PYXIS
BY BAIN & COMPANY

SEPTEMBER 2025

PE Investment Landscape: Limited Service Restaurants

Historical Deal Performance Meets Real-Time Consumer Behavior

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Executive Summary

Private equity's relationship with the restaurant sector has traditionally been driven by consistent cash flows, replicable unit economics, and brand-driven demand. But to sustain strong returns today, PE firms must align not only with past performance trends, but also with evolving consumer behavior.

This report highlights market-level insights from Pyxis, Bain & Company's consumer analytics division powered by billions of verified transactions:

- Limited service restaurant growth from 2022 - 2025 Q3 YTD
- Key metrics / revenue drivers (avg. order value, avg. order frequency)
- Demographic cuts by age band

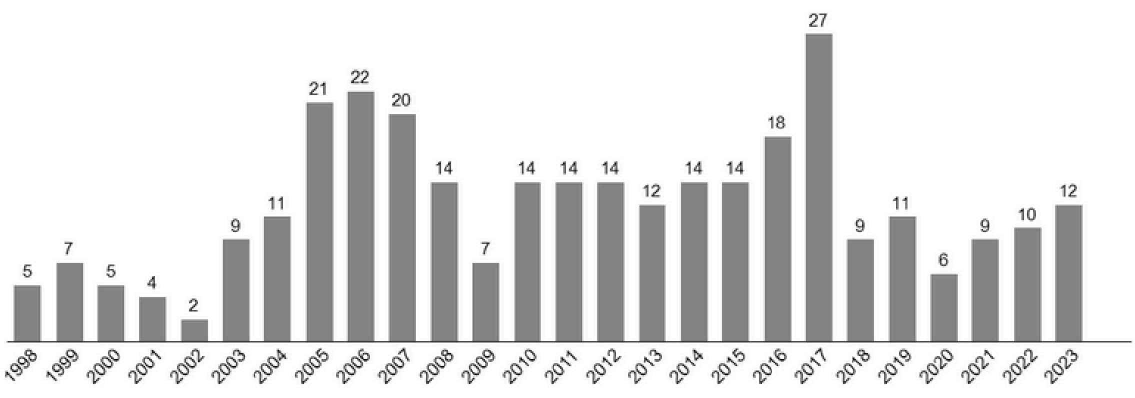
By combining precedent and the closest real-time views, investors can position themselves ahead of shifting consumer dynamics – capturing not just the next deal, but the next generation of category leaders.

Restaurant Investing: Past Performance to Present Dynamics

The U.S. restaurant sector has long been an attractive area of focus for private equity investors, with more than 310 majority-control deals completed over the past 25 years, representing over $70 billion in disclosed value. Activity levels have varied across cycles but have remained high on average, reflecting the sector's combination of resilient consumer demand, strong brand equity, and recurring cash flows.

Historically, successful investment theses have centered on three plays: turning around strong but underperforming brands, expanding proven concepts with attractive economics, and backing new formats with high consumer appeal.

U.S. PRIVATE EQUITY RESTAURANT DEALS COUNT ('98 - '23)



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Disclosed deal value ($B)	1.2	0.3	1.0	0.5	1.7	0.3	0.6	1.7	5.2	13.5	0.2	0.6	6.1	1.0	3.4	0.2	3.9	0.2	0.0	9.0	4.1	2.3	11.5	0.3	0.1	1.9	**70.6**
# deals with disclosed value	5	4	5	4	2	7	5	11	10	10	4	5	6	5	6	3	3	1	1	5	4	3	2	3	2	3	**119**
# disclosed deals over $100M	2	1	3	2	2	0	1	7	10	8	0	2	5	3	5	1	3	1	0	4	4	3	2	1	1	3	**74**

Note: Includes closed private equity buyout deals best categorized as Restaurants & Food Services. Also includes ~40 deals best categorized as Food Services (e.g., caterers, concessions operators, food distributors, equipment suppliers, vending machine operators, etc.) | Source: Dealogic; SPS (2021-2023); Lit. search

Key Dynamics Shaping The Restaurant Industry

While these approaches have delivered strong returns historically, today's market dynamics require investors to be more intentional in how they apply these themes to a quickly evolving sector. The question for modern investors is not only where to play, but how to adapt these strategies in an agile manner.

Key forces that are shaping the industry today include:

Evolving Consumer Expectations

Dining behaviors are shifting, with heightened demand for convenience, personalization, and differentiated experiences. Growth in off-premise consumption channels, such as delivery and takeaway, alongside the expansion of loyalty and rewards programs, underscores the importance of meeting consumers where they are.

Innovation Driven by Technology & Digital

Technological innovation is reshaping every stage of the restaurant experience – from digital menu boards and AI-driven personalization in marketing to the use of smart robotics in food preparation and delivery and beyond. Combined with the amplification power of social media, these advancements are driving the rise of new dining concepts and transforming competitive strategies across the industry.

Intensifying Competitive Pressures

Incumbent players are refining their value propositions to strengthen their competitive edge. Strategic focus areas include enhancing food quality, optimizing price-value perceptions, and improving convenience to capture and retain market share.

Real-Time Behavioral Insights From Pyxis

In today's rapidly evolving markets, real-time behavioral data has never been more critical. The restaurant industry has been facing a period of unprecedented disruption over the last 5 years, with market context becoming increasingly complex and the pace of change accelerating.

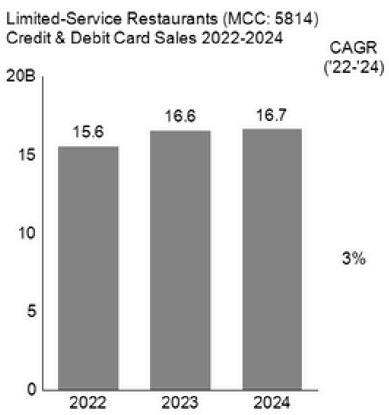
Pyxis, Bain & Company's consumer analytics division, offers investors a real-time lens into the market – spanning broad, sector-level dynamics to company-specific, peer-by-peer granularity. Powered by a proprietary analytics platform that processes billions of consumer transactions, Pyxis applies advanced machine learning techniques for data cleaning, structuring, and aggregation. The result is a rigorous, differentiated view of market and consumer behavior that helps shape and sharpen investment theses.

Limited Service Restaurants: A Market-Level View

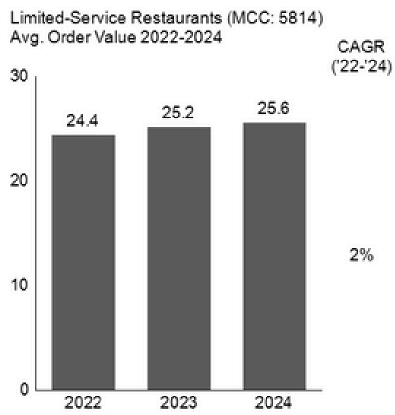
Merchant Category Codes (MCCs) – the four-digit classifications used by payment networks to identify merchant types – offer a precise, transaction-level view of where and how consumers spend. By aggregating this data, we can uncover meaningful patterns in purchasing behavior and detect category growth trends with exceptional clarity. Using MCC insights, we find that limited-service restaurants (LSRs) — spanning both quick-service and fast-casual formats — experienced consistent ~3% annual growth from 2022 to 2024.

This expansion has been driven by a ~2% CAGR increase in average order value (AOV) alongside a ~2% CAGR rise in order frequency (AOF) over the same period. These trends have positioned LSRs as a broadly resilient category with sustained revenue potential. While additional distinctions may emerge when examining QSR and fast-casual segments individually, the LSR category has delivered steady, reliable growth in recent years.

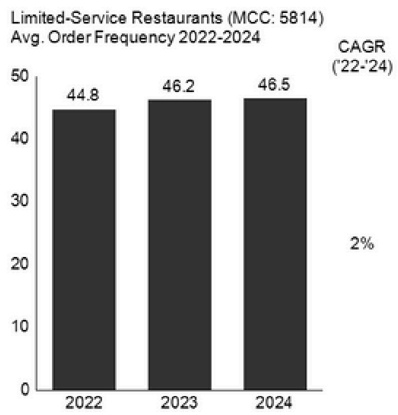
SALES GROWTH



AVG. ORDER VALUE



AVG. ORDER FREQUENCY



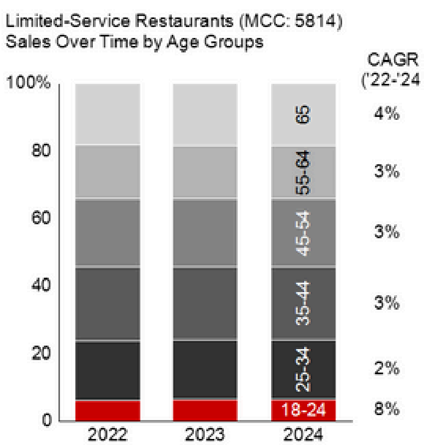
Note: (*) MCC (Merchant Category Code) is a four-digit number used by payment networks to classify businesses by the type of goods or services they provide – MCC 5814 includes establishments that sell quick-service F&B including but not limited to fast food, coffee, sandwich / salad shops, etc.; demographic panel data is opt-in / self-reported and should be taken directionally; excludes aggregators and cash transactions | Source: Pyxis credit & debit card data

Gen Z In Recent Years : The Next Big Growth Engine?

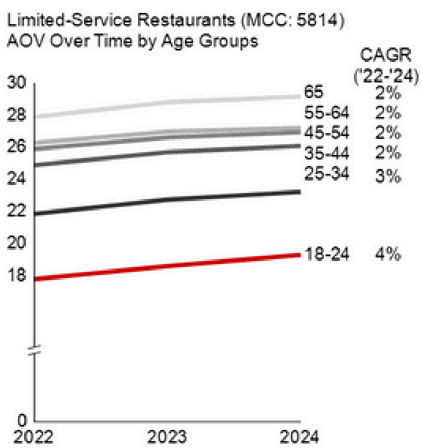
Building on the aggregate category view, a demographic lens reveals how growth drivers vary across consumer segments. MCC-based transaction data by age group shows stable sales distribution between 2022 and 2024, with the largest share held by consumers aged 35–44, followed by 25–34 and 45–54 segments. While most age groups recorded 3–4% annual growth in spending, the 18–24 segment outpaced the category with 8% CAGR, signaling its emergence as a high-growth consumer base.

Growth across all age groups has been supported by gains in both average order value and order frequency, albeit at varying rates. The 18–24 cohort demonstrated the fastest AOV growth at ~4% CAGR and the strongest increase in order frequency at ~5% CAGR, suggesting both larger and more frequent transactions from younger consumers. Older cohorts, including those aged 55–64 and 65+, saw modest frequency gains but continued steady AOV growth, underscoring their role as consistent, loyal customers.

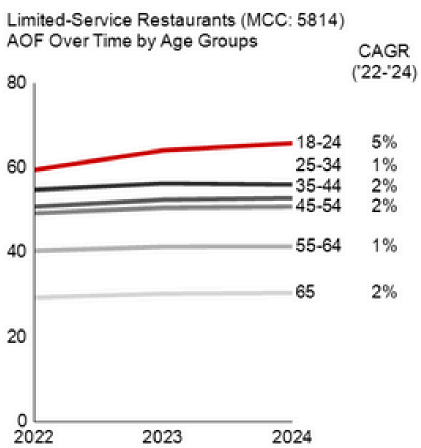
SALES SPLIT BY AGE



AOV BY AGE



AOF BY AGE



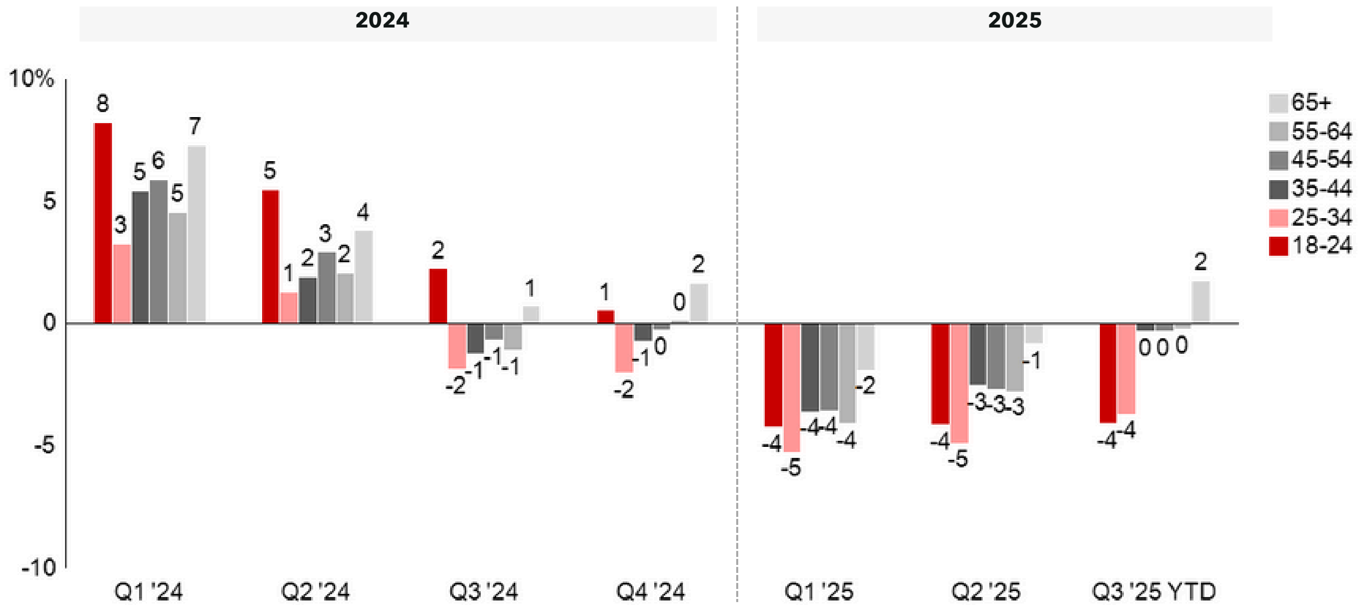
Note: (*) MCC (Merchant Category Code) is a four-digit number used by payment networks to classify businesses by the type of goods or services they provide – MCC 5814 includes establishments that sell quick-service F&B including but not limited to fast food, coffee, sandwich / salad shops, etc.; demographic panel data is opt-in / self-reported and should be taken directionally; excludes aggregators and cash transactions | Source: Pyxis credit & debit card data

Gen Z Slowdown in 2025: Signal or Noise

However, Pyxis' most recent 2025 data suggests a shift in the trend. When looking at transaction growth of approximately 65 top LSR brands in the U.S., we can observe that younger consumer traffic – particularly those aged 18–34 – has slowed this year, with year-over-year declines in the mid-single digits on average. For older age groups, the pullback appears to be less pronounced, as shown in the chart below.

This emerging softness is an important indicator to monitor closely. Although it remains to be seen whether the slowdown reflects temporary noise driven by this year's macro uncertainty or an early signal that Gen Z's role as a core demand driver may be starting to recalibrate. Regardless, it underscores the importance for investors to track restaurant growth metrics with near real-time granularity – layering short-term cohort and demographic insights on top of historical market and deal performance to get a holistic investment perspective.

YoY TRANSACTIONS GROWTH OF TOP U.S. LIMITED SERVICE RESTAURANTS BY AGE GROUP (%)



Note: Excludes cash transactions or aggregators; Limited service restaurants captured include ~65 top U.S. brands across coffee and beverage (e.g., Starbucks, Dunkin', Smoothie King); QSR (McDonald's, Wendy's, Taco Bell, Chick-Fil-A, KFC), pizza chains (Domino's, Papa John's, Pizza Hut); and fast casual chains (Chipotle, Cava, Sweetgreen, Subway), non-exhaustively; demographic panel data is opt-in and self-reported and should be taken directionally | Source: Pyxis credit & debit card data

Conclusion

Armed with historical deal performance and Pyxis' real-time consumer analytics, private equity investors can rethink how they underwrite and unlock value in the limited service restaurant space. The winning playbook increasingly blends behavioral insights into the deal lifecycle to identify brands positioned for sustained growth.

Key considerations include:

1. Embed Behavioral Data Throughout the Deal Lifecycle – Leverage Pyxis insights to validate unit economics, customer retention, and order frequency for pre-acquisition research and beyond. Ground revenue forecasts in observed consumer behavior rather than static assumptions.

2. Monitor Generational Demand Shifts Closely – Gen Z has fueled LSR growth in recent years, but 2025 data shows early signs of slowing traffic. Investors should monitor whether this is temporary volatility or a lasting recalibration, while keeping an eye on how older cohorts continue to provide stability.

3. Adapt to Evolving Consumer & Competitive Dynamics – As expectations around convenience, digital engagement, and value continue to intensify and evolve, the strongest returns will come from backing concepts that can innovate while maintaining operational discipline and profitability.

About Pyxis

Turning Transactional Data Into Investment Advantage

Whether at pre-acquisition, post-acquisition, or ongoing portfolio monitoring stages, **Pyxis equips investors with the evidence they need to identify high-potential assets, validate investment theses, and uncover growth levers** others miss.

Industry Scan

- How attractive is an investment in this market?
- Will consumer spending increases in this sector be resilient?
- Do recent trends in the competitive landscape demonstrate long-term investment potential?

Pre-acquisition Research

- Does the asset have strong fundamentals to enable sales and margin growth?
- Is the asset demonstrating share gain in the category?
- Are there promising vectors for growth (e.g., geography, channel)?

Post-acquisition Strategy

- How strong is asset performance in new channels, product lines, or customer segments?
- What are leading indications that the asset is under-performing?
- What are opportunities for product innovation or channel diversification?

Port-Co Monitoring

- Which revenue drivers should we prioritize to maximize growth?
- Where can the asset obtain efficiency gains through competitive benchmarking?
- How can we maximize valuation ahead of exiting the asset?

2,000+
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300+
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50+
Data subscriptions across 20+ countries

90+
Data scientists dedicated to data structuring

80+
Corporate clients served

75+
Asset managers served

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