

Restaurant Industry Update

September 2019



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

- **Revenue Growth**: 2019E Industry Sales: \$863 Bn
- **Workforce Trends**: 15.3 million people employed
 - Recruiting and retaining employees continues to be a top challenge
 - Older employees are becoming an increasingly important labor source
- **Food/Menu Trends**:
 - Consumers want healthy food options, along with local sourcing and foods that are responsibly grown, harvested and prepared.
 - Daypart Focus: Breakfast
 - 55% of consumers say they would order breakfast items more often if restaurants offered them throughout the day. Among millennials, this rises to 63%.
- **Technology Trends**: Improve Customer Experience & Lower Costs
 - Delivery order options
 - More than half of all consumers—including 67% of millennials—say the availability of delivery makes them more likely to choose one restaurant over another
 - Sharing experiences through social media

RESTAURANTS TAKE ON TECHNOLOGY IN 2019

McDonald's acquires Dynamic Yield Ltd.

- McDonald's to automate upselling with \$300mm purchase of AI company
- The AI company, Dynamic Yield Ltd., specializes in personalization and decision logic technology
- The digital menu boards offer a personalized customer experience, such as suggesting an add-on item to go with a customer's selections



RESTAURANTS TAKE ON TECHNOLOGY IN 2019 (CONT.)

Pizza Hut acquires QuikOrder

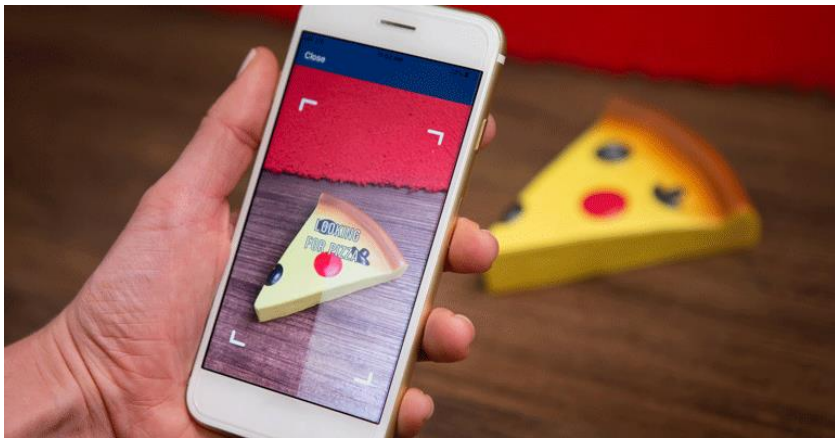
- Pizza Hut's U.S. division acquires QuikOrder, an online ordering platform
- Quikorder will improve the chain's ability to provide an "easy and personalized online ordering experience" through "greater flexibility and efficiency"
- Other tech-driven developments at the chain include the development of a fully automated robotic kitchen built into a zero-emissions truck



RESTAURANTS TAKE ON TECHNOLOGY IN 2019 (CONT.)

Domino's utilizes "HotSpots" & AI based "Points for Pies"

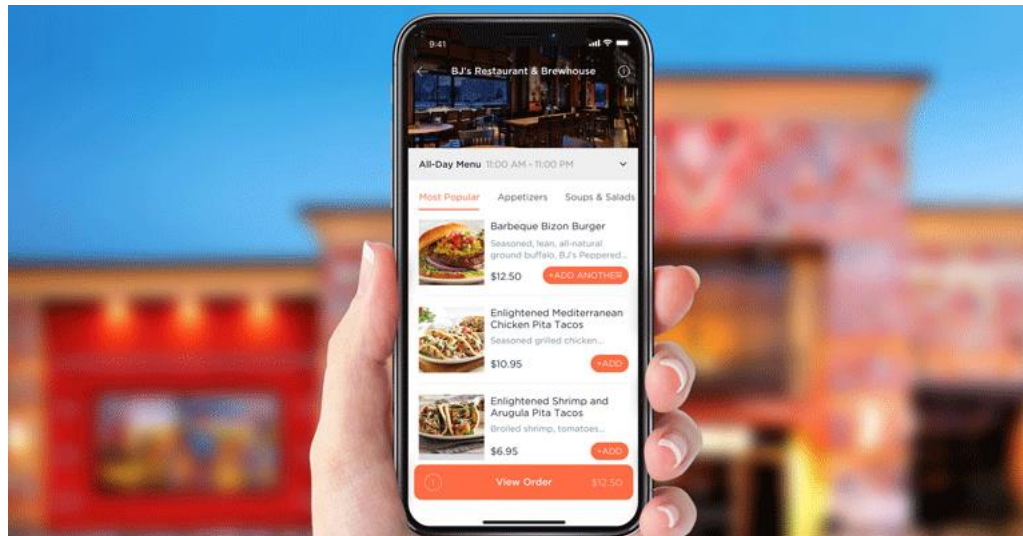
- "HotSpots" initiative allows for orders to locations without traditional addresses, such as beaches, parks, stadiums
- Now 200,000 HotSpots domestically; positive public attention scheme
- "Points for Pies" program grants customers reward points through smartphone app by taking a photo of the pizza they're eating
- Uniqueness of Domino's programs were more effective than the limited-time offers attempted by competitors



RESTAURANTS TAKE ON TECHNOLOGY IN 2019 (CONT.)

BJ's Restaurant & Brewhouse employs Allset

- Allset, used by BJ's, is an app that provides order- and pay-ahead technology for casual and limited-service concepts
- Through the app, customers can make a restaurant reservation, pre-order and pay for the bill before entering the restaurant
- The system ensures a faster dine-in service
- Seven BJ's Restaurant & Brewhouse locations in Los Angeles and Austin, Texas are using the new ordering system



RESTAURANTS TAKE ON TECHNOLOGY IN 2019 (CONT.)

'Butler buttons' land at Chick-fil-A

- Atlanta-based Chick-fil-A expanded a partnership with Kallpod, a touch-button call service that allows dine-in customers to order more food after they've paid for their initial order at the counter
- The Kallpod system helped drive incremental sales
- Before Kallpod technology, Chick-fil-A averaged \$30-\$45 per day from guests ordering a second time
- With the technology, locations are now averaging \$200-\$300 per day on second orders



RESTAURANTS TAKE ON TECHNOLOGY IN 2019 (CONT.)

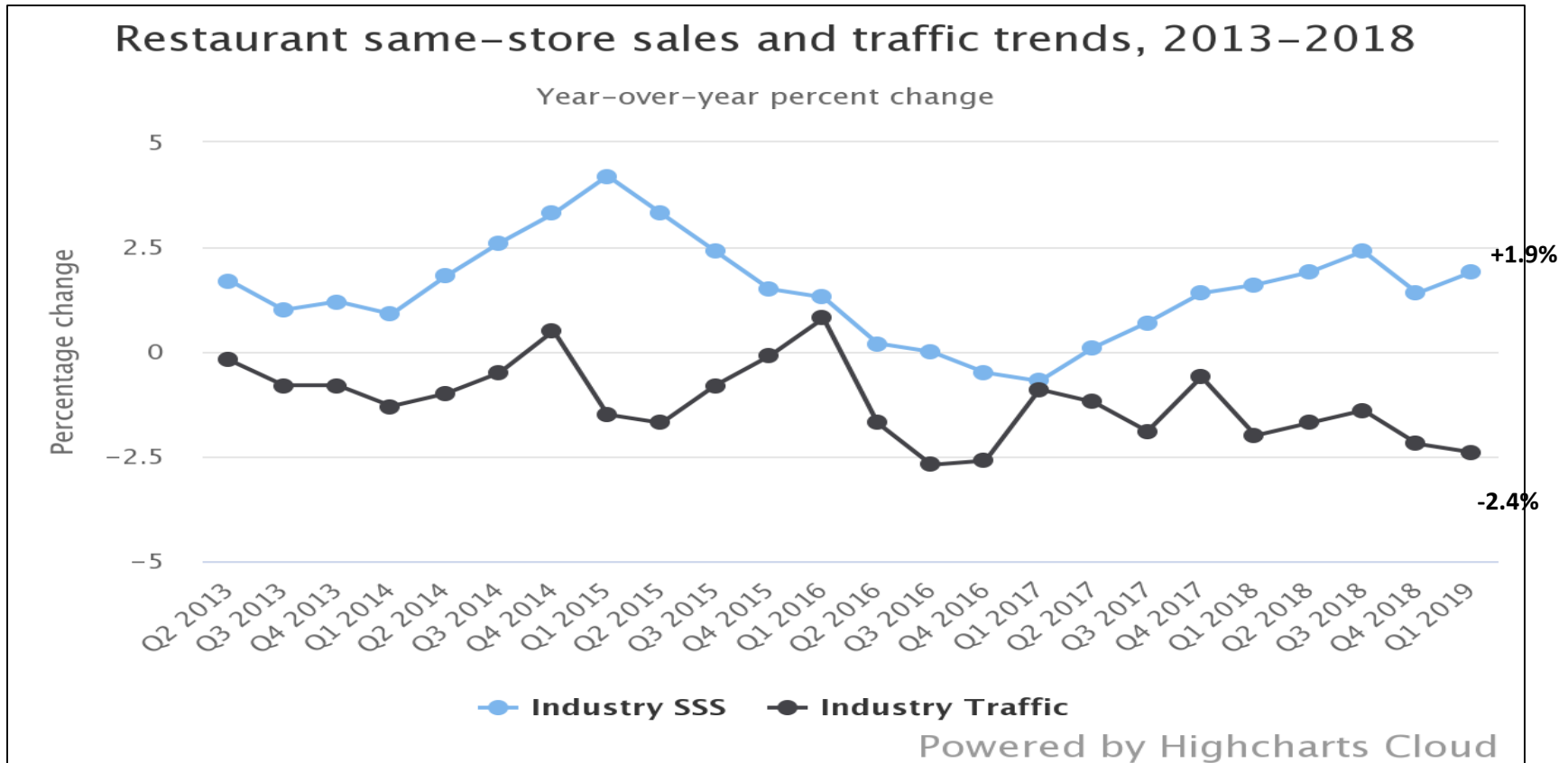
Pieology tackles drone delivery

- The Southern California-based company deployed drones with special clasps to latch on to insulated pizza boxes and deliver goods
- The mid-air visibility in an urban setting triggers brand chatter
- Of the top fast casual pizza players, Pieology is the first to enter the air space with food delivery
- Using drones fits right into urban spaces mobility and automation goals

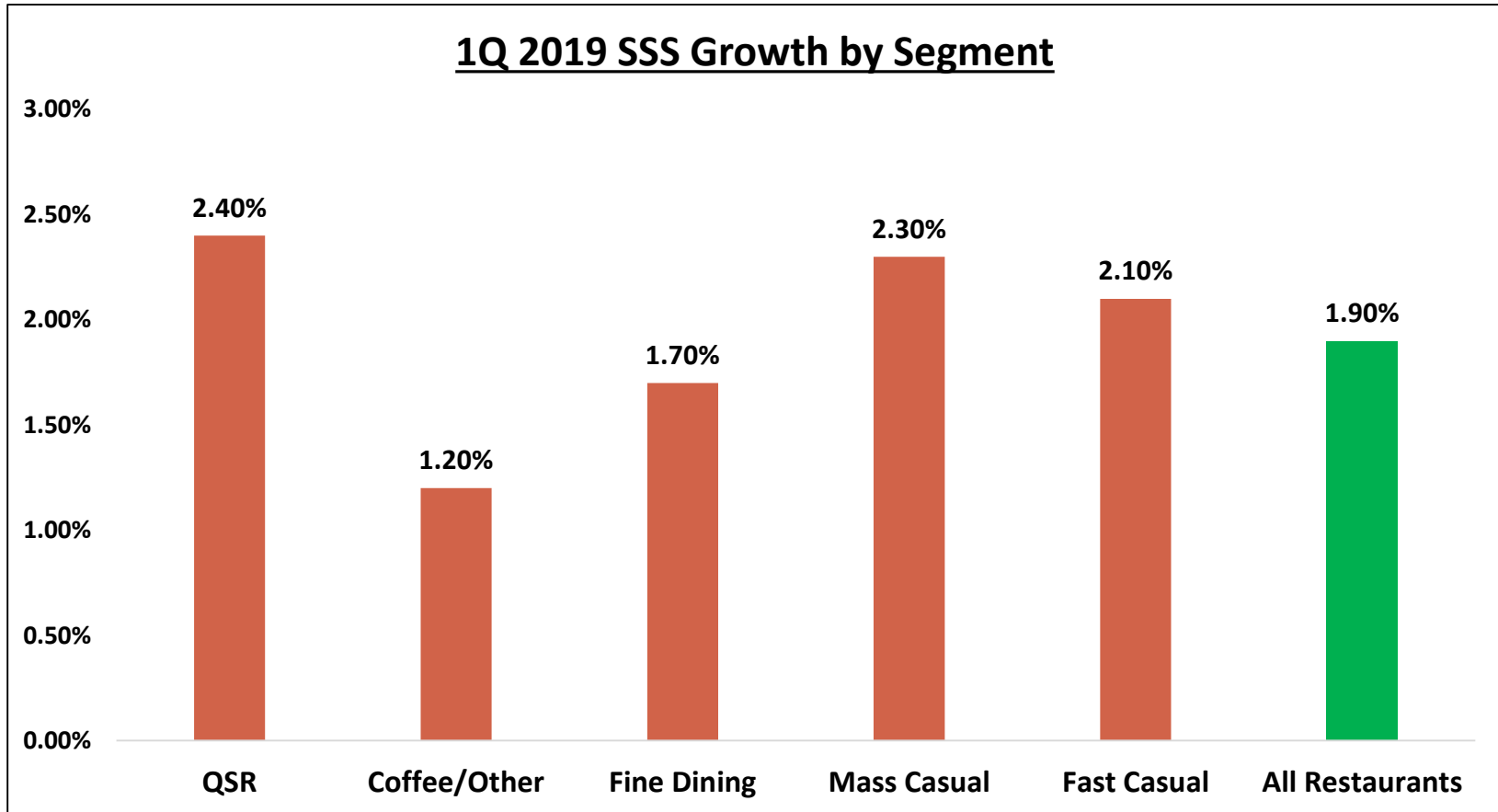


RESTAURANT INDUSTRY SALES GROWTH

- Industry same-store sales in Q1 2019, up 1.9% while traffic fell -2.4%
 - That marks the twelfth consecutive quarter of negative traffic.
- Sales improved quarter over quarter only because average check was 4.3% higher year over year.
 - higher alcohol and appetizer mix,
 - higher delivery mix and
 - menu price increases

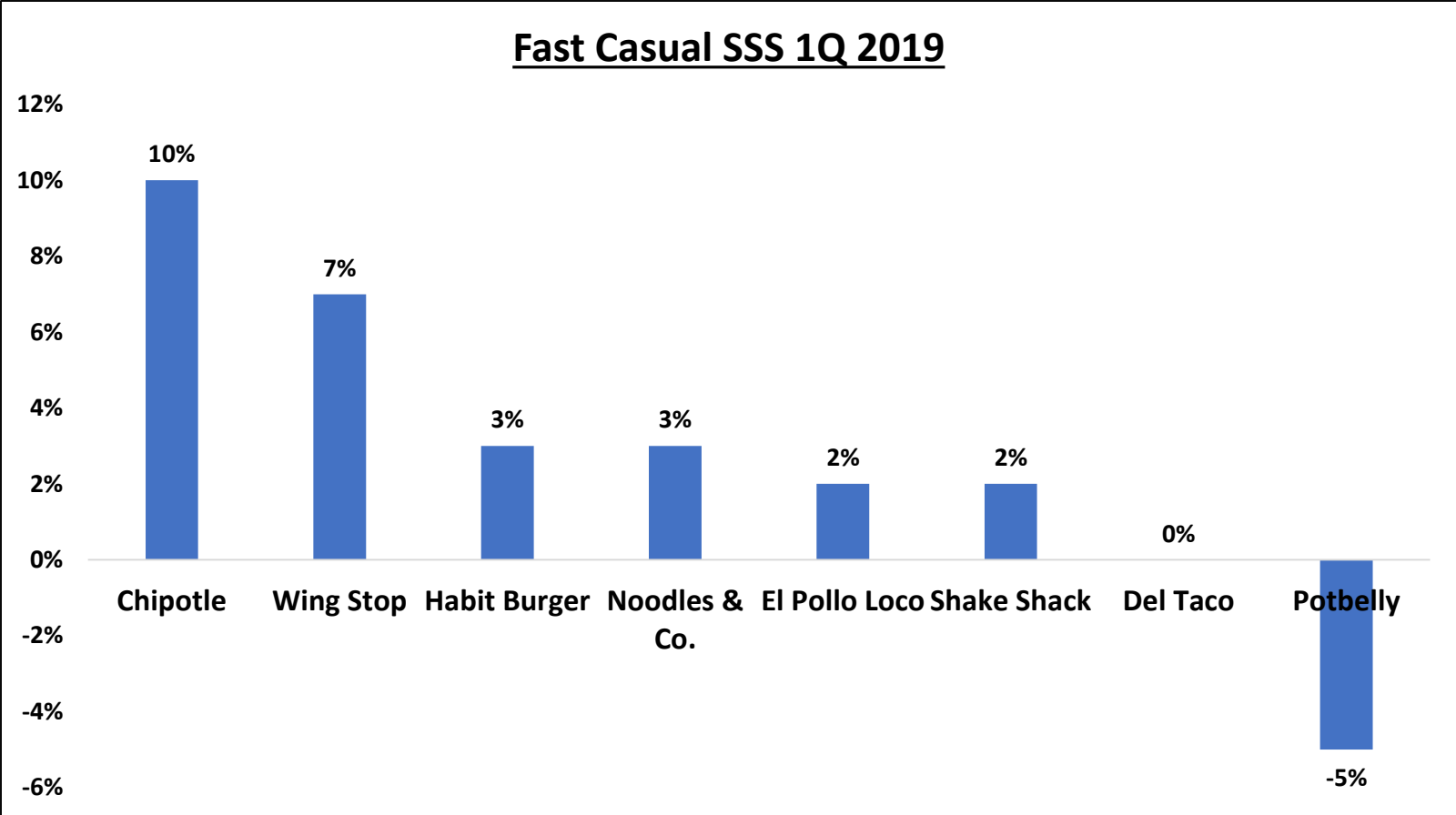


RESTAURANT INDUSTRY SALES GROWTH BY SEGMENT



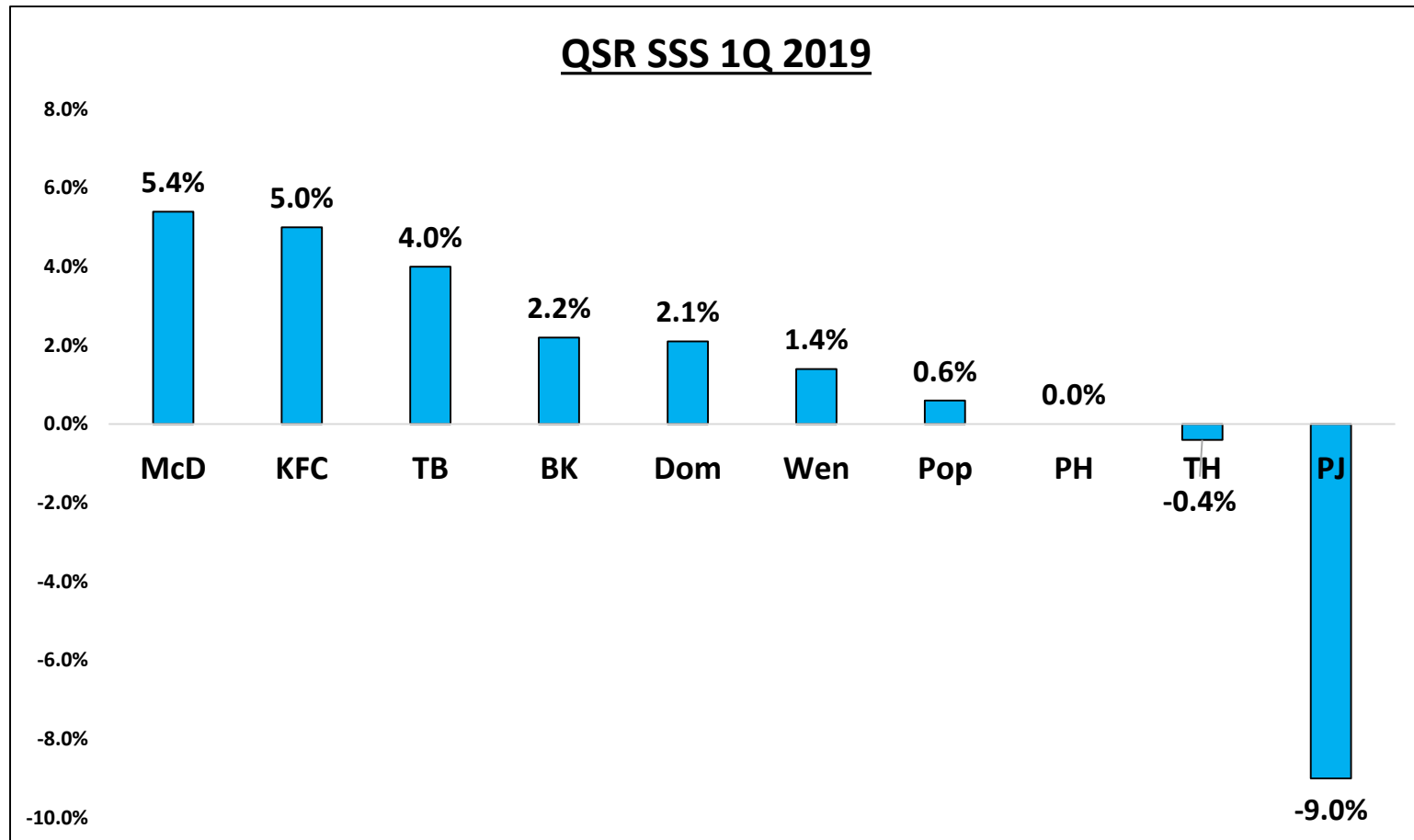
*Source: Nation's Restaurant News

FAST CASUAL SALES GROWTH



*Source: Nation's Restaurant News

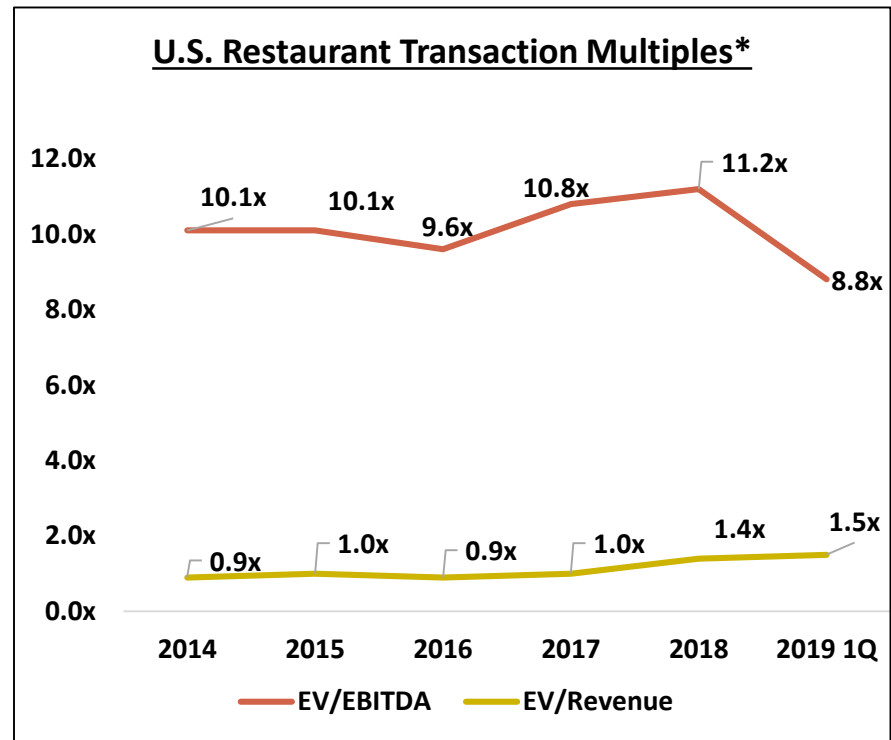
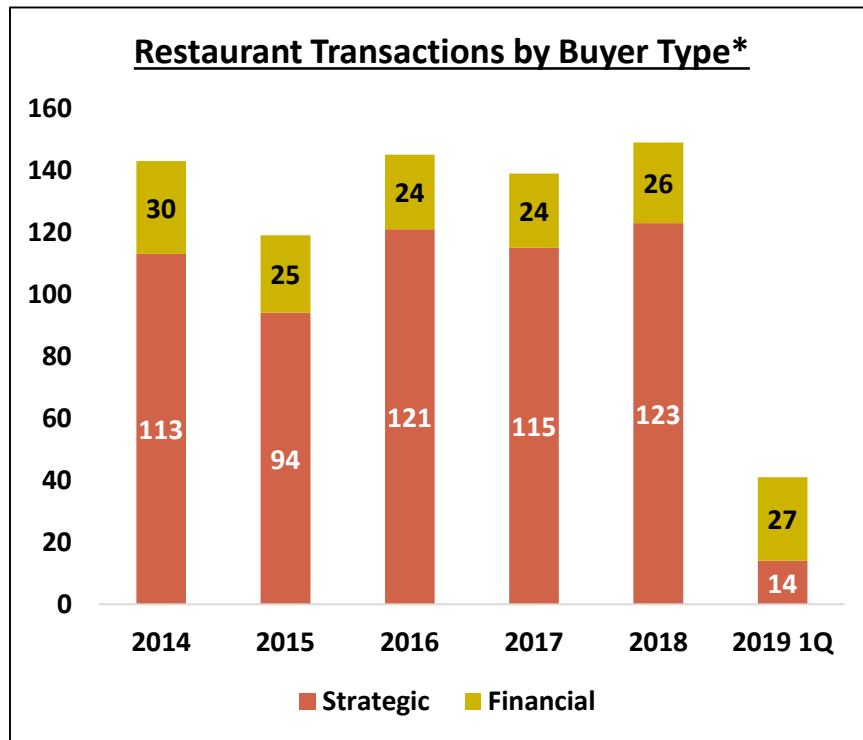
QSR SALES GROWTH



*Source: Nation's Restaurant News

RESTAURANT INDUSTRY M&A ACTIVITY

- U.S. restaurant M&A activity has remained strong but trends are shifting so far in 2019:
 - After accounting for 20-25% of deals over the past several years, Financial buyers accounted for 65% of deals in 1Q 2019*
 - Institutional investors have invested in as many as 60 of the Franchise Times Top 200 companies**
 - Deal multiples dropped to five year lows below 9x in 1Q 2019 indicating either a temporary blip or most likely an indication of the dominance of financial buyers paying less*

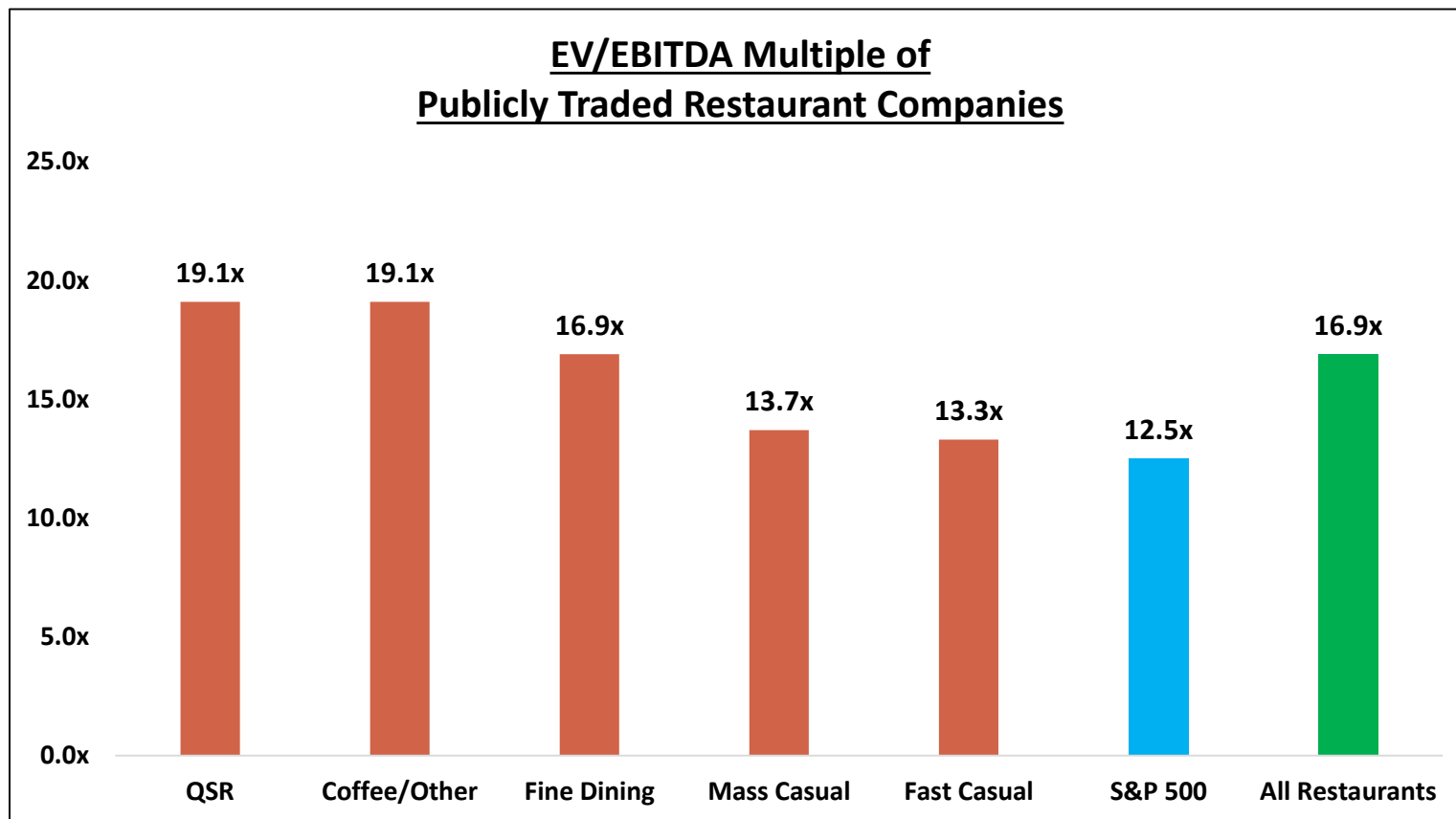


*Source: Peakstone & Capital IQ.

**Source: Trinity Capital 2Q 2019 Restaurant Report.

RESTAURANT SECTOR PUBLIC COMPANY VALUATIONS

- QSR and Coffee sectors leading the pack with average EV/EBITDA multiples in excess of 19x
- Previous high flying Fast Casual sector now trailing the pack at 13x likely due to oversaturation



**Source: Peakstone & Capital IQ.*

RECENT RESTAURANT TRANSACTIONS

Date	Target	Size (\$mm)	Buyers/Investors
7/29/2019	Kona Grill (OTC: KONA)	\$20	Williston Holdings
7/24/2019	Coffee Bean & Tea Leaf	\$350	Jollibee Foods Corp.
7/23/2019	Cooper's Hawk Winery & Restaurants	\$700	Ares Management
7/23/2019	Punch Bowl Social (minority)	\$140	Cracker Barrel
7/2/2019	Hooters of America		Nord Bay Capital and TriArtisan Capital Advisors LLC
6/24/2019	Del Frisco's Restaurant Group, Inc.	\$650	L Catterton
6/20/2019	Elevation Burger	\$10	FAT Brands, Inc.
5/20/2019	JB's on the Beach	\$7	Ark Restaurants
4/04/2019	Pizza Hut (75 restaurants)	-	GPS Hospitality
3/26/2019	Dynamic Yield Ltd.	\$300	McDonald's
3/12/2019	STRFSH	-	K2 Restaurants
2/21/2019	Lemonade Restaurant Group	Merger	Modern Market Eatery
2/20/2019	Carrols Restaurant Group Inc.	\$238	Cambridge Franchise Holdings LLC
1/30/2019	Everbowl	\$3	Serruya Private Equity
1/08/2019	Firebirds Wood Fired Grill	-	J.H. Whitney Capital Partners



RECENT RESTAURANT TRANSACTIONS

1/30/2019	Everbowl	\$3	Serruya Private Equity
12/20/2018	11 Restaurants in Georgia of Origin Development Group	-	Simply Southern Restaurant Group, Inc.
12/17/2018	MarketPlace Grill	-	Clean Plate Restaurants, Inc.
12/14/2018	SJBF LLC	\$10	Bee Good, Inc.
12/14/2018	Humble Pie, LLC	-	Cornwell Development Partners, LLC
12/13/2018	69 Restaurants in North and South Carolina	-	Dine Brands Global, Inc. (NYSE:DIN)
12/12/2018	Finezza Italian Bistro	-	Chuck Cinelli & Joan Cinelli
12/06/2018	QuikOrder	-	Pizza Hut
12/06/2018	Tesoro Pizzeria & Restaurant	-	Johanna Harvey & Mark Greenleaf
12/05/2018	368 Arby's Restaurant Locations of United States Beef Corporation	-	RB American Group, LLC
11/29/2018	The Madera Group	\$20.85	Breakwater Investment Group
11/29/2018	Thirteen stores in the Dallas, Texas	-	Tom Lovelace Company, LLC
11/28/2018	Pigskin Brewing Company, LLC	-	Multiple Brewing Company, LLC
11/28/2017	Texaz Grill, Inc.	-	The Nguyen family
11/27/2018	Max Brenner International, LLC	-	United Cinemas Australia, Pty Ltd
11/25/2018	PFC Systems Inc.	\$1	John Park



RECENT RESTAURANT TRANSACTIONS (CONT.)

Date	Target	Size (\$mm)	Buyers/Investors
11/21/2018	Green Bar & Kitchen, LLC	-	Damn Good Hospitality Group, LLC
11/07/2018	El Mirador Restaurant, Ltd.	\$3	Lisa Wong
11/06/2018	Bojangles', Inc.	\$772	The Jordan Company, L.P.; Durational Capital Management LP
11/06/2018	16 Restaurants in the Columbus, Ohio	\$21	The Wendy's Company (NasdaqGS:WEN)
11/05/2018	Ticket Sports Pubs, Inc.	-	Mad Dogs Restaurant Group
11/02/2018	All Assets of Movie Tavern, Inc.	\$126	Marcus Theatres Corporation
11/01/2018	LRI Holdings, Inc.	-	CraftWorks Restaurants & Brewery, Inc.
11/01/2018	Eight company-owned restaurants of UNO Restaurants, LLC	-	MV Pizza LLC
08/17/2018	Zoe's Kitchen	\$300	Cava Group
08/02/2018	Jamba, Inc. (NasdaqGM:JMBA)	\$214	FOCUS Brands (Roark Capital)
08/01/2018	46 Chili's Restaurant Properties in Florida, Texas and 15 Other States	\$150	Four Corners Property Trust, Inc. (NYSE:FCPT)
07/20/2018	Insomnia Cookies	-	Krispy Kreme Donut Corp.
07/06/2018	Hurricane Grill & Wings, 60 units	\$12.5	FAT Brands, Inc. (NASDAQ:FAT)
05/29/2018	SBE Entertainment Group, 50% stake	\$319	AccorHotels



RECENT RESTAURANT TRANSACTIONS (CONT.)

Date	Target	Size (\$mm)	Buyers/Investors
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. (NasdaqGS:DFRG)
04/06/2018	By Chloe	\$31	Bain Capital Double Impact
03/08/2018	Bravo Brio Restaurant Group, Inc.	\$102	Space Private Equity AG (SWX:SPCE)
02/20/2018	Fogo de Chão, Inc.	\$598	Rhone Capital, L.L.C.
02/13/2018	Smashburger Master LLC	\$100	Jollibee Worldwide Pte. Ltd.



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