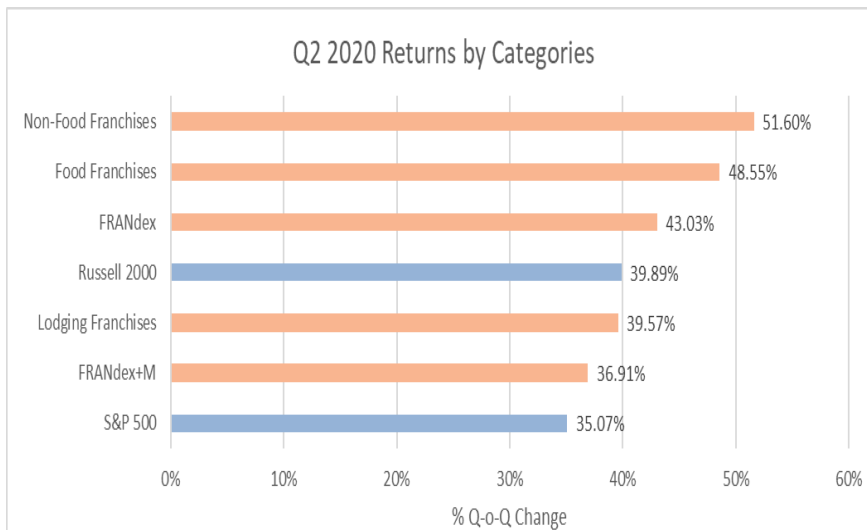
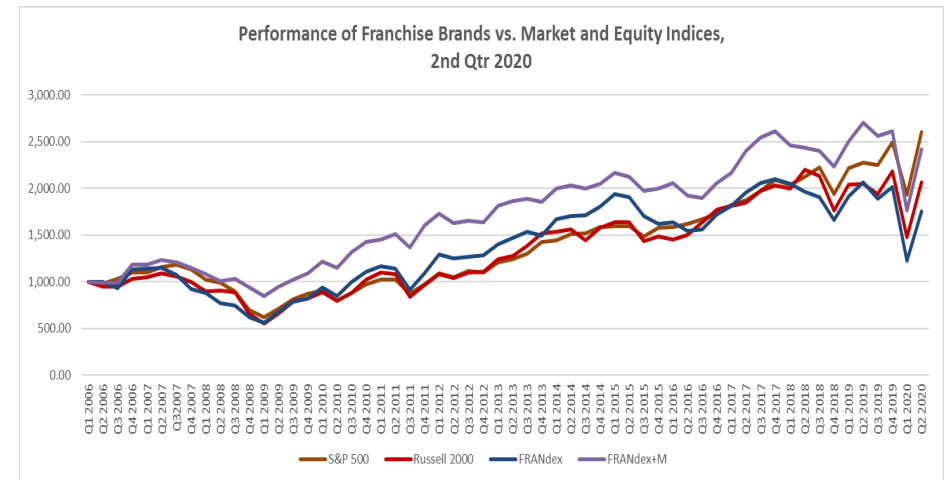


Federal Assistance Helps Franchises Recover From COVID-19 Impact; FRANdex Up 43%

Buoyed by a mix of market correction and federal government assistance like PPP loans, payroll tax cuts, etc., FRANdex achieved major quarter-over-quarter gains in Q2-2020. In the quarter, franchise companies' (excluding McDonald's) annual returns outperformed both broader indices - S&P 500 and Russell 2000. Non-food franchises were the major gainers in the quarter, up 51.6% q-o-q, boosted by the returns from lodging franchises (39.57%). Food franchises were up by 48.55%.

The shutdown of non-essential businesses across the United States was a sudden and unexpected shock to the economy. A significant proportion of non-food franchises were deemed essential in most parts of the country, leading to a tempered impact as compared to the pinch felt by franchise food companies. Investors are warming up to the restaurant sector. The gains in Q2 could be tied to some positive earnings reads and COVID-19 developments.



New projections are forecasting U.S. GDP to grow by around 20% on an annualized basis in the third quarter, as activity ramps back up following coronavirus-related lockdown measures that devastated the economy through the first two quarters of the year. Various economic indicators have rebounded in June and July. However, a new surge of COVID-19 cases in various parts of the country is threatening to dampen the recovery path. While this resurgence in cases appears to be moderating in some parts of the economy, another threat looms: high unemployment levels and the resulting damage to consumer spending.

Meanwhile, the coronavirus shutdown is not stopping franchise sales, with franchisors getting more aggressive. This is tempered by an uptick in concerns displayed by prospective small business owners regarding general business conditions in the near term.

FRANdex tracks the performance, based on market capitalization, of 63 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 8/14/2020. 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.