THE MACRO SHOW

MARCH 30, 2017

THE MACRO SHOW

THE SHOW WILL BEGIN MOMENTARILY.

MARCH 30, 2017

LEGAL

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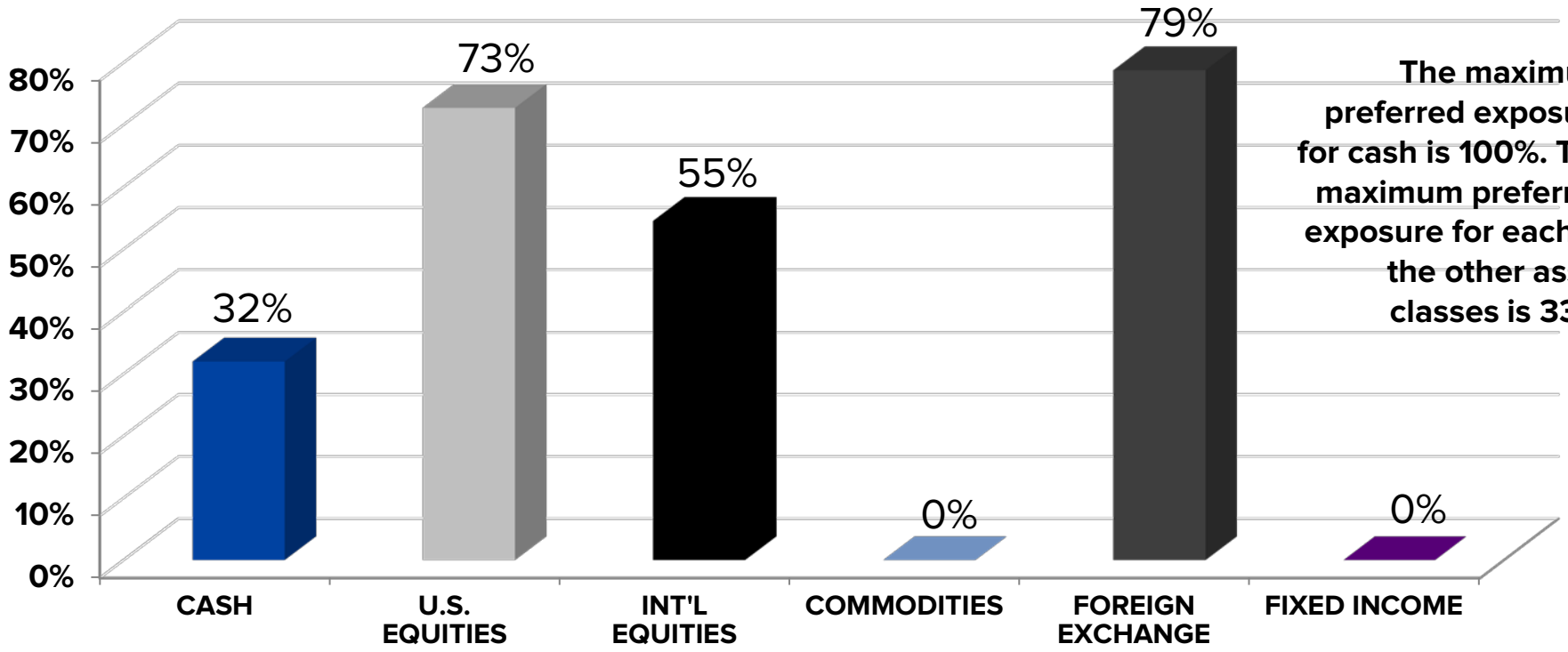
HEDGEYE ASSET ALLOCATION

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/29/2017	32	24	18	0	26	0
3/30/2017	32	24	18	0	26	0

	CASH	U.S. EQUITIES	INT'L EQUITIES	COMMODITIES	FOREIGN EXCHANGE	FIXED INCOME
3/29/2017	32%	73%	55%	0%	79%	0%
3/30/2017	32%	73%	55%	0%	79%	0%

The maximum preferred exposure for cash is 100%. The maximum preferred exposure for each of the other asset classes is 33%.

HEDGEYE ASSET ALLOCATION



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RESTAURANTS & CONSUMER STAPLES

HOWARD PENNEY & SHAYNE LAIDLAW

MACRO ENVIRONMENT

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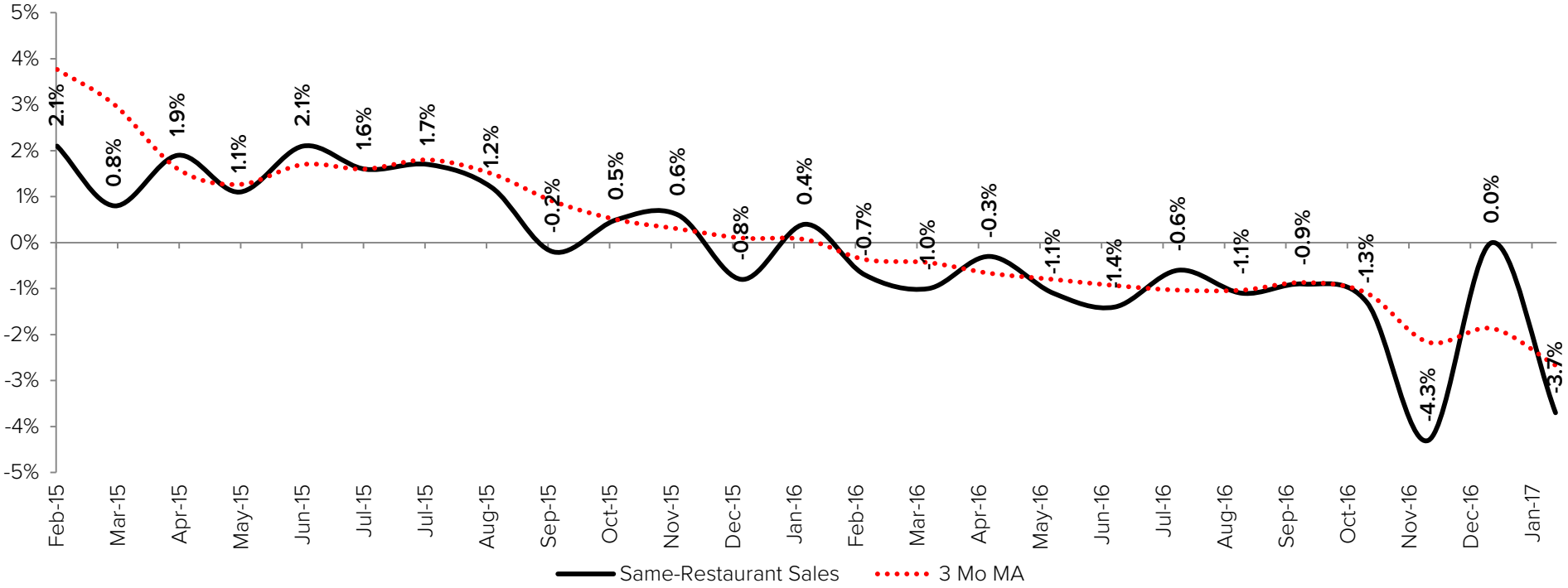
Photo source: www.weknowyourdreams.com

BLACK BOX COMPARABLE RESTAURANT SALES



- February comp sales were -3.7% (-2.7% on a rolling 3 month basis)
- Many management teams in the restaurants space had voiced concerns of extremely poor February sales and traffic on their earnings calls. For example, on RRGB's 4Q16 earnings call, CFO Guy Constant stated the following: "I think it's no secret that January results for the industry have taken a bit of a turn to the positive from what we saw late in the fourth quarter, **but February has certainly been challenging for the industry**."

Data Source: Black Box Intelligence

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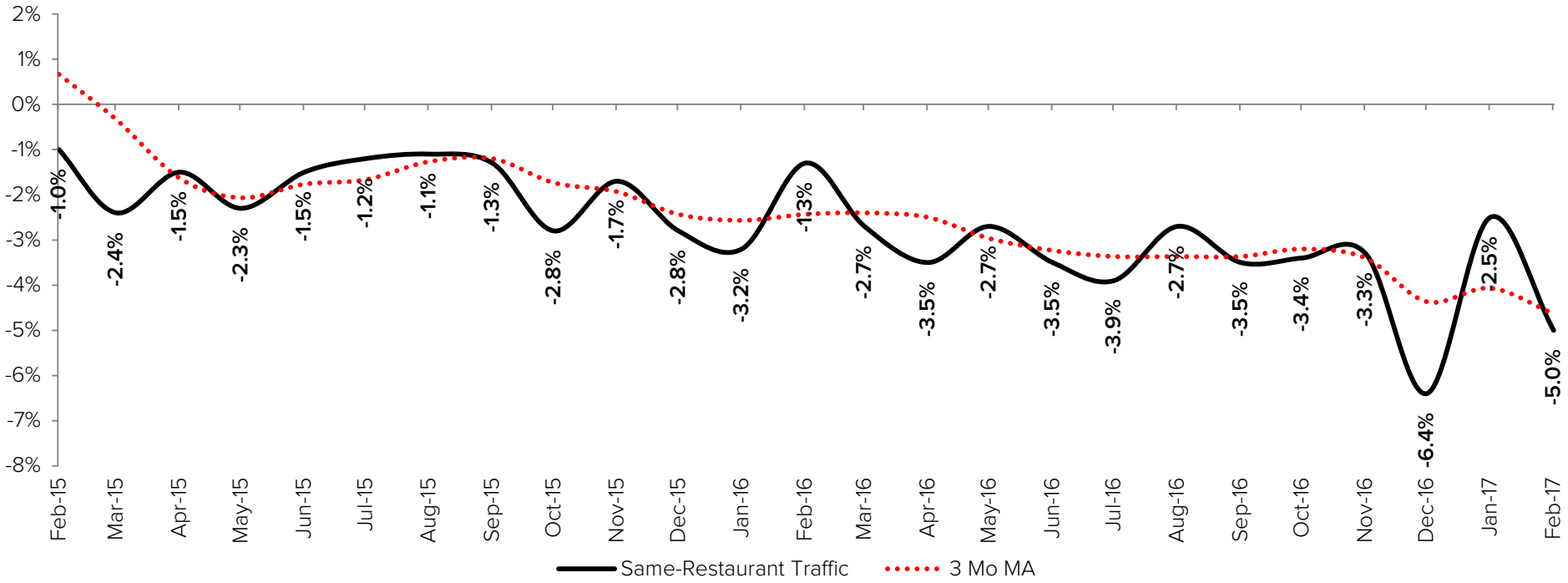
BLACK BOX COMPARABLE RESTAURANT TRAFFIC



- Comp traffic was -5% (-4.7% on a rolling 3 months basis)
- According to TDn2K, a notable part of the story is the income tax refund delay. According to Black Box Intelligence, these delays "undoubtedly depressed sales in the early weeks of February. In 2014, almost 30M families received more than $70B in Earned Income Tax credit. Even a small delay in refunds had the potential to greatly impact consumer spending."

Data Source: Black Box Intelligence

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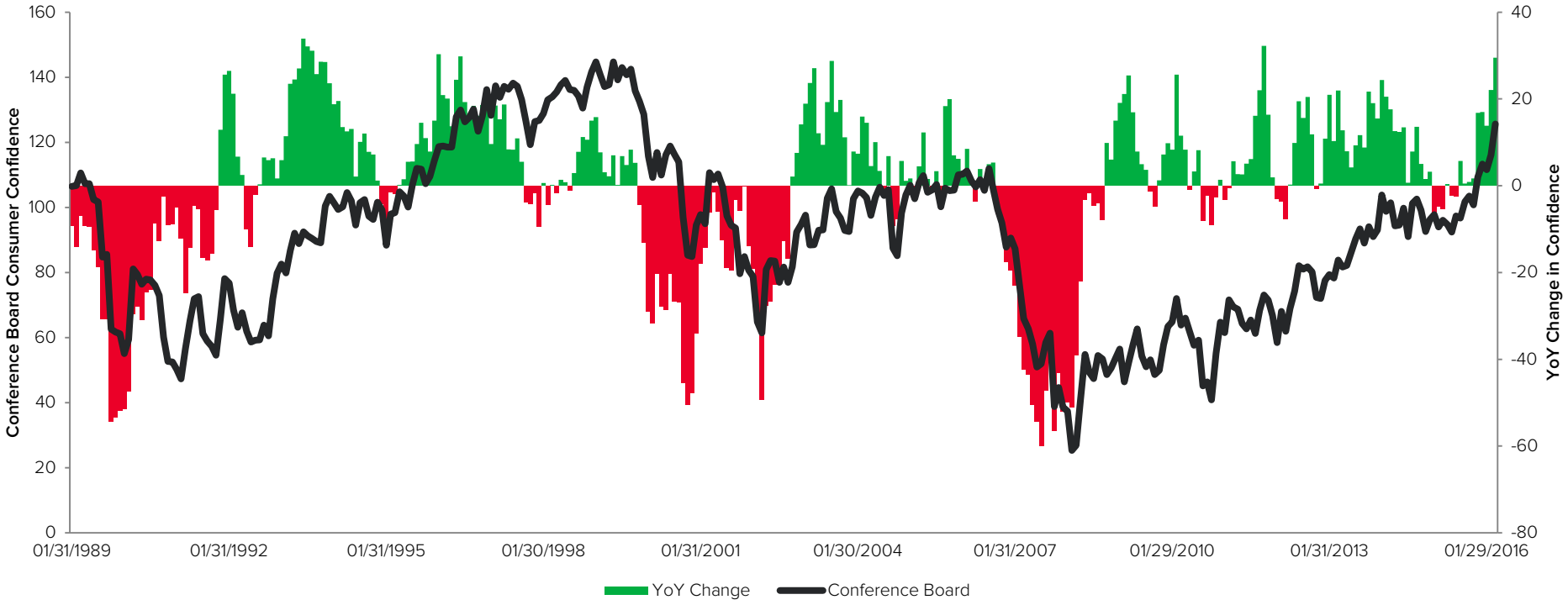
CONFERENCE BOARD CONSUMER CONFIDENCE



#GROWTHACCELERATING

- After a moderate increase in February, the Consumer Confidence Index rose considerably in March, now standing at 125.6, up from 116.1 in February
- This represents a sequential change of +9.5 and a year over year change of +29.5

Data Source: The Conference Board Consumer Confidence Index

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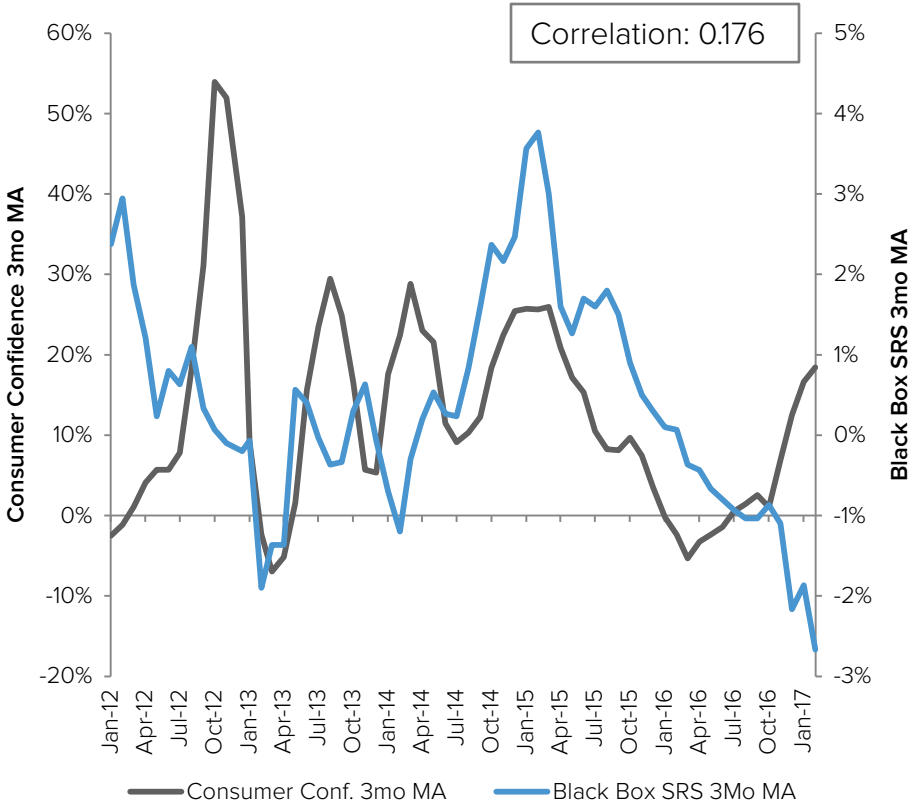
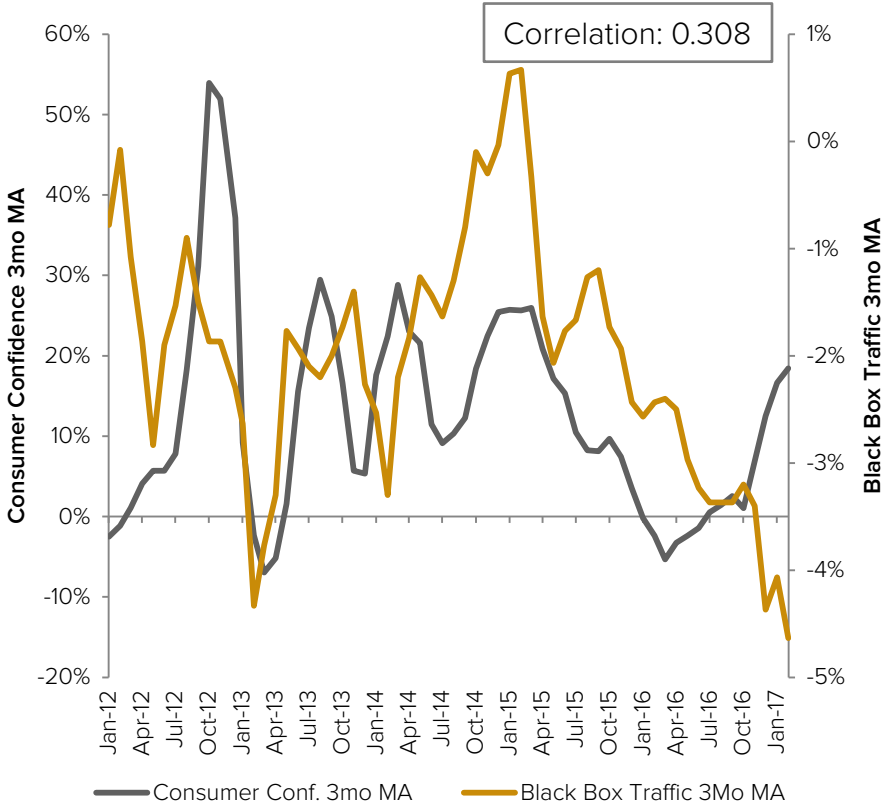
BLACK BOX DATA VS CONSUMER CONFIDENCE

Black Box SRS vs. Consumer Confidence



Black Box Traffic vs Consumer Confidence



DATA SOURCE: BLACK BOX, BUREAU OF LABOR STATISTICS.

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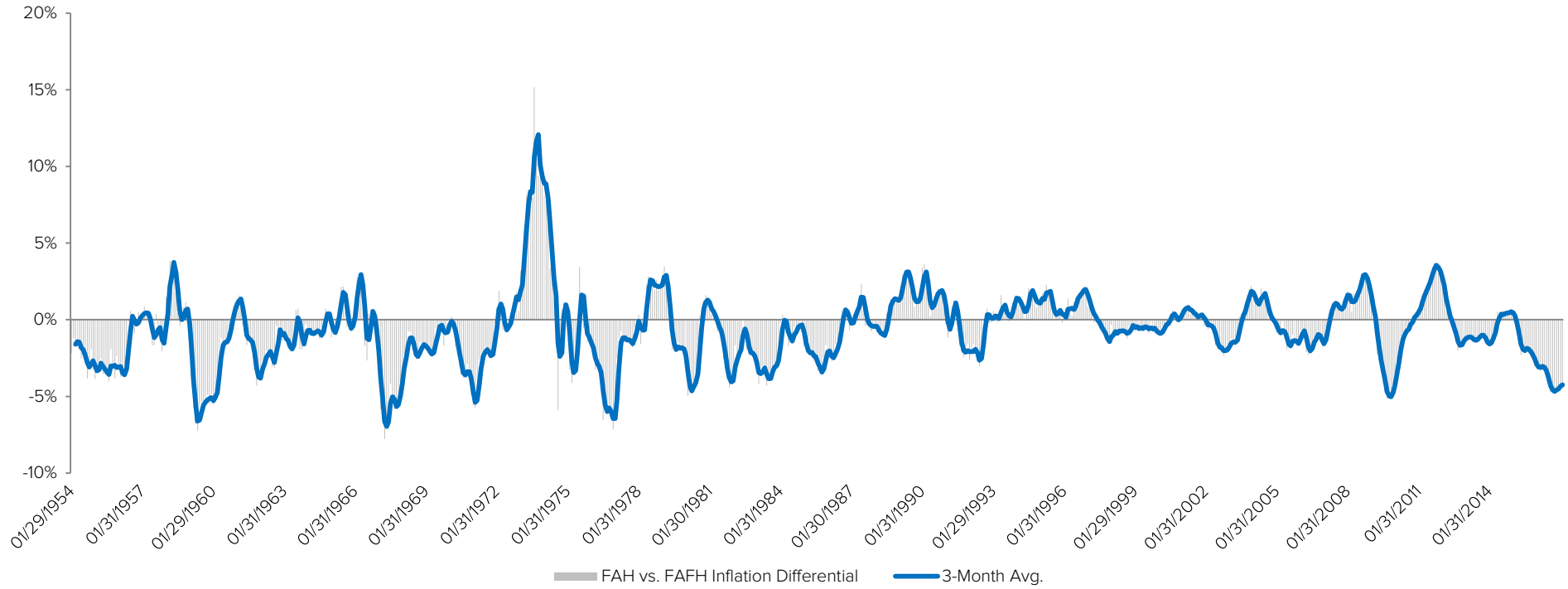
FAH VS FAFH INFLATION DIFFERENTIAL



- The data has continued to get less deflationary (less bad). CPI – FAH was down -1.7% YoY in the data reported on 3/15/17, representing a 20bps sequential improvement (this represents the fourth consecutive month of less-bad deflation)
- CPI- FAFH remained flat at +2.4%, and has fluctuated from 2.3% to 2.4% for the last 6 months. The differential now stands at -4.1%, a 20bps reduction in the inflation differential between the two eating occasions.

Data Source: The Conference Board Consumer Confidence Index

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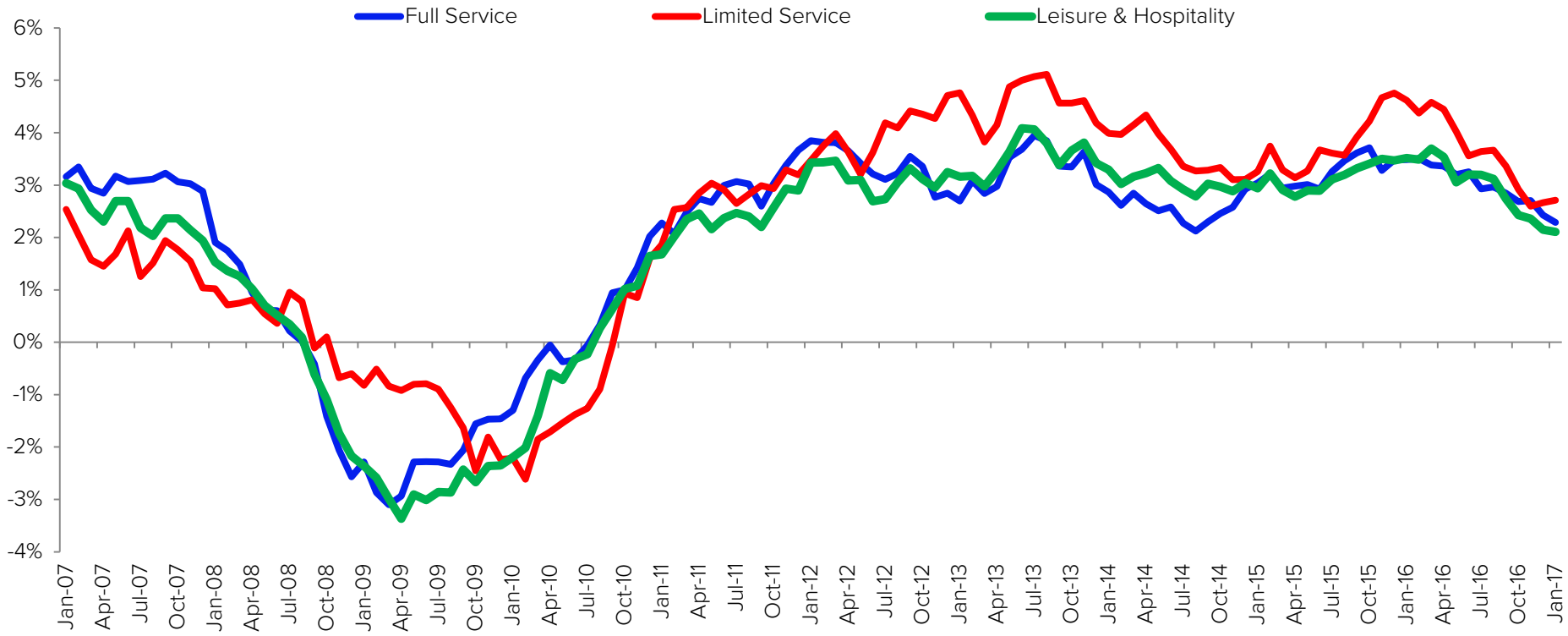
RESTAURANT EMPLOYMENT GROWTH (Y/Y)



- In January, restaurant employment growth in full service and leisure & hospitality has continued to slow, as both categories slowed by 14bps and 5bps, respectively.
- Limited service employment, on the other hand, has shown employment for two consecutive months, now standing at 2.71%, a bump of 4bps sequentially.

Data Source: The Conference Board Consumer Confidence Index

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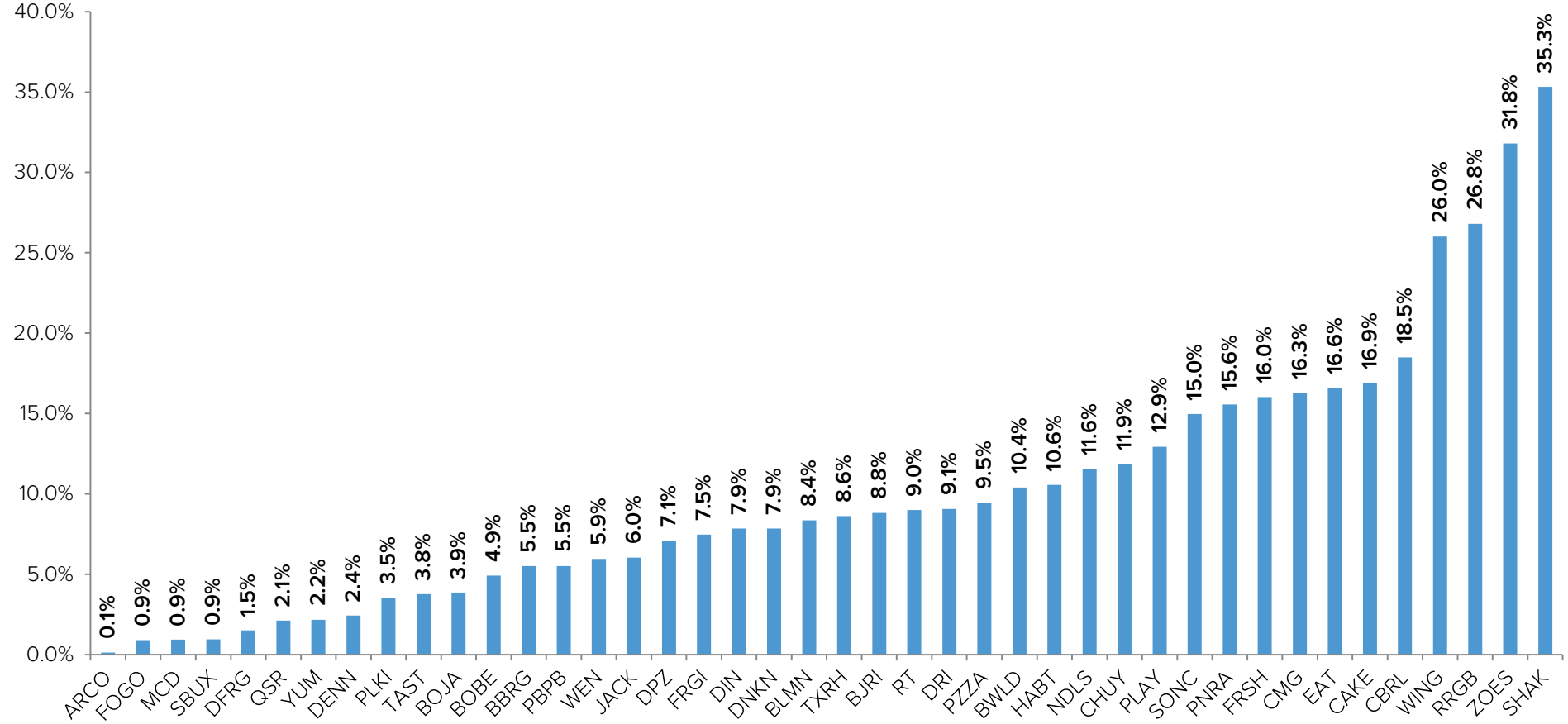
SHORT INTEREST



DATA SOURCE: FACTSET

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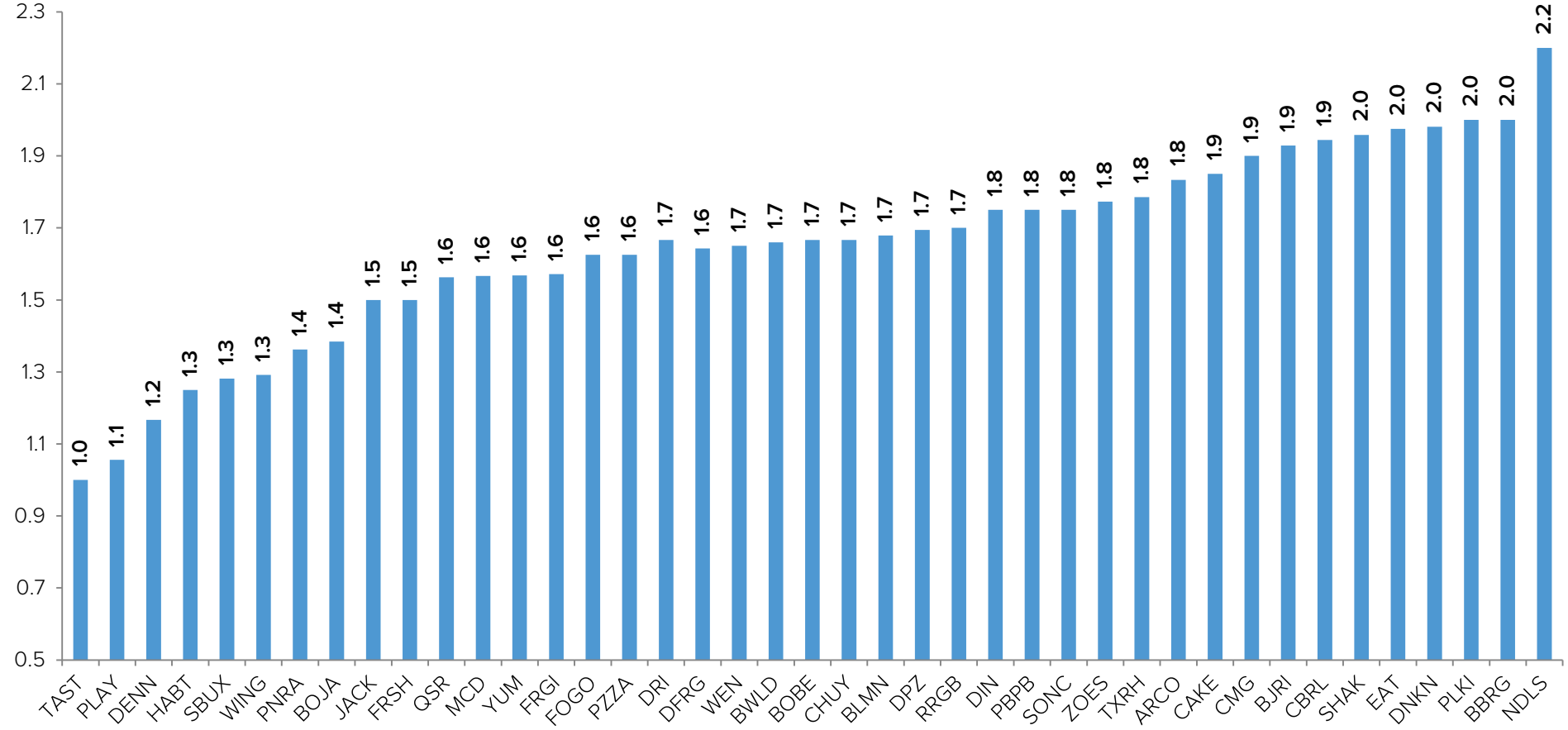
ANALYST RATING



DATA SOURCE: FACTSET.

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HEDGEYE RESTAURANTS IDEAS LIST

LONG LIST		TRADE	TREND	TAIL
1) PNRA	Panera Bread Company	✓	✓	✓
2) BWLD	Buffalo Wild Wings	✓	✓	✓
3) RRGB	Red Robin Gourmet Burger	✓	✓	✓
4) DFRG	Del Frisco's Rest. Group	✓	✓	-
5) SONC	Sonic	-	-	✓
6) FRGI	Fiesta Restaurant Group	✓	✓	✓

SHORT LIST		TRADE	TREND	TAIL
1) CMG	Chipotle Mexican Grill	X	X	X
2) GRUB	GrubHub	-	X	X
3) DNKN	Dunkin' Brands	X	X	X
4) CAKE	Cheesecake Factory	X	X	X
5) CHUY	Chuy's Holdings	X	X	X

LONG BENCH	
WING	Wingstop
MCD	McDonald's

SHORT BENCH	
SHAK	Shake Shack
YUM	Yum! Brands
ARCO	Arcos Dorados Holdings
YUMC	Yum China
DPZ	Domino's
EAT	Brinker International
SBUX	Starbucks
TXRH	Texas Roadhouse
DRI	Darden Restaurants, Inc.

*Hedgeye's "bench" represents Hedgeye's outlook on companies currently under Hedgeye's review. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

Data Source: Hedgeye.

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SONIC (SONC)

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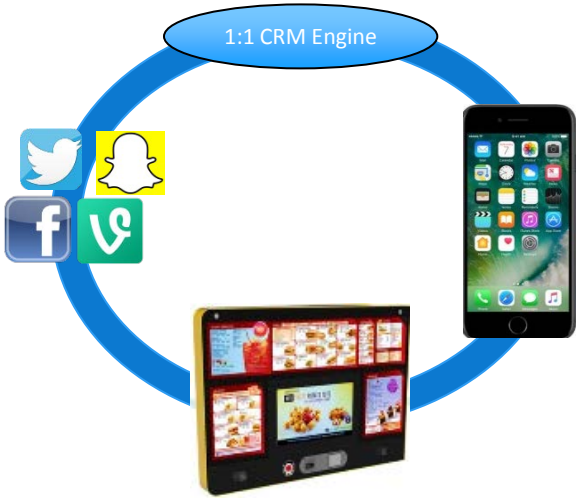
A LITTLE BACKGROUND...(FROM JANUARY 24TH BLACK BOOK)

Integrated Customer Engagement (ICE)



- Titled "New Rules of Engagement," management rolled out its new consumer-centric digital growth engine, which they refer to as "**ICE**", on their 4Q13 earnings call.
- According to CEO Cliff Hudson, *"The integration of the POPS and ICE network will allow us to engage with the customer when they're online, in stall, in a way that I think is, as SONC strives to do it at all times, differentiated versus our competitors and one that should help us with loyalty, thus traffic/sales."* (4Q13 Earnings Call)
- The enhanced ICE functionality will allow for the Company to change board messaging according to ticket affinity.

Point of Personalized Service (POPS)

- **POPS** was originally and formally announced on SONC's 4Q13 earnings call, as a portion of what the company refers to as ICE (Integrated Customer Engagement).
- The initial purpose of the endeavor was to increase traffic, offer a personalized experience, and provide targeted messaging.
- According to CEO Cliff Hudson, *"We see an ability to focus on customers in a different way than we would have historically, in terms of getting news out about our brand...an attempt to connect with them on a more individualized basis with a targeted message that yields much greater potential in personalizing the transaction."* (4Q13 Earnings Call)
- Now the **SMART POPS** system has taken on an expanded role, with the ability to display personalized menu item offers, based on a specific order.
- SMART POPS will give SONC the ability to perform smart suggestive selling, with the goal of increasing customer interaction and average check value.

Data Source: Company Filings, Company Presentation, Hedgeye.

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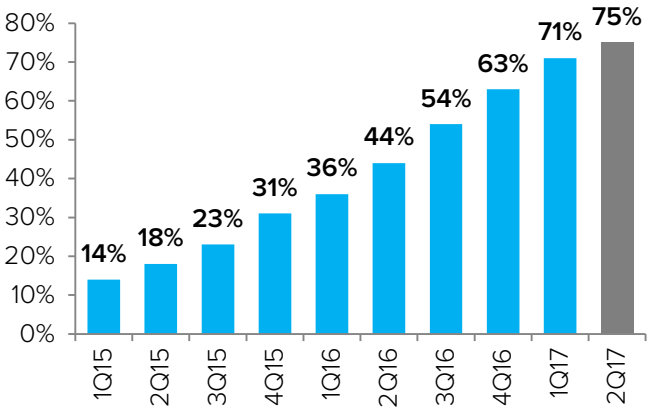
GROWTH INITIATIVES LEAD THE CHARGE(FROM JANUARY 24TH BLACK BOOK)

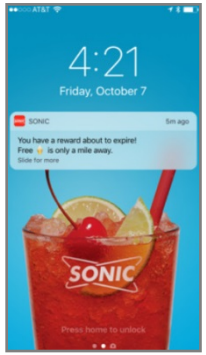
% of System with POPS Installed

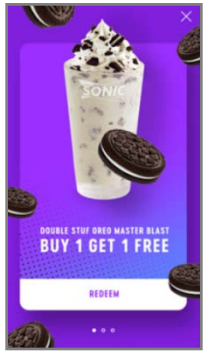


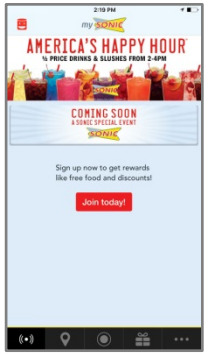
"Store segmentation and smart suggestive sell."

- **POPS** is an integral part of SONC's ICE (Integrated Customer Engagement) platform, which leverages the company's point of sales system overall.
- **Store segmentation** allows for differentiated POPS content depending on store type (even varying among drive-ins within the same market).
- **Smart suggestive sale** uses an algorithm to present suggested and complementary products as customers place their orders.
- **Order Ahead**, allowing for the customer to order ahead and pay on their mobile device and pick up their order at a SONC location, will be rolled out in the spring/early summer of 2017.

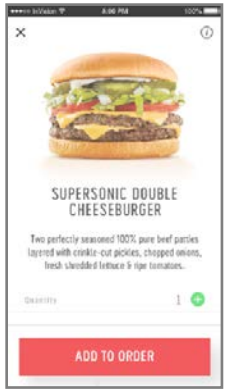
SONC's ICE platform and Smart POPS system will be used to enable unique regional and customized individual promotions, through the use of transaction data.

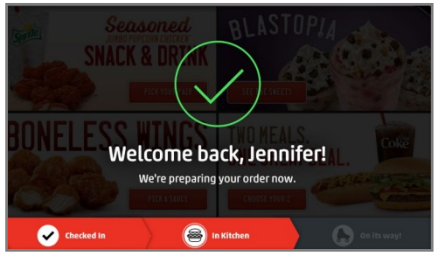






Coming Soon… **Order Ahead**





Data Source: Company Filings, Apple iTunes Store, Hedgeye.

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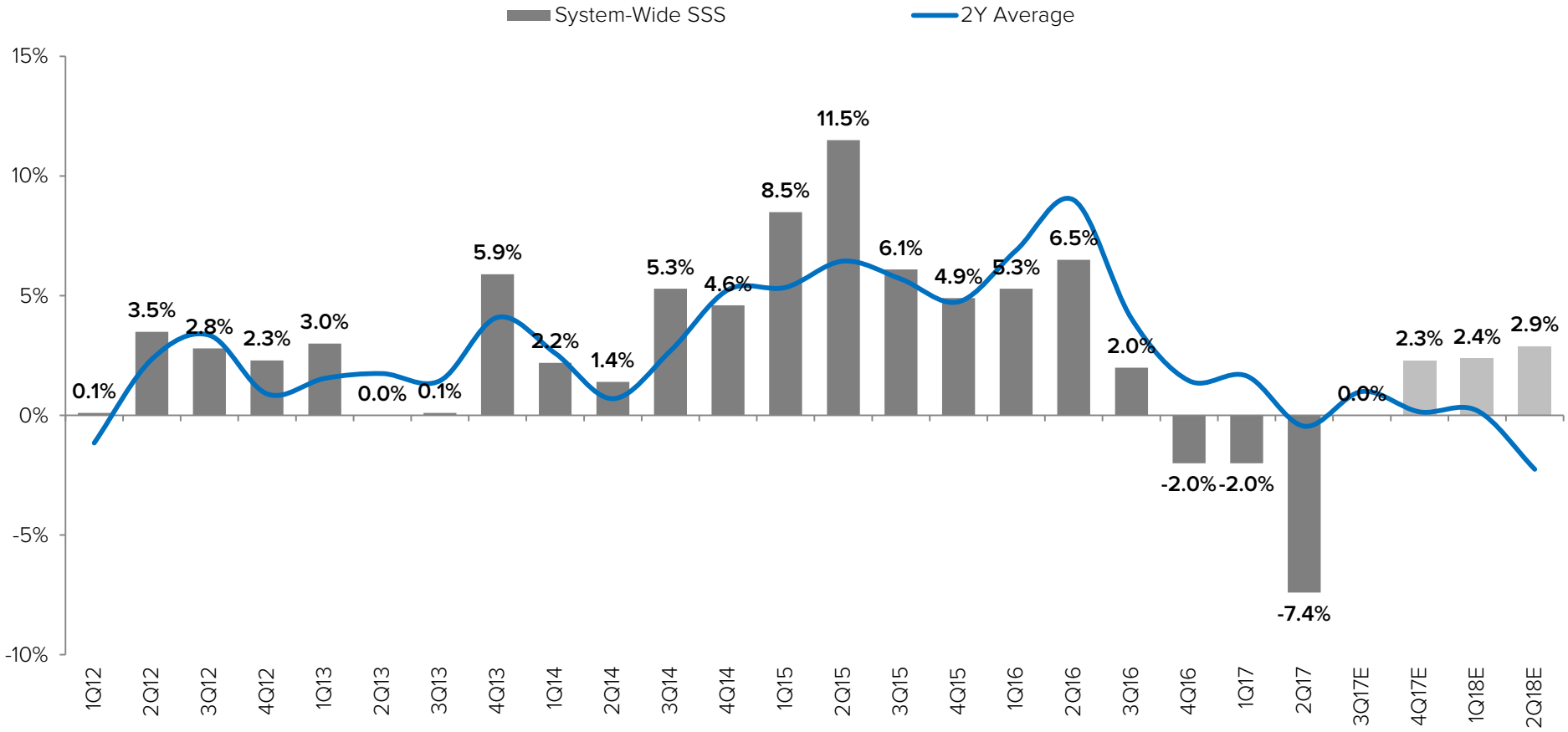
SONC SYSTEM-WIDE SSS



DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX.

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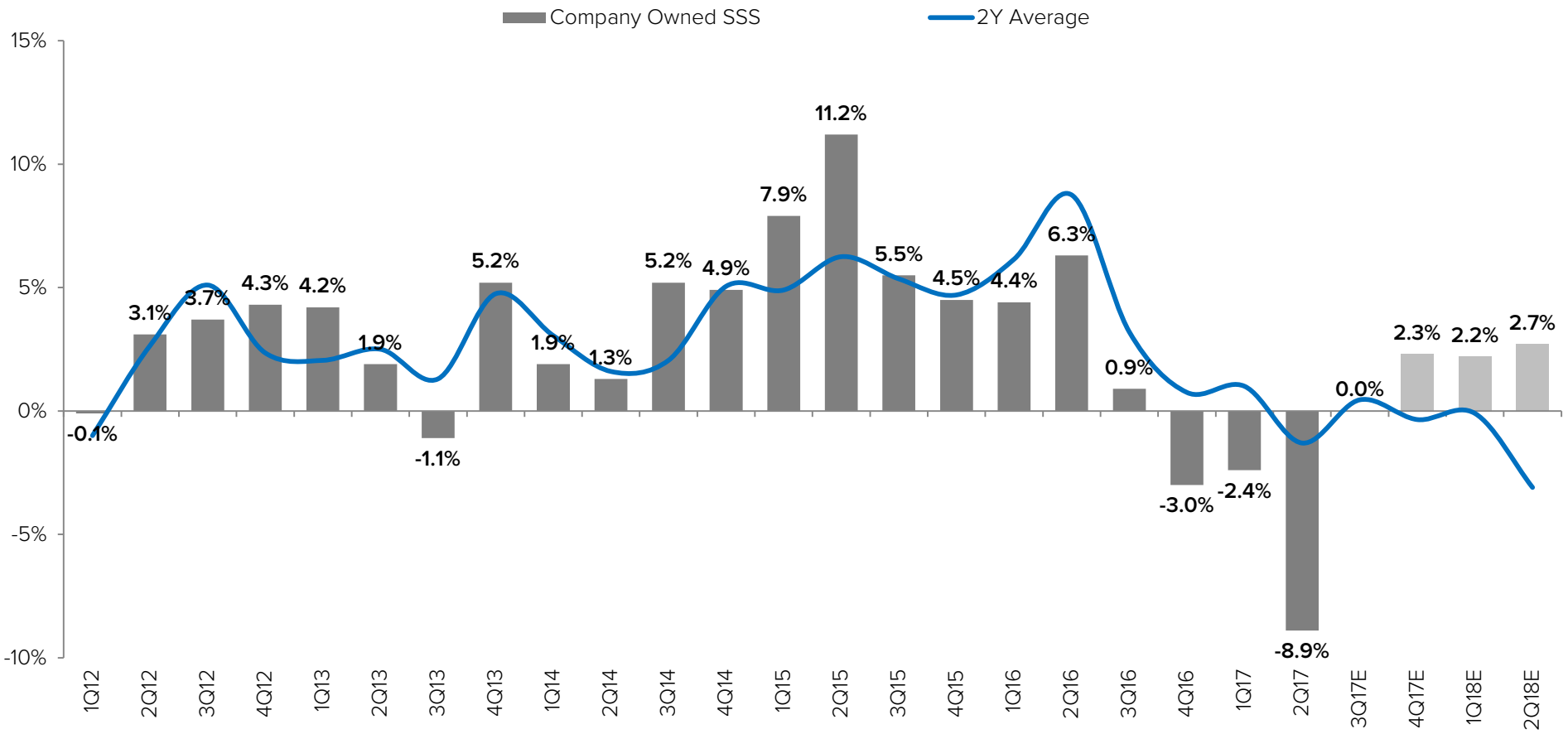
SONC COMPANY-OWNED SSS



DATA SOURCE: COMPANY FILINGS, CONSENSUS METRIX.

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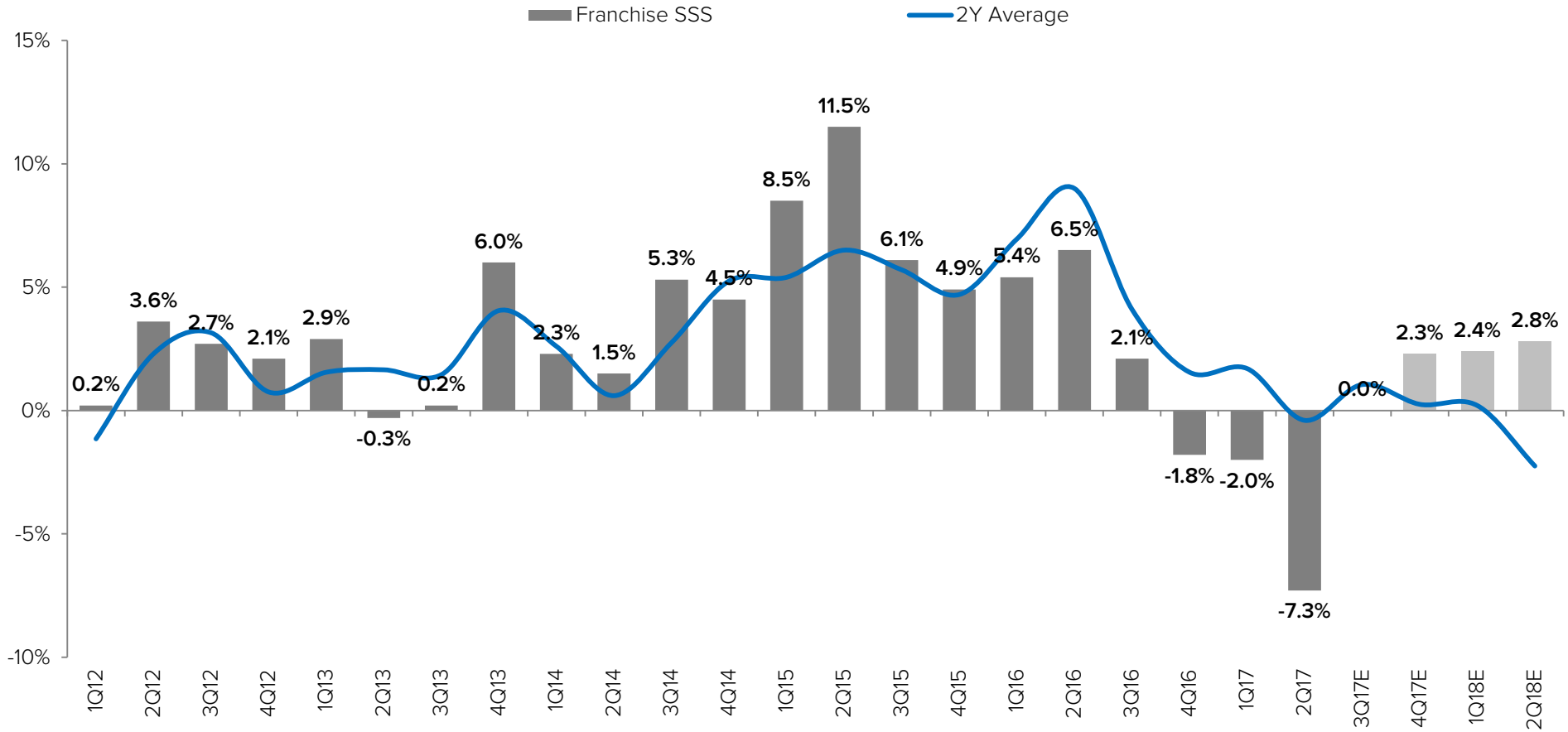
SONC FRANCHISE SSS



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DARDEN RESTAURANTS, INC. (DRI)

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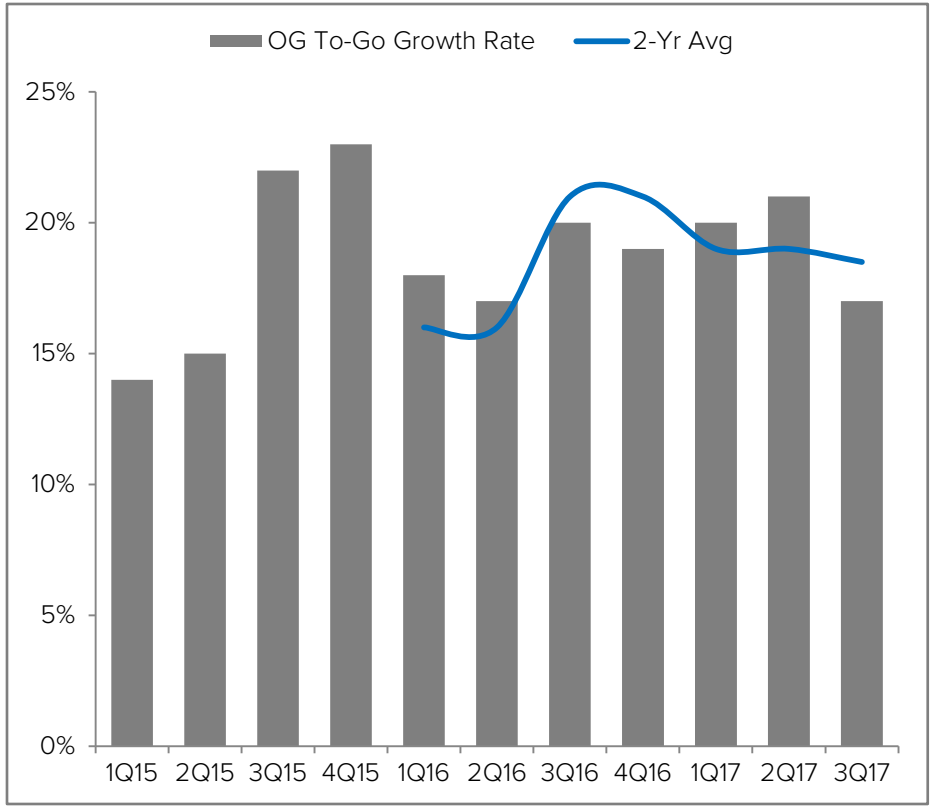
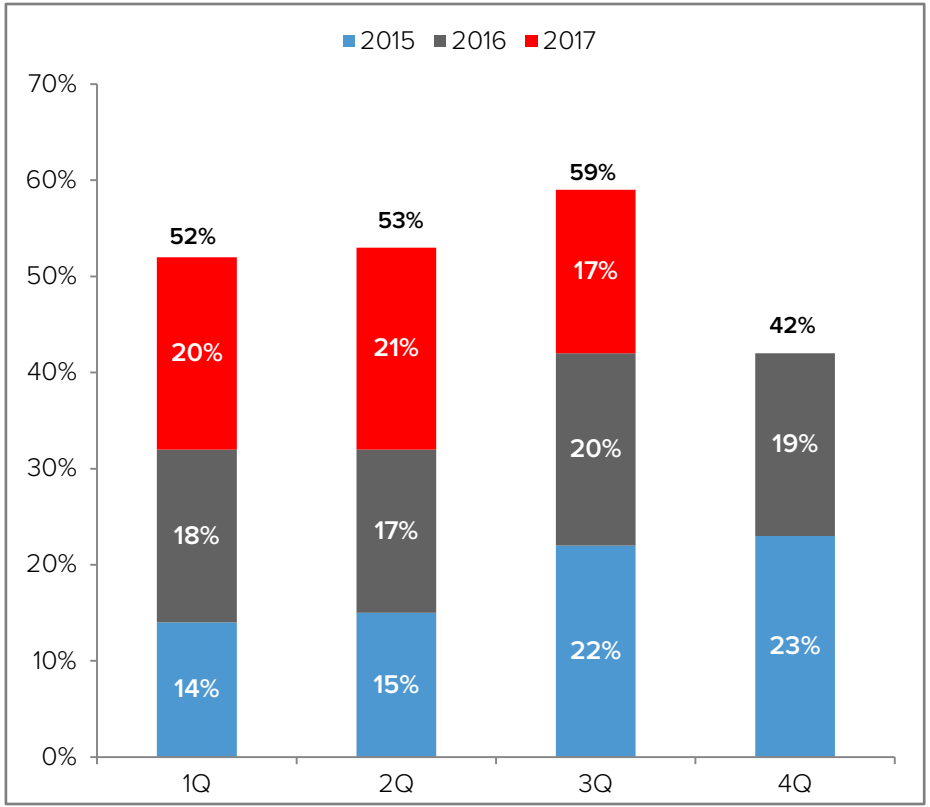
DRI OG TO-GO GROWTH RATE

OG To-Go Growth Rate



OG To-Go Growth Stack



DATA SOURCE: COMPANY FILINGS.

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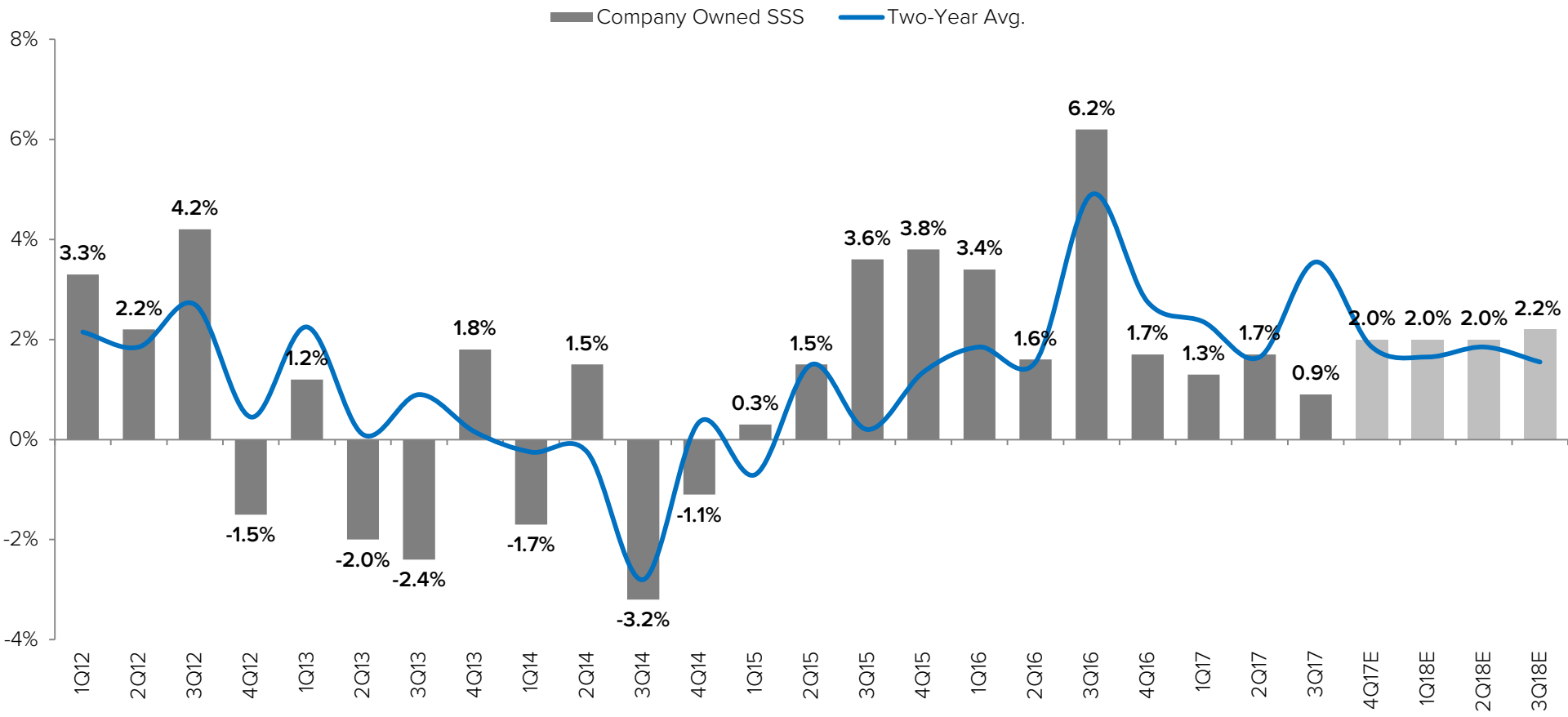
DRI COMPANY OWNED SSS



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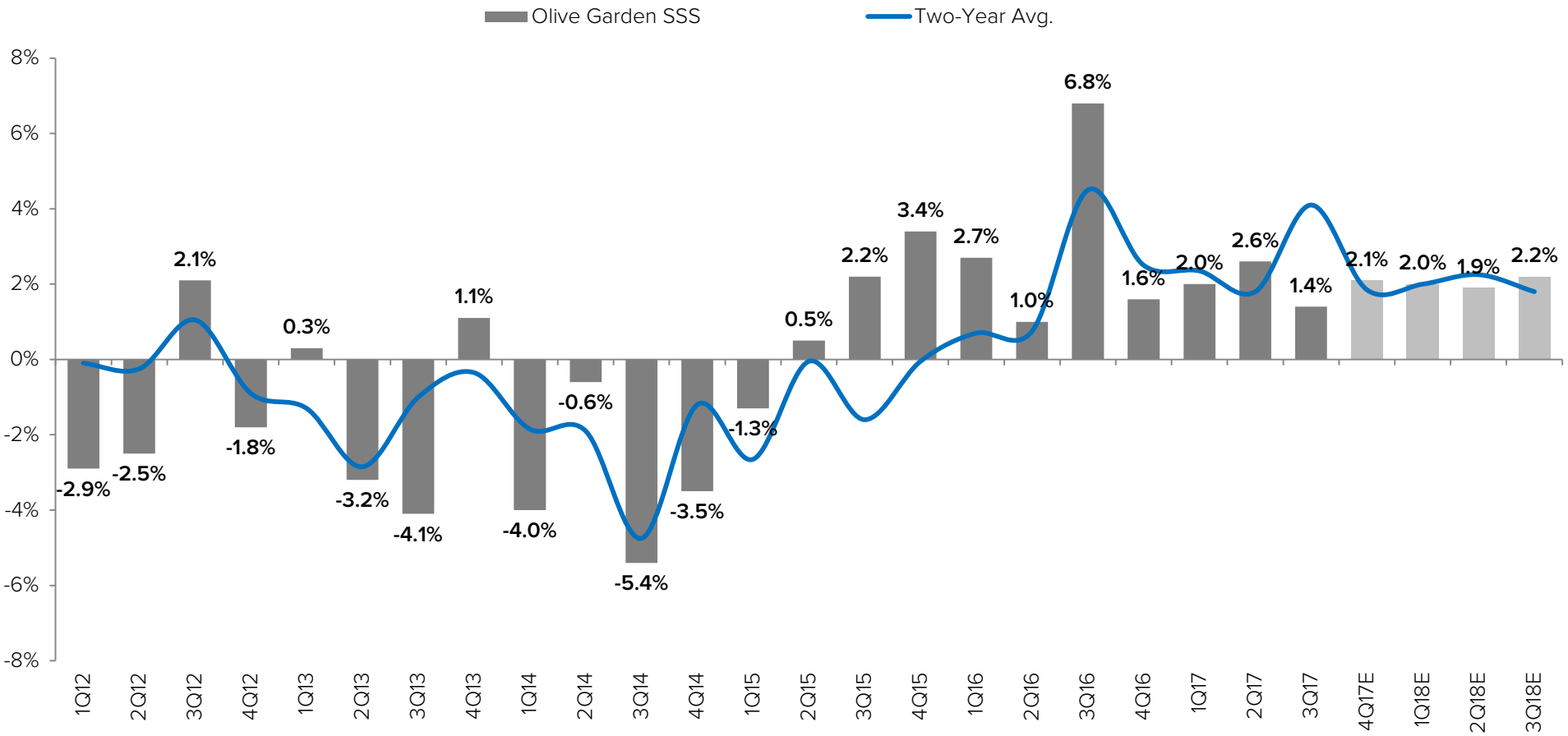
DRI OLIVE GARDEN SSS



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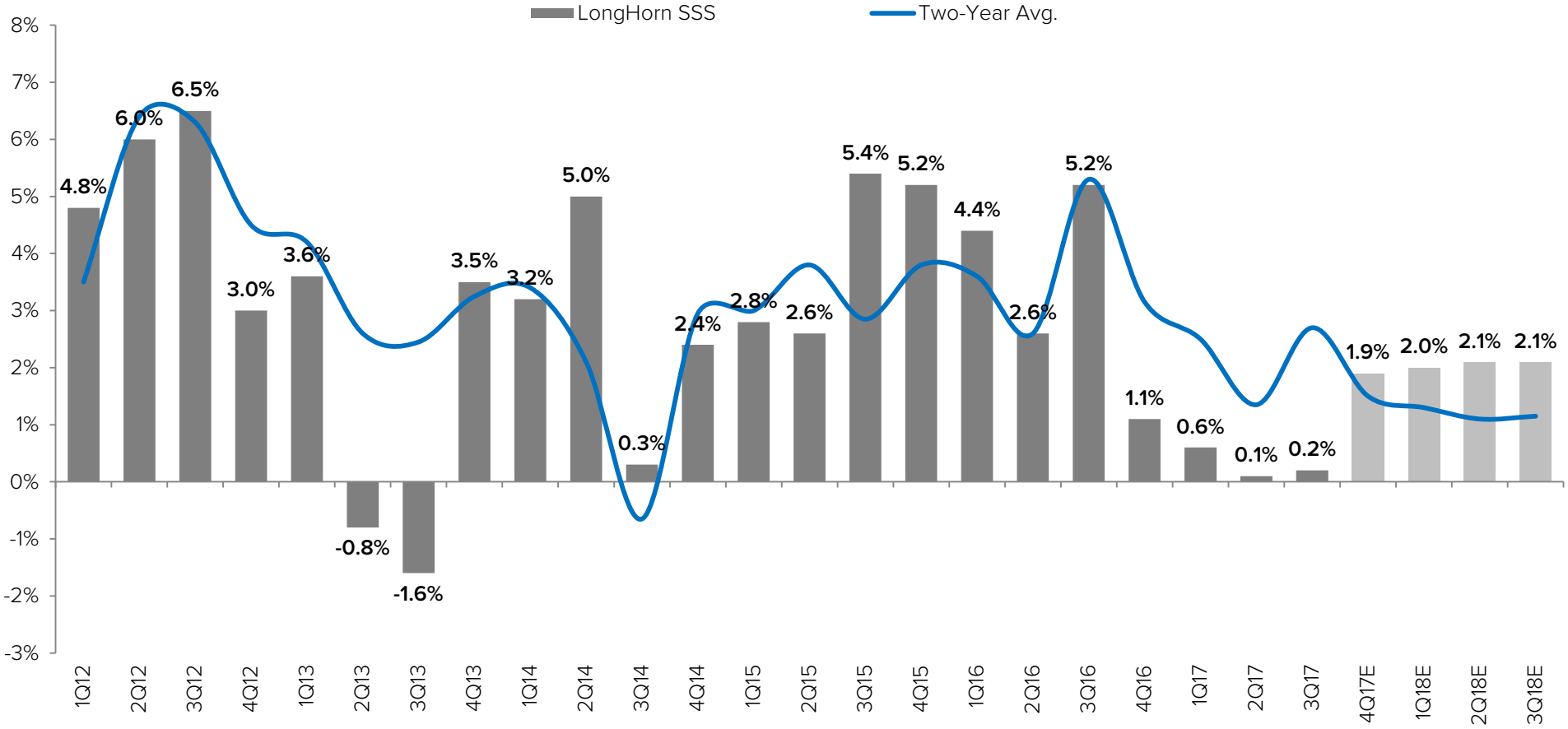
DRI LONGHORN SSS



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MACRO GRIND

EURO STOXX 50 INDEX

March 30, 2017

THE MACRO SHOW

HEDGEYE TV

VOLATILITY

Index/Security	Ticker	REALIZED VOLATILITY Duration of Realized (%) 30D	60D	90D	IMPLIED VOLATILTY* At-The-Money % Current	v 1M Avg	v 3M Avg	v 6M Avg.	IMPLIED** VS. REALIZED VOLATILITY Ticker	30 Day Premium	Z-Score TTM	Z-Score 3Yr	60 Day Premium	Z-Score TTM	Z-Score 3Yr	3 Month Premium	Z-Score TTM	Z-Score 3Yr
S&P 500	SPX	7.5%	6.7%	7.1%	10.0%	3.3%	3.4%	-9.3%	SPX	23.8%	0.03	0.46	50.1%	1.17	1.65	56.3%	1.77	2.07
Russell 2000	RTY	14.7%	14.4%	14.0%	15.6%	1.3%	-1.6%	-7.2%	RTY	3.8%	-0.05	-0.12	8.5%	0.28	0.05	18.3%	1.12	0.53
Nasdaq 100	NDX	7.6%	6.9%	8.7%	11.5%	6.2%	-2.2%	-13.5%	NDX	40.4%	0.56	1.12	72.7%	2.32	2.98	47.2%	1.86	2.12
USD Index	UUP	7.3%	7.4%	7.6%	8.8%	19.8%	5.6%	5.1%	UUP	5.7%	-0.31	-0.29	16.4%	0.13	0.13	7.2%	-0.37	-0.30
Consumer Discret.	XLY	7.9%	7.2%	9.0%	10.6%	0.7%	-8.1%	-17.2%	XLY	22.6%	0.06	0.48	54.5%	1.74	2.23	34.3%	1.20	1.46
Financials	XLF	15.4%	15.4%	14.8%	16.4%	2.9%	0.0%	-5.3%	XLF	2.3%	-0.32	-0.17	6.4%	0.06	0.07	12.6%	0.84	0.43
Healthcare	XLV	8.6%	9.3%	9.9%	11.9%	-0.9%	-5.0%	-15.2%	XLV	42.7%	1.11	1.55	31.0%	1.27	1.54	28.0%	1.62	1.64
Technology	XLK	8.0%	7.2%	9.5%	11.9%	7.3%	0.4%	-8.8%	XLK	41.2%	0.75	1.29	65.9%	2.37	2.81	31.5%	1.45	1.42
Consumer Staples	XLP	5.9%	7.4%	8.5%	9.7%	-1.0%	-3.9%	-13.9%	XLP	48.3%	1.66	1.75	33.8%	1.66	1.68	24.7%	1.27	1.10
Utilities	XLU	12.6%	12.0%	13.9%	13.5%	0.5%	-2.6%	-12.9%	XLU	-0.2%	-0.09	0.08	12.9%	1.24	1.32	-1.3%	0.18	0.19
Energy	XLE	17.1%	15.0%	16.8%	17.0%	0.6%	0.2%	-8.9%	XLE	5.8%	0.07	0.05	16.2%	1.16	0.73	6.2%	0.95	0.25
Energy	XOP	28.0%	24.0%	30.4%	28.7%	3.9%	4.8%	-6.0%	XOP	-1.1%	-0.28	-0.24	20.3%	1.44	1.23	-3.3%	0.48	-0.07
Materials	XLB	12.2%	11.9%	11.3%	13.4%	2.8%	0.7%	-7.7%	XLB	2.7%	-0.48	-0.24	13.0%	0.27	0.27	23.4%	1.10	0.82
Industrials	XLI	10.7%	10.1%	9.9%	12.5%	2.2%	-0.2%	-7.0%	XLI	12.9%	-0.12	0.19	25.7%	0.78	0.96	33.6%	1.78	1.61
Transports	IYT	15.4%	14.8%	14.2%	15.9%	-2.5%	-6.6%	-8.6%	IYT	0.9%	-0.52	-0.35	5.0%	-0.37	-0.19	10.0%	-0.01	0.08
WTI Crude Oil	USO	23.9%	23.2%	29.6%	29.0%	5.2%	4.4%	-10.1%	USO	5.2%	0.24	0.17	28.3%	1.81	1.08	5.1%	0.86	-0.01
Natural Gas	UNG	40.4%	37.8%	46.6%	33.6%	-9.6%	-19.8%	-24.5%	UNG	-15.4%	-1.12	-0.89	-9.1%	-0.49	-0.69	-23.2%	-1.40	-1.15
Gold	GLD	9.9%	10.6%	11.5%	12.2%	2.3%	-6.3%	-13.8%	GLD	14.2%	0.34	0.30	15.8%	0.83	0.56	7.5%	0.40	0.07
Silver	SLV	19.4%	17.7%	18.9%	19.6%	1.4%	-7.9%	-15.1%	SLV	-6.1%	-0.83	-0.84	15.1%	1.29	0.11	8.4%	0.54	-0.20
Copper	JJC	21.0%	25.8%	24.8%	23.7%	1.7%	-3.4%	-6.1%	JJC	10.4%	-0.10	-0.07	-7.8%	-0.52	-0.62	-3.8%	-0.46	-0.57
Corn	CORN	13.6%	13.4%	15.0%	18.4%	-1.0%	2.5%	-0.3%	CORN	29.5%	0.98	0.43	46.6%	1.95	1.47	44.5%	1.37	1.23
Soybeans	SOYB	10.7%	14.2%	15.1%	21.0%	10.0%	1.3%	-0.6%	SOYB	113.4%	2.24	1.24	42.8%	0.06	0.05	24.8%	-0.35	-0.32
Wheat	WEAT	18.2%	19.6%	18.9%	56.2%	116.1%	96.4%	92.9%	WEAT	115.2%	0.97	0.77	152.4%	1.87	1.58	75.0%	0.67	0.64

*implied volatility on at-the-money front month contracts

**implied volatility of at-the-money options expiring in the given duration vs. realized volatility over the given duration

HEDGEYE SECTOR PERFORMANCE

SECTOR	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.71	0.60%	1.55%	7.75%
Financial Select Sector	XLF	$23.62	-0.63%	-3.75%	1.59%
Health Care Select Sector	XLV	$74.56	0.03%	-0.57%	8.15%
Technology Select Sector	XLK	$53.31	0.17%	1.83%	10.24%
Consumer Staples Select Sector	XLP	$54.85	0.18%	-0.45%	6.07%
Industrial Select Sector	XLI	$64.97	-0.02%	-1.35%	4.42%
Materials Select Sector	XLB	$52.41	0.08%	0.31%	5.45%
The Energy Select Sector	XLE	$70.16	1.37%	-1.71%	-6.85%
Utilities Select Sector	XLU	$51.51	-0.27%	-0.50%	6.05%
S&P 500	SPX	2,361.13	0.11%	-0.11%	5.46%

HEDGEYE SECTOR RELATIVE PERFORMANCE

	Ticker	Price	1-Day % Chg	MTD % Chg	YTD % Chg
Consumer Discretionary	XLY	$87.71	0.49%	1.66%	2.29%
Financial Select Sector	XLF	$23.62	-0.74%	-3.64%	-3.87%
Health Care Select Sector	XLV	$74.56	-0.08%	-0.47%	2.69%
Technology Select Sector	XLK	$53.31	0.06%	1.94%	4.77%
Consumer Staples Select Sector	XLP	$54.85	0.07%	-0.35%	0.61%
Industrial Select Sector	XLI	$64.97	-0.12%	-1.25%	-1.04%
Materials Select Sector	XLB	$52.41	-0.03%	0.41%	-0.01%
The Energy Select Sector	XLE	$70.16	1.26%	-1.60%	-12.31%
Utilities Select Sector	XLU	$51.51	-0.38%	-0.40%	0.59%

HEDGEYE STYLE FACTOR PERFORMANCE

	FACTOR	1D % Chg	1W % Chg	1M % Chg	3M % Chg	6M % Chg	YTD % Chg
Debt	High Debt/EV	0.3%	1.4%	-1.5%	3.6%	8.3%	4.0%
	Low Debt/EV	0.6%	1.0%	0.8%	5.8%	8.8%	6.5%
SI	High Short Interest	0.9%	2.1%	-0.5%	1.5%	5.0%	2.0%
	Low Short Interest	-0.1%	0.2%	-0.5%	5.1%	11.3%	5.5%
BETA	High Beta	0.9%	2.2%	-1.2%	3.9%	15.1%	4.5%
	Low Beta	0.0%	0.0%	-0.1%	4.8%	4.1%	5.1%
YIELD	High Yield	0.3%	0.6%	-1.7%	0.3%	1.1%	0.5%
	Low Yield	0.8%	2.1%	0.6%	5.7%	7.9%	6.3%
MKT CAP	MCAP Bottom 25%	0.6%	1.9%	-1.0%	0.3%	2.4%	0.6%
	MCAP Top 25%	0.0%	0.4%	-0.2%	5.5%	12.4%	6.0%
Sales	Top 25% Sales Growth	1.0%	2.0%	0.9%	4.9%	9.6%	5.5%
	Bottom 25% Sales Growth	0.4%	0.9%	-1.3%	1.8%	4.5%	2.3%
EPS	Top 25% EPS Growth	0.9%	2.1%	0.5%	3.9%	9.7%	4.5%
	Bottom 25% EPS Growth	0.3%	0.7%	-1.6%	1.9%	3.7%	2.3%

**Mean Performance of Top Quartile vs. Bottom Quartile, S&P500 Companies*

HEDGEYE RATES & SPREADS

RATES & SPREADS	Price	1D Bps Chg	5D Bps Chg	1M Bps Chg	3M Bps Chg	vs. 52-Wk, Bps High	vs. 52-Wk, Bps Low	vs. 3Y Ave	vs. 5Y Ave
3M T-Bill	0.77%	0.0	1.0	17	33	-2	61	60	65
3M LIBOR	1.15%	0.0	-0.5	9	15	0	53	65	73
2Y T-Note	1.27%	-3.2	2.2	1	6	-13	77	55	72
5Y T-Note	1.93%	-3.6	-0.9	0	-3	-22	104	40	60
10Y T-Note	2.38%	-4.0	-2.7	-1	-10	-26	106	24	23
30Y T-Note	2.99%	-3.7	-3.0	-1	-9	-23	90	11	-4
2Y-10Y Spread, Bps	111	-0.8	-4.9	-2.1	-15	-13	29	-31	-49
IG SPREAD (AAABBB)	1.53%	0.0	0.0	8	3	-50	8	-16	-21
HIGH YIELD	6.21%	0.0	-11.2	30	-20	-179	49	-44	-34
5Y BREAKEVEN	1.96%	0.4	-0.7	-4.3	11.0	-11.9	70.6	39.8	23.6

CFTC NON-COMMERCIAL NET LONG POSITIONING

METRIC	Latest	W/W Chg	3M Ave	6M Ave	1Y Ave	Z-Score 1Y	Z-Score 3Y
SPX (Index + E-mini)	79,586	(65,502)	57,157	22,441	45,152	*0.40X*	*1.02X*
Russell 2000 (mini)	(40,760)	(18,247)	42,809	33,733	5,008	*-1.04X*	*-0.57X*
10Y Treasury	(68,562)	129,389	(301,900)	(175,436)	(76,659)	*0.05X*	*-0.07X*
CRUDE OIL	474,989	(25,170)	525,480	465,105	410,990	*0.79X*	*1.51X*
GOLD	65,971	16,136	67,652	103,793	166,541	*-1.26X*	*-0.44X*
COPPER	21,861	(730)	41,702	34,004	7,828	*0.43X*	*1.26X*
$USD	46,206	(1,493)	48,600	46,669	30,139	*0.86X*	*0.38X*
JPY	(72,534)	729	(66,824)	(26,616)	11,933	*-1.55X*	*-0.72X*
EUR	(18,245)	20,462	(47,973)	(78,648)	(74,166)	*1.62X*	*1.46X*
GBP	(113,271)	(6,578)	(71,074)	(74,942)	(67,00[illegible])	*-2.32X*	*-2.27X*

MARKET SHARE VOLUME & TOTAL VALUE TRADED

INDEX/SECURITY	VOLUME: (3/29) vs.			
	Prior Day	1M Ave	3M ave	1Y Ave
Total Market Volume*	-23%	-7%	-2%	32%
Total Exchange Volume**	-11%	-16%	-13%	-15%

*Total Market Volume = Total US exchange volume plus OTC and OTCBB trading volume for all security types. Calculated by Bloomberg.

**Tape A+B+C volume = total US exchange volume

*** Total Traded Value for Russell 3000 (total mkt proxy)

KEY $USD CORRELATIONS

METRIC	15D	30D	90D	120D	180D	52-Wk Rolling 30D Correlation High	Low	% Time Pos	% Time Neg
SPX	0.62	0.60	-0.23	0.53	0.67	*0.95*	*-0.75*	*53%*	*47%*
BRENT Oil	0.36	0.56	0.26	0.50	0.71	*0.77*	*-0.78*	*52%*	*48%*
CRB Index	-0.07	0.02	-0.48	0.50	0.75	*0.83*	*-0.86*	*29%*	*71%*
GOLD	-0.97	-0.55	-0.70	-0.83	-0.93	*0.90*	*-0.97*	*17%*	*83%*

**Days = Trading Days*