

Restaurant Industry Insights 2015

Highlights

Industry sales are expected to exceed \$709 billion in 2015

Restaurant industry sees sixth consecutive year of real growth

Shake Shack, Bojangles, Wingstop and Fogo De Chão all IPO'ed in the first half of 2015

The pursuit of "better chicken" sandwiches represents a key sector theme

The fast casual space remains active with many investments in the sub-sector and new restaurants popping up on a weekly basis. Quick service restaurants, however, are not experiencing the same growth.

New tech-driven delivery concepts are changing the face of food retailing and food service.

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Restaurant Industry Insights 2015

Despite record levels of restaurant sales and M&A activity in 2014, the market shows no signs of slowing in 2015. Restaurant sales are expected to increase 1.5% to more than \$709 billion, representing the sixth consecutive year of real growth in the industry. According to Pitchbook, restaurant sector deal volume in 2015 is on track to easily eclipse M&A activity in 2014, with nearly 40 deals closed through the third quarter and many more in their final stages. While 2014 was characterized by several highly publicized mega-deals, 2015 has showcased a greater number of middle-market transactions and early stage investments in emerging growth concepts.

Sponsor-to-Sponsor Transactions

Activity in the first three quarters of 2015 has included several transactions between financial sponsors. July in particular was very active. First, Sentinel Capital Partners acquired Fazoli's System Management, an operator of an Italian quick service restaurant chain, from Sun Capital Partners. This acquisition was followed by Casual Dining Group, which is backed by Apollo, purchasing Las Iguanas, an operator of Latin American-themed restaurants, from Bowmark Capital. Later in the month, BC Partners recapitalized Côte Restaurants, an operator of French bistros across the U.K. owned by CPBE Capital. This trend of increased sponsor-to-sponsor transactions highlights the fact that many restaurant investments have aged to the point of exit, but many financial investors still see upside in the restaurant industry. We expect to see more sponsor-to-sponsor transactions as there is still a healthy equity market and the economy continues to improve. Furthermore, new private equity firms are targeting the restaurant sector, expanding the universe of buyers.

Restaurant IPO Update

Numerous restaurant operators representing all industry segments went public in the first half of 2015. Shake Shack (fast casual) led off the year in January with its highly anticipated initial public offering, followed by Bojangles (quick service/fast casual), Wingstop (fast casual) and finally Fogo De Chão (fine dining). On the first day of trading, Shake Shack saw its shares rise from \$21 to a closing price of just under \$46 per share. Bojangles, the southern chicken and biscuit chain, followed suit in May as its shares gained 32% within the first day of trading. In June, Wingstop and Fogo De Chão's public offerings also generated heavy demand. Wingstop's stock jumped 61% on the day of its trading debut, while the Brazilian steakhouse, Fogo De Chão, gained a more modest, but still impressive, 29% on its first day.

Past recent offerings in the sector exhibited similar demand. Throughout 2013 and 2014, fast casual restaurants led the way as some of the most sought after IPOs. In particular, Habit Restaurants, Zoe's Kitchen, Potbelly, and Noodles & Co. all had incredibly successful debuts.

The big first day gains have not all shown long-term momentum. Potbelly surged 120% to over \$30 in its October 2013 IPO and by

July 2015 it traded around \$13. Similarly, Noodles & Co. popped 104% in its June 2013 IPO and by July 2015, traded substantially below its offering price. While Shake Shack, Bojangles, and Wingstop all currently trade above their respective offering prices, they have experienced volatility prior to the turbulence the broad market demonstrated in August and September. Fogo De Chão on the other hand currently trades below its offering price after a promising start.

Better Chicken

While the trend toward better burgers has been the focus over the past few years, trends in chicken appear to be changing. In 2013, Chick-fil-A surpassed Kentucky Fried Chicken as the top chicken fast food chain with sales of \$5.0 billion compared to KFC's \$4.2 billion. This is despite KFC having more than double the number of U.S. stores (4,491) than its Atlanta based rival (1,775). The driving factor behind Chick-fil-A's success is actually quite simple: the chicken sandwich. While fast food competitors serve processed chicken patties, Chick-fil-A has stuck to its roots. The company serves up breast-shaped (rather than unnaturally round), seasoned sandwiches that are hand breaded and pressure cooked in 100% refined peanut oil, all while being served on a buttered bun. Chick-fil-A's success has not gone unnoticed. In July, Shake Shack rolled out the debut of its chicken sandwich, or the so called "ChickenShack." While the sandwich was only available at the chain's three Brooklyn locations for a very limited time, it received rave reviews. For a sandwich that took the company two years to craft, it is hard to imagine that it would be off the menu permanently. Many anticipate that the chicken sandwich will be rolled out across locations sometime in the near future. Shake Shack is not the only chain that has caught onto the trend. Famed restaurateur David Chang, founder of the Momofuku Restaurant Group, opened Fuku, a fast casual restaurant that exclusively serves fried chicken sandwiches, in June and announced the opening of a second location in September. Additionally, Yum! Brands experimented with Super Chix, a fast casual better chicken and custard chain before selling the two locations earlier this month to its founder and investment group. This fall, John Kunkel, founder of highly successful chain Lime Fresh Mexican Grill and the 50 Eggs Inc. restaurant group, which includes chicken-oriented fine dining concept Yard Bird, will open a new fast casual fried chicken concept in Miami named Spring Chicken. There are eight "better-chicken" chains in the U.S. that have seen their percentage of locations increase by double digits in the past year. While not all of these chicken chains offer chicken sandwiches, they do show that the demand for better chicken is heating up. Some of the highlighted restaurants include Zaxby's, the aforementioned Wingstop, and Raising Cane's Chicken Fingers. M&A activity for chicken has been highlighted in 2015 as Jack's Family Restaurants, which focuses on chicken offerings, was sold to Onex Corporation for approximately \$640 million.

Restaurant Industry Insights 2015 (cont.)

Big Players Tap into Fast Casual

The fast casual space remains active with many investments in the sub-sector and new restaurants popping up on a weekly basis. Quick service restaurants, however, are not experiencing the same growth. McDonald's recently reported second quarter results that saw consolidated revenues and earnings down 10%. While not all quick service restaurants have struggled like the fast food giant, there has been concern regarding the model going forward as customers increasingly demand a higher-quality product. In response to a more competitive landscape, many quick service restaurants are emulating fast casual concepts within their current locations or experimenting with new fast casual concepts.

Yum! Brands has been one of the most active companies in attempting to develop its own line of fast casual restaurants. The owner of Taco Bell, KFC, and Pizza Hut, has opened several new concepts, including U.S. Taco Co., Banh Shop, and Super Chix. Yum! recently closed its U.S. Taco location due to unsteady traffic and difficulty acquiring a liquor license, but they plan to use their experience in the fast casual taco space in the opening of their new Taco Bell Cantina concept. Additionally, Bahn Shop, which serves Vietnamese sandwiches, has seen strong traffic and positive reviews from critics since opening.

McDonald's has also been testing a fast casual approach in light of recent struggles. Their approach consists of a "Build Your Own Burger" platform, in which consumers use a kiosk to place a customizable burger order. The program includes over 2,000 locations in the U.S. (mostly in Southern California) and a recently installed kiosk in New York City. Wendy's has also incorporated the fast casual trend by remodeling restaurants in a similar fashion as Chipotle to give a more inviting vibe. According to Wendy's management, in March 2015, a remodeled restaurant is expected to see sales increase 10%-15%, while a rebuilt restaurant can gain by almost 20%-30%. Philippines-based quick service operator Jollibee Foods is targeting the U.S. fast casual space with the acquisition of a 40% stake in Smashburger.

While not a limited-service chain, Buffalo Wild Wings is also looking to get a foothold in the fast casual space. In 2013, the company invested in PizzaRev, a "build your own" fast casual pizza chain, and followed up on their initial investment in 2014 with a second tranche of capital. Buffalo Wild Wings management stated that pizza has the potential to be the fastest-growing fast casual category, but they have not limited the scope of their investments. About a year ago they made a majority investment in nine-unit chain Rusty Taco and have plans to continue to buy into additional emerging brands as part of their growth strategy.

Even Whole Foods Market has dipped their toe into the fast casual category. It was announced in October that the organic grocery chain has made a minority investment in the 11-unit better-sandwich chain Mendocino Farms, which is controlled by Catterton Partners, and expects to incorporate the concept into its new "365 by Whole Foods Markets" locations.

The Third Wave of Coffee

Although Starbucks currently trades at an all-time high and recently reported robust third quarter earnings, the coffee industry is evolving and the company has taken notice. Not only is the coffee giant facing pressure from single-serve coffee producers like Green Mountain Coffee and Nestlé, but they are also increasingly facing pressure from premium boutique coffee roasters that are popping up around the country. Fast-growing regional chains like Stumptown, Intelligentsia, Blue Bottle, and FIKA have already developed thriving businesses offering premium single-origin coffees. These coffees typically come from a single farm, making production limited and often only available at specific times of the year. As a result, their customers tend to shun the big-business aura that a mega-chain like Starbucks embody. In response, the 22,000 unit chain has introduced Premium Reserve single origin coffees and opened a state-of-the-art roastery in Seattle to compete directly with the growing number of specialty coffee shops that have begun to penetrate the market.

While Starbucks is attempting to expand its footprint in the boutique coffee space, some incumbent players are also looking to do the same with the help of a financial sponsor or strategic investor. Earlier this year, Blue Bottle raised \$70 million in Series C venture funding, led by Fidelity Management and other investors including Google Ventures and U2's Bono. So far, Blue Bottle has shown its ability to put this cash to use. In 2014, they acquired Handsome Coffee Roasters and the Los Angeles-based online coffee subscription service Tonx, and followed that up in 2015 with the acquisitions of Perfect Coffee and Tartine Bakery. Blue Bottle is also looking to expand internationally as it announced plans this winter to open a branch in Tokyo. Various other "third wave" coffee chains have received private equity funding before, highlighted by Goode Partners' investment in La Colombe Torrefaction in 2014, and TSG Consumer Partners' investment in Stumptown in 2011. On the strategic buyer front, in early October, Peet's Coffee & Tea, one of the largest coffee roasters in the U.S., announced the acquisition of Stumptown Coffee from TSG Consumer for an undisclosed price and on October 30, announced the acquisition of Intelligentsia Coffee from its founders.

Restaurant Industry Insights 2015 (cont.)

Fast Casual Pizza

While fast casual restaurants as a whole continue to gain steam, one area that continues to attract significant attention is pizza. Buffalo Wild Wings is not the only investor to be drawn towards the idea of a fast casual version of the American favorite. In March of 2015 MOD Pizza closed a round of financing led by private-equity fund PWP Growth Equity for around \$40 million. With this deal, MOD has raised more than \$70 million in equity, which will help accelerate company-owned restaurant growth for the 32-unit fast casual chain. The equity funding follows a \$15 million injection that MOD received in 2014 from investors that included Nigel Travis, Chairman and CEO of Dunkin' Brands Group, and Spencer Rascoff, CEO of the real estate website Zillow. Other fast casual chains such as Blaze Pizza, Pieology, and Project Pie are battling with PizzaRev and MOD Pizza for national domination and are attracting serious investors along the way. Blaze Pizza in particular has a tremendous growth trajectory. The chain hit the 50 location milestone in late 2014 and plans to open 60 to 70 new locations this year. Celebrity investors like Maria Shriver and LeBron James have backed Blaze, and James even gave up his endorsement contract with McDonald's to take on a role as a brand ambassador to the pizza chain. Additionally, fast casual giant Chipotle has partnered with Pizzeria Locale in Colorado, with plans to expand the brand significantly from the current three units in the near future.

Fine Dining

The fine dining segment continues to be supported by an overall improving economy, and with the strong secular tailwinds, M&A activity in the space is heating up. As the economy continues to make progress, fine dining restaurant concepts are experiencing the benefit of increasing spending power among consumers, improved consumer sentiment, lower unemployment and increasing business travel. These trends have fueled strong sales growth in 2014 and 2015. In 2014, revenues and unit counts at fine dining restaurants grew 6.9% and 2.9%, respectively. Year to date, fine dining revenues have grown approximately 5.3%, with same store sales growth of 1.7%. Additionally, domestic hotel revenue per available room (RevPAR), a hospitality metric highly correlated with fine-dining spending, is expected to increase 7% in 2015 and 6% in 2016, according to Smith Travel Research. The projected increase in RevPAR is driven by increased hospitality and business travel spending. Transactions in the segment highlight continued optimism from restaurant operators. In July 2015, The ONE Group, owner and operator of the STK chain and other fine dining concepts, agreed to purchase Katsuya and Cleo restaurants from SBE Entertainment group for a total transaction value of \$75 million. This transaction has since been terminated. Many of the most notable transactions in the recent past, such as Mastro's, Morton's and Eddie V's, have been led by major industry consolidators Landry's and Darden. With Darden's recent spin-off of its real estate assets, it is now repositioned to pursue additional acquisitions of specialty and

upscale restaurant brands. We are seeing more private equity interest in the segment and expect strong growth in the fine dining segment to continue, with high potential for further consolidation of the industry going forward.

Delivery

New tech-driven delivery concepts are changing the face of food retailing and food service. As a result, there has been no shortage of participants trying to break into the market. The movement in delivery has accelerated as smartphone users are able to complete the life cycle of a food order with the touch of a button. In August, Focus Brands announced that it would be using Postmates as its on-demand delivery partner for all six foodservice chains in its portfolio, including Auntie Anne's pretzels, Carvel, Cinnabon, McAlister's Deli, Moe's Southwest Grill and Schlotzsky's. The San Francisco-based Postmates is four years old and offers delivery in less than 60 minutes in designated markets. In addition to Focus Brands, the company has also signed other big-name chains such as Chipotle, McDonald's, Chick-fil-A, KFC, Smashburger, and Zoës Kitchen. They currently have nearly 14,000 active delivery operators in 30 major U.S. metropolitan markets. Other competitors in the segment include Amazon, Square, DoorDash, GrubHub, Uber, and Yelp.

Amazon is now delivering through its Prime Now network, which offers one-hour delivery of thousands of daily essentials through a mobile app. Additionally, UberEats now lets users order through the Uber app and choose from a few menu items during set hours of each day. The company looks to take advantage of its urban logistics network by offering food delivery on a daily changing menu. Yum! Brands is also reportedly working on a "next generation" delivery experience scheduled to roll out in 2016. In July, Taco Bell launched delivery service at more than 200 restaurants through a partnership with DoorDash. They also plan on starting delivery to college campuses at some point this year. Pizza Hut is making a fundamental shift from offering restaurant-based delivery to being a delivery-based restaurant, as it implements multiple initiatives to revamp the brand. This model emulates that of its largest rival, Domino's, which has same store sales growth of 12.6% in 2015.

M&A activity has been consistent among online food delivery companies. In February, Yelp acquired food-ordering service Eat24.com in a cash-and-stock deal that is valued at \$134 million. In 2013, Seamless North America and GrubHub merged in a deal that created a combined company that serves users in more than 500 cities and about 20,000 restaurants. As highlighted by the recent deals in the space and the industry's rapid expansion, we see significant potential for further consolidation going forward.

Duff & Phelps professionals have deep experience serving the restaurant industry, providing M&A advisory, capital raising, valuation and restructuring services through a global practice.

Selected Restaurant M&A Activity

Restaurant M&A activity in 2015 has continued at a steady pace. Private equity funds have significant amounts of dry powder and the increasingly competitive marketplace is pushing EBITDA multiples higher. Strategic acquirers, particularly restaurant groups owning multiple brands and chains, are also in search of opportunities to expand their portfolio. Darden CEO Eugene Lee announced that the restructuring of their real estate assets will allow them to support

growth through acquisitions. DineEquity CEO Julia Stewart has repeatedly stated that the company would like to acquire a third restaurant chain, particularly in the fast casual space. Bill Gregson, the CEO of Ontario-based restaurant group and franchisor Cara Operations announced that they have capacity to seek acquisitions in the fast casual space, as well. Growth equity investment has also remained strong with several transactions at premium multiples.

(\$ in millions)			Enterprise Value as a Multiple of LTM					
Date Announced	Acquirer	Target	Enterprise Value	Revenue	EBITDA	LTM EBITDA Margin	Category	Strategic (S) Financial (F)
10/12/15	Whole Foods Markets	Mendocino Farms	NA	NA	NA	NA	Fast Casual	S
10/12/15	Jollibee Foods Corp	Smashburger	\$335	NA	NA	NA	Fast Casual	S
10/07/15	H.I.G. Capital	T-Bird Restaurant Group, Inc.	NA	NA	NA	NA	Casual	F
09/15/15	CIC Partners	Willie's Grill & Icehouse	NA	NA	NA	NA	Fast Casual	F
08/18/15	Ovation Brands	Food Management Partners	NA	NA	NA	NA	Casual	F
08/04/15	AUA Private Equity Partners	Tijuana Flats	NA	NA	NA	NA	Fast Casual	F
08/03/15	Chanticleer Holdings Inc.	Little Big Burger	NA	NA	NA	NA	Fast Casual	S
07/19/15	KarpReilly LLC	Taylor Gourmet	NA	NA	NA	NA	Fast Casual	F
07/15/15	BC Partners	Côte Restaurants	\$391	2.27x	10.4x	21.8%	Polished Casual	F
07/15/15	Union Square Hospitality Group	Tender Greens	NA	NA	NA	NA	Casual	S
07/09/15	The One Group	Katsuya	\$75	2.68x	10.6x	25.3%	Fine Dining	S
07/07/15	Casual Dining Group/Apollo	Las Iguanas	\$132	NA	NA	NA	Casual	F
07/02/15	Sentinel Capital Partners	Fazoli's Group, Inc.	NA	NA	NA	NA	Fast Casual	F
06/08/15	Roark Capital Group	Naf Naf Grill	NA	NA	NA	NA	Casual	S
05/27/15	First Watch Restaurants	The Egg & I Restaurants, Inc.	NA	NA	NA	NA	Fast Casual	S
05/25/15	Onex Corporation	Jack's Family Restaurants, Inc.	\$640	NA	NA	NA	QSR	F
05/22/15	NRD Partners	Frisch's Restaurants, Inc.	\$177	0.80x	7.3x	10.9%	Casual	F
05/11/15	KarpReilly LLC	Eureka! Restaurant Group	NA	NA	NA	NA	Polished Casual	F
03/18/15	Chanticleer Holdings Inc.	BGR: The Burger Joint	NA	NA	NA	NA	Fast Casual	S
03/17/15	Food Management Partners	Catalina Restaurant Group	NA	NA	NA	NA	Casual	F
03/12/15	Levy Acquisition Corp	Del Taco	\$500	0.70x	8.5x	9.0%	QSR	F
03/11/15	Redrock Partners	Macaroni Grill	\$8	NA	NA	NA	Casual	F
02/13/15	Altamont Capital Partners	Cotton Patch Café	NA	NA	NA	NA	Casual	F
01/26/15	United Ohana	Roy's	\$10	NA	NA	NA	Polished Casual	F
01/05/15	PNC Mezzanine Capital	Sauce West End	NA	NA	NA	NA	Fast Casual	S
11/17/14	Landry's Inc.	Mitchell's Restaurants	\$10	NA	NA	NA	Affordable Luxury	S
10/16/14	CEC Entertainment Inc.	Peter Piper Pizza	\$115	NA	NA	NA	Casual	S
10/14/14	Dinosaur Restaurants/Soros Strategic Partners	Good Smoke (Jim 'N Nick's Bar-B-Q)	NA	NA	NA	NA	Casual	F
10/07/14	Kohlberg Kravis Roberts	Lemonade	NA	NA	NA	NA	QSR	S
09/29/14	JAB Holding Co.	Einstein Noah Restaurant Group	\$463	1.00x	10.3x	11.3%	QSR	S
09/18/14	Carrols Restaurant Group, Inc.	30 Burger King Restaurants in North Carolina	\$20	NA	NA	NA	QSR	S
09/04/14	Brix Holdings LLC	Souper Salad & Greenz Restaurants	NA	NA	NA	NA	Fast Casual	S
08/26/14	Burger King Worldwide, Inc	Tim Hortons Inc.	\$12,746	4.30x	17.4x	24.7%	QSR	S
08/22/14	Carrols Restaurant Group, Inc.	Heartland Food Corp. (64 Burger King restaurants)	\$18	NA	NA	NA	QSR	S
06/23/14	Food Management Partners	Furr's Restaurant Group	NA	NA	NA	NA	Casual	S
06/13/14	NPC Quality Burgers, Inc.	Carlisle Corporation (56 Wendy's restaurants)	\$58	0.80x	NA	NA	QSR	F
05/20/14	Sentinel Capital	TGI Friday's Inc.	\$800	NA	NA	NA	Casual	F
			Median	1.00x	10.4x	16.6%		
			Mean	1.79x	10.8x	17.2%		

Source: SEC filings, Capital IQ, MergerMarket, Company Press Releases, and various news sources (e.g. NY Times Dealbook, the Deal, Wall Street Journal, etc.)

Selected Restaurant M&A Transactions

Food Management Partners/Ovation Brands

On August 20, 2015, Food Management Partners (“FMP”) acquired Ovation Brands Inc. (“Ovation”) which owns five buffet brands and the casual dining chain Tahoe Joes Famous Steakhouse. The five Ovation buffet brands include Country Buffet, Ryan’s, HomeTown Buffet, Fire Mountain and Old Country Buffet. San Antonio based FMP has grown to 500 restaurants and more than \$1 billion in annual sales the company said. Ovation has filed twice for bankruptcy in the past ten years, first in 2008 and then again in 2012. Ovation hopes to move on from tough times through the partnership with FMP, who has already begun laying off employees, according to Nation’s Restaurant News.

Onex Corporation/Jack’s Family Restaurants

On May 25, 2015, Onex Corporation, the Toronto based private equity firm, announced that it had acquired a majority stake in Jack’s Family Restaurants for a total transaction value of \$640 million. Jack’s is an Alabama-based operator of quick service restaurants specializing in burgers, fried chicken, made-from-scratch biscuits, crinkle-cut fries and hand-dipped shakes. The company employs approximately 4,400 individuals across 129 company-owned stores in Alabama, Georgia, Mississippi and Tennessee.

KarpReilly/Eureka! Restaurant Group

On May 11, 2015, KarpReilly made a minority investment in Eureka! Restaurant Group LLC (“Eureka”), a leading California-based family of restaurants which serves authentic, locally sourced food complemented by a curated selection of 100% American craft beer, whiskey and spirits. Eureka, founded in 2009, was at the forefront of the gastropub movement, and delivers high-quality all-American comfort food served in a warm atmosphere, with live music and televisions tastefully appointed throughout the restaurant. The funding is designed to help support the 20-unit concept’s growth plan of adding four to six units per year and the continued building of infrastructure. KarpReilly is known for investing in younger growth brands such as The Habit Burger Grill, Sprinkles Cupcakes, Patxi’s Pizza, Burger Lounge, Café Rio Mexican Grille and Café Zupas.

Selected Publicly Traded Restaurant Companies

The highest performing restaurant category is the coffee, breakfast and snacks group, driven by largely Starbucks' growth, outperforming the S&P 500 and delivering 48.05% growth compared with the S&P 500 Index gain of 1.03% in the YTD period as of October 30, 2015 according to Capital IQ. The only other group to deliver strong results this year is the quick service group, which gained 13.43% YTD.

Trading multiples for restaurants are near multi-year highs. Fast casual restaurant and coffee, breakfast and snacks restaurant multiples are the strongest, trading at median multiples of 12.6x and 15.6x LTM EBITDA, respectively. The restaurant industry as a whole is currently trading at 11.2x LTM EBITDA versus the S&P 500 at 10.3x.

Company	Stock Price 10/30/15	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM Price/ EPS	
					Revenue			EBITDA				
					LTM	2015E	2016E	LTM	2015E	2016E		
Fast Casual												
Chipotle Mexican Grill, Inc.	\$640.23	84.4%	\$19,967	\$19,007	4.16x	4.03x	3.52x	19.3x	18.7x	16.0x	36.9x	
Panera Bread Company	177.37	85.3%	4,741	4,877	1.83x	1.82x	1.75x	12.6x	12.5x	12.2x	29.8x	
Shake Shack Inc. ⁽¹⁾	45.57	47.1%	1,652	1,590	10.40x	8.81x	6.98x	100.3x	58.6x	46.3x	NM	
Fiesta Restaurant Group, Inc.	35.36	51.2%	939	1,009	1.52x	1.46x	1.33x	11.1x	10.3x	8.9x	24.4x	
The Habit Restaurants, Inc.	23.88	54.0%	621	627	3.04x	2.73x	2.16x	28.6x	24.6x	19.6x	NM	
Zoe's Kitchen, Inc.	34.43	73.9%	667	670	3.33x	2.99x	2.44x	41.2x	35.2x	28.5x	NM	
Noodles & Company	14.77	52.7%	419	447	1.03x	0.97x	0.85x	9.8x	10.2x	8.9x	39.4x	
Potbelly Corporation	11.20	67.3%	338	285	0.79x	0.76x	0.67x	8.6x	8.2x	7.0x	43.5x	
					Median	1.83x	1.82x	1.75x	12.6x	12.5x	12.2x	36.9x
					Mean	2.24x	2.11x	1.82x	18.7x	17.1x	14.4x	34.8x
Mass Casual												
Darden Restaurants, Inc.	\$61.89	81.9%	\$7,931	\$8,693	1.27x	1.26x	1.23x	10.4x	10.2x	8.8x	29.7x	
Brinker International, Inc.	45.51	71.8%	2,735	3,798	1.24x	1.22x	1.12x	8.2x	8.0x	7.4x	15.7x	
Bloomin' Brands, Inc.	16.97	64.6%	2,081	3,302	0.74x	0.75x	0.72x	7.2x	7.1x	7.1x	16.3x	
Cracker Barrel Old Country Store, Inc.	137.46	84.7%	3,305	3,449	1.21x	1.20x	1.14x	10.4x	10.1x	9.4x	21.8x	
DineEquity, Inc.	83.45	73.1%	1,555	2,895	4.29x	4.25x	4.36x	11.4x	10.6x	10.4x	16.3x	
Buffalo Wild Wings Inc.	154.27	75.0%	2,938	3,027	1.75x	1.65x	1.38x	11.9x	11.1x	8.9x	34.6x	
Texas Roadhouse, Inc.	34.35	84.1%	2,407	2,412	1.37x	1.33x	1.20x	11.8x	11.1x	9.6x	29.2x	
Dave & Buster's Entertainment, Inc.	38.58	89.0%	1,599	1,936	2.39x	2.21x	2.02x	11.7x	10.3x	9.2x	32.8x	
Bob Evans Farms, Inc.	43.27	71.9%	968	1,453	1.08x	1.10x	1.08x	10.6x	9.2x	8.5x	34.1x	
Red Robin Gourmet Burgers Inc.	74.89	78.8%	1,061	1,212	0.97x	0.95x	0.87x	8.9x	8.3x	7.4x	26.5x	
Denny's Corporation	10.96	85.6%	913	1,074	2.17x	2.19x	2.12x	12.1x	12.0x	10.8x	25.6x	
Biglari Holdings Inc.	384.13	83.6%	793	1,021	1.10x	NA	NA	18.8x	NA	NA	NM	
Ruby Tuesday, Inc.	5.23	61.0%	324	499	0.44x	0.44x	0.44x	6.4x	7.4x	5.6x	NM	
Chuy's Holdings, Inc.	27.21	76.1%	448	441	1.59x	1.54x	1.32x	12.9x	13.0x	11.2x	33.1x	
Ignite Restaurant Group, Inc.	3.96	47.5%	103	217	0.26x	0.44x	0.42x	7.6x	7.8x	7.3x	NM	
Luby's, Inc.	4.66	78.6%	133	169	0.43x	NA	NA	9.7x	NA	NA	NM	
Famous Dave's of America Inc.	11.51	33.2%	80	88	0.65x	0.66x	0.73x	10.7x	8.5x	7.2x	NM	
					Median	1.21x	1.22x	1.14x	10.6x	10.1x	8.8x	27.8x
					Mean	1.35x	1.41x	1.34x	10.6x	9.7x	8.6x	26.3x















Source: CapitalIQ and SEC filings. Firms represent all public restaurants for which trading data is available. For definitions see page 10.

Selected Publicly Traded Restaurant Companies (cont.)

Company	Stock Price 10/30/15	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM Price/ EPS
					Revenue			EBITDA			
					LTM	2015E	2016E	LTM	2015E	2016E	
Polished Casual											
The Cheesecake Factory Incorporated	\$48.20	81.9%	\$2,278	\$2,320	1.12x	1.10x	1.02x	9.2x	9.1x	8.3x	23.4x
BJ's Restaurants, Inc.	42.93	77.4%	1,099	1,140	1.27x	1.24x	1.10x	9.8x	9.6x	8.4x	31.2x
Bravo Brio Restaurant Group, Inc.	11.74	75.7%	178	226	0.54x	0.53x	0.51x	6.3x	6.1x	5.7x	24.6x
Kona Grill Inc.	13.75	48.0%	155	139	1.02x	0.97x	0.76x	24.6x	11.3x	7.9x	NM
	Median				1.07x	1.04x	0.89x	9.5x	9.4x	8.1x	24.6x
	Mean				0.99x	0.96x	0.85x	12.5x	9.0x	7.6x	26.4x
Quick Service											
McDonald's Corp.	\$112.25	98.5%	\$105,718	\$119,621	4.66x	4.73x	4.89x	13.4x	13.6x	12.9x	25.7x
Yum! Brands, Inc.	70.91	73.9%	30,579	33,003	2.51x	2.50x	2.36x	11.8x	12.0x	10.9x	25.3x
Domino's Pizza, Inc.	106.67	89.1%	5,829	7,325	3.46x	3.35x	3.13x	18.0x	17.0x	15.3x	32.3x
The Wendy's Company	9.16	78.2%	2,495	4,722	2.43x	2.63x	3.92x	12.1x	12.1x	12.4x	28.0x
Jack in the Box Inc.	74.53	74.5%	2,726	3,367	2.20x	2.17x	2.03x	11.8x	10.4x	10.3x	24.9x
Papa John's International Inc.	70.17	88.4%	2,769	3,005	1.83x	1.80x	1.71x	17.6x	16.9x	15.4x	38.6x
Sonic Corp.	28.54	77.7%	1,462	1,898	3.13x	3.11x	3.02x	11.6x	11.5x	10.7x	25.8x
Popeyes Louisiana Kitchen, Inc.	56.44	84.9%	1,293	1,393	5.56x	5.30x	4.77x	17.1x	16.5x	14.5x	30.3x
Bojangles', Inc.	16.63	58.5%	598	829	1.79x	1.71x	1.55x	13.0x	11.8x	10.5x	14.8x
	Median				2.47x	2.56x	2.69x	12.6x	12.0x	11.7x	26.9x
	Mean				2.86x	2.82x	2.81x	14.1x	13.5x	12.5x	27.5x
Fine Dining											
Fogo de Chao, Inc.	\$15.10	55.5%	\$422	\$564	2.14x	2.07x	1.85x	13.9x	9.6x	8.8x	NM
Ruth's Hospitality Group Inc.	15.51	87.0%	525	527	1.43x	1.41x	1.32x	9.4x	9.3x	8.7x	19.9x
Del Frisco's Restaurant Group, Inc.	13.47	51.9%	314	328	1.01x	0.98x	0.90x	7.8x	7.5x	6.5x	19.2x
The ONE Group Hospitality, Inc.	3.13	61.4%	78	83	1.55x	1.23x	0.99x	NM	8.1x	5.8x	NM
	Median				1.49x	1.32x	1.15x	9.4x	8.7x	7.6x	19.5x
	Mean				1.54x	1.42x	1.26x	10.3x	8.6x	7.5x	19.5x
Coffee, Breakfast, & Snacks											
Starbucks Corporation	\$62.57	97.8%	\$92,923	\$93,661	4.89x	4.74x	4.23x	21.9x	20.2x	17.2x	42.4x
Dunkin' Brands Group, Inc.	41.41	72.9%	3,941	6,105	7.63x	7.53x	7.16x	15.6x	14.7x	13.8x	24.3x
Krispy Kreme Doughnuts, Inc.	13.69	61.3%	861	829	1.63x	1.57x	1.45x	12.5x	11.4x	9.6x	28.3x
Jamba, Inc.	13.25	78.4%	214	200	0.96x	1.23x	2.92x	NM	18.4x	14.6x	NM
	Median				3.26x	3.16x	3.57x	15.6x	16.6x	14.2x	28.3x
	Mean				3.78x	3.77x	3.94x	16.7x	16.2x	13.8x	31.7x
Franchisees											
Alease, S.A.B. De C.V.	\$3.28	96.1%	\$2,750	\$3,520	1.86x	1.89x	1.73x	13.9x	14.4x	12.0x	45.6x
Domino's Pizza Enterprises Limited	33.35	95.6%	2,972	3,031	6.09x	5.51x	4.67x	37.5x	29.5x	23.7x	NM
Domino's Pizza Group plc	16.86	99.8%	2,805	2,775	5.87x	5.42x	4.98x	28.2x	24.4x	22.0x	47.5x
Arcos Dorados Holdings, Inc.	3.08	43.5%	648	1,264	0.39x	0.42x	0.43x	4.0x	6.6x	6.4x	13.9x
Carrolls Restaurant Group, Inc.	11.76	84.0%	418	566	0.69x	0.67x	0.66x	9.2x	8.7x	7.8x	NM
	Median				1.86x	1.89x	1.73x	13.9x	14.4x	12.0x	45.6x
	Mean				2.98x	2.78x	2.49x	18.6x	16.7x	14.4x	35.7x

Source: CapitalIQ and SEC filings. Firms represent all public restaurants for which trading data is available. For definitions see page 10.

Selected Recent Duff & Phelps Restaurant Transactions

<p>Solvency Opinion</p> <hr/>  <p>Darden Restaurants, Inc. has completed the spin-off of Four Corners Property Trust, Inc. Advised the boards of directors of Darden Restaurants, Inc. and Four Corners Property Trust, Inc.</p>	<p>Sell Side Advisor (Pending)</p> <hr/> <p>HOULIHAN'S a portfolio company of</p>  <p>has signed an agreement to be acquired by</p> 	<p>Sell Side Advisor</p> <hr/>  <p>a portfolio company of</p> <p>SUN CAPITAL PARTNERS, INC.</p> <p>has been acquired by</p> 	<p>Sell Side Advisor</p> <hr/>  <p>portfolio companies of</p>  <p>have been acquired by</p> 
<p>Sell Side Advisor</p> <hr/>  <p>has been acquired by controlling shareholders in a take private transaction.</p>	<p>Sell Side Advisor</p> <hr/> <p>BYRON PROPER HAMBURGERS</p>  <p>has been acquired by</p> 	<p>Placement Agent</p> <hr/>  <p>has completed a \$55 million Senior Credit Facility with</p> 	<p>Board Advisory</p> <hr/>  <p>has completed a leveraged dividend recapitalization transaction.</p>

Definitions

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

EPS: Earnings Per Share

Enterprise Value: Market Capitalization + Total Debt + Preferred Equity + Minority Interest – Cash and Short-Term Investments

LTM: Last Twelve Months

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About Duff & Phelps

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