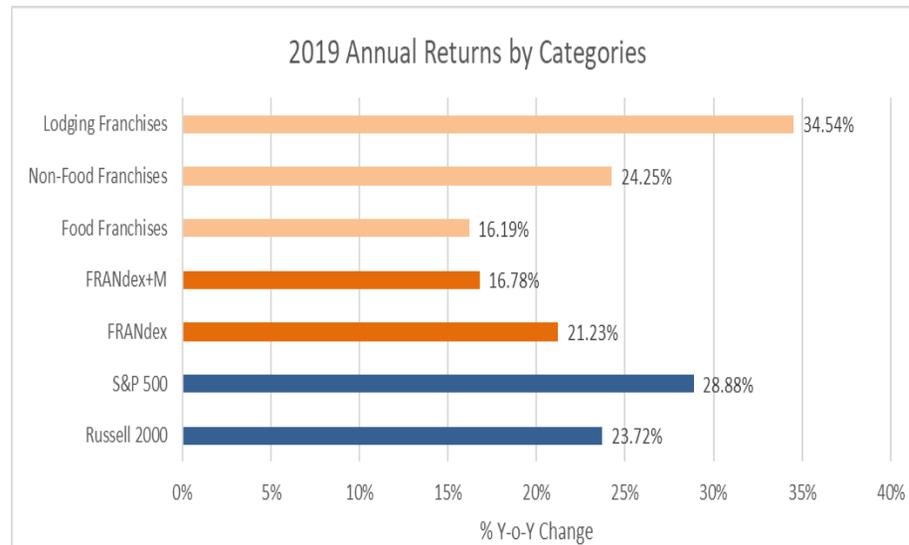
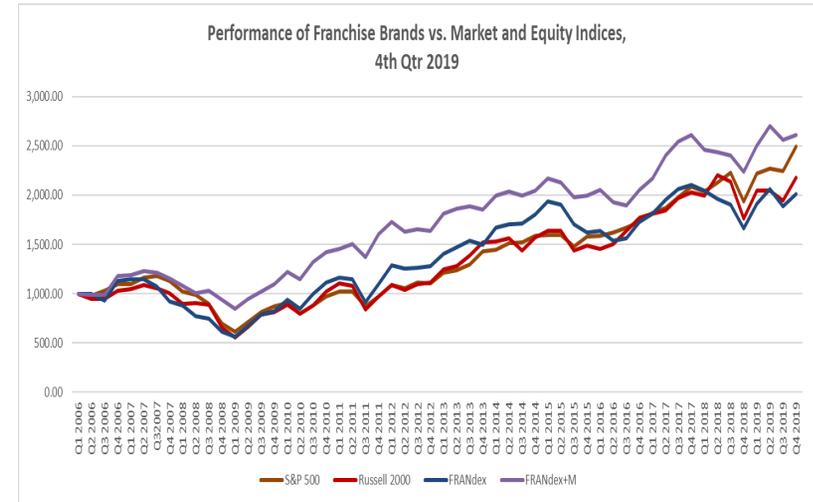


Franchises Soar High; FRANdex Jumps 21.2% Y-o-Y In 2019

Buoyed by growing consumer spending and growth in disposable income levels, FRANdex achieved major year-over-year gains in 2019. In the year, franchise companies' (excluding McDonald's) annual returns were almost like those achieved by the S&P 500 and the Russell 2000 indices. Hospitality franchises were the major gainers in the year, up 34.5% y-o-y; overall the returns for non-food franchises (24.3%) outperformed their food counterparts (16.2%).

Gains among food franchises were largely supported by elevated consumer sentiment, while residential services franchises homeownership has remained stagnant during the year. Even within the lodging industry, there was an expansion in supply. Top gainers in 2019 included Marriott, Hilton, Ameriprise and Restaurant Brands International; while companies like Texas Roadhouse, Brinker International and Jack in the Box dragged down the food segment's annual performance.



Going forward in 2020, the U.S. economy is expected to exhibit slow but steady growth, with little in the way of heightened recession risks. Because of trade tariffs and an expected rise in labor costs, profit margins could come under pressure in 2020. High debt levels and a weaker profitability outlook likely will continue to pressure small-cap stocks. However, improvements in business sentiment could boost capital formation. Furthermore, improvement in housing starts, supported by lower interest rates will also provide a tailwind for the U.S. economy next year. Election-year uncertainty will also be a factor for growth in 2020.

Growth in 2020 for franchising is likely to mirror that of the U.S. economy, with an expectation of slower yet steadier gains for the industry, overall.

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 12/31/2019. 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.