
2026 Retail & Restaurants Incentive Trends Report Summary

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Introduction



Meridian’s 2026 Retail & Restaurants Incentive Trends Report provides an overview of the current retail landscape and emerging trends, offering insight into how companies are evolving their incentive plan designs.

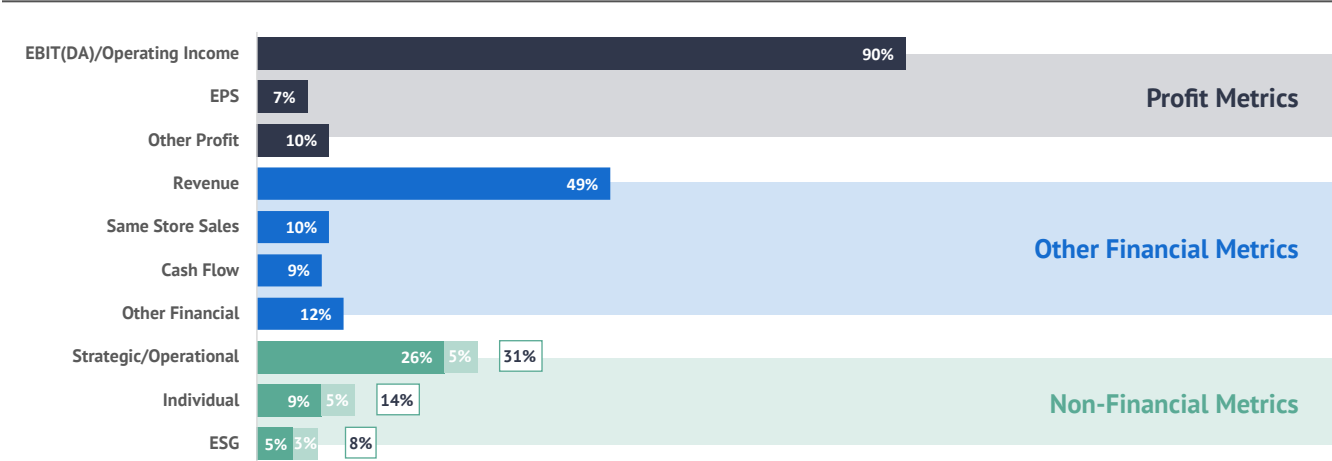
The study includes 105 retail and restaurant companies within the Consumer Discretionary and Consumer Staples GICS industry sectors.

Highlights

Annual Incentive Plan Design Practices

Annual incentive plans remain simple and financially driven. Profit measures continue to anchor plan design, often paired with revenue or another top-line metric. Rather than adding new measures, most companies are adjusting payout ranges and metric weightings to better align pay outcomes with current business priorities.

Annual Incentive Plan Metric Prevalence



- Financial metrics remain firmly at the center of annual incentive plans. Most companies use just one or two financial measures, reinforcing a continued preference for simple designs with clear line of sight between company performance and executive pay.
- Profitability is nearly universal and growth is increasingly important. Profit measures such as EBIT(DA), operating income, operating margin, EPS, and net income remain the dominant measures, most often paired with a top-line metric. Revenue prevalence has increased approximately 15% since 2021, while EBIT(DA)/

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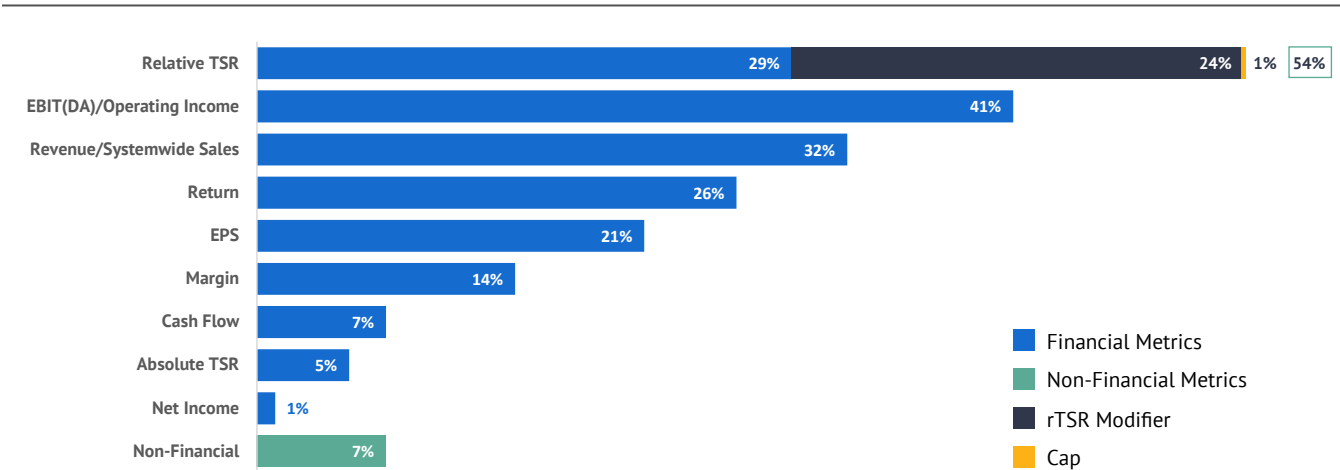
operating income prevalence has increased 17%. The trend points to continued focus on both margin discipline and growth.

- **Non-financial measures remain meaningful, but secondary.** 44% of companies use at least one strategic, individual, or ESG-related measure. Where used, these measures represent approximately 23% of the annual incentive opportunity on average—enough to reinforce strategic priorities without displacing financial performance as the primary driver of pay.
- **Companies are refining plans rather than reinventing them.** 41% of companies changed their annual incentive plans in 2025, up from 31% in 2024. The most common changes were adjustments to payout leverage and financial metric weightings, suggesting companies are fine-tuning existing designs to reflect evolving growth and earnings priorities.
- **Payout ranges are becoming more measured.** The most common design provides 1%–25% of target at threshold and 200% at maximum. Overall, companies appear to be favoring somewhat tighter payout curves, balancing downside protection with more moderate upside leverage.

Long-Term Incentive Plan Design and Vehicle Mix Practices

LTI design changes accelerated in 2025. 38% percent of companies modified their performance-based plans, up from 24% in 2024, most commonly through payout-range changes, new financial measures, or greater weighting on earnings metrics. At the same time, the growing use of rTSR as a modifier points to a broader effort to balance market performance with internal financial and strategic execution.

Long-Term Incentive Performance Measure Prevalence



Given continued uncertainty across consumer-facing businesses, along with the difficulty of setting meaningful three-year financial goals, we expect companies to keep refining the role of market-based measures within LTI programs.

- **LTI vehicle mixes continue to shift toward time-based equity.** 29% percent of companies changed their LTI mix in 2025 or 2026, up from 22% in 2024. The most common change was an increase in RSU weighting, generally offset by lower PSU or stock option weightings. This trend may continue where companies face difficulty establishing credible multi-year performance goals.

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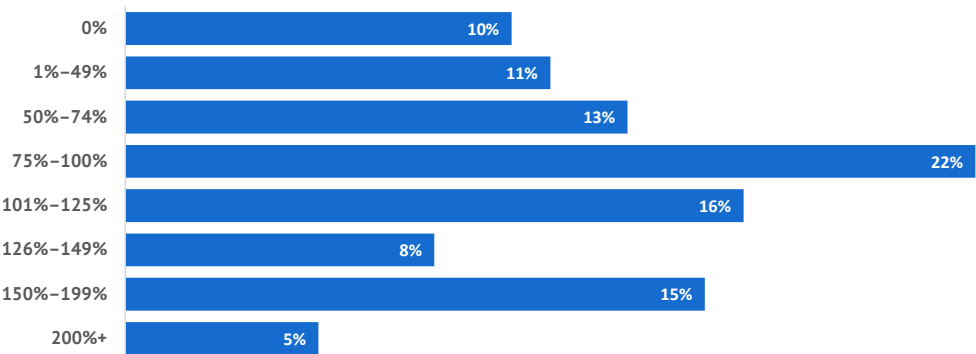
- **Performance-based equity still anchors executive LTI programs.** Nearly 90% of companies use a performance-based vehicle, while 85% grant RSUs and 27% use stock options. Performance awards remain the primary pay-for-performance vehicle, with RSUs providing an important retention element.
- **CEO programs remain somewhat more performance-oriented.** On average, CEO LTI awards consist of 51% PSUs, 38% RSUs, and 11% stock options. For other NEOs, the mix is 46% PSUs, 42% RSUs, and 12% stock options. Among companies using only PSUs and RSUs, the average mix is 56% PSUs and 44% RSUs, further illustrating the continued emphasis on performance-based equity within LTI programs.
- **Relative Total Shareholder Return (rTSR) remains the most common performance measure, but its role is evolving.** rTSR is used by 54% of companies, followed by EBIT(DA)/operating income at 41% and revenue at 32%. Unlike broader market practices, where returns-based measures and EPS often follow rTSR, retail and restaurant companies place greater emphasis on revenue growth and earnings performance.
- **More companies are using rTSR as a modifier rather than a standalone metric.** Among companies using rTSR, 55% use it as a standalone metric and 45% use it as a modifier (a 10-percentage-point increase in modifier usage from the prior year). The shift allows companies to retain a market-based check on outcomes while placing greater weight on internal operating performance.

Annual Incentive Plan Payouts

2025 annual incentive payouts moved closer to target. Average payouts were 99% of target, compared with 83% in 2024, suggesting company performance more closely tracked established goals. Tariffs created additional uncertainty, but most companies allowed existing plan mechanics to play out. Meridian's January 2026 pulse survey found that approximately 25% of companies were considering tariff-related adjustments; ultimately, only 16% made changes. Continued tariff uncertainty and inconsistent treatment of potential refunds may keep this issue in focus through 2026.

2025 Annual Incentive Payout Distribution

as % of Target



Long-Term Incentive Plan Payouts

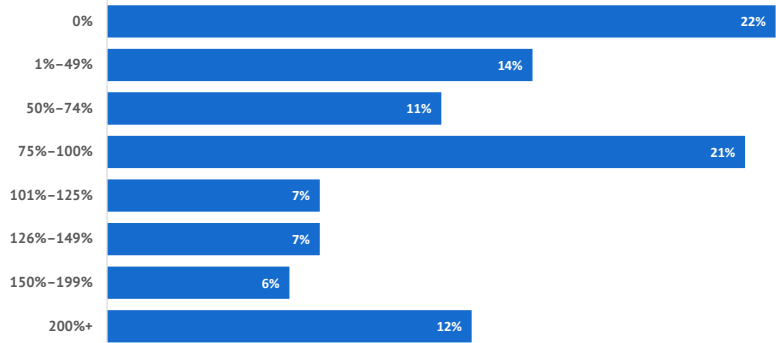
LTI payouts were generally below target in 2025. Fewer companies delivered above-target outcomes, while zero payouts became more common, reflecting the challenge of achieving multi-year goals established before the current period of heightened volatility. The only above-target payout category to increase was the 200%+ level, highlighting

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the increasingly wide dispersion in company performance: while many companies faced pressure from tariffs, shifting consumer behavior, and margin challenges, a smaller group materially outperformed.

2023–2025 Long-Term Incentive Payout Distribution

as % of Target



The financial highlights of the 105 companies represented in this study are shown below. All figures are shown as of June 1, 2026.

Percentile	TTM Revenue (\$Mn)	Market Cap (\$Mn)	Enterprise Value (\$Mn)	Employees	1-Yr TSR
75th Percentile	\$11,911	\$15,116	\$19,616	53,500	34%
Median	\$4,676	\$3,578	\$5,313	18,852	6%
25th Percentile	\$1,514	\$666	\$1,911	6,500	-18%

Looking Ahead

Retail and restaurant companies are continuing to refine incentive programs rather than fundamentally redesign them. Annual plans remain financially focused, while LTI programs are evolving to balance performance, retention, and the challenges of setting credible long-term goals in an uncertain operating environment. For compensation committees, the priority will be maintaining that balance while ensuring incentive outcomes remain aligned with business performance and shareholder expectations.



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