

Industry Insights First Half of 2011

# Restaurant Industry

## Overview

When the recent global downturn rocked the restaurant industry, the industry experienced three consecutive years of real sales declines – a first in 40 years. Thankfully, as the U.S. economy recovers from its most challenging period in decades, restaurant operators are beginning to see reasons for more sustained optimism. In fact, total restaurant sales are projected to reach a record \$604 billion in 2011 (+1.1% real sales growth).

Riding on the back of a slowly recovering U.S. economy and the consequent rise in same-store sales, restaurant companies have posted improved results in recent quarters. Analysts expect solid, top-line trends to continue for the balance of the year; well-positioned companies are driving above-average traffic trends and enjoying modest pricing power. Although the industry is showing several positive signs, tepid consumer confidence, high gas prices and inflated food costs are expected to slow industry profitability. To win back cash-

conscious guests and drive traffic, restaurant companies have been revamping promotions, modifying menus and introducing new items. These marketing initiatives help maintain the perception of strong consumer value while reducing reliance on discounts to drive traffic. Top-line growth is critically important to maintaining margins, as operators have less flexibility to aggressively cut costs and increase efficiency as they did during the height of the recession.

## Inside

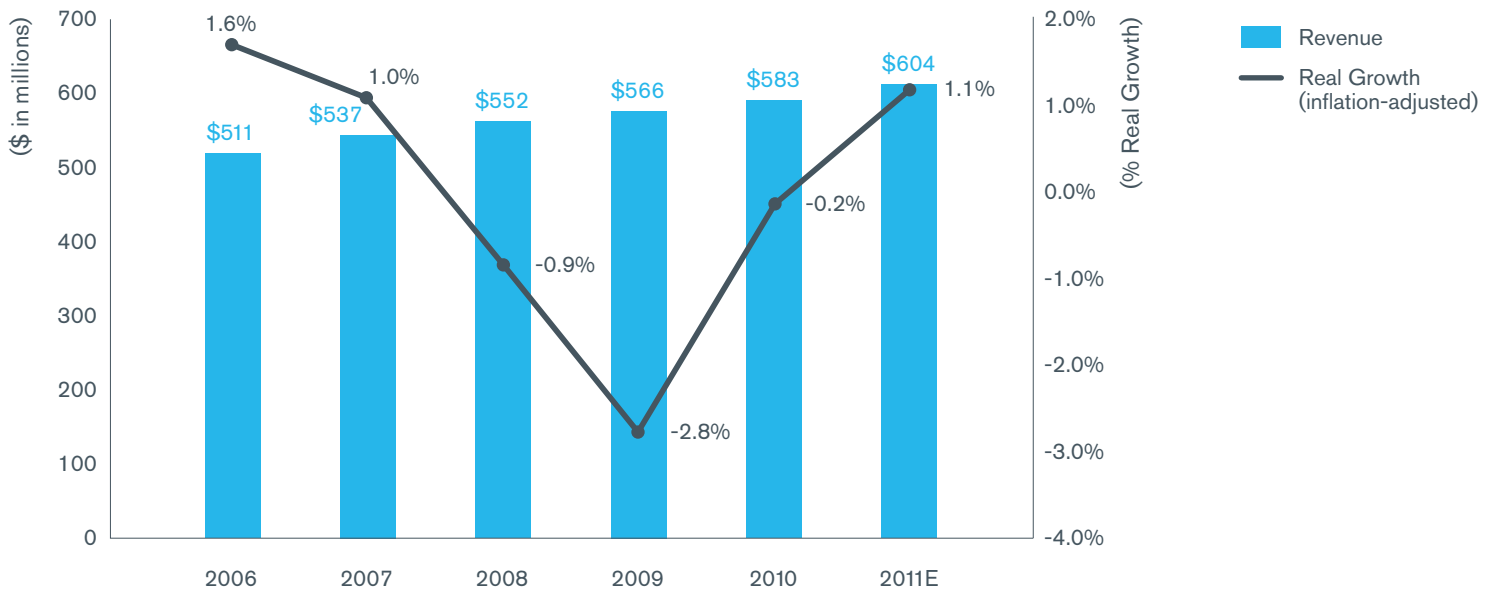
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The Duff & Phelps Restaurant Industry Group

# Overview

We remain optimistic about the balance of 2011, with consumers continuing to seek value, distinct dining experiences, convenience and enhanced menu deals amidst a steadily improving economic backdrop. We expect restaurant mergers and acquisitions (“M&A”) to continue at a pace consistent with 2010, driven largely by private equity investors with significant dry powder and access to debt capital financing.

We also expect large, cash-rich restaurant companies to intensify efforts to grow through acquisitions. We have started to see increased merger and acquisition activity among strategics, as evidenced by Groupe Le Duff’s acquisition of Bruegger’s and Landry’s acquisitions of Claim Jumper Restaurants and Bubba Gump Shrimp Company.

## Restaurant Industry Sales



Source: National Restaurant Association

# Key Themes for Balance of 2011

## Cautious Outlook, Despite Gradually Improving Consumer Environment

Following lackluster consumer data for 2010, recent economic data is more encouraging, particularly on the unemployment front – but the overall consumer environment remains fragile. Many consumers have not fully

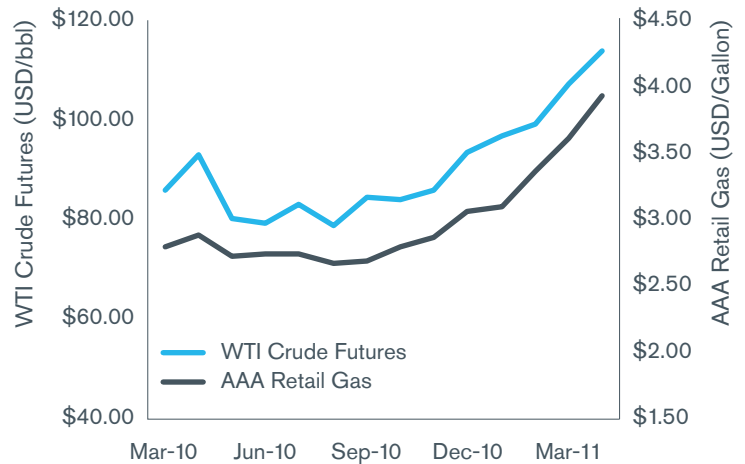
recovered from the recession and continue to pinch pennies. Lately, a key concern is gas prices, which recently hit an average price of \$4.00 per gallon nationwide. Consumers are extremely sensitive to high gas prices, which tend to discourage consumers from venturing outside the home.

An extended period of \$4.00 gas would likely slow the broader economic recovery and curtail discretionary and entertainment spending outside the home.

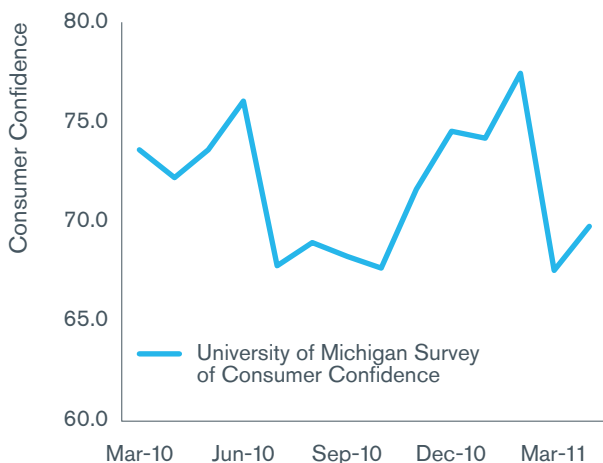
### Unemployment and CPI



### Energy Costs



### Consumer Confidence



### Single Family Homes Sales



Source: Bloomberg

# Key Themes for Balance of 2011

## Escalating Commodity Pressures

Key restaurant commodity costs (proteins, dairy, grains, etc.) moved higher in the second half of 2010, particularly in the fourth quarter. The trend continued in the first quarter of 2011, impacting many restaurant operators; notably, Texas Roadhouse experienced a steep earnings decline in the first quarter, largely due to increased input costs. With the price of coffee rising over 100% year over year, beef and pork increasing 25% and corn, wheat and oat soaring more than 80%, cost pressures are impacting the entire industry. While pricing power remains relatively weak, given macroeconomic uncertainties, margins will be squeezed further unless increases are

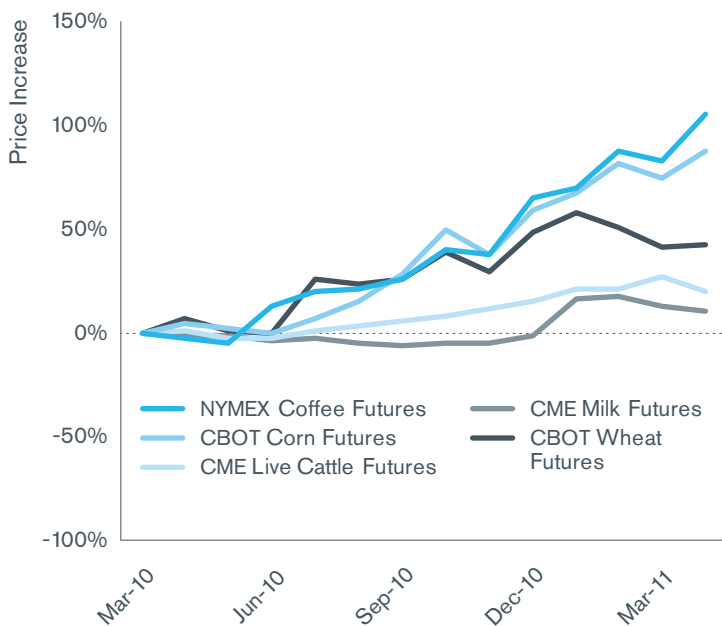
passed on to customers. The choice for most companies will be to raise prices or take steps that ultimately decrease value to the customer, like reducing portion sizes – an action that may maintain margins in the short term but risks alienating customers. Given the spike in many commodity food prices in the last 12 months, pressures will hopefully abate in the near-term and result in stronger second half 2011 profit margins. This would be welcome news for operators.

## Favorable Same Store Sales Data

The first quarter of 2011 saw continued improvement in same-store sales, despite rising input costs, rapidly increasing gas prices, and severe weather throughout most of the U.S. during January and February.

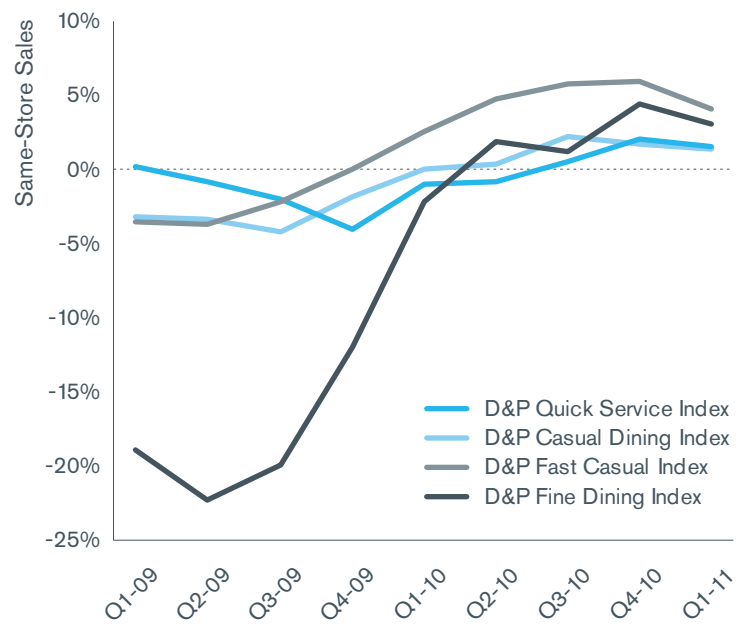
While the restaurant recovery is far from complete, the consecutive quarters of positive, same-store sales are important developments for an industry that saw some of its worst declines in many years. High unemployment and rising gas prices are continuing to weigh on the consumer, as evidenced by first quarter 2011 same-store sales being flat to down in all segments. Consensus same-store sales estimates among research analysts call for continued, albeit modest, same-store sales recovery in 2011.

Selected Commodity Food Prices



Source: Bloomberg

Same Store Sales Data by Restaurant Segment



Source: Company Press Releases and SEC Filings

Note: Companies included in indices are listed on page 14.

# Mergers and Acquisitions Update

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M&A activity in the restaurant industry continues to be vibrant, driven largely by private equity firms with greater access to the capital markets. The three largest transactions were Landry's Restaurants take-private transaction and the acquisitions of Burger King by investment group 3G and CKE Restaurants by Apollo Management. Growth concepts Wing Stop, Papa Murphy's and Noodles & Company were also acquired. The total number of announced restaurant M&A transactions with total enterprise value greater than \$25.0 million reached 18 in 2010, up from 4 in 2009, a significant uptick in deal volume. This trend has continued in the first quarter of 2011, with 8 transactions announced through May 2011 – including Roark Capital Group acquiring Corner Bakery Café and Il Fornaio, Golden Gate acquiring California Pizza Kitchen, Angelo Gordon acquiring Firebirds Wood Fired Grill and Groupe Le Duff acquiring Bruegger's.

Private equity sponsors – both experienced restaurant investors and new entrants – with approximately \$500 billion in unused capital are expected to continue to drive restaurant M&A activity in 2011. These firms are attracted to restaurant companies' stable cash flows, reasonable valuations and "leveragable" assets, including owned real estate and franchised income streams and have access to much improved financing markets.

Strategic buyers have been absent from recent brand acquisitions, with a couple of notable exceptions: Luby's Inc., which bought Fuddruckers, Le Duff who purchased Bruegger's, and Landry's Restaurants, which acquired Bubba Gump Shrimp Company and Claim Jumper Restaurants, among others. Landry's has also recently made and subsequently withdrew a proposal to acquire McCormick & Schmick's. It is expected that

many of the larger strategics with maturing concepts will increasingly focus on acquisitions to drive earnings growth. According to *National Restaurant News* Darden is actively seeking acquisitions, and J. Alexander's and Yard House are candidates. Sbarro, which recently filed for bankruptcy, is being pursued by a foreign strategic buyer according to Sbarro's attorney. There are a number of companies that are exploring strategic alternatives including A&W Restaurants, Buffets, Long John Silver's, Arby's, Morton's and several others.

# Mergers and Acquisitions Update

Date Announced	Target Name	Acquiror Name	Enterprise Value (\$MM)	Enterprise Value as a Multiple of LTM:		LTM EBITDA Margin	
				Revenue	EBITDA		
5/25/2011	California Pizza Kitchen Inc.	Golden Gate Capital	\$ 454.9	0.71x	8.0x	8.9%	
5/24/2011	Il Fornaio / Corner Bakery	Roark Capital Group	300.0	NA	NA	NA	
4/25/2011	Firebirds International	Angelo, Gordon & Co.	NA	NA	NA	NA	
3/24/2011	Wagamama Limited	Duke Street	345.0	NA	NA	NA	
3/16/2011	K-MAC Enterprises Inc.	Brentwood Associates	NA	NA	NA	NA	
3/10/2011	Apple American Group	Goldman Sachs Private Equity	450.0	NA	NA	NA	
3/9/2011	Bruegger's Enterprises Inc.	Groupe Le Duff SA	91.0	NA	NA	NA	
1/25/2011	Hooters of America, Inc.	Chanticleer Holdings	250.0	NA	NA	NA	
12/28/2010	Noodles & Company	Catterton Partners	NA	NA	NA	NA	
11/15/2010	Rock Bottom Restaurants / Gordon Biersch Brewery Restaurant Group	Centerbridge Partners	300.0	NA	NA	NA	
11/5/2010	Bubba Gump Shrimp Company, Inc.	Landry's Restaurants Inc.	112.5	0.56x	NA	NA	
10/29/2010	Claim Jumper Restaurants	Landry's Restaurants Inc.	76.6	0.33x	NA	NA	
10/6/2010	Landry's Restaurants Inc.	Investor Group led by Tilman J. Fertitta	1,440.0	1.33x	7.3x	18.2%	
9/2/2010	Burger King Holdings Inc.	3G Capital Management	4,020.0	1.61x	9.1x	17.7%	
8/30/2010	LRI Holdings, Inc.	Kelso & Company	525.0	0.96x	7.0x	13.7%	
7/14/2010	Max & Ermas Restaurants Inc.	American Blue Ribbon Holdings	28.0	NA	NA	NA	
6/17/2010	Magic Brands, LLC (Fuddruckers)	Luby's, Inc.	63.5	NA	NA	NA	
5/30/2010	Bar Louie America, Inc.	Sun Capital Partners	NA	NA	NA	NA	
5/19/2010	Captain D's, LLC	Sun Capital Partners	50.0	NA	NA	NA	
5/9/2010	Rubio's Restaurants Inc.	Mill Road Capital	80.9	0.43x	6.7x	6.3%	
5/3/2010	Dave & Buster's, Inc.	Oak Hill Capital	570.0	1.09x	NA	NA	
4/20/2010	CKE Restaurants Inc.	Apollo Management	1,020.2	0.72x	6.6x	10.9%	
4/12/2010	Wingstop Restaurants, Inc.	Roark Capital Group	80.0	NA	NA	NA	
3/28/2010	Papa Murphy's International, Inc.	Lee Equity Partners	180.0	NA	NA	NA	
3/27/2010	On The Border Cafes, Inc.	Golden Gate Capital	180.0	NA	NA	NA	
				<b>Median</b>	<b>0.72x</b>	<b>7.2x</b>	<b>12.3%</b>
				<b>Mean</b>	<b>0.86x</b>	<b>7.4x</b>	<b>12.6%</b>

Source: CapitalIQ, Public Filings and D&amp;P estimates

# Mergers and Acquisitions Update

## Notable Recent Announced Deals

### Roark Capital Group Acquires Corner Bakery Café and Il Fornaio

On May 25, Roark Capital Group, owner of Focus Brands and McAlister's Deli, entered into an agreement to acquire the Corner Bakery Café and Il Fornaio brands from private equity firm, Bruckmann Rosser Sherrill & Co. The Dallas-based, fast-casual Corner Bakery chain operates 119 units, while the Corte Madera, California-based, full-service, upscale Italian Il Fornaio operates 21 locations. New York-based Bruckman Rosser Sherrill purchased Il Fornaio (America) Corp. in a management buyout in July 2001 and acquired the Corner Bakery Café concept from Brinker International in 2006. Roark Capital owns a number of restaurant companies and brands that primarily focus on the quick-service or fast-casual segments including Auntie Anne's, Carvel, Cinnabon, Moe's Southwest Grill, and Schlotzsky's, as well as a franchisee of the Seattle's Best Coffee brand.

### GS Capital Partners Inks Investment in Apple American

On May 10, 2011, Goldman Sachs Capital Partners made a strategic growth investment in Apple American Group LLC, the largest franchisee of Applebee's Neighborhood Grill & Bar restaurants. San Francisco-based Apple American operates about 270 Applebees in 11 states. Participating in the investment and maintaining a significant ownership position are existing sponsor Weston Presidio and members of the Apple American management team, including its founder, chairman and chief executive Greg Flynn.

This is the second time Goldman Sachs Capital Partners invested in Apple American. The firm helped fund the acquisitions of 73 Applebee's units in 2001, taking majority control at the time. Weston Presidio then acquired the group from Goldman Sachs in 2005 for an undisclosed amount. Since then, Apple American has grown to 270 restaurants and 16,000 employees, with approximately \$650 million in sales.

### Angelo Gordon Buys Firebirds Wood Fired Grill

On April 25, 2011, Angelo Gordon & Co.'s private equity arm entered into an agreement to buy Firebirds Wood Fired Grill casual dining chain. Firebirds, based in Charlotte, North Carolina, was founded 10 years ago and consists of 18 Firebirds upscale casual restaurants in eight states. Firebirds' restaurants are generally around 6,500 square feet and are known for their wood and stone decor, indoor fireplace, and exposed kitchen with a wood burning grill. Founders Dennis Thompson and Doug Glendenning will continue as shareholders and directors of the company, and CEO Mark Eason will retain his role. Angelo Gordon, a New York-based asset management firm, manages more than \$1 billion in private equity investments and makes control equity investments in deals ranging from \$50 million to \$500 million.

### Brentwood Associates Buys Taco Bell Franchisee

On March 18, 2011, Brentwood Associates, a leading Los Angeles-based private equity firm, announced the acquisition of Taco Bell franchisee K-Mac Holdings Corp. It purchased the Fort Smith, Arkansas, restaurant operator from Stamford, Connecticut, sponsor Olympus Partners. Founded in 1964 by Ken McGruder, K-MAC has grown to become one of the largest YUM! franchisees in the U.S., operating over 190 Taco Bell, KFC and Golden Corral restaurants in the Southwest. Brentwood has teamed with Arlon Capital Partners' food and agriculture investment fund and Northwestern Mutual Capital on the equity investment.

### Groupe Le Duff Acquires Bruegger's

On March 4, 2011, private equity firm Sun Capital Partners Inc. announced the sale of bakery-cafe chain Bruegger's Enterprises Inc. to La Madeleine parent Le Duff America, the North American subsidiary of Groupe Le Duff SA. Headquartered in Burlington, Vermont, Bruegger's is a leading operator and franchisor of fast casual bakery-cafes specializing in bagels, breads, wraps, signature sandwiches, hearty soups, gourmet coffee and desserts. The acquisition of the 437-unit Bruegger's by Groupe Le Duff establishes the France-based firm as one of the world's largest bakery-cafe companies, with sales of more than \$1.5 billion, more than 1,110 restaurants and bakeries and approximately 13,400 employees. The combination of Bruegger's and Le Duff America presents new operational and growth opportunities for both bakery-cafe brands.

# A Quick Chat with Jason Mozingo, Centerbridge Capital Partners

On November 15, 2010, Centerbridge Capital Partners, L.P. and its related entities (“Centerbridge”) formed CraftWorks Restaurants & Breweries, Inc. (“CraftWorks”) by closing on concurrent acquisitions of Rock Bottom Restaurants, Inc. (“Rock Bottom”) and Gordon Biersch Brewery Restaurant Group, Inc. (“Gordon Biersch”). The combined business becomes the nation’s leading multi-concept operator and franchisor of brewery and craft beer-focused casual dining restaurants, with nearly 200 owned and franchised locations across the U.S. The acquired companies will operate as subsidiaries of CraftWorks and will retain their brands. CraftWorks’ primary concepts include Old Chicago, Rock Bottom and Gordon Biersch.

Jason Mozingo, a Partner at Centerbridge, orchestrated these transactions and provided the initial vision for creating a leading organization in the craft beer and food segment of casual dining.

[Jason, congratulations on the acquisitions of Rock Bottom and Gordon Biersch to form CraftWorks. Looking back on the genesis of this deal, what first attracted Centerbridge to the restaurant industry? What makes the combination of these leading beer-focused concepts so compelling?](#)

Centerbridge has been looking at the restaurant space since our formation in 2006. In fact, we invested in the industry profitably during the 2007-2009 recession. We like the sector because of its steady cash flow characteristics and because of the opportunity to partner with management to create value through operational improvements and growth initiatives. The CraftWorks brands naturally fit together, as each is characterized by devotion to the customer, an entertaining atmosphere and a passion for world-class craft beer and made-from-scratch food. CraftWorks is

fortunate to benefit from an attractive and growing end market, as craft beer continues to take market share from traditional, lower-quality mass product.

[It has been six months since the transaction closed. What has been the most rewarding aspect of the integration process? The most challenging?](#)

Mergers are never easy, and the most challenging part is always making sure you get the people part right. In our case, we were fortunate because we had a terrific team of thoughtful managers from both Gordon Biersch and Rock Bottom who were actively involved in the diligence process. During this time the management team, led by the CEO and Centerbridge, developed a plan that detailed CraftWorks’ long-range roadmap for growth and near-term actions to start us out in the right direction. As such, the first six months have been very tactical, as management has executed the plan developed during diligence. It has been terrific to witness improvements come to life through superior execution by a talented group of managers.

[What are the most distinctive highlights of CraftWorks’ organic growth plan?](#)

I think what separates CraftWorks from other casual dining restaurants is our unique focus on beverage (primarily craft beer) and the high percentage of revenue we derive from our most loyal customers. We emphasize our bar business and have numerous loyalty and club programs specifically designed to meet the needs of our enthusiastic customers. We believe that by staying true to our brand promise of delivering an exceptional food, beverage and service experience to our customers, we can grow at greater-than-market rates and thus take share. Our restaurants feel unique and offer a differentiated experience to our guests. We strongly believe the customer has “upped the

ante” and expects more out of casual dining. The customer seeks places that consistently deliver the high quality food found in larger restaurant chains with the atmosphere, service and fun found in independent operations. We believe CraftWorks is well-positioned to deliver on both fronts.

[Clearly there are plenty of organic growth opportunities for CraftWorks, but you’ve also expressed an interest in acquisitions. What is the acquisition strategy for CraftWorks? To take that one step further, what is your outlook for restaurant M&A in 2011?](#)

CraftWorks, of course, was created out of the acquisition of two separate, but complementary companies. We will continue to look opportunistically for acquisitions that are true to our craft beer and food heritage. However, our primary goal is organic growth and promotion of our three flagship brands: Old Chicago, Gordon Biersch and Rock Bottom.

I think restaurant M&A will continue its robust pace in 2011. Activity in this sector began in 2010 mostly by private equity firms who view restaurant investing as a way to effectively play a macro recovery. As the consumer feels better, going out to eat is an easy and less risky way to reward one’s self and one’s family. Therefore, this sector tends to be a leading indicator and see an uptick earlier than consumer businesses that cater to larger-ticket, durable goods and services. I believe private equity investors liked what they saw in 2008-2009, as the industry took fixed costs out of the system, improved operations and maintained prime margins despite a challenging top line.

[Jason, thank you for taking time out to speak with us. We wish you much success with CraftWorks.](#)

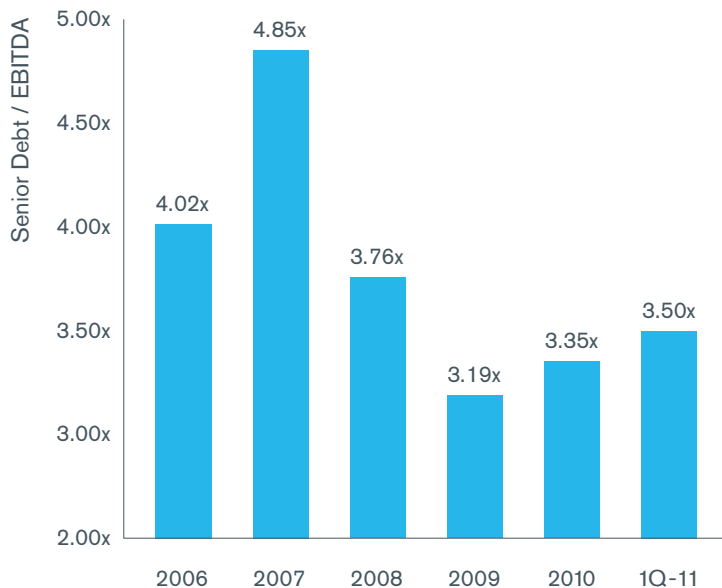


# Financing Market Update

The credit markets are open and rates, terms and required equity contributions have substantially improved for the best borrowers. Due to significant improvement in the secondary markets for restaurant loans, lenders are now competing for loans for new construction, remodeling and M&A, decreasing rates and easing credit terms. In general, the senior debt multiples for restaurant industry cash flow loans has remained relatively stable at 2.75x to 3.50x senior debt to EBITDA range, with total leverage topping out at roughly

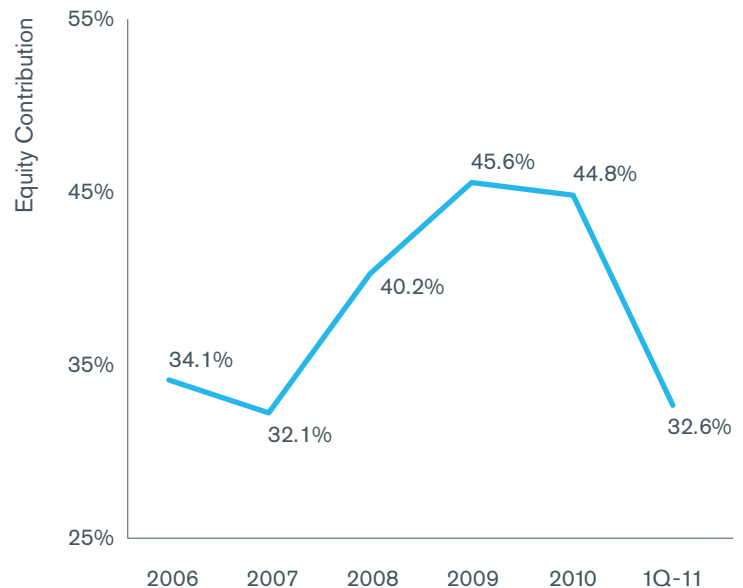
3.75x to 4.50x (except for credits with EBITDA of \$50 million or more where institutional markets are available). EBITDA fixed charge coverage of 1.20x and net-adjusted leverage of 5.50x are key metrics that govern transaction structure, and the average equity contribution in leveraged buyouts has dropped to just under 35% from roughly 45% in 2009 and 2010. The mezzanine market remains liquid with pricing at approximately 12-14% (10-12% cash and 2% PIK.)

**Senior Debt Multiples of Acquisition Related Middle-Market Loans**



Source: Standard & Poor's LCD Research

**Equity Contribution by Private Equity Funds into Middle Market LBO Transactions**



Source: Standard & Poor's LCD Research

# Financing Market Update

Recent restaurant financings have demonstrated a renewed commitment from equity sponsors and greater receptivity of lenders.

A number of restaurant transactions in the first quarter of 2011 received attractive financing terms and conditions.

## Recent Restaurant Loans

Launch Date	Name	Purpose	Deal Size (\$MM)	Rating	Size (\$MM) / Pricing (bp)	Leverage
May-11	Dave & Buster's	Corp. Purposes	\$ 149	B-/NR	TLA \$149 / L+400	2.2x
May-11	Apple American	Acquisition Line	\$ 270	NR/NR	RC \$60 / L+400 TL \$210 / L+400	NA
Mar-11	Bojangles Restaurants	Corp. Purposes	\$ 132	NR/NR	RC \$25 / L+425 TL \$107 / L+425	NA
Mar-11	Denny's Inc	Corp. Purposes	\$ 290	CCC+/B2	RC \$50 / L+375 TLB \$107 / L+375	3.6x
Feb-11	Ignite Restaurant Group	Recap/Dividend	\$ 145	NR/NR	RC \$25 / L+525 TL \$120 / L+475	NA
Feb-11	Sarku Japan Restaurant	Recap/Dividend	\$ 90	NR/NR	RC \$15 / L+350 TLA \$50 / L+350	3.2x
Jan-11	Burger King Corp	Refinancing	\$1,950	B-/B2	RC \$150 / NA TLB \$1600 / L+300 TLB €200 / Euribor+325	NA
Oct-10	CraftWorks Restaurants	LBO	\$ 150	NR/NR	RC \$25 / L+525 TLB \$125 / L+525	2.9x/2.9x
Sep-10	Burger King Corp	LBO	\$1,900	BB-/Ba3	RC \$150 / L+450 TLB \$1750 / L+450	5.6x/3.8x
Sep-10	Denny's Inc	Refinancing	\$ 300	B+/B1	RC \$50 / L+475 TLB \$250 / L+475	2.9x/2.9x
Jul-10	Centerplate	Recap/Dividend	\$ 314	B+/B3	RC \$70 / NA TLA \$50 / NA TLB \$194 / L+850	4.2x/3.5x
Jun-10	Jack in the Box	Refinancing	\$ 600	BB+/Ba3	RC \$400 / L+250 TLA \$200 / L+250	5.0x/5.0x
May-10	Papa Murphy's	LBO	\$ 81	NR/NR	RC \$7 / NA TLA \$74 / NA	5.0x/4.0x
May-10	Dave & Buster's	LBO	\$ 200	BB-/Ba2	RC \$50 / L+400 TLB \$150 / L+425	4.0x/2.0x
Apr-10	Sagittarius Restaurants	Recap/General Recap	\$ 199	B/B1	RC \$39 / L+450 TLB \$160 / L+550	4.6x/2.7x

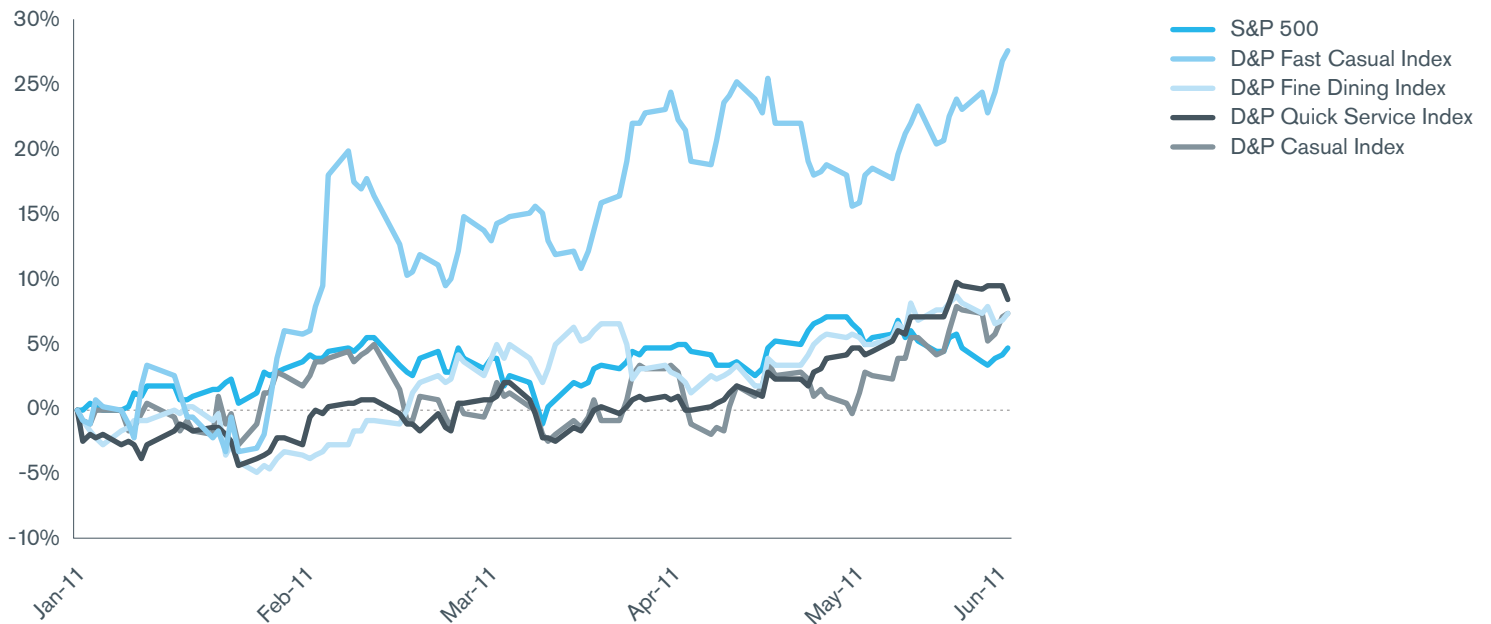
Source: Loan Connector

# Public Market Valuations

Through May 2011, Duff & Phelps' Restaurant Index was up 10.1% versus the 7.0% increase for the broader S&P 500 index. Restaurant subsectors underperformed the S&P 500,

except for fast casual which was up 19.0% over the S&P 500. Other restaurant sectors' performances were more closely aligned with the S&P 500.

## Public Market Share Price Performance



Source: CapitalIQ

Note: Companies included in indices are listed on page 14.

# Selected Publicly Traded Restaurant Companies

Company	05-31-11 Stock Price	% of 52 Wk High	Market Value (\$MM)	Enterprise Value (\$MM)	Enterprise Value as a Multiple of				LTM		SSS		Avg. Unit Volume (\$'000)
					Revenue LTM	2011E	EBITDA LTM	2011E	EBITDA Margin	Revenue Growth	LFY	LFQ	
<b>Quick Service</b>													
Domino's Pizza, Inc.	\$ 24.92	99.8%	\$ 1,538.5	\$ 2,897.8	1.84x	1.79x	10.9x	10.7x	16.9%	7.9%	9.7%	(2.3%)	\$ 663
Jack in the Box Inc.	22.21	90.6%	1,103.8	1,496.0	0.66x	0.70x	8.1x	6.8x	8.1%	(3.0%)	(8.6%)	0.8%	1,459
McDonald's Corp.	81.54	98.1%	84,604.0	94,707.5	3.85x	3.59x	10.8x	10.0x	35.7%	5.6%	0.0%	4.2%	2,364
Papa John's International Inc.	33.13	95.3%	853.1	887.3	0.77x	0.74x	7.4x	7.3x	10.4%	6.4%	(0.6%)	6.7%	656
Sonic Corp.	11.49	96.9%	710.1	1,218.3	2.24x	2.19x	9.7x	9.4x	23.0%	(9.8%)	(8.8%)	2.2%	1,017
Wendy's/Arby's Group, Inc.	5.03	96.4%	2,107.7	3,151.6	0.92x	0.92x	8.7x	8.2x	10.6%	(3.6%)	(1.7%)	(0.9%)	1,200
Yum! Brands, Inc.	55.32	97.1%	25,755.1	27,806.1	2.43x	2.32x	11.3x	10.5x	21.6%	4.2%	0.0%	(1.0%)	1,345
<b>Median</b>		<b>96.9%</b>			<b>1.84x</b>	<b>1.79x</b>	<b>9.7x</b>	<b>9.4x</b>	<b>16.9%</b>	<b>4.2%</b>	<b>(0.6%)</b>	<b>0.8%</b>	<b>\$ 1,200</b>
<b>Mean</b>		<b>96.3%</b>			<b>1.82x</b>	<b>1.75x</b>	<b>9.6x</b>	<b>9.0x</b>	<b>18.0%</b>	<b>1.1%</b>	<b>(1.4%)</b>	<b>1.4%</b>	<b>\$ 1,243</b>
<b>Fast Casual</b>													
Chipotle Mexican Grill, Inc.	\$289.07	98.3%	\$ 8,995.6	\$ 8,671.4	4.48x	3.95x	22.9x	20.2x	19.6%	23.0%	9.4%	12.4%	\$ 1,694
Cosi Inc.	1.12	66.7%	57.9	48.7	0.46x	0.45x	NM	NM	NM	(10.0%)	2.6%	1.5%	1,232
Einstein Noah Restaurant Group, Inc.	15.00	87.3%	250.3	322.3	0.78x	0.74x	7.2x	6.9x	10.9%	0.8%	(0.4%)	(0.8%)	648
Panera Bread Co.	125.03	96.2%	3,802.6	3,551.9	2.22x	1.95x	13.3x	11.8x	16.7%	14.6%	7.5%	3.3%	2,257
<b>Median</b>		<b>91.7%</b>			<b>1.50x</b>	<b>1.35x</b>	<b>13.3x</b>	<b>11.8x</b>	<b>16.7%</b>	<b>7.7%</b>	<b>5.1%</b>	<b>2.4%</b>	<b>\$ 1,463</b>
<b>Mean</b>		<b>87.1%</b>			<b>1.99x</b>	<b>1.77x</b>	<b>14.5x</b>	<b>12.9x</b>	<b>15.7%</b>	<b>7.1%</b>	<b>4.8%</b>	<b>4.1%</b>	<b>\$ 1,458</b>
<b>Casual</b>													
Benihana Inc.	\$ 10.11	95.6%	\$ 156.4	\$ 165.9	0.51x	0.49x	4.9x	NA	10.4%	4.5%	(5.8%)	4.4%	\$ 2,457
BJ's Restaurants, Inc.	51.23	99.1%	1,411.5	1,363.5	2.54x	2.23x	20.6x	17.7x	12.3%	20.4%	5.6%	7.8%	5,038
Brinker International Inc.	25.78	98.7%	2,185.9	2,609.1	0.94x	0.94x	7.6x	7.5x	12.3%	(2.5%)	0.0%	0.1%	1,834
Buffalo Wild Wings Inc.	62.64	97.9%	1,147.6	1,056.3	1.64x	1.42x	10.0x	8.6x	16.4%	14.9%	0.6%	3.9%	2,345
California Pizza Kitchen Inc.	18.41	92.1%	452.6	435.6	0.68x	0.67x	7.6x	7.0x	8.9%	(2.8%)	(2.4%)	(2.1%)	2,817
CEC Entertainment Inc.	40.69	96.8%	807.5	1,136.6	1.37x	1.34x	5.9x	5.8x	23.2%	1.3%	1.5%	1.1%	787
Cracker Barrel Old Country Store, Inc.	47.38	82.0%	1,087.5	1,600.3	0.66x	0.64x	6.8x	6.6x	9.7%	1.9%	0.4%	(0.3%)	3,235
Darden Restaurants, Inc.	50.65	97.2%	6,910.2	8,436.2	1.14x	1.09x	8.2x	7.6x	13.9%	2.1%	(2.6%)	0.9%	3,841
DineEquity, Inc.	53.76	89.4%	995.9	2,801.0	2.20x	2.60x	8.3x	8.9x	26.3%	(8.7%)	(1.3%)	0.7%	3,726
O'Charley's Inc.	7.25	87.8%	157.4	239.1	0.29x	0.29x	5.5x	5.7x	5.2%	(1.6%)	(4.9%)	0.4%	2,399
P.F. Chang's China Bistro, Inc.	40.39	75.7%	922.7	851.4	0.68x	0.67x	5.9x	5.8x	11.6%	1.7%	0.0%	0.5%	3,368
Red Robin Gourmet Burgers Inc.	36.70	96.9%	559.6	686.8	0.79x	0.75x	9.1x	7.7x	8.7%	3.5%	(0.6%)	NA	2,689
Ruby Tuesday, Inc.	10.60	68.1%	690.0	1,040.2	0.85x	0.79x	7.4x	7.0x	11.4%	2.3%	(1.3%)	(1.2%)	1,775
Steak 'n Shake	398.45	85.7%	571.0	640.8	0.94x	NA	7.8x	NA	12.0%	5.9%	7.5%	4.3%	1,621
Texas Roadhouse Inc.	17.23	93.0%	1,226.6	1,203.3	1.17x	1.09x	9.0x	8.3x	13.0%	7.7%	2.4%	4.6%	3,522
The Cheesecake Factory Incorporated	31.77	93.4%	1,851.6	1,827.5	1.09x	1.04x	9.1x	8.4x	12.0%	3.6%	2.0%	1.6%	9,672
<b>Median</b>		<b>93.2%</b>			<b>0.94x</b>	<b>0.94x</b>	<b>7.7x</b>	<b>7.6x</b>	<b>12.0%</b>	<b>2.2%</b>	<b>0.0%</b>	<b>0.9%</b>	<b>\$ 2,753</b>
<b>Mean</b>		<b>90.6%</b>			<b>1.09x</b>	<b>1.07x</b>	<b>8.4x</b>	<b>8.1x</b>	<b>13.0%</b>	<b>3.4%</b>	<b>0.1%</b>	<b>1.8%</b>	<b>\$ 3,203</b>
<b>Fine Dining</b>													
Morton's Restaurant Group Inc.	\$ 7.43	95.9%	\$ 125.7	\$ 192.6	0.63x	0.60x	8.9x	7.4x	7.1%	6.6%	4.8%	7.5%	\$ 3,748
McCormick & Schmick's Seafood Restaurants, Inc.	9.15	87.4%	136.1	136.4	0.39x	0.39x	6.0x	6.4x	6.5%	(0.6%)	(4.9%)	(3.2%)	3,010
Ruth's Hospitality Group Inc.	5.35	97.3%	188.2	230.6	0.64x	0.62x	5.6x	5.2x	11.4%	5.0%	4.0%	5.2%	3,312
<b>Median</b>		<b>95.9%</b>			<b>0.63x</b>	<b>0.60x</b>	<b>6.0x</b>	<b>6.4x</b>	<b>7.1%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>\$ 3,312</b>
<b>Mean</b>		<b>93.5%</b>			<b>0.55x</b>	<b>0.54x</b>	<b>6.8x</b>	<b>6.3x</b>	<b>8.3%</b>	<b>3.7%</b>	<b>1.3%</b>	<b>3.2%</b>	<b>\$ 3,357</b>

Source: CapitalIQ, Public Filings

# Recent Duff & Phelps Restaurant Transactions

## Case Study: Rock Bottom Restaurants

<p><b>Sell Side Advisor</b></p> <hr/> <p>Rock Bottom Restaurants has been acquired by Centerbridge Partners</p>  <p>Financial advisor to Rock Bottom Restaurants</p>	<p><b>Buy Side Advisor</b></p> <hr/> <p>Craftworks Restaurants and Breweries has acquired Gordon Biersch Brewery Restaurant Group</p>  <p>Financial advisor to CraftWorks Restaurants and Breweries</p>
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### Client

Rock Bottom Restaurants is a multi-concept casual dining restaurant company operating and franchising over 140 restaurants nationwide. Its concepts enjoy an established brand heritage and customer loyalty under the Rock Bottom, Old Chicago and ChopHouse banners.

### Transaction Description

Duff & Phelps was engaged by Rock Bottom to serve as its exclusive financial advisor in connection with a potential sale or recapitalization of the company. Duff & Phelps worked closely with Rock Bottom's management team and shareholders to explore a range of strategic alternatives. Ultimately, Duff & Phelps executed a change of control recapitalization of Rock Bottom

with Centerbridge Capital Partners.

Concurrent with the acquisition of Rock Bottom, Centerbridge acquired Gordon Biersch Brewery Restaurant Group (40 restaurants) and formed CraftWorks Restaurants & Breweries, the largest brewery restaurant company in the U.S.

### Role of Duff & Phelps

Duff & Phelps served as exclusive financial advisor to Rock Bottom and negotiated the transaction with Centerbridge. In addition, Duff & Phelps advised Craftworks on the acquisition of Gordon Biersch.

## Case Study: Noodles & Company

<p><b>Buy Side Advisor</b></p> <hr/>  <p>has been acquired by</p>  <p>Financial advisor to Catterton Partners</p>
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### Client

Catterton Partners is a leading private equity firm focused on the middle market, with approximately \$2 billion of capital under management that is exclusively focused on making equity investments in industry-leading companies with strong growth characteristics.

### Transaction Description

An investment group led by Catterton Partners has completed a control recapitalization of Noodles & Company, a 250-unit, fast-casual restaurant company.

### Role of Duff & Phelps

Duff & Phelps identified the opportunity, introduced the parties and advised Catterton on the transaction.

# Index Companies

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## Quick Service

Domino's Pizza, Inc. (NYSE:DPZ)  
Jack in the Box Inc. (NasdaqGS:JACK)  
McDonald's Corp. (NYSE:MCD)  
Papa John's International Inc.  
(NasdaqGS:PZZA)  
Sonic Corp. (NasdaqGS:SONC)  
Wendy's/Arby's Group, Inc. (NYSE:WEN)  
YUM! Brands, Inc. (NYSE:YUM)

## Fast Casual

Chipotle Mexican Grill, Inc. (NYSE:CMG)  
Cosi Inc. (NasdaqGM:COSI)  
Einstein Noah Restaurant Group, Inc.  
(NasdaqGM:BAGL)  
Panera Bread Co. (NasdaqGS:PNRA)

## Casual

Benihana Inc. (NasdaqGS:BNHN.A)  
BJ's Restaurants, Inc. (NasdaqGS:BJRI)  
Brinker International Inc. (NYSE:EAT)  
Buffalo Wild Wings Inc. (NasdaqGS:BWLD)  
California Pizza Kitchen Inc.  
(NasdaqGS:CPKI)  
CEC Entertainment Inc. (NYSE:CEC)  
Cracker Barrel Old Country Store, Inc.  
(NasdaqGS:CBRL)  
Darden Restaurants, Inc. (NYSE:DRI)  
DineEquity, Inc. (NYSE:DIN)  
O'Charley's Inc. (NasdaqGS:CHUX)  
P.F. Chang's China Bistro, Inc.  
(NasdaqGS:PFCB)  
Red Robin Gourmet Burgers Inc.  
(NasdaqGS:RRGB)  
Ruby Tuesday, Inc. (NYSE:RT)  
Steak n Shake (NYSE:BH)  
Texas Roadhouse Inc. (NasdaqGS:TXRH)  
The Cheesecake Factory (NasdaqGS:CAKE)

## Fine Dining

Morton's Restaurant Group (NYSE:MRT)  
McCormick & Schmick's Seafood  
Restaurants, Inc. (NasdaqGM:MSSR)  
Ruth's Hospitality Group Inc.  
(NasdaqGS:RUTH)

# The Duff & Phelps Restaurant Industry Group

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The Duff & Phelps Restaurant Industry Group provides advisory services to many leading participants in the restaurant industry. Duff & Phelps professionals have significant knowledge of the restaurant industry sector and possess senior-level relationships with many leading industry participants. The firm's world-class capabilities and resources, combined with an agile and responsive delivery, distinguish the Duff & Phelps client experience.

## Investment Banking Services

- Mergers and Acquisitions Advisory
- Capital Raising and Private Placements
- Financial Restructurings and Special Situations
- Fairness and Solvency Opinions
- ESOP and ERISA Advisory

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For more information about  
our industry expertise, visit:

[www.duffandphelps.com](http://www.duffandphelps.com)

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## About Duff & Phelps

As a leading global provider of financial advisory and investment banking services, Duff & Phelps balances analytical skills, deep market insight and independence to help clients make sound decisions. The firm provides expertise in the areas of valuation, transactions, financial restructuring, alternative assets, disputes and taxation, with more than 1,000 employees serving clients from offices in North America, Europe and Asia. Investment banking services in the United States are provided by Duff & Phelps Securities, LLC.

Investment banking services in the United Kingdom and Germany are provided by Duff & Phelps Securities Ltd. Duff & Phelps Securities Ltd. is authorized and regulated by the Financial Services Authority. Investment banking services in France are provided by Duff & Phelps SAS. For more information, visit [www.duffandphelps.com](http://www.duffandphelps.com). (NYSE: DUF)