

DealReader Restaurants

1H 2017

Selected Upcoming Industry Events

ACG 101 Corridor – Restaurant Program

*(September 6, 2017 – Westlake
Village, CA)*

Capital Roundtable – Private Equity Investing In Restaurant Companies

*(October 10, 2017 – New York
City, NY)*

Restaurant Finance Monitor's Restaurant Finance & Development Conference

*(November 13-15, 2017 – Las
Vegas, NV)*

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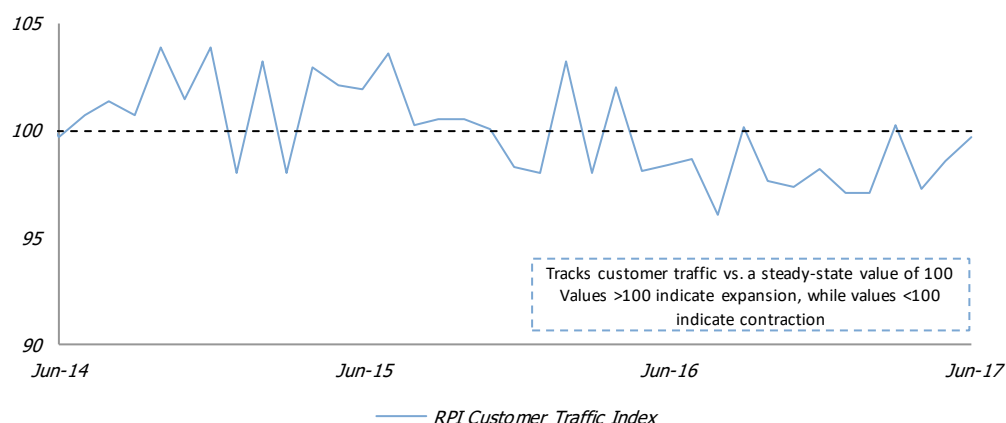
Selected M&A Activity

Commentary

- Restaurant traffic has been declining since mid-2015 with the contraction continuing in 1H 2017 as restaurants battle to attract consumers
- The RPI customer traffic indicator recorded an expansion in customer traffic in only 2 out of the last 12 months
- One cause is the price gap between cooking at home (groceries) and eating out, which has been widening since mid-2015 with the delta at its highest at the end of 1H 2017 as restaurants balance increasing menu prices with rising wages, high employee turnover and lower foot traffic
- In addition, the number of U.S. households getting groceries digitally has risen significantly in recent years, fueled by increasingly tech-savvy millennial consumers and retailers offering the convenience of both delivery and "click-and-collect" services
- An increase in alternative options to dining out for consumers, such as the rise in meal kits and prepared foods by grocery chains, is further exacerbating the issue, with a number of meal kit companies receiving investment from some of the largest food companies in the world as they seek to gain exposure to a broader consumer base

Restaurant Industry Headwinds

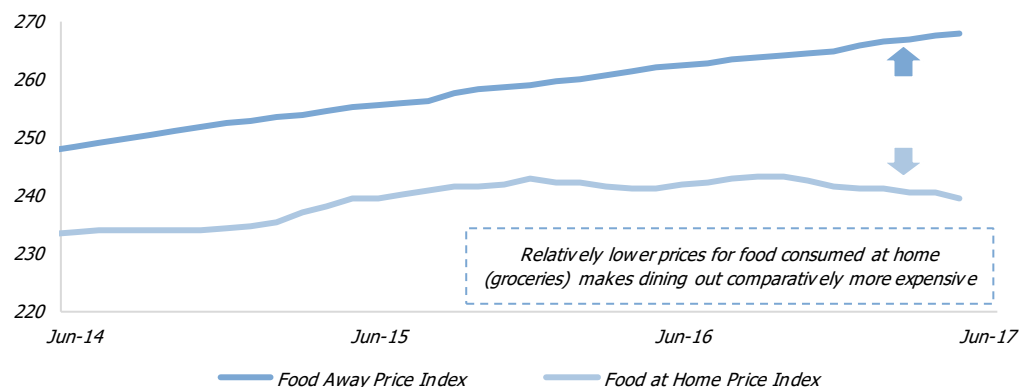
Decline in Traffic – RPI Customer Traffic Indicator



Source: National Restaurant Association, Restaurant Performance Index

High Price Environment with Low Margins

Rising Prices: "Food at Home" vs. "Food Away from Home"
CPI (1984 = 100)



Source: Federal Reserve Bank of St. Louis

Growing Categories That Make Food Delivery More Accessible

Grocery Delivery

Amazon's acquisition of Whole Foods is expected to continue to disrupt the fast-growing online grocery delivery industry



Meal Kits

Meal kit companies continue to attract investment from some of the largest food companies in the world

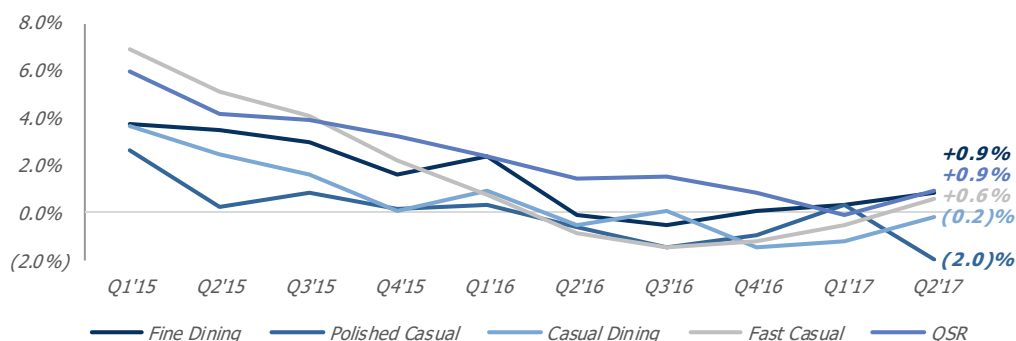


Commentary

- All sub-verticals have experienced significant declines in same-store-sales since the beginning of 2015
- The decline in same-store-sales performance is a result of the challenges restaurants are having in attracting consumers and taking price
- Despite these challenges, and potentially as one of the root causes, certain restaurants have continued to open new locations at a fast pace (e.g., Chipotle opened 240 new locations in 2016)
- While the negative trend appears to have slowed over the last 2-3 months, which is encouraging, it is too early to believe the corner has turned and positive same-store-sales will be the norm again in the near future
- Despite the decline in same-store-sales, there have been a number of concepts that have demonstrated consistent positive same-store-sales growth over the last 2 years
- In particular, Freshii has been a strong performer in terms of consistent positive same-store-sales growth, as consumers seek differentiated and "better-for-you" restaurant experiences
- Other strong performers include Olive Garden, Ruth's Chris and Texas Roadhouse

Same-Store-Sales Analysis

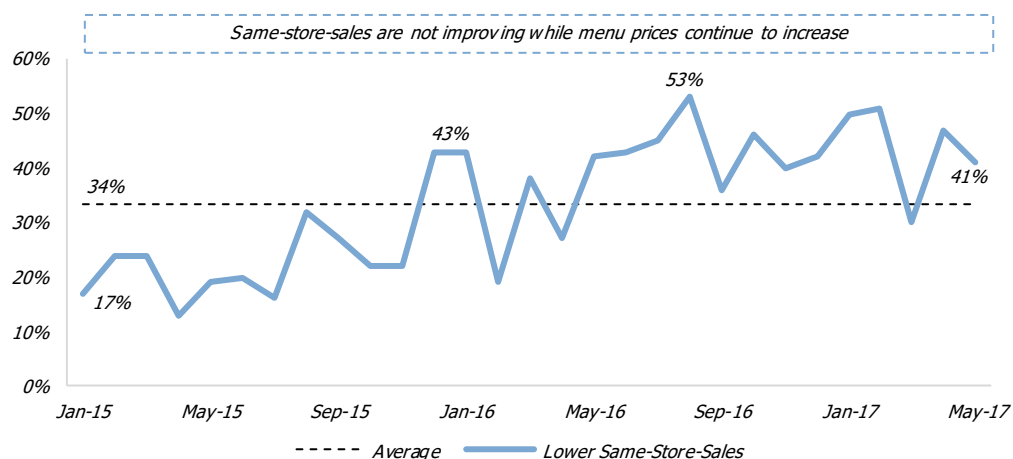
Same-Store-Sales by Sub-Sector



Source: Company annual and quarterly filings; analyst research

Deteriorating Same-Store-Sales Environment

Restaurant Operators' Reporting of Lower Same-Store-Sales vs. Same Month in Previous Year



Source: National Restaurant Association, Restaurant Industry Tracking Survey

Selected Concept Same-Store-Sales

	2015				2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Cheesecake Factory	4.2%	2.8%	2.2%	1.1%	1.7%	0.3%	1.7%	1.1%	0.3%	(0.5)%
Chipotle	10.4%	4.3%	2.6%	(14.6)%	(29.7)%	(23.6)%	(21.9)%	(4.8)%	17.8%	8.1%
Freshii	7.6%	2.5%	3.3%	6.5%	7.3%	7.0%	5.3%	7.7%	6.4%	4.2%
Olive Garden	2.2%	3.4%	2.7%	1.0%	6.8%	1.6%	2.0%	2.6%	1.4%	4.4%
Outback Steakhouse	5.0%	4.0%	0.1%	(2.2)%	(1.3)%	(2.5)%	(0.7)%	(4.8)%	1.4%	0.3%
Ruth's Chris	2.8%	4.2%	3.3%	3.2%	3.1%	1.5%	2.1%	0.0%	0.7%	2.9%
Texas Roadhouse	8.7%	8.0%	7.0%	4.4%	4.3%	4.5%	3.4%	1.2%	3.1%	4.0%
Wingstop	10.7%	9.0%	6.3%	5.9%	4.6%	3.1%	4.1%	1.0%	(2.6)%	2.0%

Source: Company annual and quarterly filings; analyst research

Public Comparable Statistics

		Stock Price 6/30/17	% of Yr High	Enterprise Value	LTM Revenue	LTM EBITDA	YoY Revenue Growth	EBITDA Margin	EV / LTM Revenue	EV / LTM EBITDA	EV / NTM EBITDA
Fine Dining	Del Frisco's Restaurant Group	\$16.10	85.6%	\$323	\$357	\$42	3.1%	11.7%	0.90x	7.7x	6.8x
	Fogo de Chao	13.90	81.5%	476	304	53	10.3%	17.3%	1.57x	9.0x	7.5x
	The ONE Group Hospitality	2.17	63.3%	59	79	(1)	11.7%	(1.0%)	0.74x	n/a	n/a
	Ruth's Hospitality Group	21.75	96.0%	622	397	63	7.3%	15.8%	1.57x	9.9x	9.2x
	Median	N/M	83.6%	\$399	\$330	\$47	8.8%	13.7%	1.24x	9.0x	7.2x
Fast Casual	Chipotle Mexican Grill	\$416.10	83.4%	\$8,141	\$4,310	\$398	16.2%	9.2%	1.89x	20.5x	14.0x
	El Pollo Loco Holdings	13.85	93.3%	533	394	62	7.5%	15.8%	1.35x	8.6x	7.6x
	Fiesta Restaurant Group	20.65	67.4%	543	702	70	(5.5%)	9.9%	0.77x	7.8x	6.6x
	Freshii	9.46	78.7%	195	17	4	27.6%	21.3%	11.57x	54.5x	15.4x
	The Habit Restaurants	15.80	80.0%	263	308	29	18.3%	9.6%	0.85x	8.9x	7.4x
	Noodles & Company	3.90	54.6%	216	482	12	(6.2%)	2.6%	0.45x	17.4x	6.7x
	Potbelly Corporation	11.50	79.0%	272	416	40	6.3%	9.5%	0.65x	6.9x	7.1x
	Shake Shack	34.88	87.9%	797	316	50	31.9%	15.7%	2.52x	16.1x	12.6x
	Wingstop	30.90	86.0%	1,171	98	35	13.7%	35.9%	11.97x	33.3x	26.8x
	Zoe's Kitchen	11.91	37.4%	296	294	23	14.9%	7.7%	1.01x	13.1x	12.0x
	Median	N/M	79.5%	\$415	\$355	\$37	14.3%	9.8%	1.18x	14.6x	9.8x
Polished Casual	BJ's Restaurants	\$37.25	78.3%	\$835	\$1,023	\$122	4.0%	11.9%	0.82x	6.8x	6.8x
	Bravo Brio Restaurant Group	4.60	86.8%	82	406	21	(1.1%)	5.2%	0.20x	3.9x	3.3x
	Cheesecake Factory	50.30	74.9%	1,938	2,296	284	0.1%	12.4%	0.84x	6.8x	7.2x
	Kona Grill	3.70	25.6%	60	179	4	8.3%	2.2%	0.34x	15.4x	7.8x
	Median	N/M	76.6%	\$458	\$714	\$72	2.1%	8.6%	0.58x	6.8x	7.0x
Mass Casual	Biglari Holdings	\$399.74	81.3%	\$799	\$839	\$43	n/a	5.1%	0.95x	18.5x	18.5x
	Bloomin' Brands	21.23	95.8%	2,645	4,186	402	(1.5%)	9.6%	0.63x	6.6x	6.2x
	Brinker International	38.10	68.2%	2,939	3,151	435	0.6%	13.8%	0.93x	6.8x	7.0x
	Buffalo Wild Wings	126.70	72.4%	2,066	2,023	261	4.5%	12.9%	1.02x	7.9x	7.5x
	Chuy's Holdings	23.40	66.3%	324	346	41	12.1%	11.9%	0.94x	7.9x	7.1x
	Cracker Barrel Old Country Store	167.25	95.5%	3,849	2,929	392	0.7%	13.4%	1.31x	9.8x	9.4x
	Darden Restaurants	90.44	95.0%	11,396	7,170	940	12.0%	13.1%	1.59x	12.1x	10.2x
	Dave & Buster's Entertainment	66.51	90.5%	2,750	1,047	255	17.3%	24.3%	2.63x	10.8x	9.5x
	Denny's	11.77	82.6%	1,082	519	92	4.5%	17.7%	2.08x	11.8x	10.2x
	DineEquity	44.05	50.1%	2,020	622	235	(4.3%)	37.7%	3.25x	8.6x	9.1x
	Famous Dave's of America	3.60	54.5%	34	95	3	(11.8%)	3.2%	0.36x	11.1x	12.2x
	Luby's	2.81	60.6%	116	387	14	n/a	3.6%	0.30x	8.3x	n/a
	Red Robin Gourmet Burgers	65.25	88.0%	1,032	1,323	132	6.0%	10.0%	0.78x	7.8x	6.5x
	Ruby Tuesday	2.01	54.6%	299	952	29	n/a	3.1%	0.31x	10.1x	n/a
	Texas Roadhouse	50.95	98.2%	3,416	2,100	278	11.1%	13.2%	1.63x	12.3x	11.1x
	Kona Grill	3.70	25.6%	60	179	4	8.3%	2.2%	0.34x	15.4x	7.8x
	Median	N/M	76.8%	\$1,551	\$1,000	\$183	4.5%	12.4%	0.94x	10.0x	9.2x
Quick Service	Bojangles	\$16.25	72.7%	\$658	\$539	\$80	3.3%	14.8%	1.22x	8.2x	8.3x
	Domino's Pizza	211.53	95.5%	11,249	2,639	511	12.3%	19.4%	4.26x	22.0x	19.0x
	Jack in the Box	98.50	86.9%	4,027	1,614	350	(2.6%)	21.7%	2.50x	11.5x	11.3x
	McDonald's	153.16	95.7%	155,276	24,179	9,600	(8.6%)	39.7%	6.42x	16.2x	15.6x
	Nathan's Famous	63.00	87.6%	313	98	27	n/a	27.7%	3.19x	11.5x	n/a
	Papa John's International	71.76	79.3%	3,228	1,746	199	4.9%	11.4%	1.85x	16.3x	14.7x
	Papa Murphy's Holdings	4.37	63.5%	188	125	17	(10.1%)	13.2%	1.50x	11.4x	8.1x
	Restaurant Brands International	62.54	99.4%	28,118	4,320	1,909	10.8%	44.2%	6.51x	14.7x	12.5x
	Sonic Corp	26.49	88.2%	1,559	516	159	(20.8%)	30.8%	3.02x	9.8x	10.4x
	Wendy's	15.51	93.1%	6,215	1,280	385	(14.6%)	30.1%	4.86x	16.1x	14.6x
	Yum! Brands	73.76	80.2%	35,268	6,279	2,035	(8.4%)	32.4%	5.62x	17.3x	17.3x
	Median	N/M	87.6%	\$4,027	\$1,614	\$350	(5.5%)	27.7%	3.19x	14.7x	13.5x
Franchisees	Alsea S.A.B. De.	\$3.80	93.7%	\$4,088	\$2,242	\$309	13.4%	13.8%	1.82x	13.2x	11.5x
	Arcos Dorados Holdings	7.45	78.2%	2,253	3,163	250	14.0%	7.9%	0.71x	9.0x	n/a
	Carrols Restaurant Group	12.25	69.8%	645	999	80	12.7%	8.0%	0.65x	8.0x	6.9x
	Domino's Pizza Group	3.82	75.6%	1,800	504	117	20.9%	23.1%	3.57x	15.4x	13.5x
	Domino's Pizza Enterprises Limited	39.97	64.9%	3,273	815	153	14.5%	18.8%	4.02x	21.3x	15.1x
	Median	N/M	75.6%	\$2,253	\$999	\$153	14.0%	13.8%	1.82x	13.2x	11.5x

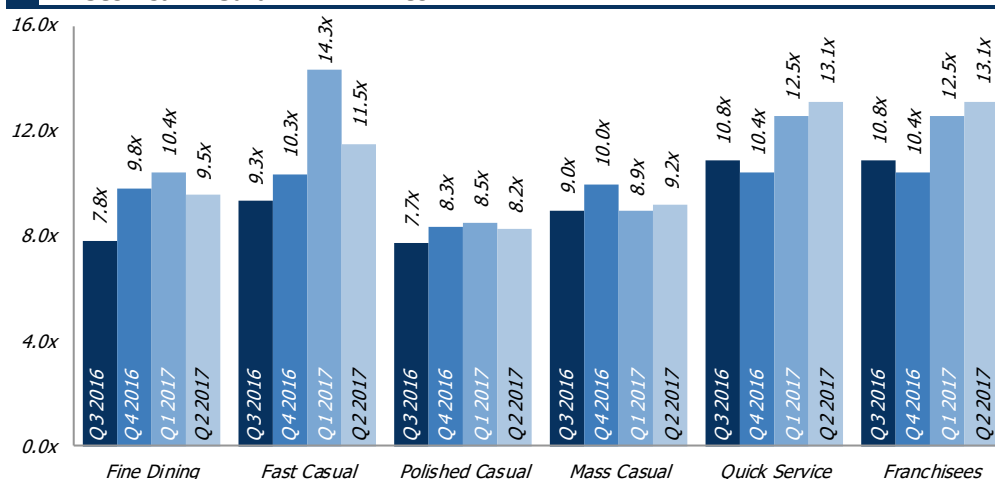
Source: Capital IQ as of 6/30/17

Note: \$ in millions, except stock price

Commentary

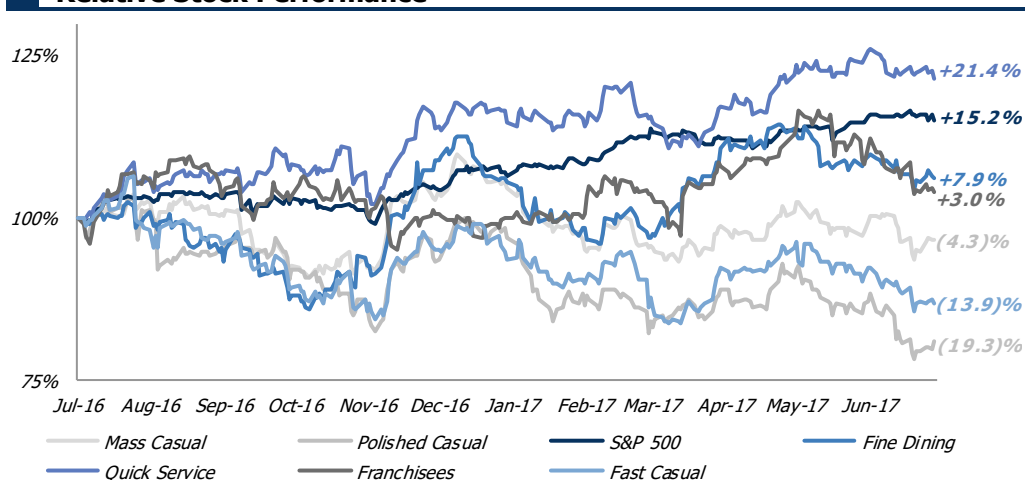
- Public restaurant companies continue to trade at attractive valuations, buoyed in part by a flight of capital from the broader and severely challenged retail sector into restaurants
- Notable acquisitions during 1H 2017 by public restaurant companies include Restaurant Brands International's acquisition of Popeyes Louisiana Kitchen, Darden's acquisition of Cheddar's Scratch Kitchen and the announcement of JAB Holding's acquisition of Panera Bread (closed July 2017)
- Other notable acquisitions in 1H 2017 include Oak Hill Capital's acquisition of Checkers Drive-In Restaurants (from Sentinel Capital) and Golden Gate Capital's acquisition of Bob Evans Restaurants

Historical Median TTM EV to EBITDA



Source: Capital IQ as of 6/30/17

Relative Stock Performance



Source: Capital IQ as of 6/30/17

Selected 1H 2017 M&A Activity

Date	Target Company	Target Description	Acquiring Company	Private Equity Involvement
Jun-17	The Works Gourmet Burger Bistro	Operates restaurants in Canada, offering desserts, burgers, dipsticks, Belgian frites, steamrollers, limp briskets and more	MTY Food Group	
Jun-17	140 Wendy's Restaurants	Operates, develops and franchises a system of quick-service restaurants	NPC International	
May-17	69 Wendy's Restaurants	Operates, develops and franchises a system of quick-service restaurants	Meritage Hospitality Group	
May-17	Mooyah Franchise	Operates a chain of restaurants, offering burgers, fries, shakes and drinks	Balmoral Funds / Gala Capital	✓
Apr-17	Cheddar's Scratch Kitchen	Operates as a casual dining restaurant chain	Darden Restaurants	✓
Apr-17	45 Outback Steak Restaurants	Owens and operates casual steakhouses primarily in the United States	Cerca Trova Restaurant Concepts	✓
Apr-17	Bob Evans Restaurants	Owens and operates full-service restaurants under the Bob Evans Restaurants Brand in the United States	Golden Gate Capital	✓
Mar-17	Checkers Drive-In Restaurants	Owens and operates a drive thru restaurant chain in the United States	Oak Hill Capital Partners	✓
Mar-17	Popeyes Louisiana Kitchen	Develops, operates, and franchises Popeyes Louisiana Kitchen and Popeyes chicken & Biscuits trade names	Restaurant Brands International	
Feb-17	30 Wendy's Restaurants	Operates, develops and franchises a system of quick-service restaurants	Delight Restaurant	
Jan-17	Joe Coffee Company	Operates coffee houses and provides catering services for espresso drinks and hand-poured coffees	Union Square Hospitality Group	✓
Jan-17	44 Cheddar's Scratch Kitchen Restaurants	Operates as a casual dining restaurant chain	Cheddar's Scratch Kitchen	

Source: Capital IQ; MergerMarket as of 8/31/17

Global Industry Groups

Aerospace & Defense
Automotive & Truck
Building & Infrastructure
Business Services
Chemicals
Consumer
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Electronics
Energy & Power
Financial Institutions
Food & Beverage
Healthcare
Industrials
Packaging
Technology, Media & Telecom

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