



NEWSLETTER

Volume 2 - December 2019

16TH ANNUAL CHARITY GOLF CLASSIC Premiering the CKE Franchise Awards

The 16th Annual Carl's Jr. Franchise Golf Classic will take place from March 31 – April 1, 2020.

By popular demand, we are returning to the Marine Memorial Golf Course at Camp Pendleton for the tune-up round on March 31, with a surprise activity prior to it.

The main event will be at The Crossings at Carlsbad on April 1, 2020. Named “Top 10 Courses You Can Play” by Golf Magazine, the Crossings is one of California’s most scenic and invigorating 18-hole golf courses, surrounded by natural seaside beauty and Pacific Ocean views. We have set the stage for an event to remember

filled with fun activities throughout the tournament.

For the first time ever, CKE Franchise Awards will be presented at the Kick Off Dinner and Auction. Dinner festivities will take place on the evening of March 31st at the Westin Carlsbad Resort & Spa adjacent to Crossings.

As always, the proceeds from the Classic will go towards Stars for Heroes campaign which benefits military and veteran charities. In 2019, Carl's Jr. was able to raise over \$500,000 through this initiative.

Event registration opens January 2020, stay tuned for more details and announcements via SFA email communications or visit our website - www.starfran.com. ♦



The Crossings at Carlsbad
March 31 - April 1, 2020



A LETTER FROM CKE

Dear Carl's Jr. Franchisees,

On behalf of CKE and our management team, I wanted to take this opportunity to thank everyone for your hard work and dedication this year. It has been an exciting year full of change that has resulted in positive momentum for the Carl's Jr. brand. We have enjoyed positive same store sales for each of the last 10 periods and we are currently +5.3% in quarter four. I am really excited about the progress we are making across the system with positive sales, big increases in brand awareness, marked improvements in guest satisfaction and improving Balanced Score Card performance.

As we enter the new year, we will build on our momentum and execute our 2020 game plan for success. We are introducing a new advertising agency and a 360 degree advertising campaign with new creative, which we will promote with a hybrid media strategy that leverages the strengths of both national and local media. We are rebuilding our innovation pipeline and have a balanced calendar with premium, core and value layers. We are adding new operations resources to get closer to the restaurants, rolling out new technology innovations including POS and piloting remodel proof of concepts to refresh our assets as we build for the future.

We are also focused on supporting our restaurants and servicing our franchisees. Your success is our success and your involvement is critical to accelerating our momentum! We are very thankful for the cooperative engagements that we are having with the Star Franchise Association Board and with our franchise community in general.

Our interests are aligned! Let's continue to build our relationships, execute our plans and win big together! To use the words of Carl Karcher ... "LET'S MAKE IT HAPPEN!"

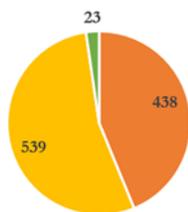


Sincerely,

Ned Lyerly
CKE President

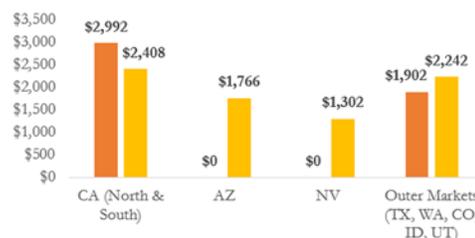
THANKSGIVING SURVEY DATA

Store Status
(of 1000 Stores)



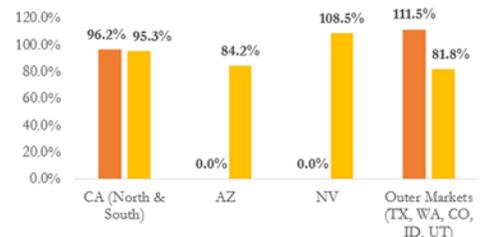
■ Fully Open ■ Partially Open ■ Closed

Sales



■ Sales Fully Open \$ ■ Sales Partial Open \$

% vs PY



■ Fully Open % vs PY ■ Partial Open % vs PY

*Data sourced directly from SFA Survey. Please note there was a date mismatch and inclement weather which may be reflected in the results.

A LETTER FROM THE BOARD

SFA Members:

Happy Holidays! I hope everyone had a wonderful Thanksgiving and takes the opportunity to truly enjoy this blessed time of year.

I am honored to serve as Vice-President of the SFA Board, and it is my goal to support enhanced communication with our valued franchise community. To that end, we have sent several email updates related to specific topics including committee assignments, IT initiatives, delivery developments, as well as Amir's summary of our most recent SFA Board meeting with CKE. Below is a link to each of these updates:

[11/11/19: Save the Dates](#)
[11/21/19: Committee Assignments](#)
[11/22/19: IT Update](#)
[11/29/19: Delivery Update](#)
[12/6/19: Board Meeting Update](#)

We will continue to send individual communications as topics arise and will include the comprehensive list in future newsletters.

As part of our yearly planning process, we have updated the SFA Mission Statement to reflect a clear direction for the future.

Our mission is to unify franchisees and lead our Brand to enhanced financial viability by living our Carl's Jr. culture and utilizing the resources and talents of our franchise community while leveraging our strength to demand best-in-class vision and support from our franchisor.

The SFA Board will use this mission as the guiding principle for our work on behalf of our franchisees.

Our goal is to launch a new and much improved SFA website in Q1, 2020. The new site will require franchisee credentials so we can move forward with posting updates, meeting minutes and contact information. This will provide an avenue for secure communications and a portal to locate all information related to the SFA and Board activities.

While we continue to see modest sales gains, we are very aware of the significance of the upcoming National Campaign for Window 2. CKE has committed to executing a true 360° campaign—where our Brand voice around “Feed Your Happy” is consistent across all media platforms. The initial work we saw last week in Franklin, coupled with positive focus group feedback, is encouraging.

On behalf of the entire SFA Board, I wish you a Holiday Season filled with laughter, joy and peace.

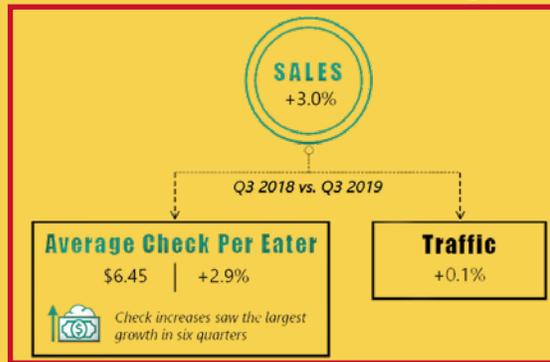


Warmest Regards,
Jennifer Dowling
Jennifer Dowling
SFA Vice President

Q3 INSIGHTS

Over the past year, sales performance saw the largest growth since Q1 2015. Between Q3 2018 and Q3 2019, sales increased by 3.0%. Notably, traffic showed no growth. In fact, sales growth is reflective of a higher Average Check Per Eater. This is partially inflated by menu price increases caused by a higher minimum wage. Even though the restaurant industry flourished in Q3, sales are vulnerable to traffic decreases if we enter a volatile economic climate in the coming years.

A leading cause of concern is the continued tariff war between the United States and China. As this long-standing trade partnership is shaken up, the economy continues to slow. Many economists see signs of a recession to begin in late 2020 or early 2021.



In the meantime, the restaurant industry continues to show growth driven by QSR. Weekdays were the largest drivers of growth within the QSR space in Q3. We saw growth in all day parts except for dinner. In particular, lunch saw a 3.0% increase and consumption at work is up for the first time in two years. Moreover, delivery is continuing to gain momentum and steal share performance from all other modes of service including dine-in, drive-thru, and take-out.

In the long-term, the restaurant industry will evolve with the growing “Sheconomy.” Centennial and Millennial cohorts have the largest portion of single, working-age women than any other generation. By 2030, 45% of working women age 25 – 44 years old will be single. This will certainly reflect in consumer habits as women continue to start their families later and later in life.

Committees

POS/IT

CHAIR: Jay Hafemeister
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CKE CO-CHAIR: Darla Morse

MEMBERS:
- Jennifer Dowling - Eric Rodriguez
- Dana McClure - Robert Bearden
- Mike Borchard

PURCHASING/ SPEND SMART

CHAIR: Dan Gjurgevich
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CKE CO-CHAIR: John Dunion

MEMBERS:
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- Mike Borchard

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Codie Richards

MEMBERS:
- Newton Hoang - Laura Vandevier

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MEMBERS:
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- Beve Mills

MARKETING

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CKE CO-CHAIR: Chad Crawford
Ned Lyerly

MEMBERS:
- Warren Forsythe - Dan Gjurgevich

A long-term challenger to the industry is the noticeably increased menu prices. 65% of guests say they have noticed prices have increased. So far consumers are willing to pay, which is why traffic remains flat while check rises. It should be noted, however, that this is a trend which benefits from a healthy economy. ♦

* Data courtesy of Coca-Cola Refreshing Insights: The Information Wave

Effects of Rising Menu Prices on Consumer Spending

- 37% No Change
- 39% Dine Less
- 35% Cheaper Menu Items
- 31% Cheaper Restaurants

GREEN BURRITO

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MEMBERS:
- Sam Wong

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CKE CO-CHAIR: Ron Coolbaugh

MEMBERS:
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