THIS VIDEO WAS SHOT BEFORE CORONAVIRUS SWEPT ACROSS THE WORLD AND VOLATILITY HIT THE MARKETS.

HOWEVER, WE CONTINUE TO BELIEVE IN THE THESIS IT CONVEYS AND WE HOPE YOU FIND IT VALUABLE.

Online food delivery is the biggest development in restaurants since the drive thru was created over 70 years ago. In our opinion, we believe food delivery, as you see here, will continue to shape the restaurant market. This is a trend we pay close attention to at Alger, where we are constantly seeking examples of Positive Dynamic Change.

Online food delivery in the U.S. is a nascent under-penetrated market; despite robust growth over the past several years, online delivery represents just 6%-7% of industry sales. Given the transformative nature of online food delivery, we expect the market to nearly triple over the next five years.

Five years ago, most food delivery was done over the phone. Today that market is rapidly shifting online as mobile apps and websites have improved the ordering process for customers. Online food delivery growth is largely being driven by third-party platforms that charge restaurants a commission fee to execute a delivery order.

Over the past several years, third-party platforms like Uber Eats, Grubhub, and Doordash have built out the delivery infrastructure to support a two-sided marketplace, connecting restaurants with consumers. By facilitating the cost of delivery operations, these platforms have democratized delivery.

Consumer adoption of online food ordering is accelerating due to two key factors: 1) customers love its convenience and 2) food delivery selection has dramatically expanded.

The delivery market remains in flux. Near term, we see significant competition among the third-party platforms, resulting in margin pressure and outright losses. However, this competition is benefitting the restaurants due to lower commission fee offers, heavy marketing campaigns, and aggressive delivery fee discounts. Additionally, incremental delivery sales should drive incremental profit dollars for restaurants in the near term as most expenses within the box are relatively fixed.

Additionally, we think franchised restaurants are better positioned than company-owned restaurants as they would benefit from the incremental top-line benefit driven by delivery without having to absorb any of the delivery commission costs, which are paid by the franchisees.
As delivery becomes a larger percentage of the overall restaurant market, we project it will begin to cannibalize in-store transactions, which may result in deterioration of restaurants' structural operating margins.

Over the long term, we also see significant risk of the third-party platforms controlling full delivery distribution. These third-party platforms are amassing significant amounts of data that they can use to create virtual restaurants. These have no real store front, can alter their menus daily to adapt to customer taste, and can become serious competitors to traditional brick-and-mortar restaurant locations. However, we still think some powerful emerging restaurant brands can succeed with a digital-first strategy. Today we are seeing more restaurants build their own digital apps and enforcing their rights to collect customer data. Just as we have seen in retail, we believe an omni-channel strategy will be critical to success.

In our view, there is no question that delivery will continue to grow and shape the restaurant industry. This is a trend we pay close attention to at Alger, and we are excited about the investment opportunities it opens up.
The following positions represented the noted percentages of Alger’s assets under management as of October 31, 2019: Grubhub Inc., 0.0%; Uber Technologies Inc., 0.0%; Doordash is a private company; The Cheesecake Factory Incorporated, 0.0%; Chipotle Mexican Grill, Inc., 0.0%; and The Wendy’s Company, 0.0%.

The views expressed are the views of Fred Alger Management, LLC ("FAM") and Alger Management Ltd. (together with their affiliated entities "Alger") as of December 2019. Alger has used sources of information which it believes to be reliable; however, this publication is not intended to be and does not constitute investment advice. These views are subject to change at any time and they do not guarantee the future performance of the markets, any security, or any funds managed by Alger.

Risk Disclosures: Investing in the stock market involves gains and losses and may not be suitable for all investors. Growth stocks tend to be more volatile than other stocks as the prices of growth stocks tend to be higher in relation to their companies’ earnings and may be more sensitive to market, political and economic developments. Many technology companies have limited operating histories and prices of these companies’ securities have historically been more volatile than other securities due to increased competition, government regulation, and risk of obsolescence due to the progress of technological developments. Please visit www.alger.com for additional risk disclosures. Past performance is not indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Important Information for US Investors:
This material must be accompanied by the most recent fund fact sheet(s) if used in connection with the sale of mutual fund shares. Fred Alger & Company, LLC serves as distributor of the Alger mutual funds.

Important Information for UK Investors:
The distribution of this material in the United Kingdom is restricted by law. Accordingly, this material is provided only for and is directed only at persons in the United Kingdom reasonably believed to be of a kind to whom such promotions may be communicated by an unauthorized person pursuant to an exemption under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"). Such persons include: (a) persons having professional experience in matters relating to investments and (b) high net worth bodies corporate, partnerships, unincorporated associations, trusts, etc. falling within Article 49 of the FPO. Most of the rules made under the FSMA for the protection of retail clients do not apply, and compensation under the United Kingdom Financial Services Compensation Scheme will not be available.

Important Information for UK and EU Investors:
This material is directed at investment professionals and qualified investors (as defined by MiFID/FCA regulations). It is for information purposes only and has been prepared and is made available for the benefit investors. This material does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient, and is only intended for use by original recipients and addressees. The original recipient is solely responsible for any actions in further distributing this material and should be satisfied in doing so that there is no breach of local legislation or regulation.

Certain products may be subject to restrictions with regard to certain persons or in certain countries under national regulations applicable to such persons or countries.

Alger Management, Ltd. (company house number 8634056, domiciled at 78 Brook Street, London W1K SEF, UK) is authorised and regulated by the Financial Conduct Authority, for the distribution of regulated financial products and services. FAM and/or Weatherbie Capital, LLC, U.S. registered investment advisors, serve as sub-portfolio manager to financial products distributed by Alger Management, Ltd.

Alger Group Holdings, LLC (parent of FAM) and Fred Alger & Company, LLC are not an authorized person for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") and this material has not been approved by an authorized person for the purposes of Section 21(2)(b) of the FSMA.