



July 14th, 2023

Dear Chicken & Whiskey LLC, Capital Partners,

Executive Summary

SRG Concepts is working to streamline your quarterly updates to a brief one and ½ page bullet summary of our restaurant issues and action plans. Beginning Q2, all financial reports will be posted on the new SRG Concepts website Investor Portal www.srgconcepts.com. Shortly, you will receive email notification to join the Investor Portal and will be asked to create a username and password. We ask for your patience as you navigate this new platform as technical glitches may occur. Please notify us immediately and we will work quickly with our webmaster to resolve these issues.

Chicken & Whiskey Q2 sales reached \$1,350,000 (+2.1%) and EBITDA of \$147,031 (-13.1%). Cover counts were up 2.7% while PPA stayed flat at \$23.84. Our drop in EBITDA of \$22,129 from \$169,160 in 2022 is the most concerning.

Our biggest issue is the \$1.85 increase in hourly wage rate from \$14.13 to \$15.98 resulting in added quarterly costs of \$23,200. This is all attributable to labor compression caused by the DC minimum living wage rate mandated for all workers at \$16.50 beginning January 1 and \$17.00 starting July 1, 2023. To offset, SRG imposed a 3.75% fair wage add on to all our sales transactions beginning June 4th.

The second issue is the 2.5% increase in food cost from 2021 caused by the rise of chicken prices from \$1.05/lb. to \$1.50/lb. This impacts the restaurant by \$24,900 per quarter. In the last three weeks prices have eased to the \$1.30 range. Ben Nichols monitors our chicken negotiations, often switching vendors for .05 per pound savings. He also finds vendors able to unload spot deliveries in the \$1.15 range. Overall, we expect food cost will drop to the 26.5% range shortly.

2nd Quarter Guest Satisfaction Survey was unacceptable at 3.81. We must get back in the 4.4 range for Google.

The management team led by Ivania Montecinos continues to control its overall cost structure despite rising wage rates and chicken costs. *Chicken + Whiskey* weekly sales have stabilized between \$110,000 and \$120,000, which is exceptional given our small footprint of 3150 square feet.

Your Q2 distribution of \$100,000 was made the week of June 30th with a \$47,000 reserve for capital expenditures and working capital. \$100,000 investors received \$4,761. \$50,000 investors received \$2,380 and \$25,000 investors received \$1,190. This reflects a 19.0% annual cash on cash return.

Action Plan:

- *Chicken + Whiskey* (along with *doi moi*) are now exclusive food providers for *The Aslin Beer Garden* located at the corner of 14th and S Street. We hope this will provide solid growth and sales for us.
- Menu engineering is taking pace to identify “dogs” and “stars” and determine whether we should shrink the menu and/or increase prices to decrease our overall blended cost closer to 24% and increase gross profit margin.



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- Promote private events, specifically full weeknight buyouts and continue to push catering initiatives through catering manager, Ali Burson. Private events will be handled directly by the store GM and executed using Triple-Seat.
- Higher guest satisfaction scores on Yelp and Google will drive new customers to try *Chicken + Whiskey* compared to other fast casuals in the area.

Quarterly Reporting

SRG Concepts is transitioning your Q2 reporting to our Investor Portal on the SRG Concepts Website. Investors will be able to find the following quarterly reports for their respective restaurants on the website:

- Profit & Loss statement with Key Performance Metrics.
- Balance Sheet
- Guest Satisfaction (Google, Yelp)
- Mystery Shop Performance vs. Brand Standards.
- Associate Engagement
- Turnover

As always, we appreciate your support of Chicken + Whiskey and SRG Concepts. Please give us a call at 571-512-8361 or email sdemon@srgconcepts or gchang@srgconcepts with your questions.

Sincerely,

Enrique, Des, Kris, Stu, Chuck, and Grace.