

# DealReader Restaurants

1H 2018



## Selected Upcoming Industry Events

### Western Foodservice & Hospitality Expo

*(August 19-21, 2018 –  
Los Angeles, CA)*

### Restaurant Finance Monitor's Restaurant Finance & Development Conference

*(November 12-14, 2018 –  
Las Vegas, NV)*

## Inside this Issue

**Restaurant Industry Performance**

**Selected Restaurant Public Comparables**

**Selected M&A Activity**

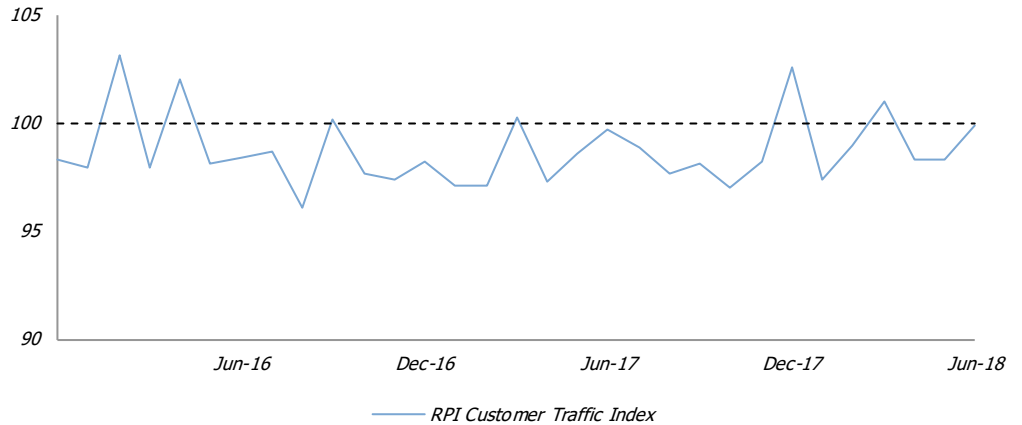
**Selected Recent Lincoln Transactions**

**Commentary**

- Restaurant traffic remains challenging with only two months in 1H 2018 experiencing expansion of customer traffic as calculated by the RPI Customer Traffic Indicator (scores above 100 indicate expansion while scores below 100 indicate contraction)
- Restaurants continue to face a battle vs emerging alternatives that are swaying consumers with appealing offers, such as meal kit companies “buying” consumers
- Despite the challenges related to traffic, the number of restaurants operators reporting lower same store sales continues to trend down since mid-2016
- June represented the eighth consecutive month in which operators reported a net increase in same-store sales
- Restaurants operators also remain positive about the outlook for 2H 2018, with 38% reporting expected higher sales in the period compared to 6% reporting expected lower sales
- The cost of food at home (i.e., grocery) narrowed slightly in 1H 2018, however, a meaningful gap exists making it more attractive to consumers to get food at home rather than eat out at restaurants
- Restaurants may continue to face a battle vs. grocery chains with grocery prices for meat, eggs, pork and poultry all falling in 1H 2018 and expected to continue to decline through the remainder of the year

**Restaurant Industry Performance**

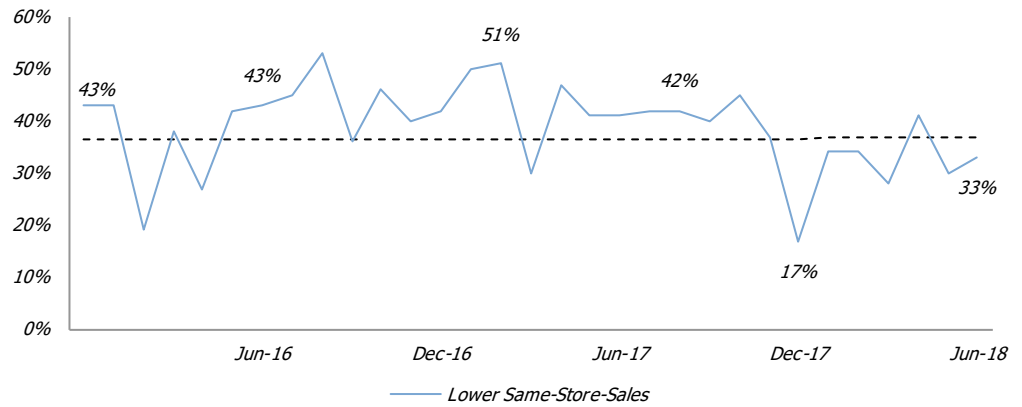
**RPI Customer Traffic Indicator**



Source: National Restaurant Association, Restaurant Performance Index

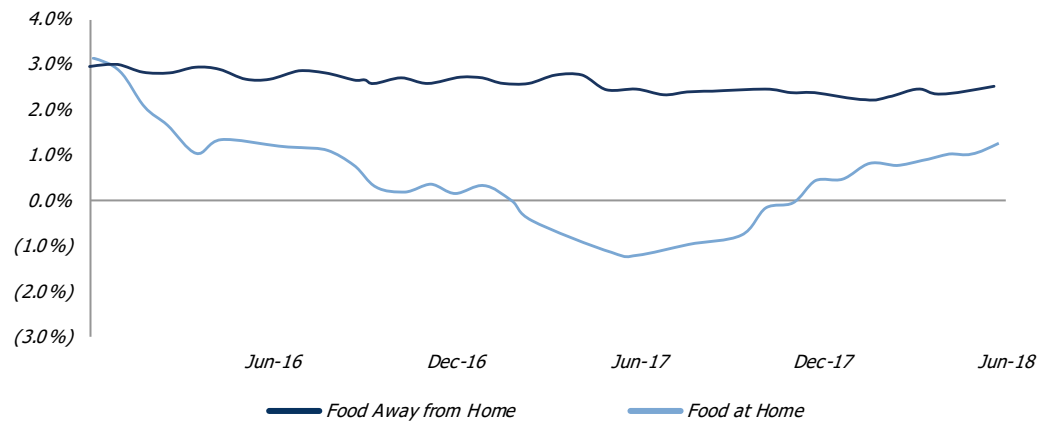
**Same Store Sales**

**Restaurant Operators Reporting of Same Store Sales vs. Same Month in Prior Year**



Source: National Restaurant Association, Restaurant Industry Tracking Survey

**The Restaurant-Grocery Gap**



Source: U.S. Bureau of Labor Statistics

## Public Comparable Statistics

		Stock Price	% 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, Inc.	\$12.60	66.8%	\$346	\$375	\$36	24.3%	9.6%	0.92x	9.7x	5.2x
	The ONE Group Hospitality, Inc.	2.43	78.4%	88	79	4	1.6%	5.5%	1.12x	20.3x	n/a
	Ruth's Hospitality Group, Inc.	28.05	92.4%	899	426	68	9.7%	15.9%	2.11x	13.3x	12.1x
	<b>Median</b>	<b>N/A</b>	<b>78.4%</b>	<b>346</b>	<b>375</b>	<b>36</b>	<b>9.7%</b>	<b>9.6%</b>	<b>1.12x</b>	<b>13.2x</b>	<b>9.5x</b>
Fast Casual	Chipotle Mexican Grill, Inc.	\$431.37	89.3%	\$12,640	\$4,653	\$489	8.5%	10.5%	2.72x	25.9x	21.3x
	El Pollo Loco Holdings, Inc.	11.40	90.8%	521	414	58	7.0%	14.1%	1.26x	8.9x	8.6x
	Fiesta Restaurant Group, Inc.	28.70	93.0%	852	667	58	3.3%	8.7%	1.28x	14.6x	11.7x
	Freshii Inc.	4.71	63.5%	122	19	3	26.5%	13.8%	8.15x	59.0x	12.5x
	The Habit Restaurants, Inc.	10.00	63.7%	325	365	27	19.3%	7.3%	0.89x	12.2x	9.7x
	Noodles & Company	12.30	92.5%	485	455	30	(0.2%)	6.7%	1.07x	15.9x	13.8x
	Potbelly Corporation	12.95	94.2%	287	429	34	1.8%	8.0%	0.67x	8.4x	7.9x
	Shake Shack Inc.	66.18	94.4%	1,581	406	62	26.2%	15.3%	3.89x	25.4x	21.7x
	Wingstop Inc.	52.12	83.8%	1,936	115	44	44.0%	38.6%	16.84x	43.6x	38.6x
	Zoe's Kitchen, Inc.	9.76	55.3%	219	326	20	10.9%	6.2%	0.67x	10.9x	11.2x
	<b>Median</b>	<b>N/A</b>	<b>90.0%</b>	<b>503</b>	<b>410</b>	<b>39</b>	<b>9.7%</b>	<b>9.6%</b>	<b>1.27x</b>	<b>15.3x</b>	<b>12.1x</b>
Polished Casual	BJ's Restaurants, Inc.	\$60.00	82.1%	\$1,443	\$1,074	\$123	6.6%	11.5%	1.34x	11.7x	11.2x
	The Cheesecake Factory Incorporated	55.06	91.5%	2,335	2,311	231	4.7%	10.0%	1.01x	10.1x	9.5x
	Kona Grill, Inc.	2.35	47.0%	65	176	6	(4.8%)	3.2%	0.37x	11.4x	n/a
	<b>Median</b>	<b>N/A</b>	<b>82.1%</b>	<b>1,443</b>	<b>1,074</b>	<b>123</b>	<b>4.7%</b>	<b>10.0%</b>	<b>1.01x</b>	<b>11.4x</b>	<b>10.4x</b>
Mass Casual	Biglari Holdings Inc.	\$183.49	69.2%	\$765	\$839	\$15	n/a	1.8%	0.91x	49.6x	n/a
	Bloomin' Brands, Inc.	20.10	80.4%	2,774	4,170	372	(2.3%)	8.9%	0.67x	7.5x	6.9x
	Brinker International, Inc.	47.60	87.9%	3,312	3,129	422	(0.4%)	13.5%	1.06x	7.8x	8.0x
	Chuy's Holdings, Inc.	30.70	90.0%	519	377	37	9.8%	9.9%	1.38x	13.9x	11.9x
	Cracker Barrel Old Country Store, Inc.	156.21	87.2%	3,773	2,963	385	4.1%	13.0%	1.27x	9.8x	9.3x
	Darden Restaurants, Inc.	107.06	94.9%	14,479	8,080	1,081	5.1%	13.4%	1.79x	13.4x	12.4x
	Dave & Buster's Entertainment, Inc.	47.60	76.4%	2,333	1,168	269	9.0%	23.0%	2.00x	8.7x	8.3x
	Denny's Corporation	15.93	89.7%	1,266	580	99	19.5%	17.0%	2.18x	12.8x	11.6x
	Dine Brands Global, Inc.	74.80	90.5%	2,614	597	187	22.5%	31.4%	4.38x	13.9x	10.8x
	Famous Dave's of America, Inc.	6.75	69.9%	61	60	5	(15.5%)	8.4%	1.00x	11.9x	9.2x
	Luby's, Inc.	2.59	80.9%	116	368	1	n/a	0.3%	0.32x	121.6x	n/a
	Red Robin Gourmet Burgers, Inc.	46.60	66.5%	707	1,382	135	(1.8%)	9.8%	0.51x	5.2x	5.3x
	Texas Roadhouse, Inc.	65.51	92.4%	4,477	2,343	300	10.1%	12.8%	1.91x	14.9x	13.7x
	<b>Median</b>	<b>N/A</b>	<b>87.2%</b>	<b>2,333</b>	<b>1,168</b>	<b>187</b>	<b>5.1%</b>	<b>12.8%</b>	<b>1.27x</b>	<b>12.8x</b>	<b>9.3x</b>
Quick Service	Bojangles', Inc.	\$14.40	88.9%	\$628	\$555	\$67	(0.1%)	12.1%	1.13x	9.3x	9.5x
	Del Taco Restaurants, Inc.	14.18	88.7%	655	488	62	8.5%	12.8%	1.34x	10.5x	8.7x
	Domino's Pizza, Inc.	282.17	96.0%	15,045	3,100	581	24.0%	18.7%	4.85x	25.9x	22.4x
	Jack in the Box Inc.	85.12	78.4%	3,394	1,439	320	(44.3%)	22.3%	2.36x	10.6x	13.0x
	McDonald's Corporation	156.69	87.7%	150,962	21,588	9,881	(7.6%)	45.8%	6.99x	15.3x	14.3x
	Nathan's Famous, Inc.	94.10	87.9%	470	104	29	n/a	28.1%	4.53x	16.2x	n/a
	Papa John's International, Inc.	50.72	62.8%	1,943	1,761	181	(5.4%)	10.3%	1.10x	10.7x	12.6x
	Papa Murphy's Holdings, Inc.	5.55	85.4%	192	108	24	3.3%	22.0%	1.78x	8.1x	8.2x
	Restaurant Brands International Inc.	60.30	87.5%	29,005	5,040	2,153	18.9%	42.7%	5.75x	13.5x	12.5x
	Sonic Corp.	34.42	91.9%	1,913	435	146	(11.0%)	33.5%	4.39x	13.1x	13.0x
	The Wendy's Company	17.18	94.1%	6,704	1,318	400	30.5%	30.4%	5.09x	16.7x	15.4x
YUM! Brands, Inc.	78.22	88.8%	35,380	5,752	1,976	(2.9%)	34.4%	6.15x	17.9x	17.7x	
	<b>Median</b>	<b>N/A</b>	<b>88.3%</b>	<b>2,668</b>	<b>1,379</b>	<b>251</b>	<b>(0.1%)</b>	<b>25.2%</b>	<b>4.46x</b>	<b>13.3x</b>	<b>13.0x</b>
Franchisees	Alesa S.A.B. De.	\$3.48	92.5%	\$3,680	\$2,255	\$317	9.3%	14.1%	1.63x	11.6x	10.0x
	Arcos Dorados Holdings Inc.	6.95	64.4%	1,861	3,343	193	(4.5%)	5.8%	0.56x	9.7x	6.5x
	Carrols Restaurant Group, Inc.	14.85	91.1%	824	1,144	95	8.1%	8.3%	0.72x	8.7x	7.8x
	Domino's Pizza Group plc	4.58	92.1%	1,954	689	139	17.4%	20.2%	2.83x	14.0x	12.5x
	Domino's Pizza Enterprises Limited	38.62	97.0%	3,594	844	163	12.8%	19.4%	4.26x	22.0x	16.7x
	<b>Median</b>	<b>N/A</b>	<b>92.1%</b>	<b>1,954</b>	<b>1,144</b>	<b>163</b>	<b>9.3%</b>	<b>14.1%</b>	<b>1.63x</b>	<b>11.6x</b>	<b>10.0x</b>

Source: Capital IQ as of 6/30/18

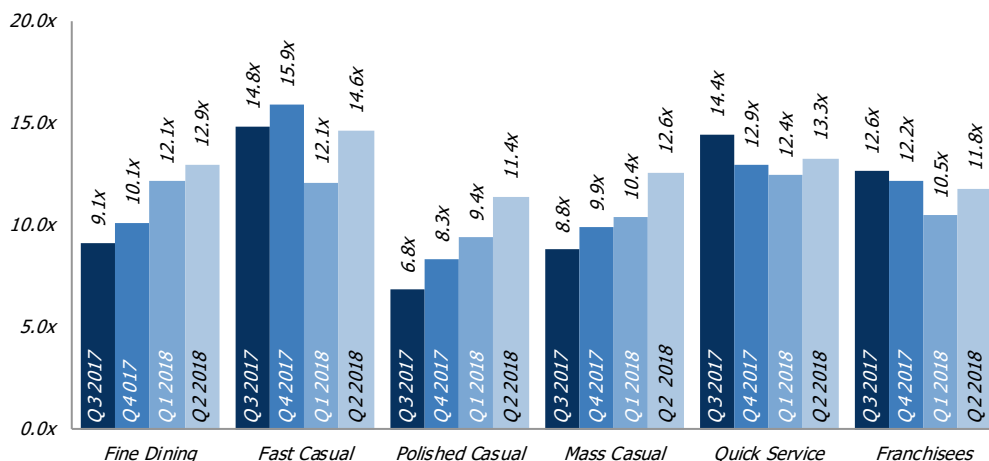
Note: \$ in millions, except stock price

### Selected Recent Lincoln Transactions

  
 has been sold to  
  
 a portfolio company of  
**MAYFAIR**  
 EQUITY PARTNERS  

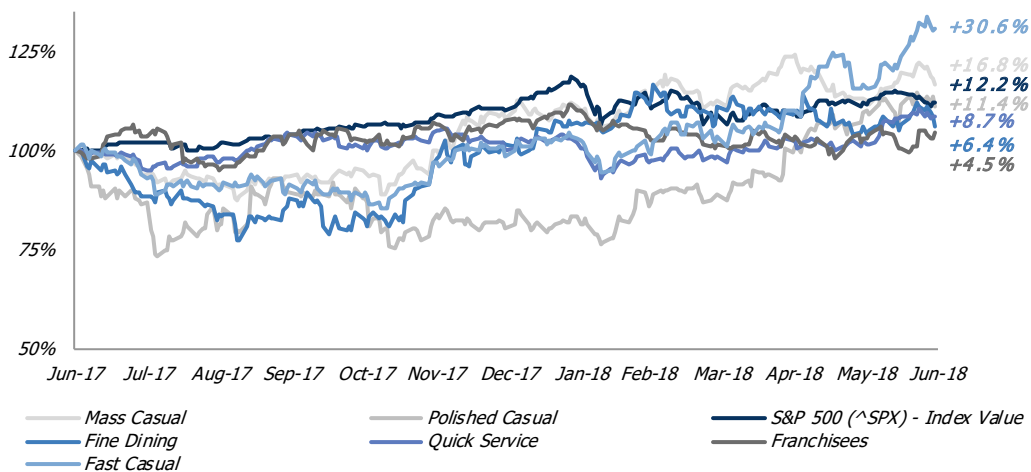

  
 has refinanced  
  


### Historical Median TTM EV to EBITDA



Source: Capital IQ as of 6/30/18

### Relative Stock Performance



Source: Capital IQ as of 6/30/18

### Selected 1H 2018 M&A Activity

Date	Target Company	Target Description	Acquiring Company	Private Equity Involvement
Jun-18	Beyond Restaurant Group	Owns and operates a chain of restaurants under the name Pokeworks	Toridoll Holding Corporation	
Jun-18	Corky's Bar-B-Que	Operates a chain of barbeque restaurants in the United States	Dobbs Equity Partners	✓
Jun-18	Goiko Grill	Operates as a gourmet burgers restaurant chain in Spain	L Catterton	✓
May-18	Pret A Manger	Operates food shops worldwide	JAB Holding	
May-18	Bravo Brio Restaurant Group, Inc.	Owns and operates Italian restaurants in the United States	Spice Private Equity AG	✓
May-18	Barteca Restaurant Group	Operates the Barcelona and Bartaco concepts, with a focus on tapas and wine	Del Frisco's Restaurant Group	
Apr-18	Mountain Mike's Pizza	Owns and operate pizza restaurants	Levine Leichtman Capital Partners	✓
Mar-18	Qdoba Restaurant	Owns, operates and franchises a chain of Mexican restaurants	Apollo Global Management	✓
Mar-18	Taco Mac	Operates as a chain of restaurants in the United States	Fresh Hospitality	
Jan-18	Pennant Foods	Operates as a franchisee of Wendy's hamburger quick-service restaurants	WKS Restaurant Corporation	
Jan-18	Buddy's Rendezvous Pizzeria	Owns and operates a chain of pizzerias	CapitalSpring	✓

Source: Capital IQ and MergerMarket

## Global Industry Groups

Business Services  
Consumer  
Energy, Power & Infrastructure  
Healthcare  
Industrials  
Technology, Media & Telecom

## Global Locations

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Mumbai  
Munich  
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Paris  
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Managing Director (Chicago)

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