MergerShark's Industry Report and Deal of the Month

The Restaurant Industry: A Report and Selected Deal by MergerShark

May 2019

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The restaurant industry is a large, competitive, highly fragmented industry with forecasted sales of $863 billion for 2019 according to the National Restaurant Association's (NRA) 2019 State of the Restaurant Industry report. The industry employs 15.3 million workers and remains the United States second largest private-sector employer. In general, restaurant industry demand can be significantly impacted by changes in economic conditions, discretionary spending patterns, consumer tastes and cost fluctuations. Demand for various types of dining is affected by personal income, consumer preferences and demographics. The restaurant industry continues to face a very competitive environment with tight profit margins. Rising labor costs, complex federal, state and local legislation and regulation and difficulty recruiting and retaining employees amidst economic expansion are all challenges the industry currently faces. The continued strong economy along with high consumer confidence is good for the industry, as it boosts restaurant sales. While economic growth is projected to slow down in 2019, consumer sentiment remains high and household finances are healthy. Still, financial concerns about future economic conditions are important when consumers are deciding whether to dine out and how much to spend when they do. Technology changes also continue to impact the industry as many consumers, especially younger ones, expect technology solutions that make ordering and payment easier and provide convenient and fast takeout and delivery options. While on-premise traffic remains an important part of most restaurants overall business, there is growing demand for off-premise options, especially among younger consumers. Off-premise traffic, powered by takeout and delivery will be an important focus for restaurant operators. Consumer tastes are also rapidly changing. Consumers have shown more interest in global cuisines and flavors, the availability of healthy and vegetable focused menu items, eco-friendly and zero-waste dining and local food sources.

Currently, the U.S. economy is experiencing prolonged expansion which has reduced unemployment and created more job openings. As a result, restaurant operators are having greater difficulty recruiting and retaining employees who have more job opportunities in the healthy economy. Overall, restaurant jobs tend to be lower-paying than average. According to the Bureau of Labor Statistics' Occupational Employment Statistics report from May 2018, the median annual wage for an employee in the restaurant industry was just $22,590, well below the overall median wage of $38,640. Even worse, delivery drivers and combined food preparation and serving workers earned a median under $21,000 a year and cashiers, servers, counter attendants and hosts and hostesses made a median under $22,000 a year. While the industry has many low-paying jobs, the U.S. Census Bureau's American Community Survey found restaurants have added jobs with annual incomes between $45,000 and $74,999 at a rate more than three times stronger than the overall economy. Many restaurant industry workers are new entrants to the labor force, as the industry serves as a training ground for new workers and place for upward mobility and career growth. In 2018, half of limited-service restaurant job openings and four in ten table service restaurant job openings were filled by either new entrants to the workforce or people promoted from other positions within the same restaurant.

Further, the industry has been impacted by longer-term structural changes in the labor force. While there is currently increased teen employment, this is projected to be short lived as it is expected the teen labor force will shrink in the years ahead. Older employees are becoming a more important source of labor for the industry with the number of adults age 55 and older working in the industry having increased 70% from 2007 to 2018. Thirty-five percent of restaurant operators say they are struggling to fill jobs, especially back of the house jobs. Some companies have begun to offer creative benefits to differentiate themselves from other employers and attract talented employees. Some of these benefits include backup child and elder care, more flexible and longer maternity leave policies, more flexible schedules, financial education and group fitness classes.

Labor costs for the restaurant industry are higher due to wage inflation. As of January 2019, 29 states had a minimum wage rate above the federal level. As of April 2019, 20 states have increased their minimum wage in the last six months, whereas 23 states and D.C. have upcoming minimum-wage increases. To pay for local or state minimum wage hikes restaurants have raised menu prices, cut worker hours, cut jobs or have even had to close shop. More restaurants have also begun to introduce self-ordering kiosks or tablets. Many restaurant operators also felt it was necessary to increase pay for more skilled, experienced workers to maintain the pay difference between them and less experienced, more entry level workers which exacerbated the pressure on margins. A survey of more than 1,000 U.S. consumers by AlixPartners, a global consulting firm, released in May 2019 found 59% of consumers are in favor of raising the minimum wage to $15 an hour. Moreover, 68% of Millennials are in favor of such a wage hike, indicating that the “Fight for 15” issue is unlikely to go away anytime soon. Any changes to the current federal minimum wage or states’ minimum wages would force restaurant operators to rethink their business models as profit margins are already very thin. Labor issues from staffing, hours, wages and gratuities are expected to get more complicated, putting the onus on restaurant operators to use strategic options to maintain current narrow profit margins.

Economic conditions and consumer sentiment are the most important drivers of restaurant sales. The NRA 2019 report found about half of restaurant operators surveyed said their business is stronger than it was two years ago and roughly three in four operators said business conditions in the overall U.S. restaurant industry are “excellent” or “good.” Still, all foodservice segments, except for fast causal restaurants, have been reporting flat or declining traffic growth for the past several years. Fast casual traffic was up 3% for the year ending in February 2019 and fast casual unit growth was up 1% for the year ending in September 2018. Independent restaurant visits have declined by 2% over the last five years, but these numbers have been improving recently. According to Technomic, a food service research and consulting firm, 33 restaurant chains closed at least 10% of their locations last year. Much of the restaurant industry has hit peak saturation and chains cannot rely on new locations to foster growth. In addition to the closures, there have been a number of bankruptcy filings and low-priced buy-outs in the past year. The AlixPartners survey found 49% of respondents said they plan to reallocate savings toward purchases other than restaurant meals, 30% said restaurant meals are too expensive, 30% said their current finances mean they need to cut back on spending, and 15% said they’re concerned about their future financial situation. Compared to last year, the percentage of consumers who expected to dine out less often as a result of financial concerns was up 8%. Millennials in particular seem to be more impacted by economic worries, as the percent who plan to spend a higher amount per meal while dining out is down, while the percent who plan to spend a lower amount per meal is up, albeit somewhat less. Households with incomes over $70,000 make up almost 60% of total restaurant spending. While younger baby boomers and Gen Xers generally constitute these higher earners, more Millennials are becoming heads of higher-earner households. Restaurant operators will accordingly have to adapt to garner customer loyalty amongst younger generations, as their discretionary incomes increase.

A majority of adults are spending more time at home. The NDP Group found 82% of meals are prepared at home. There has been an increase in at home time spent working or watching on-demand television and videos. At the same time, there is a growth in home cooking. The desire to stay at home coupled with the desire for convenience and the use of technology has increased the use of food delivery ordering apps for off-premise dining, as well as the use of at home meal kit delivery services. There is a ubiquitous amount of meal kit delivery companies and some supermarkets are developing their own kits in addition to offering prepared food and meals. The rise of at home meal delivery kits that allow consumers to have fresh, quality ingredients delivered to their home along with instructions for creating their meal represents a threat to the restaurant industry. However, consumers have also shown an interest in purchasing quality food and ingredients from their favorite restaurants, which would be accompanied with instructions for how to achieve their favorite meal cooked at home. Chick-fil-A has begun to test Mealtime Kits that would allow customers to easily cook their own meals with fresh, pre-measured ingredients they can pick up in the drive-thru, at the front counter, or via the Chick-fil-A One app. There are five different meal options currently and the program is part of Chick-fil-A’s way to offer a variety of convenient dinner options.

There is growing demand for off-premise options from restaurants and this is a driving force in the industry. Morgan Stanley predicts off-premise delivery restaurant sales could grow to 40% of total restaurant sales or $220 billion by 2020. Awareness and usage of delivery options has increased across all food-delivery platforms. The market for third-party food delivery services such as Grubhub, Postmates, Seamless, Uber Eats and DoorDash is ultra-competitive. The NDP Group found 70% of digital orders were done via a restaurant's website or app, whereas 30% were done via a third-party app. Restaurants can offer exclusive perks, such as coupons, rewards programs, secret menu items and more via their own branded apps to entice consumers. Third party apps allow users to compare menus and prices easier. Thirty-eight percent of all U.S. adults and 50% of Millennials say they are more likely to have restaurant food delivered than they were two years ago according to the NRA report. An AlphaWise April 2017 survey of 6,000 U.S. consumers found 45% had food delivered and 43% of those who ordered food for delivery said it replaced a meal at a restaurant, indicating off-premise dining will increasingly cannibalize dine-in meals. While online delivery growth could be good for some restaurants, such as fast food restaurants, coffee shops and fast-casual restaurants which focus more on producing high quantities of food quickly, this growing segment could cannibalize the margins of casual dining and fine dining restaurants which focus more on the quality of food and on-site experience. The overwhelming majority of public restaurant companies have embraced the new segment of delivered meals. Gen Z the generation after Millennials are digital natives and for them food delivery options from restaurants are an expectation not a nice bonus option. Sixty percent of family-dining, casual-dining and fast-casual operators say their off-premises sales, which include takeout and delivery, are higher than they were two years ago in the NRA report. Food delivery app companies will continue to fight for market share.

Illustrative of changes in the industry, Brazilian steakhouse chain Fogo de Chão, which has 53 restaurants, is starting an in-house delivery program of customized churrascaria and market table options for homes and offices. CEO Barry McGowan said: "All of our positive comps this year are due to price and off-premise while traffic in restaurants is declining. We know that's an issue. If you're convenient, you do well. If you're experiential, you do well and that's what we are right now." Designers have begun to design new restaurants and re-conceptualize current ones to accommodate higher volumes of to-go and delivery orders. For example, Nicole Bushnell, vice president of marketing for San Diego based Luna Grill Restaurants LLC, which has 48 fast-casual restaurants said "We started by looking at how all of these services were changing the traffic flow in our restaurants during peak hours. The shelving for pick-up matches our overall design aesthetic and organizes orders more efficiently. Online and third-party delivery pick-ups can get in and out quickly without impacting other guest touch points." In fact, the staggering growth of off-premise demand has led to the creation of ghost kitchens, which exist completely online or use shared kitchen spaces for delivery and carry-out only business. Storefront less restaurants lack the risks new and even established restaurants face of having a poor location, high occupancy costs and not being able to scale quickly. Ghost kitchens also allow brands to ramp up delivery sales, change menus instantly, offer digital-only promotions and simplify marketing. *Fast Company* reports that traditional restaurants can risk around $800,000 to test new menu concepts, but if a menu idea fails at a ghost restaurant, it costs about $25,000. Restaurants Chick-fil-A and Famous Dave's are experimenting with fulfillment-like centers for higher volume delivery orders to ease the strain on in-store operations and support the increasing off-premise sales segment.

Restaurant operators have focused increased attention on attracting younger consumers, including Millennials, born between 1981 and 1996 and Generation Z, born between 1997 and 2012. Younger consumers represent the future of the industry and understanding and evolving to meet their demands now is critical to success and creating customer loyalty. According to research from the NPD Group, Gen Z made 14.6 billion restaurant visits in 2018, represent 25% of total foodservice traffic and will make up more than a third of the population by the end of 2019. Despite being digitally native, Gen Zers prefer face to face communication as a break from their technology. While, they may make a lot of food delivery orders (552 million of them in 2018), they also enjoy the experience of dining in with friends, which bodes well for restaurants focused on remodeling their sites. In addition to frequent delivery orders, Gen Zers are heavier users of restaurant tablets and kiosks to order and pay. Gen Zers tend to discover brands through social media and the use of social influencers to market to them is far more effective than direct advertising, which is viewed as a turn-off. They also expect more personal connections from brands, which has caused brands to revamp loyalty programs and mobile apps accordingly.

An extensive study by Deloitte found that Millennials spending is roughly the same as their parents 30 years ago, with the percentage of money spent on food, alcohol and restaurants roughly the same as the percentage for those categories in 1997. However, the amount Millennials spend on housing, healthcare and education is dramatically higher, making them financially worse off their older generations and resulting in a lower net worth and higher levels of student debt. The NRA report found providing an experience is most crucial to attracting millennial customers aged 21-38. Celebrity chef Giada De Laurentiis, noted at the Las Vegas Uncork'd event highlighting the city's food scene that Millennials "more than the generation prior to them, are really into food and understanding where food comes from, you know, and how it's prepared, so, it's changing the way that restaurants do business. It's more about the experience rather than just a plate of food."

Millennials and Gen Zers are seeking greater technology that improves their dining experience and easier and more convenient opportunities to order takeout and delivery. The

NDP Group found six out of ten digital orders are done via mobile apps. The NRA report found 56% of Millennials placed a delivery or takeout order using a restaurant app or website in the past year, and were more likely than their older counterparts – Gen Xers and Baby Boomers – to order meals using self-service kiosks at quick-service or coffee shop restaurants. Another Deloitte survey of 4,500 restaurant consumers found if a restaurant lets them use technology to place an order, they will come back 6% more often and spend 20% more each time. Additionally, 85% of respondents used a restaurant's official website to gather information on location, menu and pricing and use that information to determine where to visit. For those seeking to dine in, 51% of Millennials desired restaurants that during the reservation process would allow them to choose their own tables from a seating chart located on the restaurant's website. Sixty percent of Millennials also wanted restaurant technology that gave them more detailed information about menu items, such as nutrition, allergens and food sourcing. Further, the NRA report found 70% of respondents age 18-34 said restaurant technology, including smartphone apps, tableside tablets and order kiosks increases convenience versus 60% of all adults surveyed. Sixty-six percent of younger adults 18-34 also felt technology increases order accuracy versus 56% of all adults. For Millennials and even younger digital native Gen Zers technology options are not just nice for restaurants to have, but expected.

People overall have come to expect certain conveniences when they shop, travel and handle their finances, such as mobile access, personalization, loyalty tracking and no-touch transactions. Today's consumers, particularly younger consumers, are values-driven, hyper-connected, health conscious, tech-savvy, social, collaborative and time-starved. They expect an omni-channel experience and restaurants can capitalize on this by engaging with them on various channels for the 5E's: entice (interacting with them before they pick their specific restaurant), enter (interacting with them between when they select their restaurant and order), engage (interacting with them between when they order and pay), exit (interacting with them between payment and receiving or picking up meal) and extend (interacting with them after the meal). The dining experience is moving in the same direction as other industries to accommodate customer needs with its digital technology evolution. Restaurants can learn from the mistakes of other industries that already deliver an omni-channel experience. Restaurants that can utilize technology in a comprehensive and coordinated way can better understand their customer, capitalize on analytics and offer a personalized and efficient customer experience. Restaurants can enhance the dining experience by offering real-time data such as locations' wait time and mobile responsive websites with comprehensive information including menu item descriptions and nutritional information. Restaurants that can offer app or online ordering and payment, personalized app offers and analytics that save the customers preferences and favorite orders and group ordering with check splitting will create a more meaningful and efficient customer experience. Lastly, restaurants can utilize technology to offer secret menus, social media promotions and loyalty programs that save the customer money or allow them perks like the opportunity to skip the line. These offerings create an experience that increases dining frequency, check size, customer conversation and loyalty. How much technology a restaurant can integrate and how quickly and efficiently it does so depends on whether it is an owned or franchised brand, company leadership and each unit's management. Any technology integrated by the restaurant must make sense for its brand and brand promises.

Not only do Millennials and younger generations seek technology assisted convenience, speed and accuracy but they also want to eat from restaurants whose values align with their own. Millennials want environmentally sustainable food. Fifty-eight percent said they were more likely to choose one restaurant over another based on its ability to provide sustainably grown, raised and manufactured foods. Restaurant operators have observed these changes in attitudes as well, with 75% of operators noting that customers are more interested in environmentally sustainable menu items than they were two years ago. Aforementioned Fogo de Chão has invested in block chain technology by partnering with an agricultural technology company, HerdX, to become the first restaurant to track and trace their meat sources all the way down the supply chain. Customers will be able to scan a QR code placed alongside menu items with their phones that will then show a map of where and how the animal was raised, what its diet was and the rest of the supply chain that traces back from farm to kitchen. Millennials also expect restaurants to accommodate their parenting needs and children with high chairs available, healthy children's menu items and changing tables in the men's restrooms and not just the women's restrooms.

More consumers are using smartphones and tablets to look up restaurant information online. It is essential restaurants have a digital presence that offers accurate, complete and positive information and is mobile responsive for attracting new customers. Consumers quickly move onto alternative options if online information is lacking, negative or not easy to navigate on mobile devices. Consumers are using the internet to look up restaurants locations, hours, menus, takeout and delivery options and menu nutritional information, make reservations and read and write reviews. Consumers, especially younger ones, tend to be more tech-savvy and tech-dependent so restaurant operators have allotted more resources to social media and electronic marketing to attract this important segment of consumers. An enhanced focus on customer-facing service based technology is a key component to the overall strategy of attracting more young consumers. Restaurants are rolling out or improving on technologies such as online or app ordering and delivery management, online or app reservations, mobile payment, self-service electronic kiosks, wearable technology for restaurant servers and tablets at the table. The industry has seen increased strategic use of apps to gain customer loyalty and brand recognition. Companies are focusing on offering app-only promotions, loyalty programs and app-exclusive menu items to drive sales.

Besides customer-facing technology changes, operations technology changes are also starting to impact the industry. The *Nation's Restaurant News* editors predict the use of robot fast food preparation "workers" and self-navigating "bus boys," self-serve beer bars and mobile food trucks with automated kitchens will become more mainstream. With minimum wage on the rise, restaurant operators will begin to look more into utilizing robots and self-serve machines as servers, cooks and bartenders. As part of the battle for market share amongst food delivery apps, the use of drones to deliver food will become a differentiator that can help delivery companies dominate the market. Uber is designing a drone delivery system called UberExpress that could be operational by 2021, according to a report by the *Wall Street Journal*. Domino's has rolled out a DOM Pizza Checker in Australia and New Zealand. This artificial intelligence technology uses a smart scanner that checks each pizza against a dataset that shows what a "perfect" pie should look like and if the pizza does not meet Domino's standards it is re-made. Domino's has already rolled out GPS tracking for pizzas being delivered and they plan to introduce the ability for customers to see a real-time image of their pizza on the cutting board. Domino's also plans to roll out in-car pizza ordering capabilities called AnyWare through car dashboards in partnership with auto technology company Xevo Inc. which would come pre-installed in millions of cars

In terms of food changes themselves, food trends can be notoriously hard to predict. Trends and fads also move through the country at different paces. Coastal cities tend to move through food trends and fads quicker and they move be "over" in coastal cities while they are still popular and moving through the rest of the country. Still, research shows Americans are craving more eco-friendly, locally sourced and zero-waste food and menu items, global flavors and cuisines and healthy items, including for children's menus. Analysts predict that food and drinks infused with cannabidiol (CBD), a compound in the cannabis plant, which does not get individuals high, but has therapeutic benefits, will become more widespread. Analysts also expect food and drinks infused with THC, which is the compound in cannabis that does have psychoactive effects and does get people high will become more popular, especially as it is legalized to one extent or another in more jurisdictions. In a show of expanding consumer culinary palates, regional flavors from India, Northern Africa, the Pacific Rim and the former Soviet republics of central Asia, including Kazakhstan, Tajikistan and Uzbekistan are expected to grow in importance. The consumption of sea vegetables and seaweed, high quality tinned fish that is essential to Spanish and Portuguese cuisine, desserts made with healthy or superfood ingredients and a wider variety of non-traditional teas is expected to become more prevalent. More experimental meat dishes, new cuts of meat and plant-based meat alternatives are also becoming more popular. For example, Burger King recently began testing offering the Impossible Burger, which is a plant based burger known for tasting and "bleeding" like real meat, in select locations. After seeing foot traffic increase 18.5% in those locations they announced they would begin offering it nationwide. Impossible Foods meat alternatives are offered at Red Robin, Qdoba and Little Caesar's amongst other restaurants currently or in the near future. In addition to plant-based meat alternatives, veggie centric meals are becoming more popular as Americans seek to add more vegetables to their diet. In regards to restaurant concepts themselves, chef-driven fast casual restaurants are predicted to grow the most.

The restaurant industry is at a pivotal point, as operators respond to stiff competition, rising labor costs, increased technological innovation and automation, the rapid rise of off-premise dining and shifting consumer preferences for where they eat and the food they consume. As restaurateurs struggle to maintain their tight margins they will need to meet consumers' demands and evolve to garner customer loyalty amongst younger consumers who are more technologically dependent.

MergerShark's Deal of the Month

In the MergerShark deal of the month, Papa Murphy's Holdings, Inc., the seller, was sold to MTY Food Group, Inc., the buyer, for $200,199,154 in cash. Papa Murphy's is a Vancouver, Washington based company that is a franchisor and operator of the largest Take 'n' Bake pizza brand and the fifth largest pizza chain in the United States. They sell fresh, hand-crafted pizzas that the customer then takes home to bake at the home. Papa Murphy's allows customers to order off their menu or order a custom pizza and they offer various crusts, sauces, cheeses and toppings.

In the pizza restaurant category, consumers have quickly shifted away from eating in at full-service restaurants to takeout or delivery. Papa Murphy's website offers the ability for a user to place a custom order online and choose their pickup location and time. They also provide complete menu item descriptions and nutritional information. Papa Murphy's also has Apple and Android apps where users can place an order, pay via the app and save favorite orders. Lastly, Papa Murphy's offers a loyalty program where users can sign up to receive text or email offers and get 25% off their next online order. Papa Murphy's creative concept which includes a lack of storefront, strictly off-premise dining and accurate and comprehensive online and app information, ordering and payment will position Papa Murphy's at the forefront of the competition to strategically navigate changes in the restaurant industry.

In its prior calendar year, Papa Murphy's had revenues of $126.4 million, EBITDA of $20.9 million and earnings of $4.3 million. The deal has prior fiscal year enterprise value to revenues and EBITDA multiples of 1.58 and 9.56 respectively. The deal had prior fiscal year equity value to revenues and earnings multiples of 0.89 and 26.04 respectively. Projections were available from the seller which allowed for enterprise value to EBITDA multiples of 7.94, 7.02, and 6.56 for the next fiscal year, next fiscal year plus one and next fiscal year plus two. The one day control premium and one month control premium in this deal were 31.90% and 12.17% respectively. The seller's cash flows were discounted using a weighted average cost of capital range of 11.40% - 16.40% and the deal had and EBITDA terminal multiple range of 7.5-9.5. The seller faced a $5,700,695 termination fee if they were to cancel the deal before closing. Lastly, of note is that the advisors to the deal looked at 20 other transactions in the restaurant industry from 2012 to 2019 with enterprise values less than $5 billion and found a median enterprise value EBITDA multiple of 9.00 for the last twelve months.

The Deal of the Month

Deal Information

Seller	Papa Murphy's Holdings, Inc.
Buyer	MTY Food Group, Inc.
Transaction Date	04/10/2019
Transaction Consideration	Cash
Enterprise Value	$200,199,154
Equity Value	$112,605,154
Deal Timeframe in Days	169
Price Per Share	$6.45
Deal Information Source/Filing Type	SC14D1 , SC14D9
Date of Source/Filing	2019-04-25
Link to Filing if Applicable	https://www.sec.gov/Archives/edgar/data/1592379/000119312519117779/0001193125-19-117779-index.htm https://www.sec.gov/Archives/edgar/data/1592379/000119312519117801/d692754dsc14d9.htm#toc692754_5

Seller Business and Financial Information

Business Description	A Vancouver, Washington based company that is a franchisor and operator of the largest Take 'n' Bake pizza brand and the 5th largest pizza chain in the United States, selling fresh, hand-crafted pizzas ready for customers to bake at home
SIC Code	5812
Privately Held	No
Going Private	No
Revenues	$126,429,000
EBIT	$13,206,000
EBITDA	$20,942,000
Earnings	$4,324,000
Assets	$246,724,000
Book Value	$99,023,000
Banker	North Point Advisors LLC

Other Key Deal Data

Control Premium Information

Timeframe	Premium	Type
1 Day	31.90%	Actual
1 Week	27.72%	Actual
1 Month	12.17%	Actual
2 Months	23.33%	Actual
3 Months	36.65%	Actual
6 Months	28.49%	Actual
1 Year	28.49%	Actual
1 Day	46.30%	Unadjusted

Discount for Lack of Control (DLOC)

Premium	Value
1 Day	24.19%
1 Day Unadjusted	31.65%

Discounted Cash Flow (DCF) Information

	Low:	High:	Information:
DCF Rates	11.40%	16.40%	Weighted average cost of capital
Terminal Multiple			
EBITDA	7.5000	9.5000	
Terminal Growth Rates			
Growth	3.5000%	4.5000%	

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Deal Transaction Multiples

Unselect	Prior Fiscal Year	Enterprise Value	Other Information
✖	Revenues	1.5835	
✖	EBITDA	9.5597	
✖	EBIT	15.1597	
✖	Book	2.0217	
✖	Assets	0.8114	

Unselect	Prior Fiscal Year	Equity Value	Other Information
✖	Revenues	0.8907	
✖	Earnings	26.0419	
✖	Book	1.1372	
✖	Assets	0.4564	

Unselect	Last Twelve Months	Enterprise Value	Other Information
✖	EBITDA	7.1	Per the fairness opinion

Unselect	Current Fiscal Year	Enterprise Value	Other Information
✖	Revenues	1.8675	
✖	EBITDA	8.9375	

Unselect	Current Fiscal Year	Equity Value	Other Information
✖	Revenues	1.0504	

Unselect	Next Fiscal Year	Enterprise Value	Other Information
✖	Revenues	1.7732	
✖	EBITDA	7.9444	

Unselect	Next Fiscal Year	Equity Value	Other Information
✖	Revenues	0.9974	

Unselect	Next Fiscal Year +1 Year	Enterprise Value	Other Information
✖	Revenues	1.6683	
✖	EBITDA	7.0245	

Unselect	Next Fiscal Year +1 Year	Equity Value	Other Information
✖	Revenues	0.9384	

Unselect	Next Fiscal Year +2 Years	Enterprise Value	Other Information
✖	Revenues	1.6171	
✖	EBITDA	6.5639	

Unselect	Next Fiscal Year +2 Years	Equity Value	Other Information
✖	Revenues	0.9096	

Industry Transaction Multiples

Unselect	Value	Type	High/Low/Mean/Median	Multiple Of	Period	Information
✖	20.0000	EV	High	EBITDA	Last Twelve Months	20 transactions in the restaurant industry from 2012 to 2019 with enterprise values less than $5 billion
✖	9.0000	EV	Median	EBITDA	Last Twelve Months	20 transactions in the restaurant industry from 2012 to 2019 with enterprise values less than $5 billion
✖	8.0000	EV	Mean	EBITDA	Last Twelve Months	20 transactions in the restaurant industry from 2012 to 2019 with enterprise values less than $5 billion
✖	5.2000	EV	Low	EBITDA	Last Twelve Months	20 transactions in the restaurant industry from 2012 to 2019 with enterprise values less than $5 billion

Termination Fees

Type	Fee	Information
Seller	$5,700,695	
Buyer		

Advisory Fees

Type	Fee	Information
Deal Fee	$3,050,000	
Fairness Opinion Fee	$250,000	

About MergerShark:

MergerShark is the robust, reliable, comprehensive and easy to use database for business valuation and merger and acquisition, fair value amortization and Board of Directors compensation research. MergerShark helps valuation professionals, accountants, corporate attorneys, investment bankers, private equity investors, chief financial officers, business brokers and M&A advisors get dependable data for use in their client reports, internal presentations, litigations, and deal negotiations and to supplement their expertise with quantitative data to advise their clients.

MergerShark's Transaction Search Section:

MergerShark's transaction database has over 15,000 public and privately held transactions and includes multiples for your Market Valuation Approach, discounted cash flow data for your Income Valuation Approach, control premiums and discount for lack of control data (DLOC), a proprietary discount for lack of marketability (DLOM) model, days to sell timeframe data for calculating a DLOM, deal termination/break fees and more. MergerShark's search results can be saved for easy access later and results and statistics can be downloaded to Excel. MergerShark saves busy professionals the hassle and expense of having to subscribe to multiple databases, as it is a comprehensive valuation resource.

MergerShark's Fair Value Amortization Search Section:

MergerShark's fair value amortization period data gives the amortization period assigned to finite assets to assist professionals in purchase price allocations. This search section has over 1,500 transactions and is searchable by 24 different fair value items to help professionals benchmark how to amortize intangible assets with hard data.

MergerShark's Board of Directors Section:

MergerShark's Board of Directors Compensation database has board of directors' compensation data from over 2,700 Initial Public Offerings. It is critical that organizations structure their board of directors' compensation packages to attract, retain and appropriately reward the best directors. There is increased competition between public companies and private companies and non-profit organizations and foundations to attract well-qualified board members with beneficial and diverse experiences and backgrounds. Further, Institutional Shareholder Services, proxy advisory firms, regulators, activist shareholders and the media are focusing more scrutiny on board member compensation, so director compensation must be fair in exchange for the services and expertise provided so companies and board members can avoid shareholder activism, litigation and negative press attention.

MergerShark's Founder:

MergerShark was founded by business valuation expert Brian Pearson, CPA/ABV/PFS/CFF ASA, the founder of Valuation Advisors, LLC. MergerShark was built to give other professionals a convenient database they can rely on with confidence for business valuations, in litigation and for merger and acquisition transactions.

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