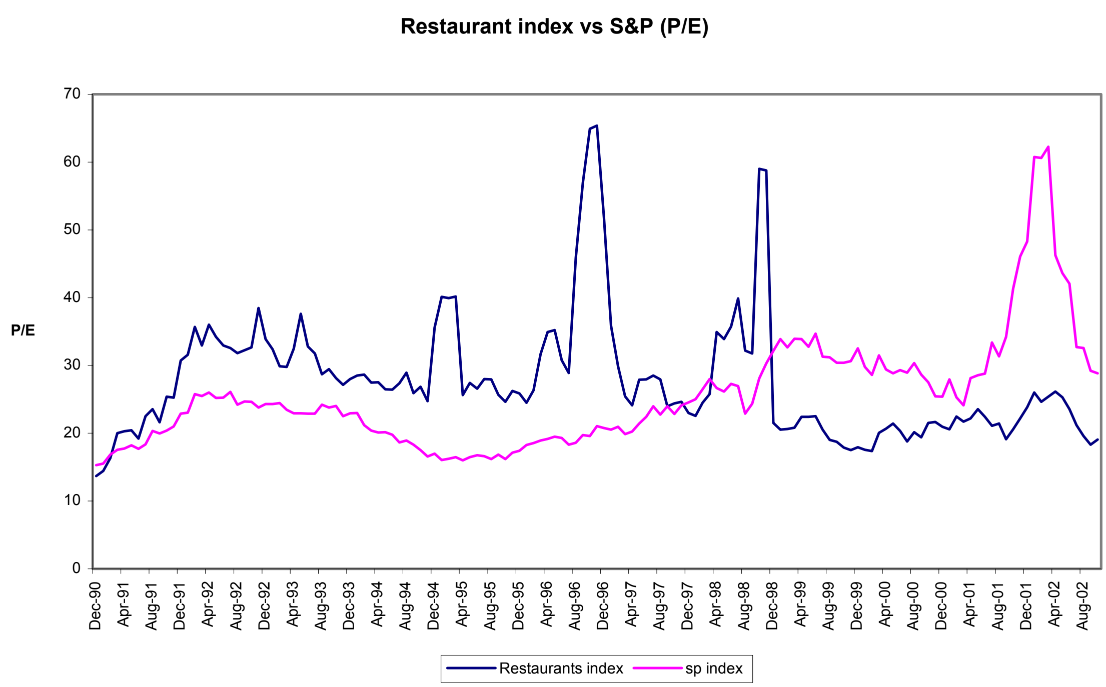
Dec-98
Jun-99
Dec-99
Jun-00
Dec-00
Jun-01
Dec-01
Jun-02
Restaurants index
sp index


Restaurant index vs S&P (P/E)
P/E
70
60
50
40
30
20
10
0
Dec-90
Apr-91
Aug-91
Dec-91
Apr-92
Aug-92
Dec-92
Apr-93
Aug-93
Dec-93
Apr-94
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Dec-99
Apr-00
Aug-00
Dec-00
Apr-01
Aug-01
Dec-01
Apr-02
Aug-02
Restaurants index
sp index

Restaurant Industry Revenue analysis

Industry Overview

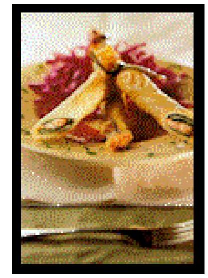
- **Large restaurant chains dominate the whole industry**
    - **Unit Count:** of about 655,079 total units in the country, 62% are independents, 33.8% owned by top 100 chains, 4.2% owned by the second 100 chains[1].
    - **Sales fragmentation:** in 2000, the top 100 restaurant chains generated 50.2% of industry sales, up from 45.7% in 1990. The second 100 chains generated 5.4%, and the smaller chains/independents accounted for 44.3% of industry sales.
- **Highly segmented**
    - Presently, the market is composed of few large caps and many "microcaps" (market cap of less than $50 million). Additionally, there are thousands of private restaurants and small restaurant chains.
    - Currently there are approximately 90 public restaurant companies with a total market capitalization of roughly $75.6 billion. Approximately 30 public restaurant companies made up 98% of the restaurant industry market capitalization with the McDonald Corporation accounting for roughly 30% of the industry's market capitalization. The top ten restaurant companies comprise roughly 80% of the industry's market capitalization. Given many investors' minimum market capitalization requirement, few "microcaps" are followed by institutional investors.
- **Competitive across the board and risky for independents**
    - For independent operators face high risks as evidenced by the extremely high bankruptcy rate this group.
    - Competitive environment: Still, the restaurant industry remains a very competitive environment. However, it is this relentless competition that keeps the industry creative, flexible and responsive.

Sales Composition

Total sales/revenues of a restaurant company may consist of 1) same store sales; 2) sales from new units; 3) franchise royalty revenue. But the key metric is the same-store sales and the growth rate.

Same-store sales or *comparable-store sales* (terms are interchangeable) are the year-over-year percentage growth of restaurant sales open for some predefined period of time (usually either 12 months or 18 months). Same-store sales are calculated from restaurants in the "comparable store sales base" or "comp base." The most commonly used form of same-store sale growth is the quarterly comparison. Many companies will provide monthly same-store sales. Comparable sales include takeout sales, pure bar sales, and patio sales.

[1] Data from Technomic.



Same-store sales growth provides additional revenues and profits without additional capital investments. Investors should place higher value on same-store sales growth than on total sales growth, because opening a new unit provides revenue and earnings growth, but there are costs associated with that growth, such as the costs to build the unit, buy the new equipment, and train the new staff. Same-store sales growth provides incremental profits by leveraging fixed assets with incremental sales.

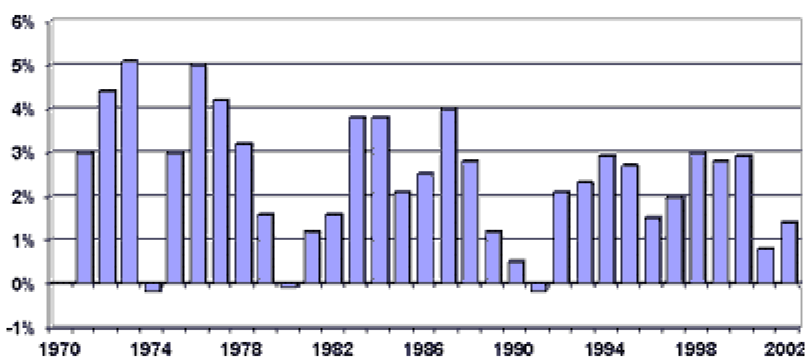
Additionally, a new restaurant chain may expand very quickly by setting up new units in its early years, but with the concept becomes mature, the expansion rate will slow down. For the purpose of analyzing entire the industry, we focus on same store sales growth. In our future company reports, we will review new unit growth on a company-by-company basis.

The 2002 Situation:

Total restaurant industry sales are estimated at $393 billion in 2001, up 3.9% from 2000, and are projected to grow 3.5% to almost $407 billion in 2002 according to *Nation's Restaurant News*. Restaurant industry sales posted a compound annual growth rate of 7.9% between 1971 and 2001.

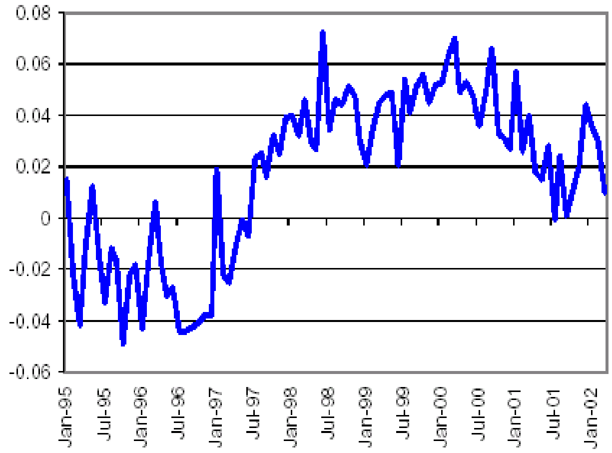
Real sales, after adjusting for inflation, are projected to advance 1.4 percent and represent continued growth opportunities for both restaurant operators and their suppliers. The 1.4 percent real gain for 2002 in restaurant-industry sales is higher than the 0.8 percent real growth of 2001, reflected anticipated improvements in the nation's economy. Dining out will remain an essential and important component of contemporary lifestyles that consumers are less willing to sacrifice now than in prior periods of economic slowdown.

Restaurant Industry Real Sales Growth,



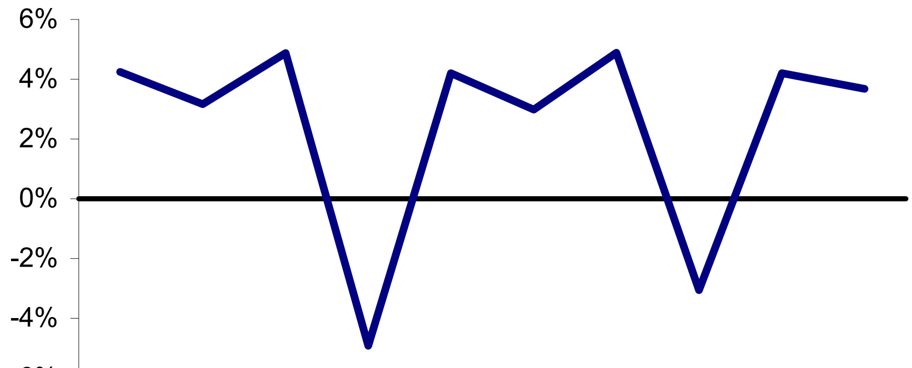
Source: National Restaurant association

Restaurant Industry Same Store Sales Monthly Growth Rate



Source: Knapp Track

Quarterly Revenue Growth Rate of Restaurant Industry



	2000 2Q	2000 3Q	2000 4Q	2001 1Q	2001 2Q	2001 3Q	2001 4Q	2002 1Q	2002 2Q	2002 3Q
Series1	4%	3%	5%	-5%	4%	3%	5%	-3%	4%	4%

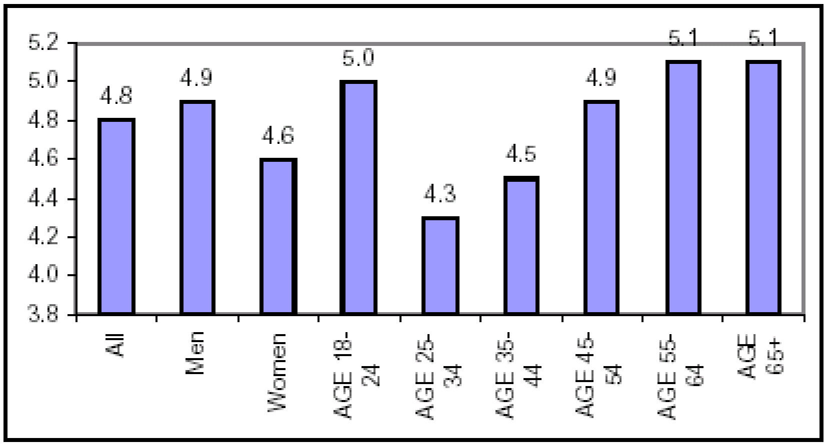
IV: Optimism about Demand Growth for Restaurant service

Main drivers for demand growth:

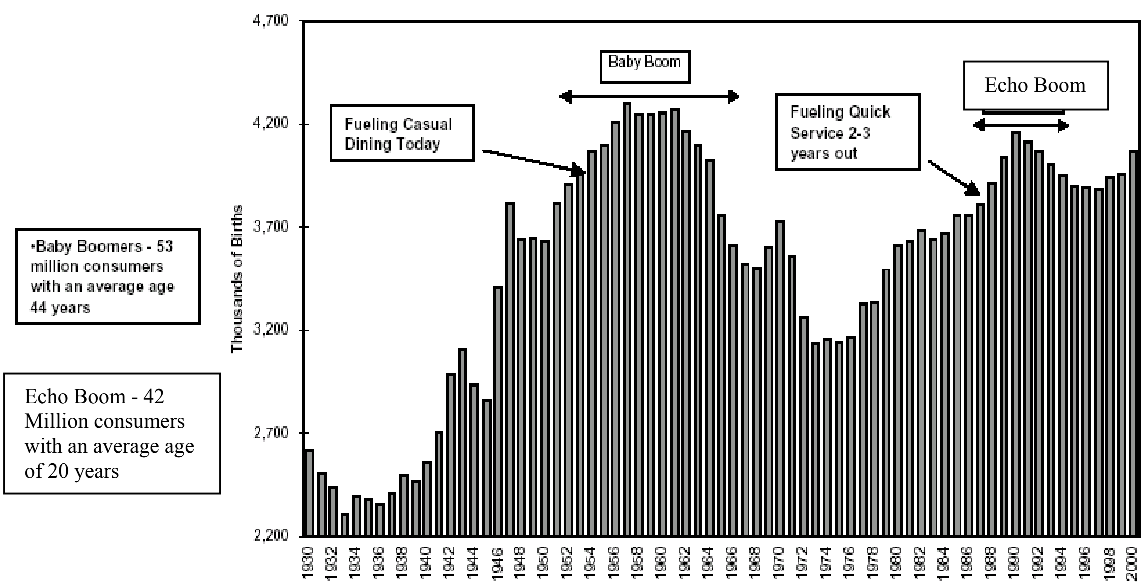
- **Demographic----aging baby boomers contribute higher consumption for restaurant service**

From a demographic standpoint, over the next decade, the biggest driver for restaurant industry growth will come from the aging Baby Boomer population in the 45- to 60-year age group, which is the demographic with the highest propensity to dine out.

Average Visits to Casual Dining Chain per Month



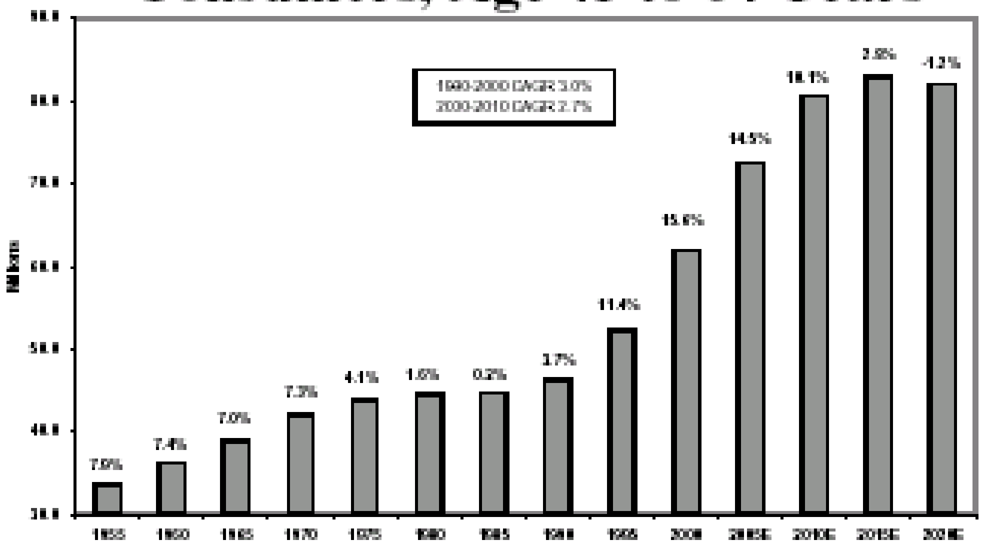
source: MRI Data



Source: Morgan Stanley Research.

U.S. Births, 1930 - 2000

Consumers, Age 45 to 64 Years



Source: NPD, Morgan Stanley Research.

- **Lifestyle trends have placed an enormous premium on consumers' time.**

From a lifestyle standpoint, according to several dining-out surveys, including those conducted by the National Restaurant Association and MasterCard, Americans consider dining out as the top way to relax and unwind.

Quick Service
(Average Transactions Over a 30 Day Period)

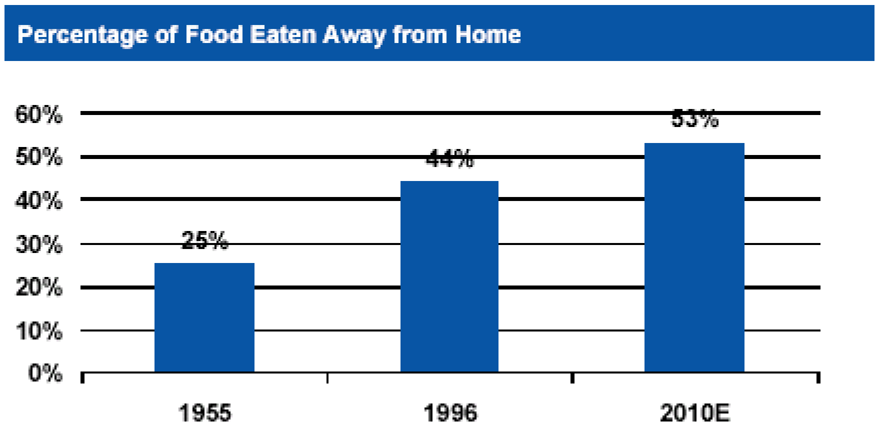
Age Group	18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
2001	14.3	12.0	11.3	11.1	9.5	7.9
1991	12.1	10.6	10.1	9.2	7.8	7.0

Full Service
(Average Transactions Over a 30 Day Period)

Age Group	18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
2001	5.0	4.3	4.5	4.9	5.1	5.1
1991	3.8	3.7	3.8	4.7	4.7	4.4

Source MRI

From the figure above we can see that as consumers grow older, their consumption frequency remains stable or increases. Furthermore, every new generation appears to boast a higher consumption level than the previous one.



Source: National Restaurant Association.

In conclusion, the restaurant industry is benefiting from both "Double Bubble" - Baby & Echo Boomers are approaching stages of increased dining out; and "Double Impact" - Every new Generation demonstrates higher level of consumption than the previous.

V. Post recession period provides a highly positive environment for restaurant industry

- **Demand growth outpaces supply growth**

Demand growth has historically rebounded faster than supply growth after recessions. As consumers' confidence recovers and real income increases, same-store sales increases.

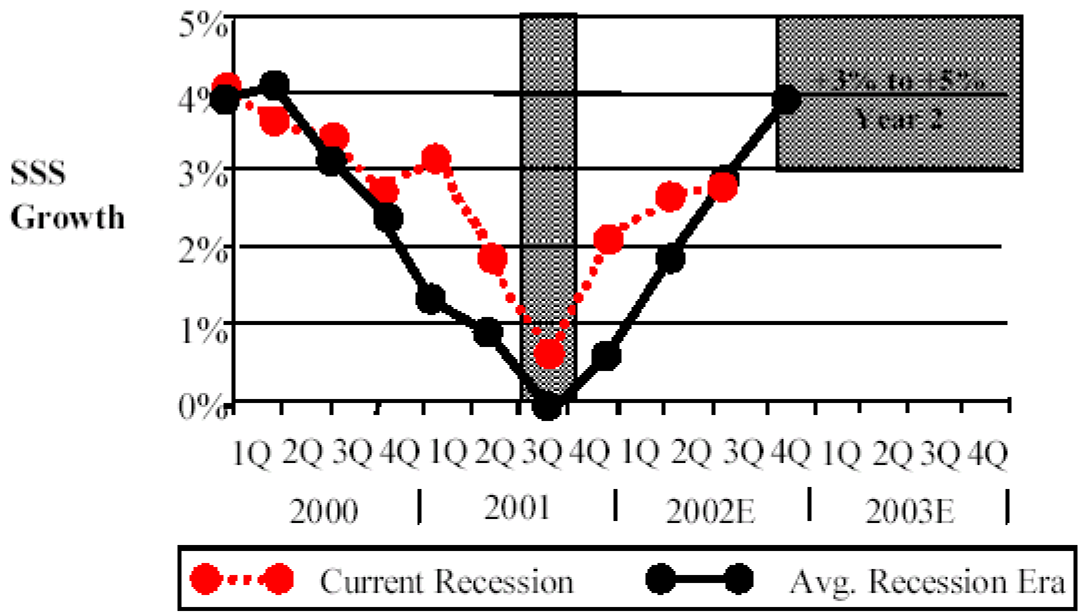
	Period	Value	Yr/Yr % Chg
Retail Sales *(data in millions of dollars, not adjusted for seasonal variations)*			
Total Retail Sales	May	$313,440	2.3%
Grocery Store Sales	May	$37,442	(0.2%)
Total Eating & Drinking Place Sales	May	$29,461	5.8%
Full Service Restaurants	May	$12,575	5.3%
Quick Service Restaurants	May	$12,613	9.6%

Consumer Price Index *(1982-84=100) (unadjusted indexes)*

All Items (CPIU)	June	179.9	1.1%
Food Away from Home	June	178.2	2.6%
Food at Home	June	175.0	1.0%

Source: US Dept. of Commerce, BLS, BEA, Federal Reserve Board, Bloomberg

Same Store Sales Growth During Recessions

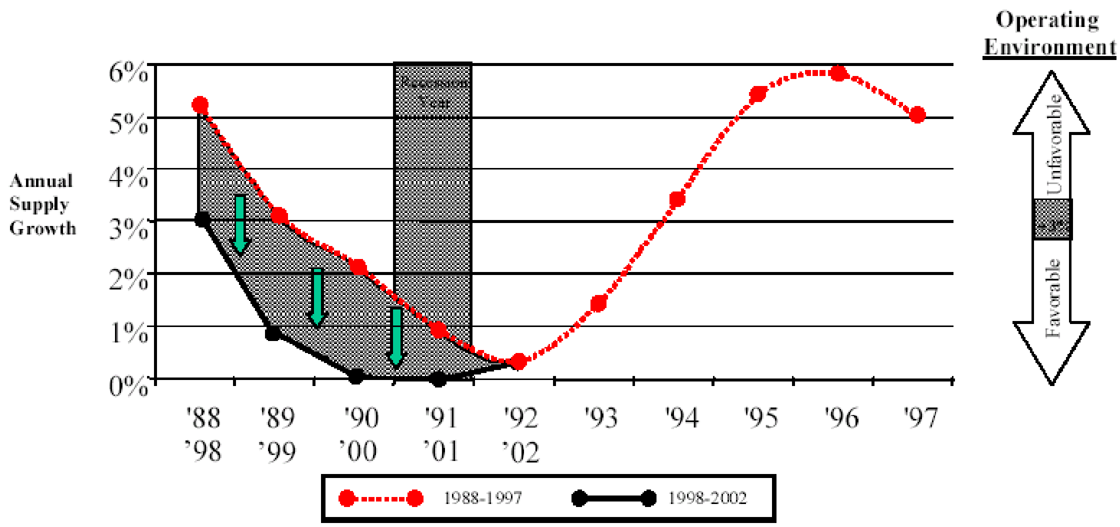


Source: U.S. Census Bureau and SG Cowen estimates.

On the other hand, due to the economic recession, lack of funding resulted in very low growth rate of new investment. Few new units are opening, and current restaurants face modest competition. In fact, new units growth rate dropped to near zero in 2001. The typical "best-of-times" post-recession environment lasts 3 years.

The current Post-recession environment could be even better than before, because the industry supply growth rate began dropping to below 1% in 1999, which is earlier than the prior recession. Currently the industry is experiencing the 4th successive year of below 1% growth rate. That means the industry is facing relatively very low competitive pressure, which is undoubtedly a great plus for same store sales growth.

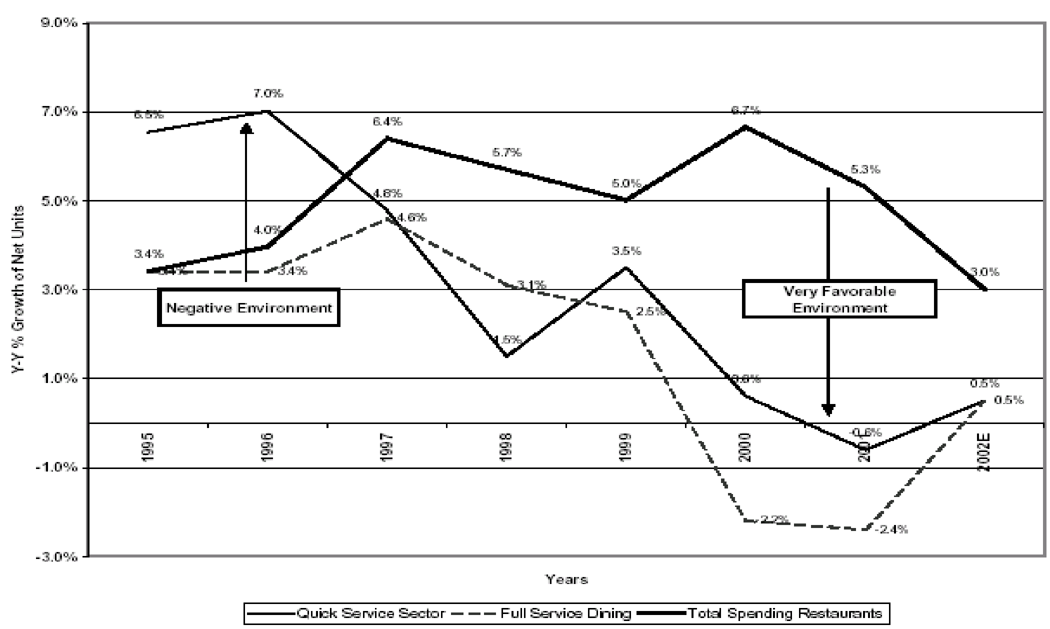
Supply Growth Rate Dropped Earlier and Steeper than Prior Recession



Source: SG Cowen

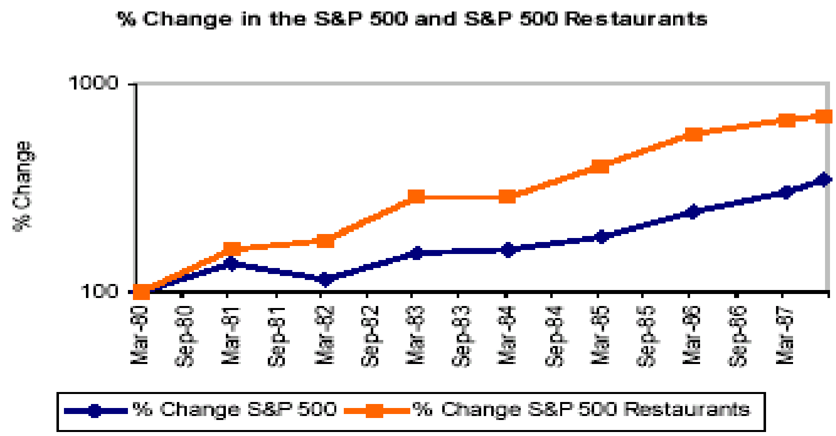
- **Real pricing power improves.**

During the average post-recession era, restaurants were able to raise menu prices at a faster rate than their cost inflation (costs such as food and labor). Therefore, restaurants typically enjoyed real pricing power for an average of 36 months. Since October 2001, restaurants have enjoyed eight months of positive pricing power. According to SG Cowen, in May 2002 menu prices (CPI-Food Away from Home) increased by 2.6%, versus SG Cowen's Restaurant Cost Index increase of 0.2%. That implies real pricing power of +2.4%.



Source: NPD, Morgan Stanley Research.

Actually restaurant stocks are historically the best performing sector exiting a recession. Over the past five post-recessions, Restaurant stocks have averaged a three-year return of +151% versus the S&P 500's +47%. We believe that the current economic recession may prove to be the best ever for restaurants.



Source: ISI Group, U.S. Census Bureau and SG Cowen estimates.

Analysis of the Family Dining Segment

Family dining restaurants are sit-down restaurants catering to the family with simple and home-style cooking. Many chains in the family-dining category are older concepts. Restaurants in the this segment typically cost from $7-$14 per person and include restaurants such as IHOP Corporation, Bob Evans Farm, Luby's Cafeteria, Ryan's Family Steakhouse and CBRL Group.

This segment is a comparatively mature segment. This segment has the lowest profit margin of around 5% and the lowest EBIDA margin of around 12%, while the industry average profit margin is 8% and the EBITDA margin is 18%. Companies in this segment tend to be older restaurant companies, with old consumer concepts, with relative low growth rate in the future, but with a quite stable group of loyal customers.

For the past twelve months, this segment has gone up by only about 1.2%. For the past half year, the segment has gone down 26% due to the weaker economy and softer sales. For the past 10 years, the segment has traded at a relatively stable P/E ratio of roughly 11, and the segment annual return has been below 10%. However, we expect this segment to be stable for the next twelve months mainly due to offsetting effect from more controlled lower cost.

Analysis of the Specialty Segment

The specialty segment, as the name implies, relates to the specialty restaurant sector. The segment includes companies such as Starbucks Corporation, Cheesecake Factory and Krispy Kreme Doughnuts.

Compared to the other segments, specialty restaurants typically have traded at much higher P/E, Price/Sales and Price/Book multiples, with higher volatility. Companies in this segment typically possess clear business focus, new consumer concepts, respective strong market share controlling positions, and double-digit EPS growth rates. We expect the segment to continue to perform well in the future.

For the past twelve month, the whole segment increased by 26%, and for the past one month, the entire segment increased by 12%, as a result of encouraging third quarter financial results.

Analysis of the Casual Dining Segment

The main bulk of the dine-out business comes from the casual dining segment. Restaurants in the casual dining segment typically cost less than $20 per person and include restaurants such as Outback, Ruby Tuesday and Applebee's.

The growth of the segment was primarily driven by the willingness of consumers to pay marginally more for higher quality food, resulting in the entry of restaurants that serve better quality food at incremental cost. Over the decade, this segment has matured to a stage that it has comprised two-thirds of the dining out business[1], characterizing consumers' eating-out habits. With the maturity of this segment, casual dining has moved from experiential experience to basic occasions for consumers. Basic occasions are defined as visits that occur within five minutes of the decision to dine. Currently, about half of all casual dining visits are basic occasions[2].

Despite the economic downturn, we believe that consumers will continue eating out. However, with less discretionary income, it is likely that casual dining restaurants will reduce the cost per person and make up for the loss in sales by increasing visits.

The table below depicts the sales growth rate of the 7 casual dining companies that we use as an index for the casual dining segment. Looking at the annual increase in sales for the same quarter, we see that only the first quarter of 2002 experienced higher sales growth compared to the year before while annual growth rate for the other quarters remained the same, indicating growth for the casual dining segment is likely to be the same as that of last year, if not slightly higher.

CD index	Quarterly Growth	Annual growth rate for quarterly sales
2000 2Q	5%	
2000 3Q	1%	
2000 4Q	-3%	
2001 1Q	8%	11%
2001 2Q	6%	12%
2001 3Q	0%	11%
2001 4Q	-2%	12%
2002 1Q	11%	15%
2002 2Q	2%	11%
2002 3Q	0%	12%

[1] SG Cowen estimates
[2] SG Cowen estimates

Analysis of the Quick Service Segment

The quick service segment, as the name implies, relates to the fast food industry. The segment includes restaurants such as McDonald's, Wendy's and Papa John's. The industry is characterized by its cheap food, fast and limited service, high frequency as well as high proportion of take-outs (60% of sales[1]).

Compared to the other segments, quick service restaurants typically have lower cost of sales and labor expenses as percentage of sales. Consumers in this segment emphasize more on convenience and the profitability of restaurants in the segment is determined by their ability to increase sales volume, i.e. conveniently providing relatively good quality food at a cheap price.

Performance in this sector tends to be company specific and strategy dependent. For example, McDonald's extensive network of outlets allow consumers to conveniently drive-through to purchase take-outs while Papa John's business is largely focused on providing deliveries. Nonetheless, the sector is a mature one and is not likely to experience high growth in the long term.

Nonetheless, despite the downturn in the economy, we see that the quick service segment will still experience slightly higher growth than last year. The table below depicts the sales growth rate of the 8 quick service companies that we use as an index for the quick service segment. Looking at the annual increase in sales for the same quarter, we see that the first three quarters of 2002 are experiencing higher growth than that of 2002. In addition, quarterly sales growth for third quarter of 2000, 2001 and 2002 was 3%, 3% and 5% respectively. These indicate that the quick service segment is going to experience higher growth rates than last year despite the economic downturn. Given that costs are not likely to change significantly in the short term, the quick service segment is likely to experience higher profitability.

QS index	Quarterly Growth	Annual growth rate for quarterly sales
2000 2Q	5%	
2000 3Q	3%	
2000 4Q	8%	
2001 1Q	-11%	3%
2001 2Q	5%	3%
2001 3Q	3%	3%
2001 4Q	8%	4%
2002 1Q	-11%	4%
2002 2Q	6%	6%
2002 3Q	5%	6%

[1] US Bancorp

Costs

Commodities and Costs of Sales

Wheat – the effects of the drought

In the last three months, the prices of wheat have increased due to a reduction in wheat supply. The U.S., a major wheat supplier, experienced a drought across the nation that led to lower than expected output. Furthermore, other wheat producing nations such as Canada, Argentina, the former Soviet Union and Australia have also experienced a slowdown in production.

Consequently, most companies are experiencing price increases in wheat and wheat based products. Presently, these increases are for the most part minor. In addition, most companies have long-term contracts with their suppliers that locked in prices at lower levels. For instance, Brinker International (Macaroni Grill, Corner Bakery Brands) does not expect any significant increases in prices of wheat-based products due to their long-term contracts. California Pizza Kitchen's prices are also locked in through 2004. It is important to note that some companies will be affected more that others. These companies are the ones that use pasta and dough and include Brinker International, Buca, Califonia Pizza Kitchen, CEC Entertainment, Darden Restaurants, Papa Johns Pizza and Panera Bread[1]. However, as stated above, we do not expect any major increases as most of these companies have long-term contracts with suppliers.

<u>Other Ingredients</u>

It is too early to tell if other commodity prices will rise as well. The drought that affected US wheat output may affect the output of other grains. This in turn may affect the price of chicken, pork and beef as grains are used as inputs for the feed for livestock. However, most restaurant companies negotiate long-term contracts, thereby hedging against short term price fluctuations of ingredients. Overall, costs of ingredients and other costs of sales are expected to remain at present levels of roughly 26.43% of sales. Cost of sales for the companies in our universe is listed below.

Bugaboo Creek	36.30%	Krispy Kreme	30.00%
Fleming's	38.50%	Landry's	29.80%
Longhorn Steakhouse	36.30%	Logan's Roadhouse	34.00%
McDonald's	33.50%	Lone Star Steakhouse	38.00%
Morton's	35.00%	Mac Grill	29.00%
Original Roadhouse	36.00%	Maggiano's	30.00%
Roy's	37.50%	Mozzarella's	28.00%
Sonic Corp.	26.00%	O'Charley's	33.00%

[1] *Source*: Bank of America Securities

Starbucks	35.00%	Old Country Buffet	33.00%
Sullivan's	37.00%	Olive Garden	31.50%
Applebee's	27.00%	Outback Steakhouse	38.80%
Big Bowl	26.50%	P.F. Chang's	27.10%
Bob Evans	28.40%	Panera Bread	32.00%
Boston Chicken	37.00%	Papa John's	24.70%
Buca Di Beppo	25.20%	Pei Wei	27.70%
Burger King	29.00%	Pizza Hut	28.00%
California Pizza Kitchen	24.60%	Rainforest Café	30.60%
Capital Grille	36.30%	Red Lobster	32.00%
Carl's Jr.	29.00%	Roadhouse Grill	34.50%
Carrabba's	33.00%	Rubio's Baja Grill	28.50%
Champps	28.50%	Ruby Tuesday's	27.40%
Cheesecake Factory	25.20%	Ryan's	40.50%
Chili's	26.50%	Schlotzsky's Deli	25.00%
Chuck E Cheese	34.00%	Sonic Corp.	26.00%
Cracker Barrel	34.20%	Taco Bell	29.00%
Dave & Buster's	18.50%	TGI Friday's	28.00%
Don Pablo's	28.10%	Wendy's	29.50%
Famous Dave's	31.50%		
Garden Fresh	25.20%		
Hardee's	30.00%		
Jack in the Box	31.00%		
Joe's Crab Shack	33.00%		
KFC	32.00%	Average	26.43%

Labor

Labor costs are presently averaging 24.58% of sales for the industry, with a high of 42% (Schlotzsky's Deli) and a low of 21% (Capital Grille). It is highly unlikely that labor costs will rise significantly as the economy is still in a recession. Most workers feel considerably fortunate to be gainfully employed in this environment. In fact, the recession will likely lead to improved management tenure rates and lower overall turnover rates. This is because there are fewer opportunities for managers and other workers to change professions at the moment. Lower turnover rates usually lead to lower labor costs, as the manager does not need to spend the extra time and effort to recruit and train replacements. Furthermore, general manager tenure is highly correlated to a restaurant's profitability; we feel this is a particularly positive development for the industry. Historically, management turnover of less than 30% has generally been positive while a turnover ratio of over 30% has been negative. Currently, rates are around 17% - a six year low. Listed below is the labor costs for the companies in our universe:

Bugaboo Creek	23.00%	KFC	28.00%
Fleming's	23.00%	Krispy Kreme	32.00%
Longhorn Steakhouse	23.00%	Landry's	27.40%
McDonald's	25.50%	Logan's Roadhouse	28.00%
Morton's	25.00%	Lone Star Steakhouse	26.00%
Original Roadhouse	25.00%	Mac Grill	28.50%
Roy's	23.00%	Maggiano's	28.50%
Sonic Corp.	28.50%	Mozzarella's	32.90%
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Sullivan's	23.00%	Old Country Buffet	29.00%
Applebee's	32.50%	Olive Garden	29.00%
Big Bowl	29.00%	Outback Steakhouse	22.50%
Bob Evans	33.10%	P.F. Chang's	30.50%
Boston Chicken	26.00%	Panera Bread	26.50%
Buca Di Beppo	31.70%	Papa John's	29.00%
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Carl's Jr.	25.00%	Red Lobster	31.50%
Carrabba's	27.30%	Roadhouse Grill	29.50%
Champps	32.00%	Rubio's Baja Grill	33.50%
Cheesecake Factory	30.50%	Ruby Tuesday's	32.00%
Chili's	29.00%	Ryan's	28.50%
Chuck E Cheese	27.50%	Schlotzsky's Deli	42.00%
Cracker Barrel	36.30%	Sonic Corp.	28.50%
Dave & Buster's	30.50%	Taco Bell	27.50%
Don Pablo's	32.80%	TGI Friday's	30.00%
Famous Dave's	28.50%	Wendy's	25.60%

Garden Fresh	31.60%		
Hardee's	29.00%		
Jack in the Box	30.50%		
Joe's Crab Shack	27.00%	Average	24.58%

Direct and Occupancy

Direct and occupancy costs refer to costs associated with rent such as maintenance, repair, property insurance, utilities, water, and garbage removal. At the present time, the recession makes it difficult for increases in these costs to occur. In fact, suppliers of these services may find contracts harder to come by as many of dot-com firms have folded in the past few years.

Selling General & Administrative

Management salaries, bonuses; expenses associated with headquarter salaries, advertising and management expenses are also expected to stay flat over the next two years as a result of the recession.

Taxes and Interest Expense

Taxes and interest expense vary from company to company over different time periods. These factors are a function of a multiplicity of factors, which include the states in which the companies operate in, the level of leverage employed by the firm and the tax planning strategies utilized. On an industry wide basis, there are no significant changes relevant to this time period. However, on a company-by-company basis these factors need to be reviewed carefully.

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Appendix:

Sources:

- **SG Cowen Restaurant Industry Report** *July 2002: Paul L. Westra, CFA, Brandon Kaplan, David Housey, CPA*
- **Banc of America Securities Industry Report Restaurants** *October 1, 2000: Andrew M. Barish, Fitzhugh Taylor, III, Liz Bast.*
- **Restaurant Primer U.S. Bancorp Piper Jaffray Equity Research** *June 2002, Allan F. Hickok, Monica Y. Kaczmarek, CFA, Gina M. Parizek*
- **RBC Capital Markets** David A. Geraty

National Restaurant association

Restaurant Industry Food-and-Drink Sales Projections Through 2002

	2001 Projected F&D Sales (thousands)	2002 Projected F&D Sales (thousands)	2001-2002 Percent Change	2001-2002 Real Percent Change
GROUP I ?COMMERCIAL RESTAURANT SERVICES[1]				
EATING PLACES				
Fullservice restaurants[2]	$140,393,478	$146,711,184	4.5%	2.0%
Limited-service (fast-food) restaurants[3]	111,111,516	115,222,642	3.7	1.3
Commercial cafeterias	2,145,438	2,040,312	-4.9	-7.3
Social caterers	3,796,387	3,967,224	4.5	2.1
Snack and nonalcoholic beverage bars	13,877,319	14,920,230	7.5	5.1
TOTAL EATING PLACES	$271,324,138	$282,861,592	4.2%	1.8%

Bars and taverns	12,809,500	13,257,832	3.5	0.6
TOTAL EATING-AND-DRINKING PLACES	**$284,133,638**	**$296,119,424**[4]	**4.2%**	**1.7%**
FOODSERVICE CONTRACTOR MANAGED SERVICES[5]				
Manufacturing and industrial plants	$6,282,524	$6,335,021	0.8%	-1.6%
Commercial and office buildings	1,919,212	1,957,596	2	-0.4
Hospitals and nursing homes	2,684,545	2,837,564	5.7	3.7
Colleges and universities	6,307,908	6,648,535	5.4	3
Primary and secondary schools	2,765,001	2,985,213	8	5.8
In-transit restaurant services (airlines)	2,228,670	2,317,817	4	1.6
Recreation and sports centers	3,583,960	3,738,070	4.3	1.9
TOTAL MANAGED SERVICES	**$25,771,820**	**26,819,816**	**4.1**	**1.7%**
LODGING PLACES				
Hotel restaurants	$17,329,214	17,797,103	2.7	0.2%
Motor-hotel restaurants	134,002	128,374	-4.2	-6.7
Motel restaurants	338,703	331,590	-2.1	-4.6
Other accommodation restaurants	322,443	327,924	1.7	-0.8
TOTAL LODGING PLACES	**$18,124,362**	**18,584,991**	**2.5**	**0.0%**
Retail-host restaurants[6]	$15,756,222	16,661,904	5.7	3.30%
Recreation and sports[7]	4,921,359	5,087,640	3.4	1
Mobile caterers	982,283	1,010,769	2.9	0.5
Vending and nonstore retailers[8]	8,521,840	8,700,799	2.1	-0.3
TOTAL ?GROUP I	**$358,211,524**	**372,985,343**	**4.1**	**1.7%**
GROUP II ?NONCOMMERCIAL RESTAURANT SERVICES[9]				
Employee restaurant services[10]	$921,004	877,179	-4.8	-7.1%

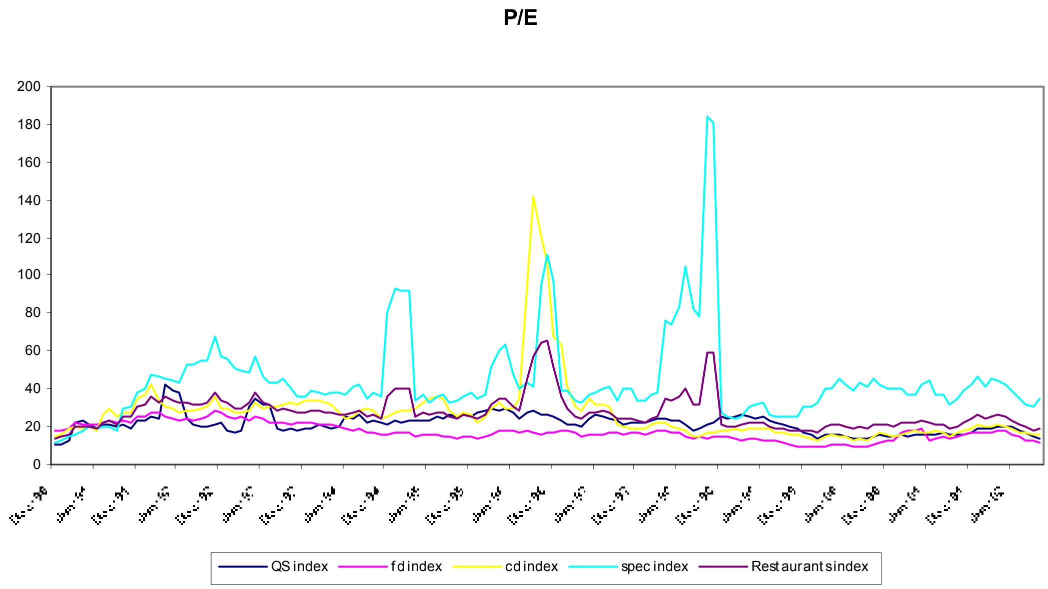
Public and parochial elementary, secondary schools	5,114,556	5,099,212	-0.3	-2.5
Colleges and universities	5,006,098	5,038,833	0.7	-1.7
Transportation	1,180,153	1,209,284	2.5	0.3
Hospitals[11]	10,095,872	10,287,694	1.9	0.1
Nursing homes, homes for the aged, blind, orphans and the mentally and physically disabled[12]	5,485,819	5,655,879	3.1	1.1
Clubs, sporting and recreational camps	3,672,274	3,685,882	0.4	-2.1
Community centers	1,395,337	1,437,197	3	0.8
TOTAL ?GROUP II	**$32,871,113**	**33,291,160**	**1.3**	**-0.8%**
TOTAL ?GROUPS I AND II	**$391,082,637**	**406,276,503**	**3.9**	**1.4%**

GROUP III ?MILITARY RESTAURANT SERVICES[13]

Officer and NCO clubs (Open mess)	$952,414	997,177	4.7	2.20%
Military exchanges	458,661	479,759	4.6	2.2
TOTAL ?GROUP III	**$1,411,075**	**1,476,936**	**4.7**	**2.2%**
GRAND TOTAL	**$392,493,712**	**407,753,439**	**3.9**	**1.4%**

11/12/02

	Ticker	Stock Price	# of Shares	MKT Cap	Beta	Rev	EBITDA	Net Earning	Ratio	P/E	P/B	P/S	Short Ratio	Coverage	Strong Buy	BUY	HOLD	SELL	Strong SELL
Quick Service																			
AFC Entertainment	AFCE	18.73	31	581.5		664.5	130.8	46.8	0.85	12.88	2.46	0.91	2.39	6		2	3	1	
Jack in the Box	JBX	20.75	39.1	811.5	0.39	1950	232.1	89.7	0.53	9.29	1.73	0.43	1.03	10		2	6	2	
McDonalds	MCD	17.09	1280	21800	0.8	15300	3770	1610	0.92	13.71	2.11	1.44	0.88	16	2	3	6	4	1
Sonic Corp	SONC	22.65	40.4	915.1	0.54	400.2	108.4	47.7	0.57	20.06	3.96	2.39	1.47	12	5	3	4		
Wendy's	WEN	27.24	115.7	3100	0.35	2630	485.2	214.6	0.48	14.57	2.23	1.2	3.13	17	3	9	5		
Yum! Brands Inc.	YUM	21.5	295.5	6350	0.28	7500	1350	575	4.61	11.58	11.94	0.89	3.28	14		6	8		
Papa John's Int'l Corp	PZZA	25.71	19.5	501.6	0.57	950.3	114.8	47.2	0.95	11.58	3.71	0.58	13.14	4			3		1
Steak N Shake Co.	SNS	10.05	27.5	276.2	0.59	459.9	59.6	23.7	0.18	11.96	1.58	0.62	0.31	4		1	3		
Mean				4,291.99	0.50	3,731.86	781.36	331.84	1.14	13.20	3.72	1.06	3.20						
Median				863.30	0.54	1,450.15	181.45	68.70	0.71	12.42	2.35	0.90	1.93						
Family Dining																			
Bob Evans Farm, Inc.	BOBE	21.75	35.7	776.4	0.1	1070	154.4	73.3	0.1	10.59	1.43	0.72	1.85	3	1	1	1		
CBRL Group Inc.	CBRL	22.37	50.3	1130	0.22	2070	212.1	91.8	0.25	13.6	1.44	0.61	2.78	14	6	3	4	1	
IHOP Corp.	IHP	21.78	20.9	455.4	0.43	348.6	101.3	40.5	0.14	11.4	1.32	1.32	12.38	2			2		
Luby's Cafeteria	LUB	3.93	22.4	88.2	0.24	399.1	-6.49	-9.65	0.76		0.54	0.22	13.83	1				1	
Ryan's Family Steak House	RYAN	10.2	43.2	440.9	0.2	768.5	113.7	49.8	0.64	9.49	1.4	0.62	1.53	2			1	1	
Mean				578.18	0.24	931.24	115.00	49.15	0.38	11.27	1.23	0.70	6.47						
Median				455.40	0.22	768.50	113.70	49.80	0.25	11.00	1.40	0.62	2.78						
Casual Dining																			
Applebee's International	APPB	24.2	55.2	1340	0.3	801.1	126.9	77	0.1	17.95	3.59	1.73	4.26	18	7	7	4		
O'Charley's Inc.	CHUX	20.26	18.8	379.9	0.57	487.1	69.3	25.4	0.57	15.74	1.71	0.82	7.52	12	6	4	2		
Darden Restaurants	DRI	19.17	170.9	3280	0.35	4470	586.8	247.5	0.57	14.13	2.81	0.78	4.66	24	6	7	10	1	
Brinker International	EAT	29.93	97.4	2910	0.68	2970	377.6	158.1	0.45	18.98	2.98	1.01	6.45	21	5	11	5		
Landy's Seafood Restaurant	LNY	22.7	27.9	632.6	0.35	825.7	102.7	39	0.18	15.52	1.12	0.7	6.84	6	2	4			
Outback Steakhouse Inc.	OSI	32.89	76.7	2520	0.94	2300	328.1	153.2	0.03	17.04	2.47	1.14	7.04	16	5	4	6	1	
Ruby Tuesday	RI	17.65	63.9	1130	0.34	852.7	123.8	61.6	0.64	18.88	2.77	1.36	10.07	13	5	8			
Mean				1,741.79	0.50	1,815.23	245.03	108.83	0.36	16.89	2.49	1.08	6.69						
Median				1,340.00	0.35	852.70	126.90	77.00	0.45	17.04	2.77	1.01	6.84						
Specialty																			
Krispy Kreme Doughnuts Inc.	KKD	33.3	55.4	1850	1.39	442.6	63.1	32.5	0.19	60.44	8.45	4.43	13.89	6	3	1	1		1
Panera Bread Co	PNRA	31.53	29	914	0.55	243.4	39.9	16.8	0	55.61	6.75	3.76	6.53	13	7	4	2		
Starbucks Corp	SBUX	21.77	388.3	8450	1.06	3110	508.6	209.9	0	41.08	4.96	2.77	3.14	16	5	4	7		
BUCA Inc.	BUCA	7.989	16.6	132.3	0.37	225.1	24	8.81	0.17	15.36	0.86	0.6	11.61	13	3	3	7		
Cheese Cake Factory Inc.	CAKE	32.18	49.6	1600	1.24	626.3	88.6	46.8	0	34.9	4.47	2.61	2.91	16	6	1	8	1	
CEC Entertainment	CEC	27.75	27.5	763.8	0.61	593.9	152	68.9	0.11	11.42	2	1.32	3.57	12	1	3	8		
Champps Entertainment	CMPP	9.91	12.4	122.7	0.81	165.2	14.3	5.78	0.41	22.17	2.36	0.78	2	6	6				
California Pizza Kitchen	CPKI	23.71	18.6	441.8	0.68	292.4	35.7	14.3	0	31.16	3.56	1.52	12.24	15	4	7	4		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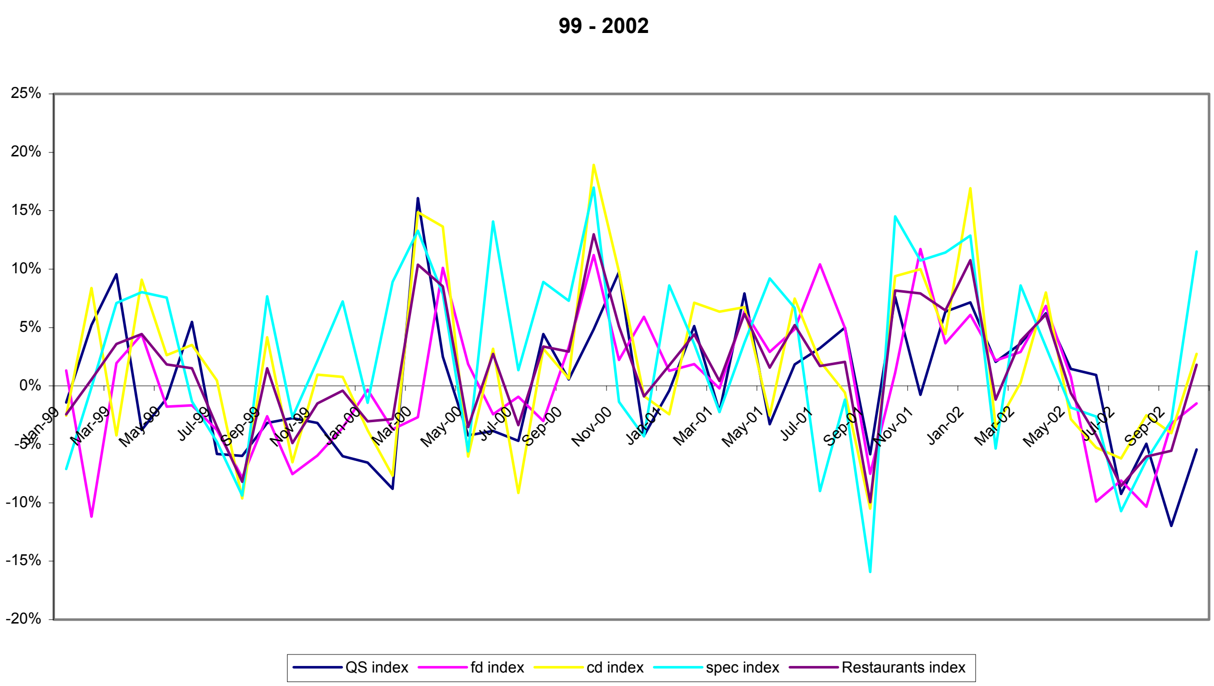
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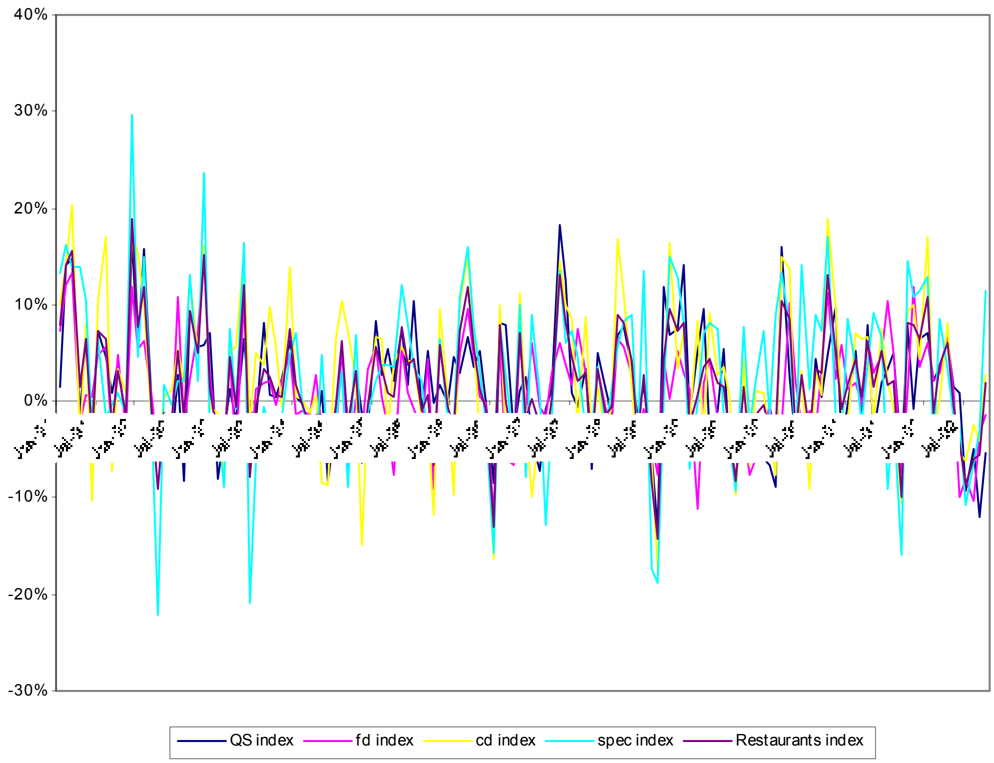
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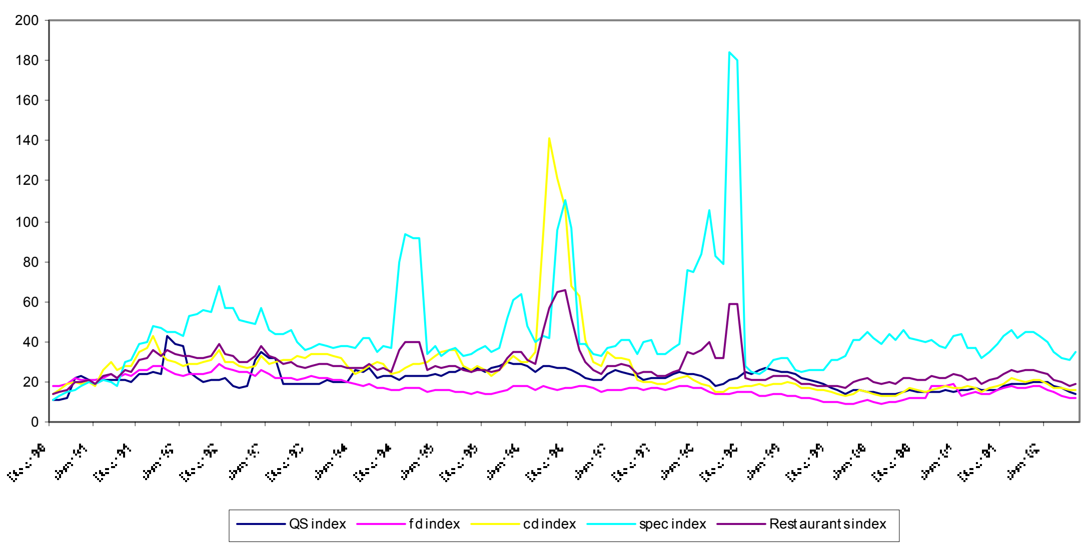
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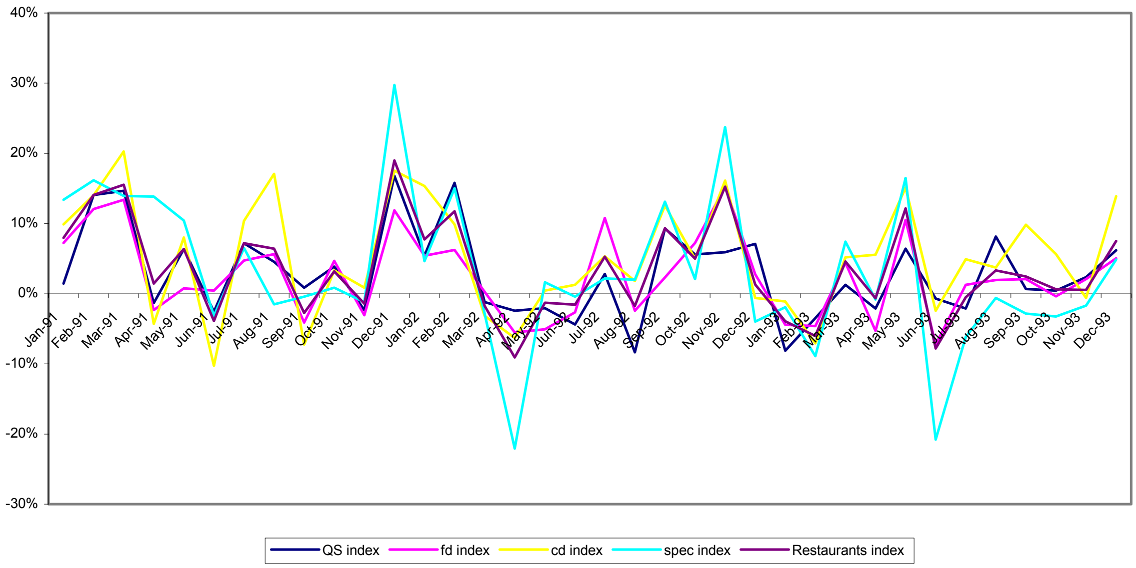

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