DELIVERY: DINING IN IS THE NEW DINING OUT

Equity Research

MARCH 20, 2018
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My thoughts and prayers are with every single food delivery person I shamelessly send into freezing temperatures.

Source: someecard

Please see pages 14 to 16 of this report for important disclosures.
12 Month Restaurant Stock Performance; Investors Appreciate the Delivery Theme!

Chart Excludes GRUB's +221% Move!

Source: Thomson Reuters; stocks as of close on 3/9/18
Cumulative and Average Number of Delivery Mentions on Restaurant Industry Earnings Conference Calls

<table>
<thead>
<tr>
<th></th>
<th>4Q15</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Brands (27)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42</td>
<td>54</td>
<td>60</td>
<td>73</td>
<td>150</td>
<td>206</td>
<td>294</td>
<td>254</td>
<td>208</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td><strong>Sequential q/q growth</strong></td>
<td>29%</td>
<td>11%</td>
<td>22%</td>
<td>105%</td>
<td>37%</td>
<td>43%</td>
<td>-14%</td>
<td>-15%</td>
<td></td>
</tr>
<tr>
<td><strong>y/y growth</strong></td>
<td>257%</td>
<td>281%</td>
<td>390%</td>
<td>248%</td>
<td>44%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Cowen and Company, Company reports
Our delivery model is premised on delivery driving about 30% of restaurant industry sales growth on average from 2017-22, from a starting point of 20% in 2017.

Source: NPD, Cowen and Company
Rapid Growth in Delivery is Complemented by Rapid Shift from Offline to Online; Est 26% in 2012, 46% in 2017 and 73% in 2022

Source: Cowen and Company, NPD
E-Commerce Penetration by Consumer Vertical, 2000-2022E

Source: Cowen and Company, U.S. Census Bureau
Delivery Users Clearly Prioritize Convenience and Time Over the Specific Restaurant’s Food

“During the typical occasion when you order delivery from a restaurant, what would you have eaten instead during that time had delivery from the restaurant you selected been unavailable?"

Implies delivery occasions are 77% incremental!

Source: Cowen Proprietary Delivery Survey May 2017, N = 2800
### Who is the Delivery Customer? Survey Conclusions...

<table>
<thead>
<tr>
<th>Age</th>
<th>Delivery Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>High</td>
</tr>
<tr>
<td>35-44</td>
<td>Medium</td>
</tr>
<tr>
<td>45+</td>
<td>Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geography</th>
<th>Delivery Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Metro Area</td>
<td>High</td>
</tr>
<tr>
<td>Suburb of Major Metro, Mid-Sized Metro</td>
<td>Medium</td>
</tr>
<tr>
<td>Smaller Metro, Small City</td>
<td>Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>Delivery Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$100k</td>
<td>High</td>
</tr>
<tr>
<td>$50k-$100k</td>
<td>Medium</td>
</tr>
<tr>
<td>&lt;$50k</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Cowen and Company
Monthly Proprietary Survey Data Shows Declining Number of Non-Delivery Users & Corresponding Increase in Light Users

Source: Cowen Consumer Tracking Survey, n=~2500, January 2018
Have You Used An Online Food Delivery Service (e.g. ordered prepared food from a restaurant via a web site or app)?

Source: Cowen Consumer Tracking Survey, n=~2500, January 2018
The Four Key Delivery Criteria: The Better Restaurants Can Meet These Criteria, The More Likely Delivery Will Be A Prosperous Sales Driver

Source: Cowen and Company
Cuisine is Not an Inhibiting Factor!

Correlation between changes in cuisine mix and growth in restaurants added to the GrubHub platform

Implies Steakhouse and Hamburger Are Gaining the Most Delivery Share of Delivery as Markets Grow while Pizza and Asian Are Losing the Most Share

Source: Cowen and Company, GrubHub
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Money can't buy you happiness.

But it can get you Fast Food Delivery, and that's pretty damn close.

Source: someecard
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Assumption: The expected total return calculation includes anticipated dividend yield

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Distribution of Ratings/Investment Banking Services (IB) as of 01/02/18

<table>
<thead>
<tr>
<th>Rating</th>
<th>Count</th>
<th>Ratings Distribution</th>
<th>Count</th>
<th>IB Services/Past 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy (a)</td>
<td>462</td>
<td>60.89%</td>
<td>107</td>
<td>23.06%</td>
</tr>
<tr>
<td>Hold (b)</td>
<td>287</td>
<td>37.66%</td>
<td>15</td>
<td>5.23%</td>
</tr>
<tr>
<td>Sell (c)</td>
<td>11</td>
<td>1.44%</td>
<td>0</td>
<td>0.00%</td>
</tr>
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</table>

(a) Corresponds to “Outperform” rated stocks as defined in Cowen and Company, LLC’s equity research rating definitions. (b) Corresponds to “Market Perform” as defined in Cowen and Company, LLC’s equity research ratings definitions. (c) Corresponds to “Underperform” as defined in Cowen and Company, LLC’s equity research ratings definitions. Cowen and Company Equity Research Rating Distribution Table does not include any company for which the equity research rating is currently suspended or any debt security followed by Cowen Credit Research and Trading.

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