

Restaurant Industry Update

September 2018



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

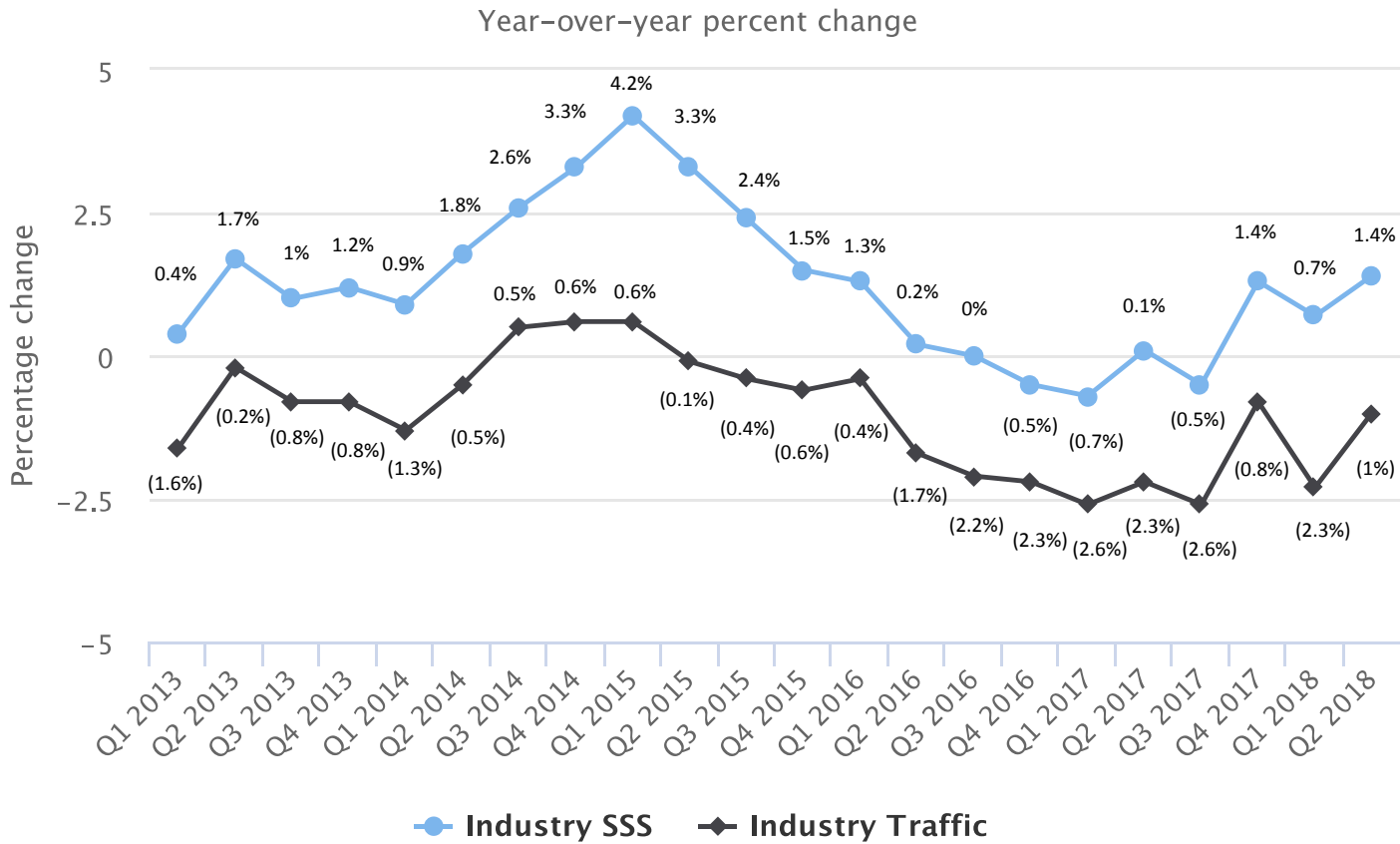
- Positive SSS trends over the past 4 quarters
- Millennial population shifts consumer preference
 - Emphasis on clean, natural food
 - Waste-conscious menus
 - Instagram-worthy food and drinks
- Operators adjusting to high labor costs
 - Difficulty finding employees
 - Rising minimum wages across the country
- Technology driving cost reductions and more targeted advertising
 - Automated kiosks drive lower costs
 - Home delivery continues to gain momentum
 - Location-based marketing becoming more relevant
- High valuations persist amidst continued strong M&A activity



INDUSTRY GROWTH TRENDS

- Industrywide 2Q 2018 same-store sales up 1.4% - strongest in 2 years

Restaurant same-store sales and traffic trends, 2013-2018

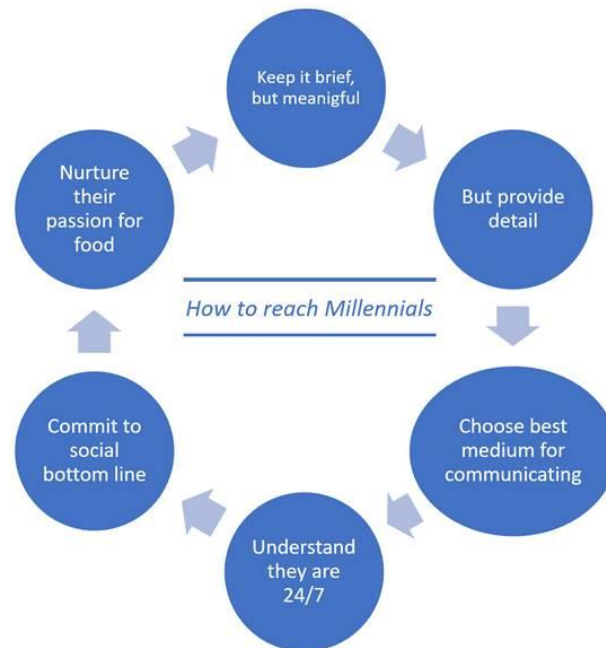


Powered by Highcharts Cloud



CATERING TO MILLENNIALS

- Millennials spend more on a per capita basis than any other generation on food outside the home
- Millennials have a strong preference for clean food and comprise almost 52% of organic consumers
- Technology has been heavily integrated, with a heavy emphasis on taking orders, carry-out, paying, and online reputation.



EXPANDED PICKUP AND DELIVERY SERVICES

- Off-Premise sales have rapidly grown in the last year, with over 86% of customers utilizing off-premise services at least monthly
- Food delivery is projected to grow 12% per year over the next five years
- In response to the uptick in takeaway orders, restaurants are altering their processes and structures with dedicated makelines, pickup counters, cubbies, and more.



POSTMATES

LOCATION-BASED MARKETING

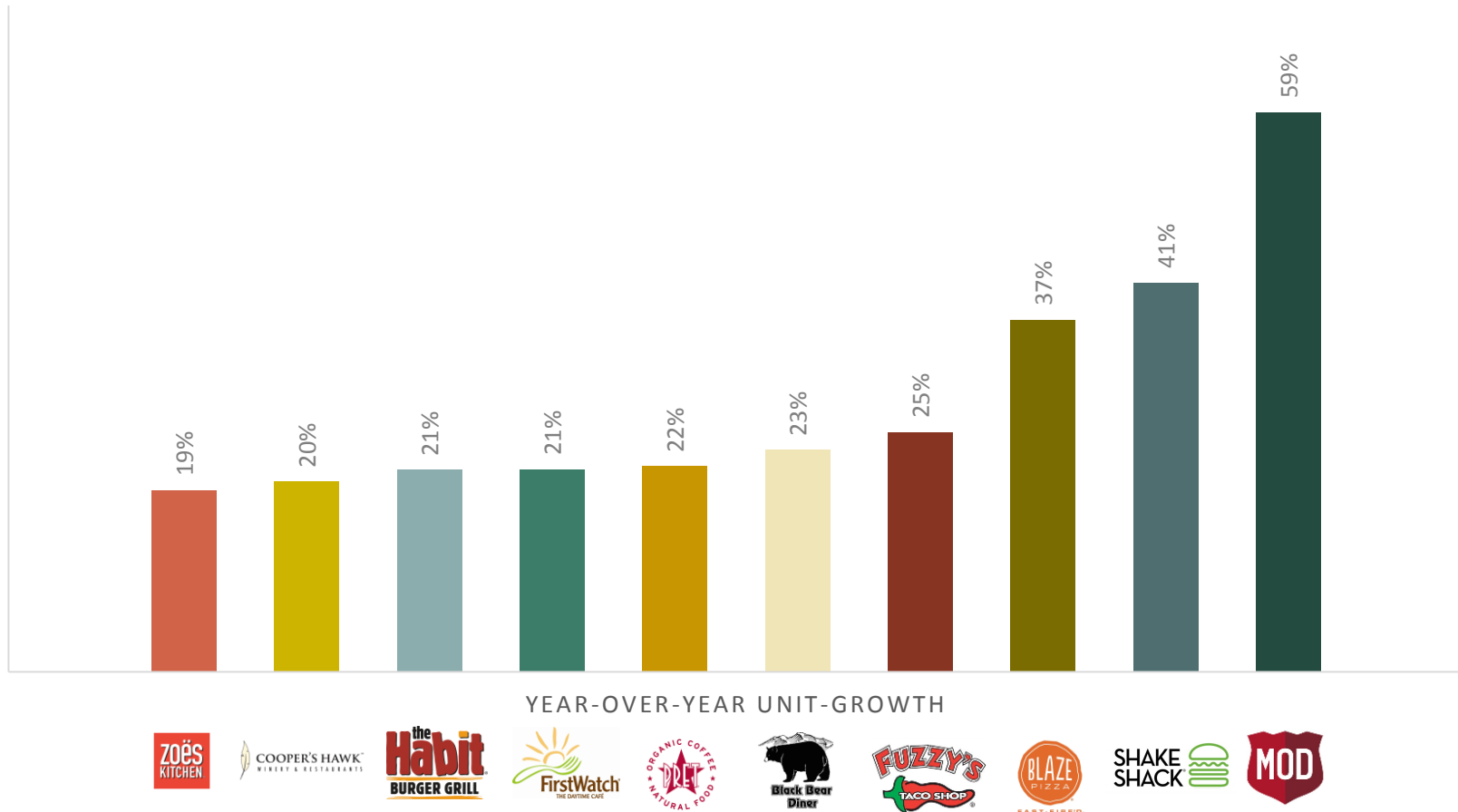
- The rise of geolocation technology allows for embedded menus in restaurant search results, providing a new opportunity to target nearby customers.
- Location tagging on social media makes it possible to serve users ads for a limited amount of time when they are in a specific area.



NRN TOP 200 IN 2018: TOP 10 UNIT-GROWTH LEADERS

- These are the chains with the fastest-growing U.S. unit counts

10 FASTEST GROWING CHAINS



NRN TOP 200 IN 2018:

THE LEADERS OF THE PACK - BLAZE PIZZA & MOD PIZZA

- MOD Pizza and Blaze Fast-Fire'd Pizza — emerged as dominant in 2017, growing annual domestic sales by **80% and 51%**, respectively, and now virtually neck-and-neck in the race to the top.
- Blaze Fast-Fire'd Pizza was about 3% larger in terms of sales at \$279 million, compared with MOD Pizza's \$270 million, but MOD had 60 more locations — 297 to Blaze's 237.



NRN TOP 200 IN 2018: THE BRAND BUILDER



- Wingstop achieved its 14th consecutive year of same-store sales growth in 2017, despite a first-quarter same-store sales dip because of negative consumer sentiment coming out of the presidential election and record high wing inflation during part of the year.

WINGSTOP

11.1% GROWTH IN
LATEST-YEAR
U.S. SALES

11.4% GROWTH IN
LATEST-YEAR
U.S. UNITS

**WINGSTOP CRACKED \$1 BILLION IN U.S. SALES
IN THE LATEST YEAR, ON TWO STRAIGHT YEARS OF
DOUBLE-DIGIT SALES AND UNIT GROWTH.**



NRN TOP 200 IN 2018: THE INDUSTRY LEADER



- McDonald's Corp. added \$1.25 billion in sales, the highest net dollar gain of any chain in the country
- Gains were spurred on by burgers and beverage sales, modernization efforts, and a focus on what the brand does best.

McDONALD'S

\$1.25B NET GAIN IN SALES
IN THE LATEST-YEAR

McDONALD'S LED THE TOP 200 IN NET
SALES GAIN BY **DOING WHAT IT DOES BEST.**



NRN TOP 200 IN 2018: THE LIFESTYLE BRAND



COOPER'S HAWK™
WINERY & RESTAURANTS

- Cooper's Hawk is the fastest-growing of the all casual dining restaurant chains on all fronts — sales, units and estimated sales per unit.
- With a thriving wine club, tasting room and retail arm, the chain gives fans multiple reasons to visit

COOPERS HAWK WINERY & RESTAURANT

\$8.8M LATEST-YEAR
ESTIMATED SALES PER UNIT

THE CHAIN TOOK THE **NO. 6 SPOT AMONG**
ALL TOP 200 CHAINS RANKED BY ESPU.



NRN TOP 200 IN 2018: THE BREAKFAST SPECIALIST



- First Watch has realized growth by taking advantage of heightened consumer interest in breakfast, offering a strong value proposition, building unit growth through conversions and company locations, and securing a key investment.

FIRST WATCH

30.4% GROWTH IN
LATEST-YEAR
U.S. SALES

21.3% GROWTH IN
LATEST-YEAR
U.S. UNITS

FIRST WATCH'S LATEST-YEAR SALES GROWTH
RATE WAS **10 TIMES THE 3-PERCENT AVERAGE OF**
ALL TOP 200 FAMILY-DINING CHAINS.



NRN TOP 200 IN 2018: THE KING OF CONVENIENCE



- Fast-casual chain expands reach through new markets and a cashless, kiosk-heavy experience
- Publicly-traded fast-casual chain experienced a U.S. systemwide sales increase of **32.5%**, from \$277.3 million to \$367.3 million.

SHAKE SHACK

U.S. SALES

\$367.3M

IN THE LATEST YEAR, **UP 32.5%**
FROM \$277.3M A YEAR EARLIER

U.S. UNITS

100



40.8%

from 71 a year ago



NRN TOP 200 IN 2018: THE SALES-PER UNIT STANDOUT



- Chick-fil-A Inc. continues to grow sales and units through continued streamlining of operations, using line-busters to shorten wait times both in the stores and the drive-thrus, offering catering and expanding into more urban areas.

CHICK-FIL-A

\$4.2M LATEST-YEAR
ESTIMATED SALES PER UNIT

THE BRAND WAS **NO. 31** OUT OF ALL TOP
200 CHAINS RANKED BY ESPU.



NRN TOP 200 IN 2018: THE CONVERSION ARTIST



- Reuse of distressed restaurant real estate gives Family-Dining brand an edge
- The company generally spends \$1 million for each conversion, with \$800,000 for construction and \$200,000 in pre-opening expenses

BLACK BEAR DINER

23.3% INCREASE IN UNIT COUNT
IN THE LATEST-YEAR

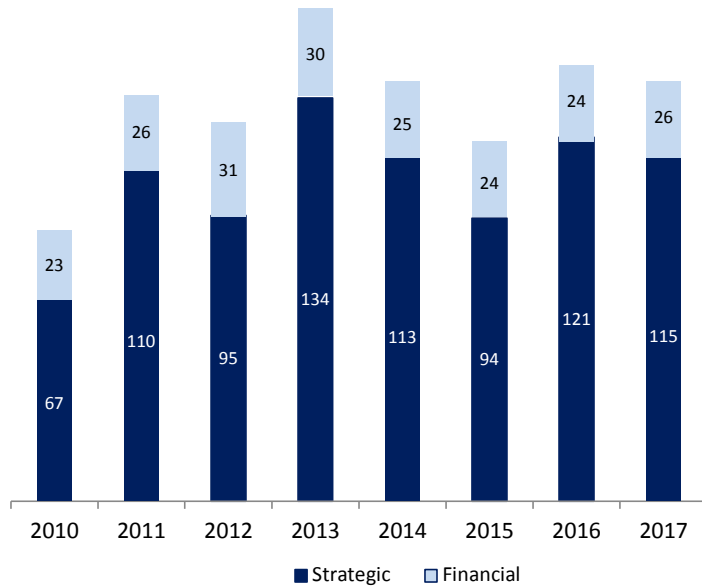
**BLACK BEAR LED ALL OTHER FAMILY-
DINING CHAINS IN GROWTH IN UNITS.**



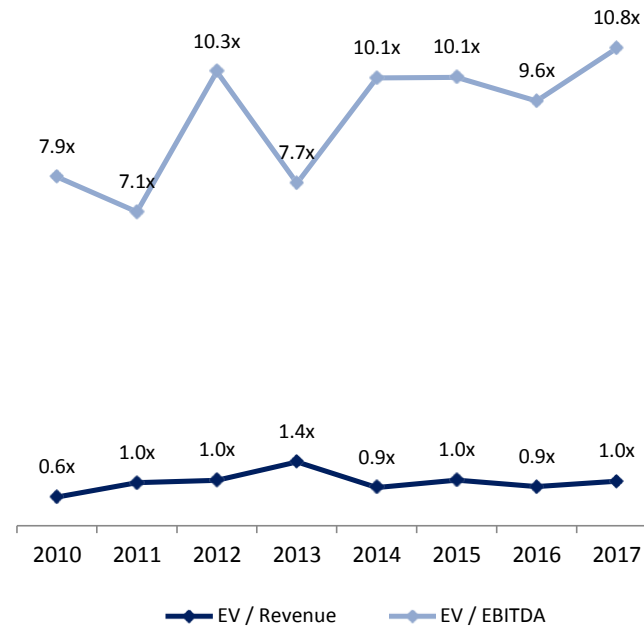
M&A ACTIVITY

- 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

U.S. Restaurant Transactions by Buyer Type



U.S. Restaurant Transaction Multiples



RECENT RESTAURANT TRANSACTIONS

Date	Target	Size (\$mm)	Buyers/Investors	EV/EBITDA
8/17/2018	Zoe's Kitchen	\$300	Cava Group	-
07/20/2018	Insomnia Cookies	-	Krispy Kreme Donut Corp.	-
07/06/2018	Hurricane Grill & Wings, 60 units	\$12.5	FAT Brands Inc.	-
05/29/2018	SBE Entertainment Group, 50% stake	\$319	AccorHotels	-
05/29/2018	Pret A Manger	-	JAB Holding Co.	-
05/21/2018	Native Foods Café	-	Millstone Capital Advisors	-
05/07/2018	Barteca Restaurant Group, LLC	\$325	Del Frisco's Restaurant Group, Inc.	10.3x
04/06/2018	By Chloe	\$31	Bain Capital Double Impact	-
03/08/2018	Bravo Brio Restaurant Group, LLC	\$102	Spice Private Equity AG (SWX:SPCE)	3.8x
02/20/2018	Fogo de Chao, Inc.	\$598	Rhone Capital, LLC	10.6x
02/13/2018	Smashburger Master LLC	\$100	Jollibee Worldwide Pte. Ltd.	-
12/19/2017	Qdoba Restaurant Corporation	\$305	Apollo Global Management, LLC	-
11/28/2017	Buffalo Wild Wings, Inc.	\$2,892	Arby's Restaurant Group, Inc.	11.2x
11/03/2017	6 Ruth Chris Steak House locations (HI)	\$35	RCSH Operations, Inc.	-



RECENT RESTAURANT TRANSACTIONS CONT.

Date	Target	Size (\$mm)	Buyers/Investors	EV/EBITDA
10/16/2017	Ruby Tuesday, Inc. (NYSE:RT)	\$362	NRD Capital Management, LLC	8.5x
10/05/2017	Uncle Julio's Corporation	-	L Catterton	-
09/06/2017	Homestyle Dining, LLC	\$11	FAT Brands Inc. (NasdaqCM:FAT)	-
08/21/2017	Ruby Tuesday, Inc, 21 Properties	\$28	-	-
08/04/2017	Ninety Nine Restaurant, Inc.	\$199	J. Alexander's LLC	6.6x
07/27/2017	First Watch	-	Advent International	-
06/06/2017	Ignite Restaurant Group Inc., Substantially all Assets	\$168	Kelly Companies of Southern California, LLC	-
05/01/2017	16 Bob Evans Restaurant Properties	\$35	Four Corners Property Trust, Inc. (NYSE:FCPT)	-
04/05/2017	Panera Bread Company (NasdaqGS:PNRA)	\$7,699	JAB Holdings B.V.	18.7x
04/04/2017	Guckenheimer Services, LLC	\$225	ISS A/S (CPSE:ISS)	-
03/27/2017	Cheddar's Casual Cafe, Inc.	\$780	Darden Restaurants, Inc. (NYSE:DRI)	10.4x
03/23/2017	Checkers Drive-In Restaurants, Inc.	\$525	Oak Hill Capital Partners	-



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