

Restaurant Industry Update

September 2017



CALABASAS CAPITAL

DISCLOSURE

- *This presentation should not be considered in any way an offer to buy or sell a security.*
- *Buying or selling a security involves substantial risk and may be worth more or less than the original investment.*
- *This presentation is for informational purposes only.*
- *Securities offered through Fallbrook Capital Securities Corp. Member FINRA/SIPC.*

INTRODUCTION TO CALABASAS CAPITAL

Investment banking firm primarily servicing clients with \$10 to \$100 million in revenues

Mergers & Acquisitions

- Business sales
- Subsidiary dispositions
- Businesses purchases
- Mergers and JVs

Capital Raising

- Private Equity
- Subordinated Debt
- Senior Debt
- Venture Capital

Historically, our business has been split about 50/50 between M&A and Capital Raising

Securities offered through Fallbrook Capital Securities Corp., Member FINRA/SIPC

RESTAURANT INDUSTRY EXPERTISE

Six Holdings, LLC

has acquired the assets of



FRESH ASIAN
FLAVORS

from



CARLSON

with financing provided by



Calabasas Capital served as financial advisor to Stix Holdings, LLC an affiliate of Mandarin Express, Leeann Chin & Chin's Asia Fresh.



Strategic & Financial Advisory

Calabasas Capital advised Fired Pie on strategic and financing alternatives



has been acquired by

A Private Investment Group

A managing director of Calabasas Capital served as exclusive financial advisor to Hamlet Group while at a previous firm.

Mandarin Holdings

has acquired



with financing provided by



A managing director of Calabasas Capital served as financial advisor to Mandarin Holdings while at a previous firm.

Parco Holdings, LP



buy-side M&A and strategic advisory

Calabasas Capital served as exclusive financial advisor to Parco Holdings, LP.



strategic advisory

Calabasas Capital advised Rice Garden on strategic alternatives.



financial advisory

Calabasas Capital advised Slim Chickens on valuation and financing alternatives.

Stripes Restaurants, Inc



buy-side M&A and strategic advisory

Calabasas Capital acted as exclusive financial advisor to Stripes Restaurants.

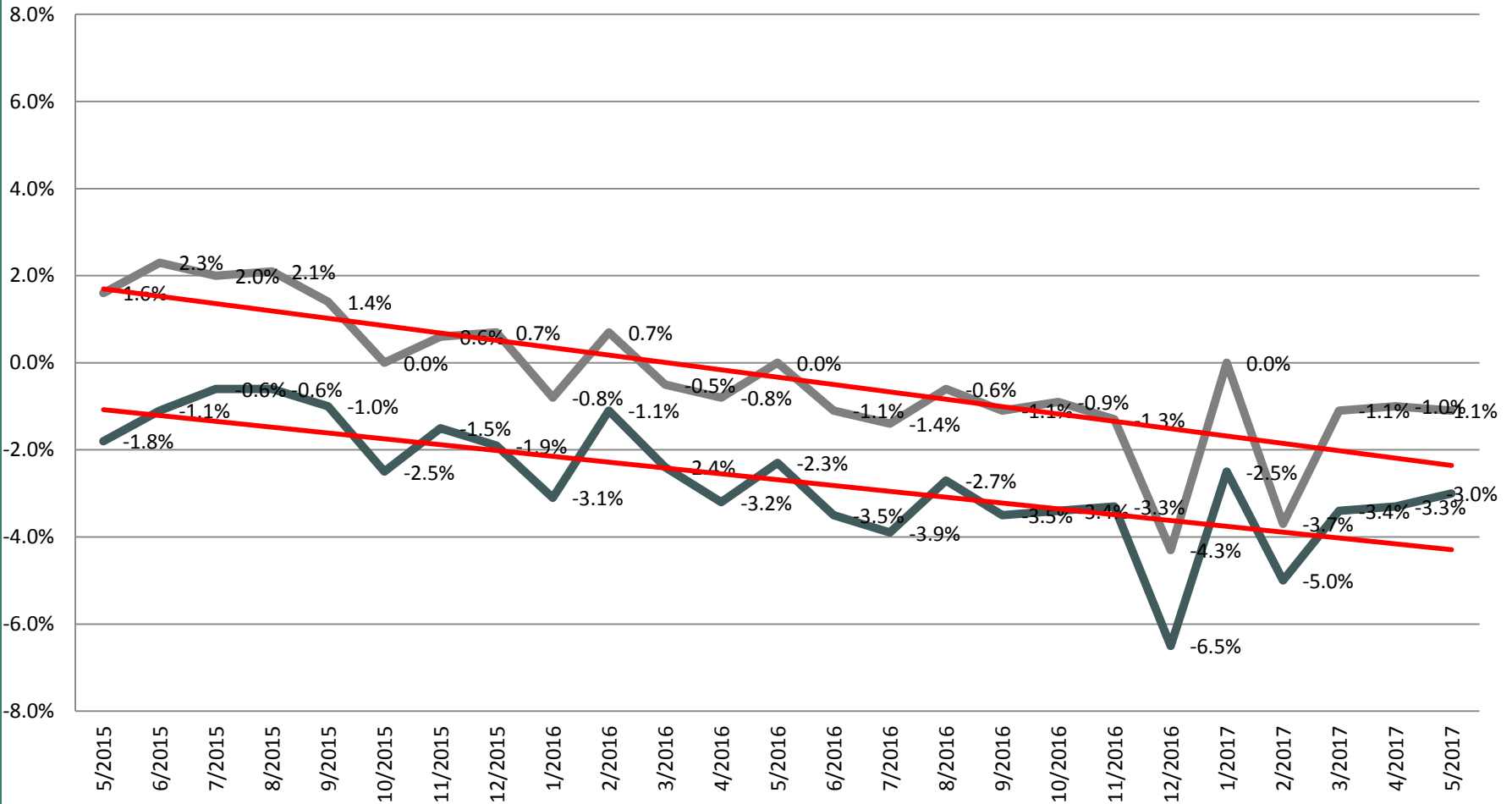
RESTAURANTS INDUSTRY TRENDS

- Margins getting squeezed while traffic is down
 - Higher Costs:
 - Labor (wages, health insurance)
 - Food Safety
 - Environmental concerns (lighter packaging and less food waste)
 - Demand for locally sourced produce; Natural and organic ingredients
 - Reimaging expenses
 - Discounting/value-bundling
 - Lower Traffic:
 - Impact of eCommerce growth on lower retail traffic
 - Market saturation
- Delivery services present both a threat and growth opportunity
- Order-ahead apps are a fast growing alternative vs. traditional delivery services. These apps also allow customers and restaurants to avoid delivery charges
- Higher impact of social media/food rating apps on consumer opinions

MONTHLY SAME-STORE SALES AND TRAFFIC GROWTH

- SSS and traffic have declined for the last six consecutive quarters,

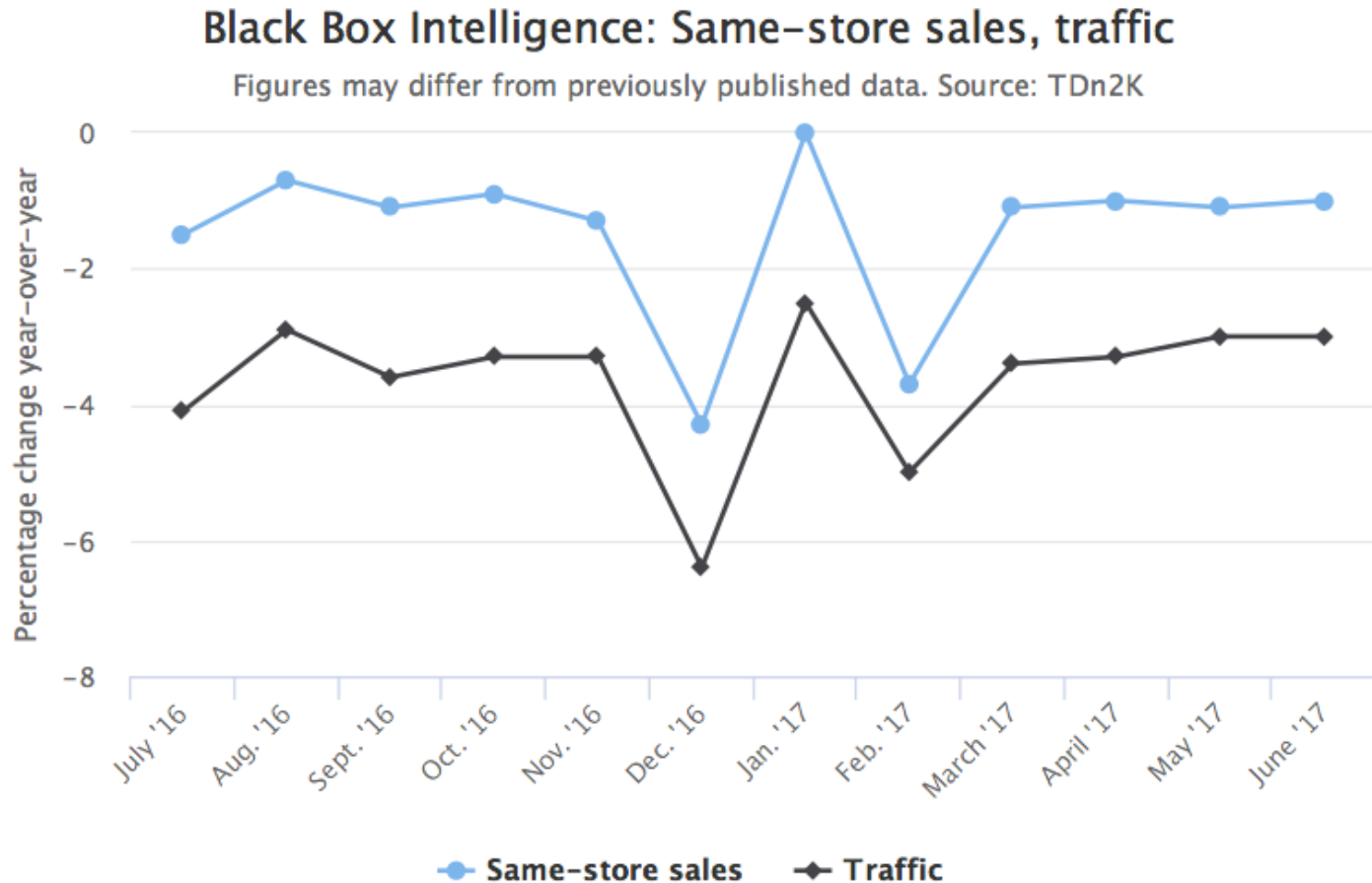
— Same-Store Sales — Traffic — Linear (Same-Store Sales) — Linear (Traffic)



Data: Duff and Phelps

INDUSTRY GROWTH TRENDS

- Despite SSS and traffic declining over the last six consecutive quarters, June 2017 sales and traffic growth were the best for the industry since January



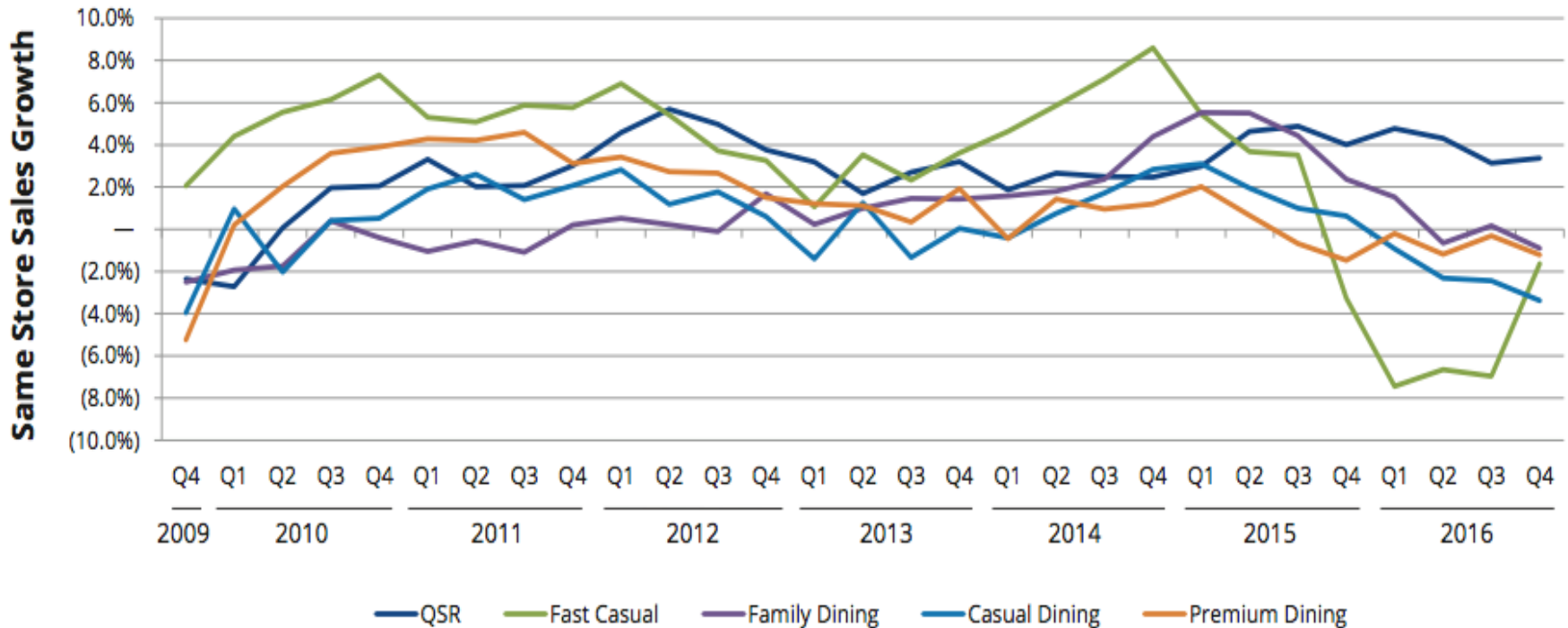
Nation's Restaurant News

Source: Insight comes from data by TDn2K through The Restaurant Industry Snapshot, based on weekly sales from over 28,500 restaurant units and 155 brands, totaling \$67B in annual revenue

RESTAURANT INDUSTRY GROWTH BY SEGMENT

- All sectors peaked in terms of SSS growth at the beginning of 2015
- Over the past two years, QSR has been the strongest while Fast Casual and Casual dining have been the weakest
- Fast Casual rebounded strongly at the end of 2016 but that was largely because of Chipotle and Panera. Excluding those two, the fast casual sector continued to underperform

Same Store Sales by Price Point



Source: TM Capital

DELIVERY SERVICES

- The demand for speed and convenience is now trickling over to the restaurant industry. Year-to-date dine-in restaurants sales have declined, while to-go, delivery, and drive-thru sales have each increased
- Delivery services have become a fast growing trend and according to Restaurant News over 80% of public restaurants are testing or implementing delivery services to combat negative SSS and slow traffic trends
- Restaurant operators agree delivery services will improve sales volume but the negative impact on margins often offset the benefits



POSTMATES

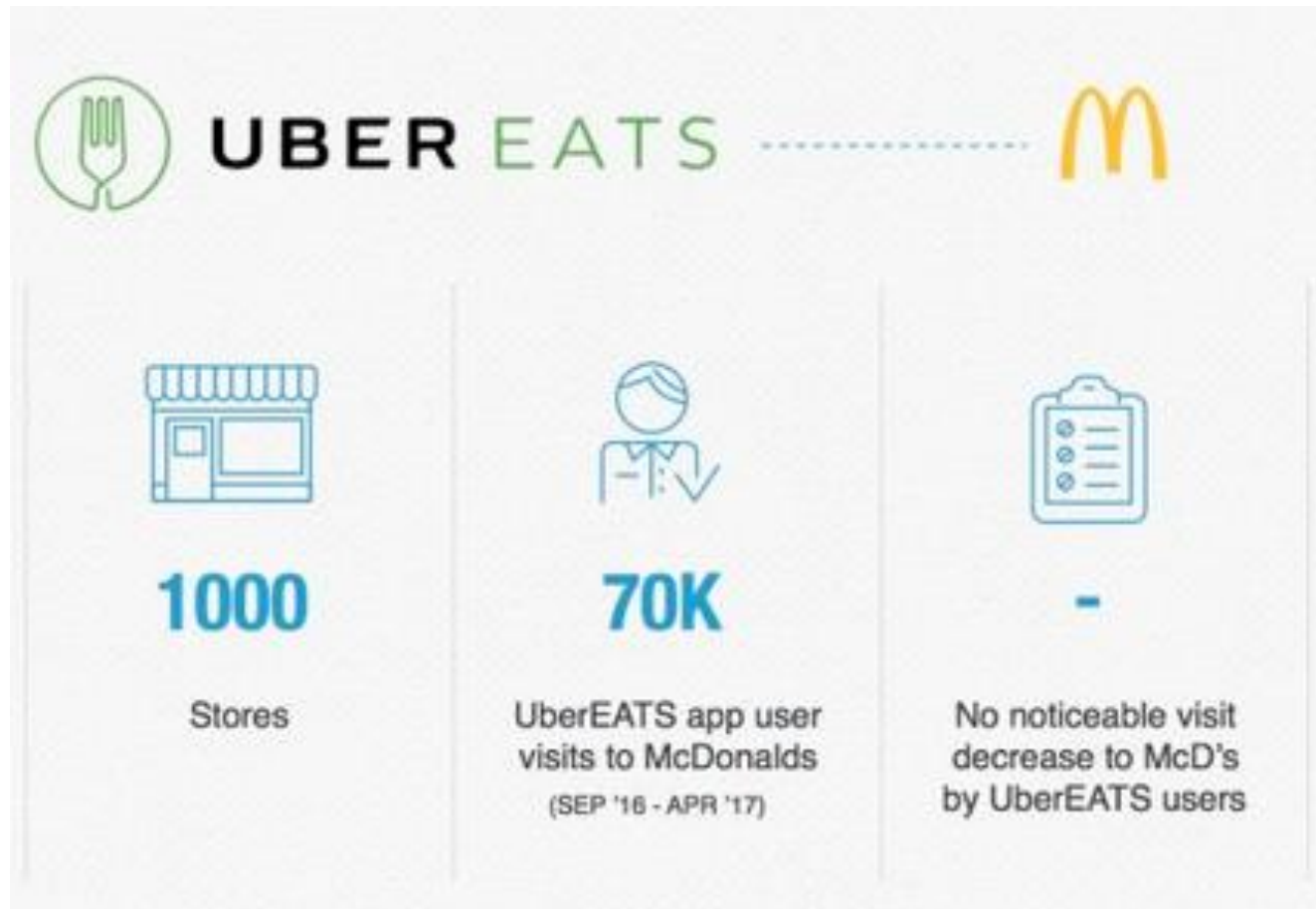
GRUBHUB



**UBER
EATS**

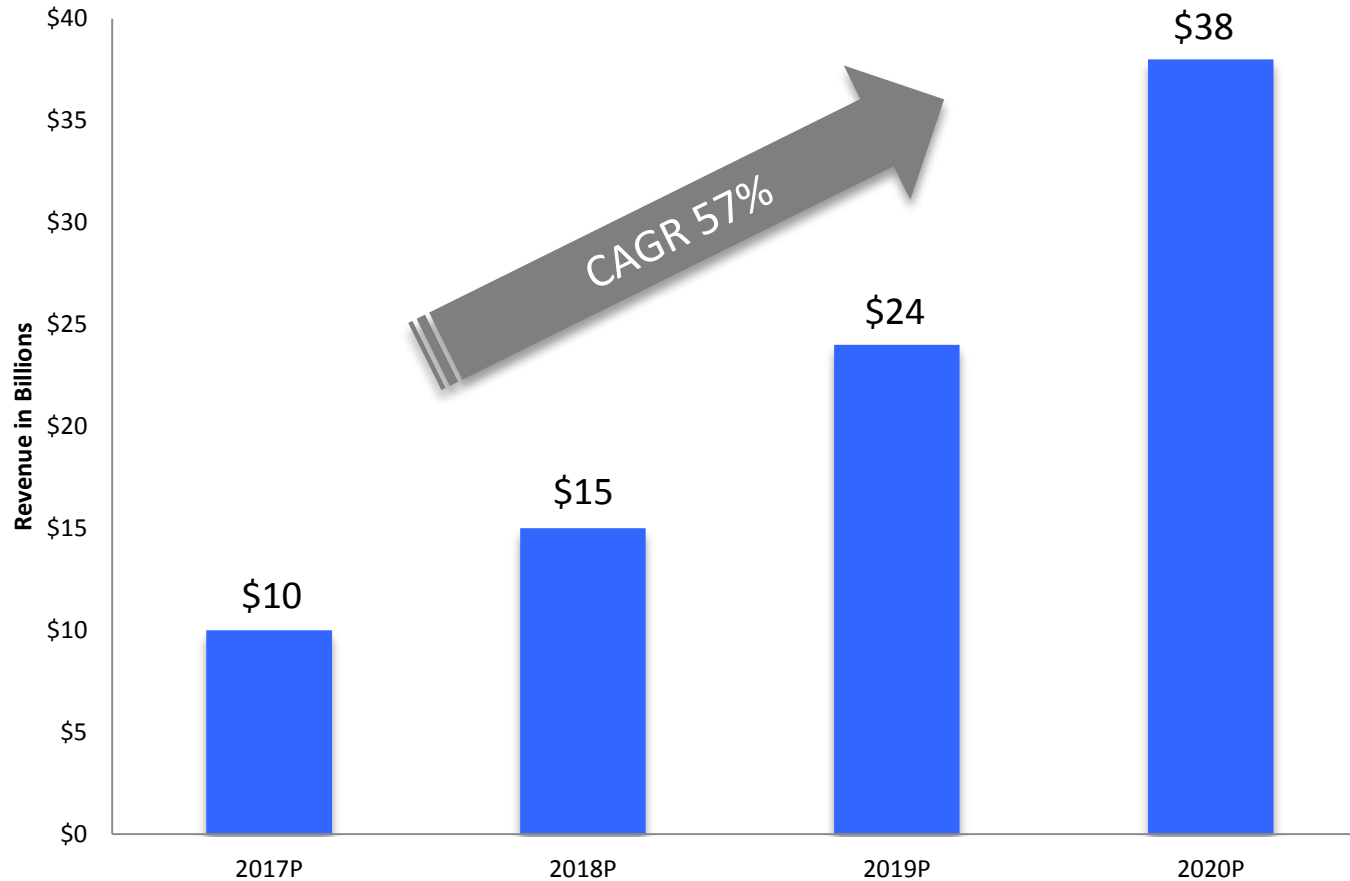
DELIVERY SERVICES

- On average, delivery services charge fees equal to 20-30% of the sale but restaurants track the number of user visits to the establishment and both QSR and Fast Casual visits remain unaffected



GROWTH IN ORDER-AHEAD APPS

- QSR mobile order-ahead apps that allow purchases remotely and in-store restaurant pickup are expected to grow rapidly through 2020

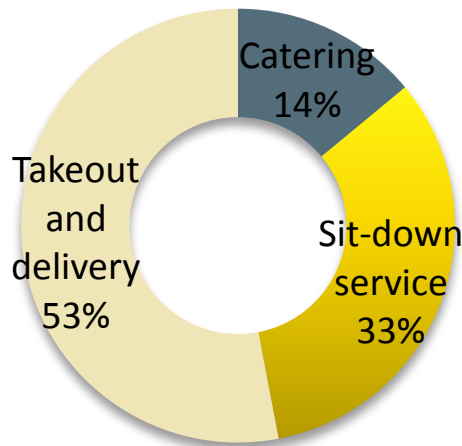


Data: Business Insider

DIGITAL ORDERING IMPACT ON PIZZA INDUSTRY

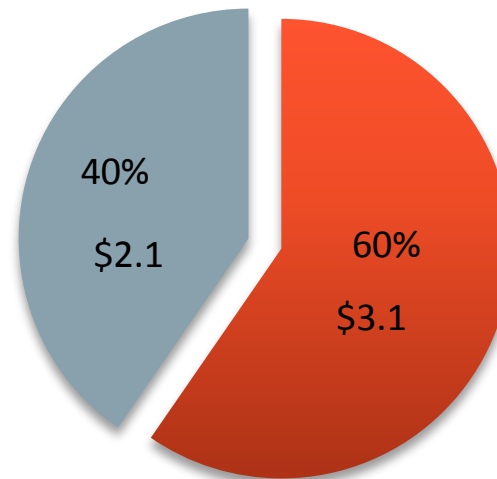
- Dominos reported 60% of sales (\$3.1B) from digital ordering channels
- Dominos, Pizza Hut, Little Caesar's, and Papa John's dominate roughly half of the pizza industry and half their business relies on takeout and delivery service

**Products and Services Segmentation
(2016)**



Dominos Sales \$billions

■ Digital ■ Non-digital

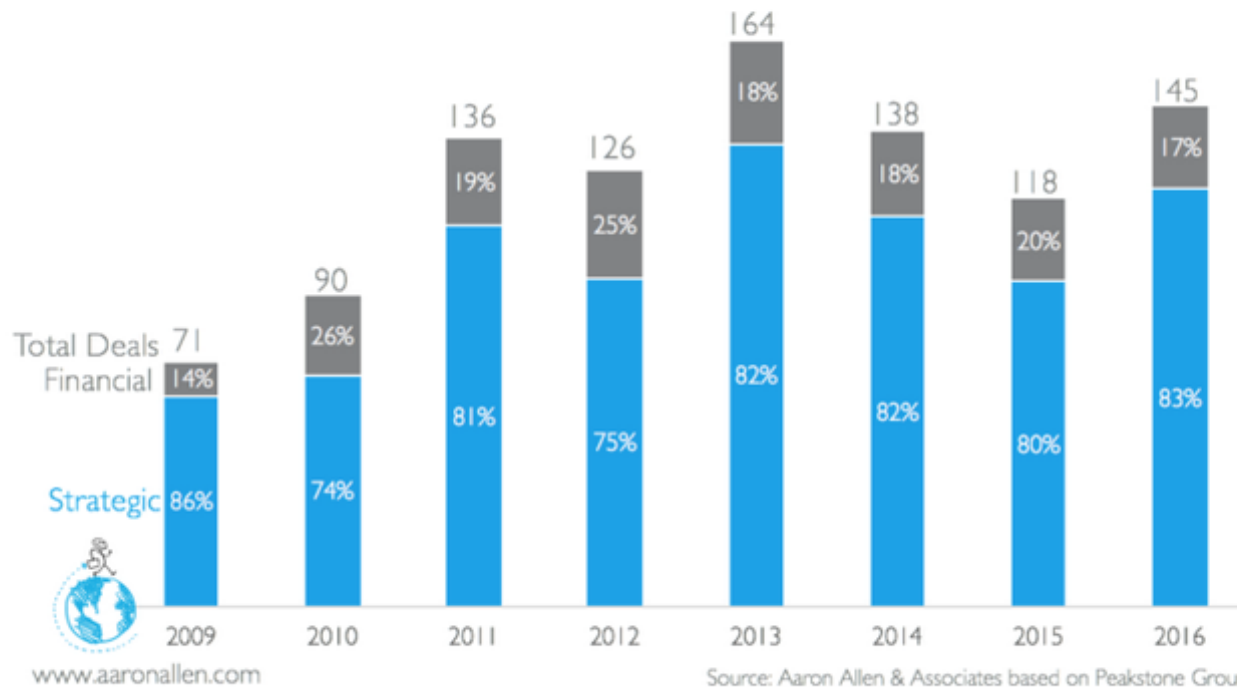


Source: IBISWorld

M&A ACTIVITY

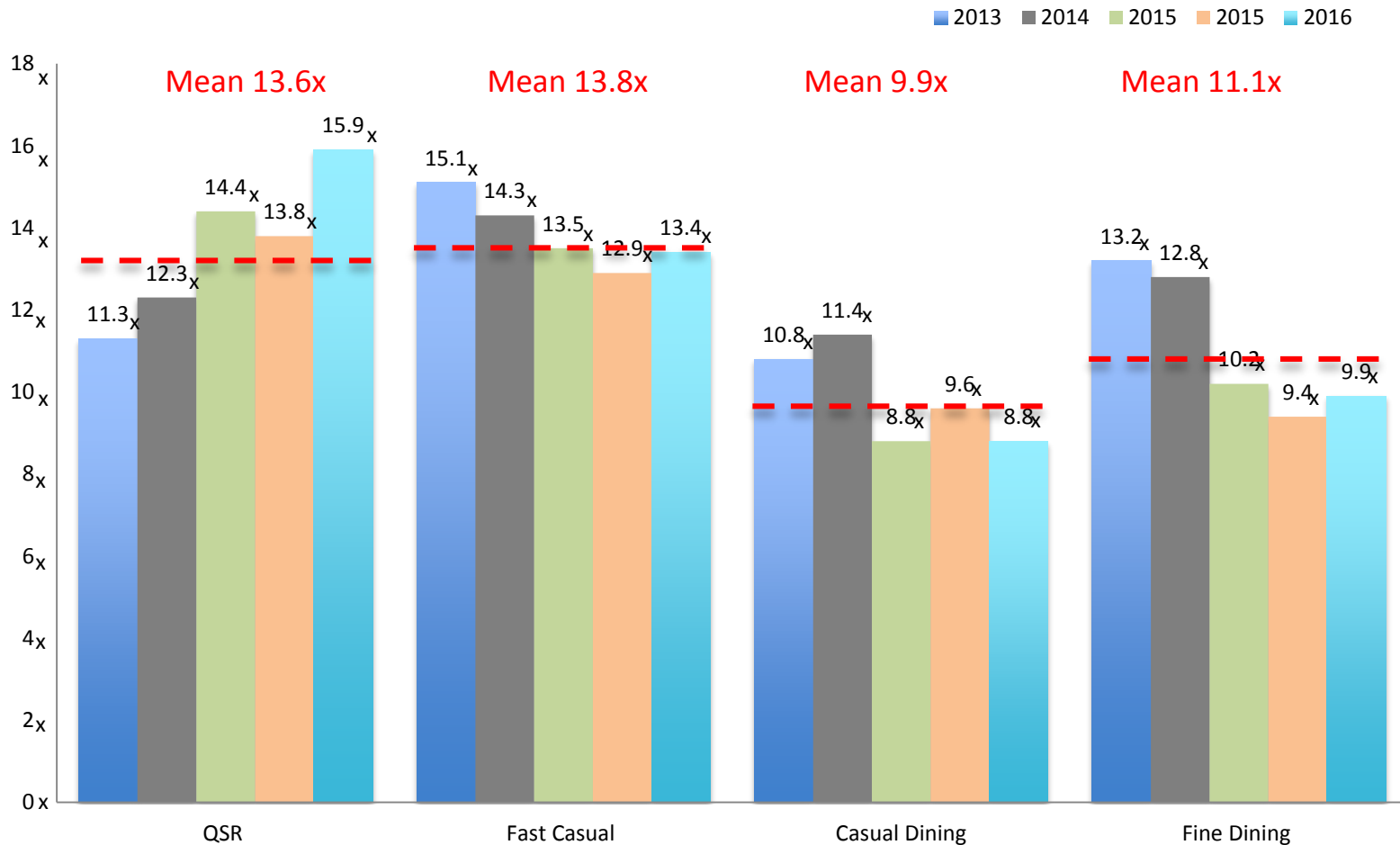
- Restaurant M&A activity is primarily composed of strategic acquisitions, indicating consolidation in the space partly due to cannibalization
- Restaurant chains are looking to diversify to mitigate risk in an evolving space

RESTAURANT M&A ACTIVITY BOUNCED BACK IN 2016



PUBLICLY TRADED RESTAURANT VALUATIONS

- Although the fast casual sector still has the highest average EBITDA valuation multiple over the past five years, QSR currently is valued the highest



Data: Duff & Phelps

RECENT TRANSACTIONS

Date	Deal Type	Acquirer / Investor	Target	Value (\$mm)
Aug-17	Acquisition	Capitalspring (lender)	Beef O'Brady's	NA
Aug-17	Acquisition	Perpetual Capital & CR3 Capital	Garden Fresh Restaurant Corp.	NA
Aug-17	Acquisition	J. Alexanders	Ninety Nine Restaurant & Pub	\$199
Jul-17	Acquisition	Advent International	First Watch Restaurants	NA
Jul-17	Investment	Brentwood Associates	Blaze Pizza	NA
Jul-17	Acquisition	Roark Capital Group	Jim 'N Nick's Bar-B-Q	NA
Jul-17	Acquisition	Hojeij Branded Foods	Vino Volo	NA
Jul-17	Acquisition	Four Foods Group	Mo'Bettahs	NA
Jun-17	Investment	Panda Restaurant Group	Urbane Café	NA
May-17	Acquisition	Cleveland Avenue LLC	PizzaRev	NA
May-17	Acquisition	Curry Up Now	Tava Kitchen	NA
May-17	Acquisition	Axum Capital	Back Yard Burgers	NA
May-17	Acquisition	Golden Gate Capital	Bob Evans Restaurants	\$565
May-17	Acquisition	SBR LLC	Elephant Bar	NA
May-17	Acquisition	Gala Investmnts./Balmoral Funds	Mooyah Burgers, Fries & Shakes	NA
Apr-17	Investment	General Atlantic	Torchy's Tacos	NA
Apr-17	Acquisition	JAB Holding Co.	Panera Bread	\$7,800
Mar-17	Acquisition	Oak Hill Capital Partners	Checkers Drive-In Restaurants	\$525
Mar-17	Acquisition	Darden Restaurants	Cheddar's Scratch Kitchen	\$780
Mar-17	Acquisition	Four Foods Group	48 Little Caesar's Locations	NA
Feb-17	Acquisition	Restaurant Brands	Popeyes Louisiana Kitchen	\$1,800
Jan-17	Acquisition	Loflin (Franchisee)	Pizza Patron	NA
Jan-17	Acquisition (BK)	Cerberus Capital Mgt	Garden Fresh Restaurant Corp.	NA
Jan-17	Acquisition	MTN Capital/Argosy PE	Rita's Franchise Co	NA
Oct-16	Acquisition	Goode Partners LLC	STONEFIRE Grill, Inc.	NA
Oct-16	Investment	Thai Union Group PCL	Red Lobster Seafood Restaurants	\$575
Oct-16	Acquisition	Hargett Hunter Capital Partners	Ruggles Green Texas LLC	NA
Sep-16	Acquisition	Roark Capital Group, Inc.	Jimmy John's Franchise LLC	NA
Sep-16	Acquisition	CenterOak Partners LLC	Wetzel's Pretzels LLC	NA
Jul-16	Acquisition	Hargett Hunter Capital Partners	The Original ChopShop Co	NA
Jul-16	Acquisition	NPC Quality Burgers, Inc.	Wendy's Intern. LLC (35 Restaurants)	NA
Jun-16	Acquisition	Larson MacColl Partners	Burger & Beer Joint	NA
Jun-16	Acquisition	Pieology Pizzeria	Project Pie LLC	NA
May-16	Acquisition	JAB Holding Co	Krispy Kreme Doughnuts Inc	\$1,350

CONTACT INFORMATION

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