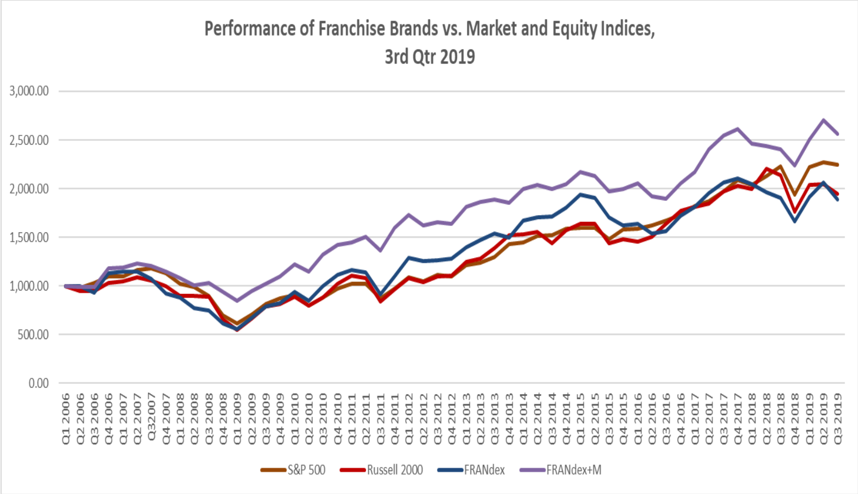
FRANdex

Index of Publicly Traded Franchises

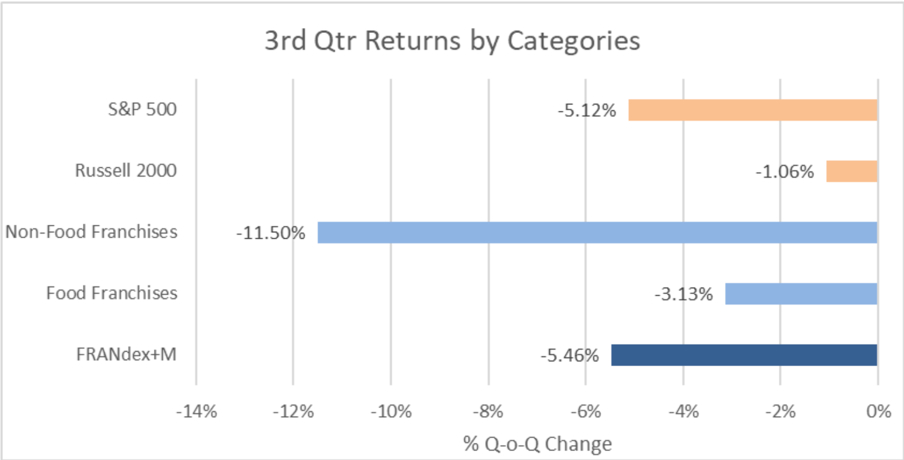
3rd Quarter 2019

Mounting Economic Concerns Weigh Down FRANdex in Q3



Improved market for dining out help food franchises outdo their non-food counterparts in Q3. In Q3-2019, franchise companies' (including McDonald's) returns were in line with S&P 500 but underperformed the Russell 2000 index. Food franchises outperformed their non-food counterparts. Returns for FRANdex+M declined by 5.46% Q-o-Q, with those for food companies up down 3.13% Q-o-Q.

Restaurant industry performance declined in the third quarter as sales have generally been weak, and profits even weaker, as labor costs take a bite into margins. And the biggest single trend in the industry, third-party delivery, comes with its own profitability questions. Gainers this quarter included Famous Dave's, Papa John's and Luby's Inc; while companies like Avis, Marriott and Snap-On Tools dragged down the non-food segment's performance. Even within the lodging industry, pricing weakness weighed on operators' minds and demand growth is not translating into higher occupancies.



Overall, small-cap stock performance relative to large-caps is near its worst since the financial crisis. Earlier this year, small caps had been having the best start to a year since 1987. However, the confluence of the U.S. China trade war and global interest rates at all-time lows spurred investor worry about the global economy, sending small caps to fresh low. Trade disputes and geopolitical frictions have become key drivers of the economy and markets. Persistent uncertainty from protectionist policies is denting global corporate confidence and slowing business spending.

FRANdex tracks the performance, based on market capitalization, of 61 U.S.-based publicly traded companies operating under and generating significant income through the franchise business model.

Data was adjusted for outliers, new listings and de-listings. Data as of 10/3/2019| McDonald's represents over 25% of the overall market capitalization of publicly traded franchise companies. It is excluded from the base FRANdex, but shown above as FRANdex+M.

For more information about franchise company performance call FRANdata at 800.485.9570 or www.frandata.com.