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OUTLOOK

The Power of Cheap Money

Ron Shaich of Panera made the ultimate deal last month, and perhaps the best restaurant deal ever. Just in the nick of time, too.

Shaich was probably within weeks of having to fend off a brigade of Wall Street nitwits ready to end his long-term technology gambit and demand the usual asset-lite ransom—refranchise and lever up, or else. The short-term mentality was evident at the January ICR conference in Orlando: A hedge fund cretin from a smart money shop pestered Shaich to change the name of Panera Bread to just Panera. What the hell?

Ron Shaich served up the ultimate spinach bacon soufflé to Panera shareholders in the form of $315 per share deal, up from $205 a share at the beginning of the year. That's a monster $7.5 billion deal and whopper of a multiple—50+ times earnings and 18.4x 2016 EBITDA.

Cheap money is the ultimate deal laxative. This time the buyer was a crazy European conglomerate playing the role of pigeon, ditto the cost-cutting Brazilians in last month's Popeye's head-scratcher.

Consolidation is back in vogue and despite a recent uptick in interest rates, borrowing costs remain relatively low and that compels acquisitive activity. It's appealing to add more stores to your collection of brands, the brokers say, even if valuations are high on the froth meter. What the heck, the banks set the price for these deals anyway and most are urging you to play, too.

So what does a Panera, Cheddar's or Popeye's deal mean for other restaurant players salivating at these jumbo payouts? At this point, just some entertainment.

"I think it's going to be selective. These are special situations," said Roger Lipton, a veteran restaurant investor.

Certainly, few saw Panera as a buyout target before Joh A. Benckiser (JAB) showed up with their bag of cash. And private equity firm L Catterton was happy to keep Cheddar's until Darden called. Other public companies looking for a sale, such as Ignite or Ruby Tuesday, won't be getting near the multiple, for example. Brands on the distressed end of the spectrum likely won't get close to the 9.8 times EBITDA multiple average seen over the last seven years among public companies.

Piper Jaffray senior analyst Nicole Miller Regan said those courting a deal may not sell until much later in this contraction/consolidation cycle as current buyers are paying for performance.

"I think we're only halfway through this contraction cycle," said Regan. "These strategic buyers are opportunistic, but the distressed public companies will still be consolidated. But we think that will be financial sponsors rather than strategic partners later in the cycle."

Regan suggests investing in brands like Bravo Brio, Ignite, Ruby Tuesday, Noodles and Zoe's Kitchen as a diversified basket ahead of that late-cycle consolidation.

Who would buy up those brands is still a bit of a mystery. Private equity is obvious, and strategic buyers can find synergies. To Roger Matthews, head of Bank of America Merrill Lynch's restaurant investment banking group and advisor to Darden on the Cheddar's acquisition, it might mean a return to the multi-brand model of yesteryear.

"I do believe the Cheddar's deal signals the pendulum is swinging back to multi-brand and platform concepts. But I don't think everybody is going to be rushing out to buy second and third brands," said Matthews. "There's a handful of people out there who have permission to do this. And I imagine there are a number of folks who are thinking they should do this."

Matthews looks to Yum, McDonald's and Domino's as future buyers, each with their own strengths to bring to a partnership. Technology is a big one. The cost of delivery, apps and other digital logistics is great, and it makes sense to reuse core code across multiple brands.

If anything, these high multiples should have private restaurant companies, including franchisee groups, thinking hard about becoming a strong target instead of chasing other high-multiple brands.

"The problem is you have a lot of private owners who this is their life's work, maybe it has a few bumps and dips in it, but they still want those high multiples. That's the challenge there, managing those expectations and seeing what this is realistically worth," said Amy Forrestal, managing director and M&A advisor at Brookwood Associates. "Everyone thinks their baby is the most beautiful."

Funny, isn't it? The financial markets are robust at the same time the restaurant industry is facing major challenges.

"When you have interest rates at historically low rates, what happens is it leads to unnecessary risks," said Lipton. "It's classic misallocation of capital. We've seen all this before."

—John Hamburger and Nicholas Upton

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FINANCE SOURCES

Bank of America Merrill Lynch Provides $55 Million Financing to Cooper's Hawk Winery & Restaurants

During the fourth quarter of 2016, **Bank of America Merrill Lynch** served as sole lead arranger of $55 million in financing to **Cooper's Hawk Winery & Restaurants**, a leader in modern, polished casual dining and home to the largest wine club in the U.S. The new five-year credit facility refinanced existing debt and provided for general corporate purposes as well as funding for new unit development over the coming years.

Cooper's Hawk is a combination of restaurant, winery, Napa-style tasting room and artisanal retail market. Helmed by Founder and CEO Tim McEnery, Cooper's Hawk first opened in Orland Park, Ill., in 2005. By end of 2016, operations had expanded to 25 locations in eight states, with five additional units slated to open in 2017.

Bank of America Merrill Lynch's Restaurant Group is dedicated to serving restaurant operating companies, franchisees and franchisors of all types and sizes, with strategic advice as well as financing, capital markets, workplace financial, investment management and global treasury solutions. For more information, contact **Cristin O'Hara** at cristin.m.o'hara@baml.com, or by phone at 617-434-1897.

Founders Advantage Capital Brings Liquidity to Restaurant Owners

At multiples like this, even passionate operators are pondering a little liquidity.

Founders Advantage Capital is looking to help, without sending owners packing. The unique, family office-backed, publicly traded firm out of Canada specializes in partner buy-outs, partial liquidity events and monetizing ownership.

Essentially, the firm buys a majority share in a business, becoming long-term partners for the investee company. But unlike a typical equity partnership, the business remains largely intact.

"We're passive equity, because we do everything opposite than private equity. We don't want to own the business, we don't retire the talent," said **Harpreet Padda**, SVP and co-head of investments at Founders. "On the soft issues, investments are permanent and passive. On the math issues, we design ourselves to give them an industry-leading and unheard of proportion of the share of growth going forward because we believe the savvy of running the business is much more important."

That means a sizable liquidity event for controlling stake in the company and the bulk of the growth upside, but from an investor that doesn't want to shake things up. A typical investment would mean a payout, and then an ongoing stake in the growth and incentive to beat the projections for a larger stake in company growth.

"I think some people look at this and say, you guys are nuts, you're giving away too much. We don't see it that way, there's a lot of money out there, but not a lot of talent out there," said **Stephen Reid**, president and CEO. "We're for the guy that's in between who knows he should do something because multiples are ridiculous, but will only do it under the right situation."

Founders Advantage Capital seeks investments between $20 million and $200 million with strong cash flows of $5 million to $40 million EBITDA. Contact Harpreet Padda for more information at 403-455-0269 or via email at hpadda@advantagecapital.ca.

The Cypress Group to Lead Three Refranchising Efforts

Financial advisory firm **The Cypress Group** recently announced that is it will be leading the refranchising efforts of three different franchise brands: **Buffalo Wild Wings**, **Noodles & Company** and **la Madeleine**.

Buffalo Wild Wings: As part of their "portfolio optimization initiative," Cypress will be marketing roughly 10 percent of Buffalo Wild Wings company-owned restaurants. This initial sale process represents the first phase of the Company's ongoing portfolio optimization process. The exact markets available have not yet been released.

Noodles & Company: Cypress will be launching the opportunites now through July. They are are marketing to both existing and new franchisees for markets in the Southeastern United States.

la Madeleine: Cypress will concentrate on the Atlanta, Austin, Houston, Louisiana, and Maryland/Virginia markets. The company is using the refranchising effort to double the number of its stores to 160.

The Cypress Group has more than 25 years of multi-unit M&A and corporate refranchising experience in the restaurant industry, and most recently completed large engagements for franchisors including The Wendy's Company and TGI Fridays. For more information, contact **Dean Zuccarello**, dzuccarello@cypressgroup.biz, or by phone at 303-680-4141, ext. 101, or **J.B. Hewetson**, principal, at jbhewetson@cypressgroup.biz or at 303-680-4141, ext. 106.

Auspex Leads Latest Wendy's Deals

Investment banking firm **Auspex Capital** has been busy in the Wendy's system lately, having completed four major transactions in the first quarter of 2017.

Debt Structure and Placement: Wendy's franchisee **Cotti Foods**, with an affiliate, **Tigerlily Properties, LLC**, has obtained $141.1 million of financing, including $102.6 million of business value secured loans consisting of a senior secured term loan, a development line of credit and a revolving line of credit. The loans were used to refinance existing debt, finance a 43-store acquisition, fund Iowa remodels and provide capital for new development. A bank syndicate led by **BMO Harris Bank** with participation from **Fifth Third Bank**, **Huntington Bank** and **City National Bank** provided the financing. As part of the deal, Tigerlily also obtained a $38.5 million senior secured term loan and development line of credit to finance the acquisition of 24 fee properties and provide capital for purchase and development of additional real estate. The real estate transaction was financed by **Cadence Bank**. Cotti Foods owns 89 Wendy's, 81 Taco Bell and seven Pieology restaurants.

Buy-Side M&A Advisory and Debt Placement: Muy

Hamburger Partrners (MHP) has acquired 35 Wendy's restaurants in the San Antonio DMA from the franchisor. MHP owns 294 Wendy's restaurants across the country. The assignment also involved securing acquisition financing, including a $22 million senior secured term loan and a $8.5 million revolving line of credit to fund remodels and new store development. The acquisition financing was completed in partnership with a five-bank syndicate group: City National Bank, Huntington National Bank, Fifth Third Bank, BMO Harris Bank N.A., Cadence Bank and **Manufacturers Bank**.

Buy-Side M&A Advisory and Debt Placement: Keith Kas, has formed **Kas Foods, LLC** to acquire the 50% interest of his long-time partner in seven Wendy's restaurants in New Jersey. The transaction was structured as an acquisition to maximize the tax benefit from the proposed transaction. Kas, through various affiliates, now owns 46 Wendy's in New York, New Jersey and Pennsylvania. The assignment also involved securing acquisition financing, including a $9.5 million senior secured term loan, a $2.0 million development line of credit and a $500,000 revolving line of credit from City National Bank.

Buy-Side M&A Advisory: River Flats, LLC has acquired one Wendy's restaurant in Midland Park, NJ from **Wendpar, LLC**. River Flats' shareholdsers, through various affiliates, now own and operate 46 Wendy's in New York, New Jersey and Pennsylvania. For more information about Auspex Capital, contact **Chris Kelleher**, at ckelleher@auspexcapital.com, or at (562) 424-2455.

National Franchise Sales Transactions Represent $52 Million

Franchise business brokerage **National Franchise Sales** (NFS) recently released the results of their Q1-2017 transaction report, reflecting franchise businesses and real estate sold.

The report is comprised of transactions that represent 10 brands, 67 locations and eight fee properties totaling over $52 million. Some of the transactions that closed during the first quarter included:

• National Franchise Sales assisted existing YUM! Brands franchisee **KBP Investments**' approval by KFC to acquire five locations in Missouri, including one fee property, from **Hans Management, LLC**.

• **Dentex Restaurants LLC** divested their Houston, Texas portfolio of seven Denny's to new Denny's franchisee **RRH-Den, LLC**.

• **Peninsula Restaurant LLC** sold two Baja Fresh units in Southern California to new Baja Fresh franchisee **Pariam LLC**, who was introduced to the brand by NFS.

• **Continental Restaurants, Inc.** completed the sale of 25 Denny's restaurants in the Dallas/Ft. Worth DMA. The seller will operate a few remaining Denny's while continuing to develop new restaurants for the brand.

• **Harbor Foods, Inc.** and existing Denny's franchisee, introduced to the brand by NFS, increased their portfolio of units to include four stores purchased from **Kabir One Restaurants, Inc.**

• San Jose, Calif.-based **By-The-Bay Investments** sold their Carl's Jr. restaurants in Northern California in a pair of transactions managed by the NFS team, to two restaurant groups new to the brand: one with **United Investment Solutions, Inc.** and the other with **M&B Restaurants, Inc.** For more information on National Franchise Sales, contact **Michael Ingram**, vice president, at 949-428-0482 or by email at mi@nationalfranchisesales.com.

Brookwood Advises on Private Equity Investment for American Franchise Capital

Quilvest Private Equity recently made an undisclosed equity investment in **American Franchise Capital**. Founded in early 2012 by **Bill Georgas**, American Franchise Capital was created to make private control investments in established tier 1 national franchised restaurant brands. The group has grown through three acquisitions in the Taco Bell and Applebee's franchise systems and currently operates a total of 85 restaurants across nine states. Investment banking firm **Brookwood Associates** advised Georgas on the investment.

Brookwood Associates offers merger, acquisition, corporate financing, restructuring, fairness opinion and other related advisory services to clients in the restaurant and franchise sectors. For more information, contact **Amy Forrestal** at af@brookwoodassociates.com.

Four Corners Acquires McAlister's Property

Four Corners Property Trust (FCPT), a real estate investment trust, recently acquired a **McAlister's Deli** property for $2.4 million. The property is located in Texas and is a follow-on transaction to the other three McAlister's Deli properties announced in January and February, occupied under the same triple-net master lease with 15-year term. The transaction was priced at a going-in cash cap rate of 6.75%, exclusive of transaction costs. The tenant, Southwest Restaurants, is one of the largest McAlister's franchisees.

FCPT is a real estate investment trust that acquires and leases of restaurant properties. The company will grow its portfolio by acquiring additional real estate to lease, on a triple-net basis, for use in the restaurant industry.For more information, contact **Bill Lenehan**, CEO, at bill@fourcornerspropertytrust.com.

NewQuest Crosswell Adds Monroe to Team

Chris Monroe has joined real estate investment firm **NewQuest Crosswell** as executive vice president of business development. He has joined NewQuest partners **Darryl Robinson** and **Allen Crosswell** to lead the growth plans and participate in the development of retail build-to-suit properties, primarily single tenant, and also to assist in the expansion of their hard asset lending and build-to-suit financing platform.

Monroe is a veteran entrepreneur with experience in business-to-business sales, executive management and relationship development. He's founded companies in various industries, and, as a commercial general contractor with emphasis on retail development, has prior experience working with real estate brokers, national tenant representatives, franchisees, operators, franchisors and developers. You can reach him at cmonroe@newquestcrosswell.com or at 501-831-7015.

What Makes A Successful Chef-Driven Restaurant?

By Dennis Monroe

I must be asked once a week by a chef or someone looking to invest with them: "What makes a successful chef-driven restaurant?"

The reason is we've become a country of foodies. Chefs dream of their own restaurants, and people think it would be fun to invest in them. I'll never forget the line from a fairly well-known chef who had some ups and downs: "If it was only about food, every chef would be a millionaire." And, that's pretty much true. I once asked a prominent private equity investor who was fond of investing in restaurants why he invested in them. He said: "First, because it's a cash-flow investment. Second, it could be leveraged to lower the overall cash investment. Third, because it's fun!"

That being said, let's set the stage. I believe there are five things a chef should look at before opening his or her own restaurant. And there are five things an investor should consider when looking to invest in that chef. All five I've gleaned from representing chefs and investors, completing workouts with these concepts, and being a personal investor myself.

As for the chef, the first thing is to not be enamored with a specific concept. If the chef is good and has a following, they should do what they're known for. If they are known to be a high-end chef, then stick with high-end cuisine. If they are known for comfort food, stick with comfort food. Innovative and novel? Keep innovating. Do not try to create something just because it would be fun; stick with your strengths.

Second, look at the consumers in the area where you want to open your restaurant. If they fall within a middle-class demographic, create a concept tailored to that group, with a nod to your culinary abilities and strengths. If the consumers are budget conscious, make sure your menu is in that price range. Also, find the gaps in the area. Is there an Italian restaurant; a fish restaurant? What would get some traction? Recently, I watched three Italian restaurants within close proximity to each other in a high-end area open and close within a year, not because they were ill-conceived concepts, but because there weren't enough consumers to fill all those seats, and candidly, there wasn't much to distinguish one from the other.

Third is the location, which need to be in tune with the restaurant's attributes. If the restaurant is high volume, there needs to be plenty of parking. If it's highly unique, there needs to be visibility and a way to easily market the location. If it's fast casual, a way to get in and out quickly is paramount. And if the restaurant is trendy, it needs to be in a trendy neighborhood.

Fourth, is a good return on investment. Don't expect high volumes; expect reasonable to lower-revenue numbers, and have a low break even. Ensure your capital investment will carry you through the start-up with adequate working capital. Do not build a Taj Mahal. Find existing restaurant space for a moderate investment. The more reasonable the cost to open your concept, the higher chance of success, and, most importantly, the greatest chance at raising money.

Fifth, make sure you have a team of servers and back-of-the-house folks—sous chefs and bartenders—who can carry out your concept. Do not expect to be successful if you have staff that doesn't fit the concept. If it's a high-end steakhouse, make sure your front-of-the-house staff looks like they belong in a New York steakhouse. If it's a fast-casual salad concept, you should have a lot of young, healthy-looking people.

As a chef, you must make sure these five points are in place. There are obviously a lot of other smaller, but significant, things to consider. But if you embrace these five ideas, build reasonable capital needs around them, and you have reasonable pro formas that show a profit and a return to investors, then along with the inherent value of the chef's name, this will work.

For the investor, ask: Is the chef a good business person? Do they know and understand food costs, ROI, labor costs, how to deal with slow times, and how to make money in a restaurant? If they've only spent time in a kitchen and don't have experience running the P&Ls or haven't had accountability for labor and food costs, then shy away from investing with that chef. Allow them to cut their teeth with someone else, or with their own money.

Second, make sure they are someone who can listen to business people, ideas, investors and to the marketplace if things aren't going well. Can they bob and weave? If there's a road closure in front of their restaurant for a period of time, can the chef react and make changes as necessary?

Next, see if the concept has the ability to have multiple profit centers. Besides sit-down, does it have takeout? Does it have a product line? Does it offer private dining or serve multi-meal parts? Look at all potential revenue sources and make sure the chef understands those, and is able to capitalize on them.

Further, make sure the chef is more than just a chef. He should be a general manager. People who are just chefs and understand food are great, but as I mentioned before, if it's only about food every chef would be a millionaire. So ensure the chef has broad experience, including working with people in the front and back of the house, and is a good restaurant manager.

Lastly, make sure the capital needed to open the restaurant, including adequate working capital is realistic, and you can get that all-important return on investment. Is it reasonable to use bank debt? If so, ensure the chef is willing to guarantee the loan. In general, see that it is a reasonable financial structure, it makes sense, and the chef's following will bring in the revenues necessary to get those kind of returns.

One of the exciting parts of the restaurant industry is that it's entrepreneurial and people-driven. And it's fun. It can be a wonderful experience. But, as we all know, everyone has a restaurant horror story. If you look to the points above and follow them, you'll minimize your chances of producing your own horror story, and actually enjoy being an owner.

Dennis L. Monroe is shareholder and chairman of Monroe Moxness Berg PA, a law firm specializing in multi-unit franchise finance, mergers and acquisitions, and taxation in the restaurant industry. A former CEO of Parasole Restaurant Holdings, he is a dedicated restaurant investor. He is also an adjunct professor and Halloran Fellow at the University of St. Thomas School of Law. You can contact him at (952) 885-5999 or dmonroe@mmblawfirm.com.

There's No 'Right Way' To Delivery Profits

At the core of the latest chapter of both Panera and Darden's Olive Garden is consumer convenience through delivery. Each company is pushing into this valuable incremental sales path aggressively and impressively.

But, the path is not easy nor cheap. To tap into what it believes is an 80% incremental channel that analysts feel will be a 2% EPS and 3% comp bump, Panera invested first in a down-to-the-studs technology upgrade before pushing delivery. Darden similarly rolled out new apps, new catering logistics, to-go and delivery through third-party providers, spending plenty but weathering the ugly trends seen among casual dining cohorts.

But what about operations that don't have the hundreds of millions these standouts spent on technology, delivery hubs and the human capital behind it all? Let's start at the beginning:

"Delivery has come up at just about every chain I've run. We either had a delivery operation or explored creating one," said Jim Greco, who recently joined the Results Thru Strategy restaurant consulting firm. "When you're exploring this for a restaurant chain for the first time, it's largely driven off of first whether you want to do catering, delivery or both, then secondly, is volume considerations."

Catering, Greco said, is an ideal place to start. Brands can set an order minimum and a delivery fee, ensuring that every delivery is full margin.

At Dallas-based Cowboy Chicken, CEO Sean Kennedy said he treats catering at the nearly 70 locations as a separate internal business, one that reaches 30% of revenue at some units.

Kennedy uses a separate catering menu (leaving off food that doesn't travel well) with slightly inflated prices to cover packaging and polish. He said most of the prep work is done before the restaurant opens, and catering orders are on the road before 11 a.m.

The hotter topic, however, is single-order delivery.

"Delivery involves more thought. It can be done two ways: third party or in house, either employees or independent contractors," said Greco.

"So you might find a college kid who just wants to make an extra little bit of money, sticks a sign on the car and get paid per delivery. That makes it a lot simpler because you don't have anyone on payroll; you only pay someone when you have orders to deliver."

As order volumes grow, it becomes easier to justify a standard employee and the overhead of adding another W-2 worker. Kennedy said it's more economical for them to deliver in house, adding more drivers as delivery times creep up.

"Quite honestly, it's simple. If our delivery times run over an hour, it's time to add another driver," said Kennedy. "Otherwise your sales will settle at that level if they call and there's an hour wait, but if you provide the resources to grow, it will grow."

The simple rule of thumb helps Kennedy keep labor in line with delivery volume. By doing three to four deliveries an hour on average, he's able to keep the labor cost at 3% to 3.5% for the delivery team. But, given the sprawling Dallas development where several of Kennedy's stores deliver, three deliveries an hour can get tricky.

"Delivery works in dense cities where the business cycle runs later or there is an active business environment," said John Gordon, a restaurant consultant with Pacific Management Consulting Group. "Many suburban markets don't have the density, so that makes some of the distances more challenging."

At the 90-unit Wing Zone, CEO and Co-Founder Matt Friedman said some 60% of his revenue is delivery. Being almost completely in urban locations helps with the sprawling delivery times, but it wasn't just smart logistics.

"You must have a really strong online ordering system, a great app, a way for people to order easily—that's number 1," said Friedman.

After that, it's packaging. Friedman said given the massive volume of small-ticket delivery, they factor it in when changing the menu. After the menu item is prepared, they package it and let it sit for 15 minutes before tasting it at all.

He said labor is much more difficult on the delivery front, especially at the mostly campus-adjacent locations where his restaurants are. That further complicates staffing.

"You have to understand your labor, how many drivers you need to schedule at a certain time, events that are going on," said Friedman. "Turnover in the position is higher than typical restaurant workers. We'll typically see a turnover of 200% to 300%."

It goes without saying that delivery is a lot of work, hence the burgeoning third-party delivery industry and it's big fees. But for restaurants that don't have the delivery volume or are just starting out, that margin hit might be worth taking.

"The third-party delivery people probably know a lot of this, so when they're quoting 25% they know they're working with companies that don't have the volume to do it themselves," said Greco.

Wing Zone said he sees about 20% cost for delivery, but "there's a big difference between 20% and 30%," said Friedman.

One thing to remember is no one-way to deliver is best. A delivery plan is as unique as a restaurant, shifting readily between catering, in-house and third-party delivery.

Perhaps suburban markets will use third-party in a flex position to deliver those far-flung orders or delivery hubs like those seen at Panera will manage big orders and nearby individual orders. And who knows what will happen when drones take to the skies.

But like always, restaurateurs will need to do whatever it takes to satiate the consumer's demand for convenience, and profits will follow.

"People are going to do anything and everything to get sales," said Friedman. "But it's a question of making profit by adding delivery."

—Nicholas Upton

FINANCE INSIDER

Bank of America/Merrill Lynch managing director **Roger Matthews** served as **Panera** CFO for 18 months from March 2013 to August 2014. Matthews was part of the banking team that represented JAB in its $7.5 billion deal for Panera.

Short sellers got killed in the recent **Panera deal**. On March 15 there were 3.3 million shares of Panera sold short with the share price trading at $236. JAB announced on April 5 they were paying $315, resulting in a major blood bath for short sellers scrambling to cover.

Another interesting factoid: **Panera's** reported net income of $145.5 million was the lowest reported net income by the company of any year in the last five years. In 2013, the company reported a record $196.2 million in net income. JAB's acquisition was at roughly 51x 2016 earnings.

A major mall owner told the Monitor they are now more interested in working with independent restaurant operators than chains. Even **Cheesecake Factory**, which has been a mainstay of mall owners for over 20 years, is being bypassed for local, chef-driven concepts.

Advanced Restaurant Sales principal **Rob Hunziker** told the Monitor he thinks we're still in a seller's market, but expects that to change over the next six months. Hunziker says rising interest rates are a catalyst for buyers to get things done. The one exception is casual dining: "A lot of casual dining people are calling, but trying to sell is tough. They want a 6x multiple, what they could have had last year, but they can't get it done now because of the downward sales trends." Hunziker recently sold five **Dairy Queens** in Alaska, owned by Alejan Corporation to Rego Investments, owned by Ken Reber and Bryce King.

The 2,882-square-foot **Raising Cane's** in Laguna Hills, Calif., across the street from the soon-to-be-redeveloped Laguna Hills Mall, was being offered at $6.571 million, a 3.5% cap rate based on annual rents of $230,000. Last week, the property was marked down to $6.1 million, or a 3.75% cap rate, thanks to Janet Yellen.

According to **Marcus & Millichap's** 2017 Retail Investment Forecast, returns on single-tenant properties and smaller strip-center assets leased to nationally recognized and credit tenants fell from from 7.9% in 2010 to 6% percent last year. The report lists the top five retail markets as Seattle-Tacoma, San Francisco, Boston, Austin and Nashville.

Former LSU Basketball "walk-on" **Brandon Landry** founded the sports-themed bar and grill called **Walk-On's** in 2012. The chain now has 10 locations averaging $5.3 million, including $5 million revenue at a store in Houma, La., population 34,000. Saints Quarterback **Drew Brees** has a 25% stake in the brand.

Chicken Salad Chick, the concept started by homemaker **Stacy Brown**, finished the year with nine company stores and 55 franchised ones. The company expects to open 20 to 25 stores in 2017 and intends 20% of its future growth to be company stores. According to CEO **Scott Deviney**, average unit volumes were $1 million in 2017 with an average development cost, net of tenant improvement allowances, of $338,000.

Marco's Pizza now has over 800 stores in 33 states averaging $700,000. Twenty years ago, **Papa John's** went public with 932 locations and average unit volumes of approximately $657,000. Franchise experts are comparing Marco's growth trajectory to Papa John's.

Former Wingstop executive **Andy Howard** is looking for franchisees for **Huey Magoo's,** currently a five-unit chicken tender concept based in Orlando. Howard, and former Wingstop executives **Bill Knight**, **Wes Jablonski** and **Michael Sutter**, acquired control of the brand in May 2016. The chain has four strip center locations (1,800-2,200 square feet) that range in average unit volume from $1.1 million to $1.2 million. The fourth unit, located at the University of Central Florida and franchised to Aramark, generated $900,000 in 2016, out of only 300 square feet.

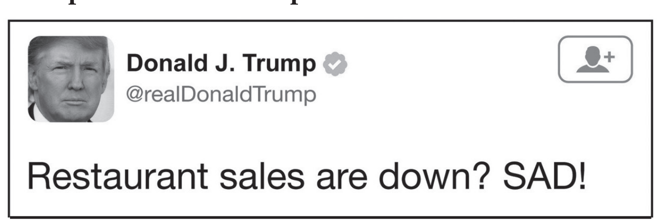
Nine-unit **Redstone American Grill** is raising $3 million from current shareholders in a 12% convertible preferred share offering. The funds will cover back payables from a recent store opening and cushion the company's debt load of $10.7 million. CEO **Craig Oberlander** and board member **Lyle Berman** control a majority of Redstone's outstanding shares and intend to maintain, or even increase, their pro-rata share. Redstone reported sales of $55 million and a loss of $417,000 in 2016.

No surprise here: Since **Cosi** filed for Chapter 11 bankruptcy protection on September 28, 2016, it continues to hemorrhage cash. According to a recent bankruptcy filing, Cosi has closed 29 stores (from a pre-bankruptcy 72 stores) and sales have declined precipitously compared to a year ago. There are approximately $23 million in creditor claims outstanding, including $7.8 million owed to senior noteholders.

Privately held **Checker's Drive-In Restaurants** has the distinction of having three separate private equity owners in three years. **Oak Hill Capital Partners** is acquiring the chain next month from **Sentinel Capital Partners** at a transaction value of $525 million. Sentinel has owned the brand since acquiring it from **Wellspring** in March 2014. Wellspring purchased Checkers in 2006 for $188 million. Checkers operates 829 locations, roughly the same as when Wellspring acquired it in 2006. Checker's CEO Rick Silva told the Monitor there are 250 new restaurants in the pipeline, and 130 approved sites already being developed. The goal is 1,200 restaurants by 2020. **Piper Jaffray** and **North Point Advisors** advised Checkers and Sentinel in the latest deal.

Chipotle paid $91,000 in housing costs for two executives—CFO **Jack Hartung** and CMO **Mark Crumpacker**—who commute to the Denver headquarters. Hartung lives in Chicago while Crumpacker is in New York. The company also paid Hartung $33,151 in commuting expenses.

Trump tweetstorm we expect to see soon.........................



Jimmy John Liautaud wasn't the only big winner in the recent sale of his majority stake in the 2,700 unit chain to **Roark Capital**. Liautaud distributed close to $200 million to shareholder employees, including $5 million to his long-time assistant.

That was **Tom Monaghan**, founder of **Domino's Pizza** and Ave Maria University, celebrating his 80th birthday at the Ritz Carlton in Naples last month.

Carl Dissette, a multi-unit franchisee of **Pie Five Pizza** in Illinois, Indiana and Iowa, claims he invested $3.5 million opening or developing eight restaurants from July 2015 to December 2016. Now Dissette has filed a lawsuit against Pie Five and two former officers, asserting fraud and nondisclosure concerning the company's Item 19 representations. He claims Pie Five failed to disclose the brand was losing money and pocketing 2.5% of all franchisee purchases from **Performance Food Group**, the chain's distributor. Disette also claims he puchased a company store in Schaumburg, Ill., where the company had "deceptively spiked sales upward" with the distribution of 3,000 unlimited "get a free pizza" coupons. Pie Five denies the claims. Just last month, Pie Five shuttered eight company locations in the Chicagoland area.

A report shows tipped employees in Minneapolis average $28.56 an hour, including their hourly wage of $9.50 per hour plus tips. Cooks average $13.89 per hour. Servers had it better in the number of hours worked, too. The average number of hours worked per week is 19.1 for tipped employees and 31.2 for cooks. Minnesota is one of a handful of states that do not allow a tip credit, yet Minneapolis politicians are pushing for a $15 minimum wage. One multi-unit operator told the Monitor he would close his two Minneapolis restaurants if the wage measure passed without a credit for tips.

Le Cirque's co-owner Mauro Maccioni blamed labor problems for the New York City restaurant's bankruptcy. However, the restaurant really needed bankruptcy protection to stay a landlord action for unpaid rent and $158,000 in back sales taxes.

Ignite Restaurant Group's announcement that **Jonathan Tibus** of **Alvarez & Marsal** was named CEO of the operator of Joe's Crab Shack and Brick House Tavern+ Tap can only mean one thing: Ignite is headed towards bankruptcy. Tibus has restructuring experience at Last Call Operating Co., which owned Champps, Bailey's, and Fox & Hound and also was involved in the Quiznos bankruptcy. Our prediction remains: Tilman Fertitta will buy back **Joe's Crab Shack** out of bankruptcy for pennies on the dollar.

Restaurant Brands New Zealand, a Pizza Hut, KFC, Carl's Jr. and Starbucks Coffee franchisee in New Zealand and Australia, acquired Pacific Island Restaurants for $105 million. Pacific Island operates 37 Taco Bell and 45 Pizza Hut restaurants in Hawaii, Guam and Saipan. The seller was **Nimes Capital**, the private investment arm of Nazarian Enterprises. Nimes purchased Pacific Island in 2013. Pacific Island reported annual sales of approximately US$120 million and a store level EBITDA of around US$19 million, according to the buyer's financial report. Houlihan Lokey represented the seller.

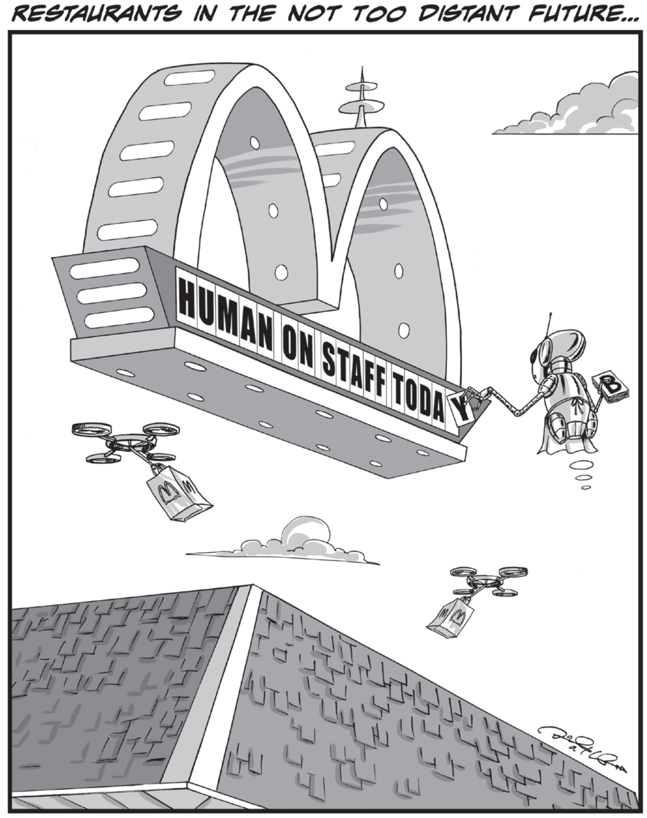
The New York Times sees **Starbucks** CEO **Howard Schultz** as a potential contender for the 2020 Democratic presidential nomination. Here's another long-shot candidate: How about **Landry's** CEO **Tilman Fertita**, the star of CNBC's Billion Dollar Buyer? Fertitta, ranked #246 on the Forbes 400 list of the richest people in America, is more politically connected than Schultz.

Salsarita's Fresh Mexican Kitchen has a new look thanks to **Kathy Diamond Design Associates**. CEO **Phil Friedman** introduced the company's new store design and logo at the recent Restaurant Leadership Conference in Phoenix. Friedman has spent the past three years repositioning the brand. He had previously worked with Kathy Diamond when he was at McAlister's. Industry franchise veteran **Andy Gunkler** is now representing Salsarita's franchise sales efforts across the country.

Bill Kraus has joined investment banking firm **Arlington Capital Advisors** as managing director. At Arlington, Kraus will concentrate on cultivating private equity sponsor relationships and strengthening the debt capital markets capabilities of Arlington. Bill was previously a managing director of Antares Capital, and senior managing director of GE Capital Franchise Finance. He can be reached at bkraus@arlingtoncapitaladvisors.com.

Former Ruby Tuesday interim CEO **Lane Cardwell** is board chairman of Alfa Co., a Saudi restaurant group. The private company operates three concepts—a steakhouse, Italian full-service and fast-casual Fresh Mex—each with 45 units, all within the country.

RESTAURANTS IN THE NOT TOO DISTANT FUTURE...



UP CLOSE

Why So Much Criticism of DineEquity? Here's the Answer

In late 2007, IHOP Corp. CEO Julia Stewart made two big bets. The first, that comparatively small IHOP could swallow the larger Applebee's Neighborhood Grill & Bar, thereby creating a 3,250-unit entity that would ring up $6 billion in annual sales. She also wagered that an entirely franchised (i.e., asset-light) public company would swell market capitalization and share price.

After all, there'd be no more new builds, no maintenance capex and no rehabbing restaurants. Instead, the newly christened DineEquity (DIN) could plow its now-considerable cash flow into dividends, share repurchases and debt payment.

Both bets paid off. Same-store sales gradually climbed at Applebee's as franchisees improved operations and decor while acquiring nearly 500 company-owned Applebee's. Share price rose, too, from recession-racked single-digit lows to $114.23 in late February 2015. And right on cue, the dividend yield swelled — above 6% ($0.97 per common share) in Q4 2016.

But the payoff hasn't been enough to stifle criticism of Stewart's asset-light strategy, particularly after a series of events that began about the same time Applebee's same-store sales dipped in 2013. Within a year, Stewart had added Applebee's president to her title, moved that brand's headquarters from Overland Park, Kan., to Glendale, Calif., created a shared-services model and promised investors she'd "change the story at Applebee's."

That story, alas, scarcely changed; same-store sales remained negative while investors reaped hefty dividends — leaving many franchisees steaming that services were being trimmed to offset sales declines. Efforts to reach Stewart for comment were unsuccessful.

The criticism is coming full circle after Stewart's resignation on March 1, which followed an ugly fourth quarter and and a bleak forecast for 2017. To learn whether it was justified, we interviewed several people familiar with the brand's troubles or who had overseen franchise operations themselves. Was the asset-light model the issue here or are Applebee's problems the fault of mismanagement — or a combination of both?

A former DineEquity executive, who spoke on the condition of anonymity, acknowledged Stewart had a lot on her plate: "It's hard to be the one running the brand from an operations perspective and a marketing perspective while sitting in rooms with franchisees, and while you still have a board to report to as well as the Street."

Bank of America Merrill Lynch Managing Director Cristin O'Hara, whose bank is a major lender to Applebee's franchisees, believes the brand itself has unique challenges. "Whether those are marketing initiative challenges or leadership challenges, they hopefully have a path forward with new leadership to get some of that market share back."

Franchisee Greg Flynn, whose 485 Applebee's are part of Flynn Restaurant Group, also thinks brand marketing has been the problem. "What we have primarily is a marketing challenge. It's how to identify the correct position in casual dining and sell directly into that," he said.

Results Thru Strategy's Jim Greco, former CEO of Bruegger's Bagels and Sbarro Pizza, discards the notion that an asset-light strategy didn't work for DineEquity. "Remember, these franchisees are sophisticated operators who do as good of job as corporate would have," he said. Instead, he pinned blame largely on sector trends. "It's tough for any casual-dining operator —even Buffalo Wild Wings, which bucked the trend until a year ago—to hold on to sales, never mind growing them."

The Cypress Group's Dean Zuccarello also isn't buying the notion that asset-light is a sub-optimal model for restaurants. "I don't believe asset-light or re-franchising are tied to the performance of the franchisees in any way," he offered. "Applebee's problems aren't because the restaurants were re-franchised. It has to do with the strategy of the brand."

The failed strategy that likely prompted Stewart's resignation was a hand-cut, wood-fired steak promotion that debuted last May. She described it at the time as "the biggest investment in culinary excellence in the company's history." It may have also been the costliest. The $75 million upgrade, which featured USDA Choice beef, required franchisees to install new equipment and, in some case, retrofit it into kitchens.

Same-store sales continued to collapse nonetheless, tumbling 5% in 2016. Flynn said as good as the steak is, "honestly, our core guest doesn't not consider us for steak." The brand's voluminous menu, big portions, competitive prices and many outlets—strengths he maintained hadn't been leveraged in the past—attracted them. (It should be noted that Flynn's comments were made in the context of praising newly appointed brand president John Cywinski, a former Applebee's CMO.)

The aforementioned former executive, by the way, who left the company before the steak program rollout, wouldn't speculate as to why Stewart didn't hire a brand president, but did allow that "one of her attributes is her confidence, 'I can do everything.'"

Adding injury to insult, the sales decline and closures of 40 to 60 Applebee's this year is raising doubts about the ability to maintain hefty dividends. Nomura analyst Mark Kalinowski wrote last month that "we have grown increasingly concerned that the dividend may be at risk of being trimmed."

A franchisee who wished not want to be identified, however, insisted the asset-light model is a detriment to a mature brand. For one thing, if the restaurant-less franchisor has trouble growing earnings they'll be tempted to cut overhead, namely in the form of services because the franchisor isn't likely to identify with the challenges of franchisees.

For another, the asset-light franchisor lacks a testing platform. "That's truly essential for there to be a healthy relationship between franchisor and franchisee," the franchisee said.

—David Farkas

STATS AND QUOTES

PUBLIC RESTAURANT STOCKS CHEAPER THAN A HORSE BET		
Company	**Price**	**Market Commentary**
Chanticleer Holdings (HOTR)	$.33	International Hooter's franchisee doubled down on better burger segment. The company is raising money with a 9% preferred offering.
Diversified Restaurant Hld (SAUC)	$2.56	Time to focus on the Buffalo Wild Wings business (64 stores) now that the Bagger Dave's restaurant division has been offloaded.
Ignite Restaurant Group (IRG)	$.21	Limbo awaits the recently NASDAQ-delisted operator of Joe's Crab Shack and Brick House Tavern + Tap. Might a Chapter 11 be next on the agenda?
Noble Roman's (NROM)	$.50	Noble Roman's Craft Pizza & Pub has opened to good reviews. Unfortunately, shareholders get whatever the father-and-son Mobley team doesn't lop off first.
BAB Holdings (BABB)	$.76	The franchisor of Big Apple Bagels and My Favorite Muffin is paying a penny-per-share dividend. That's 5% per annum for you speculators keeping score at home.
Granite City (GCFB)	$.93	35 Granite City and five Cadillac Ranch restaurants aren't enough to make money: Witness a $2.1 million loss in the third quarter of 2016.
Ruby Tuesday (RT)	$2.61	RT's board has ordered up a "strategic options" process, including a potential sale of the 613-unit brand. Tough time to sell a hurting casual dining business, we say in a classic understatement.
The One Group (STKS)	$2.08	Upscale steak concept reports soft sales, but pipeline includes four international licensed deals scheduled to open in 2017.
Rave Restaurant Group (RAVE)	$2.03	The meltdown in the Pie Five Pizza business during 2016 suggests a company that is in deep doodoo.

INTEREST RATES IN TRUMPLAND				
	4/11/17	**A Month Ago**	**A Year Ago**	**Trend**
Fed Funds Rate	1.0	.75	.50	↑
1-Month Libor	.99	.89	.44	↑
3-Month Libor	1.16	1.12	.63	↑
1-Year Treasury	1.05	1.03	.53	↑
5-Year Treasury	1.84	2.11	1.16	↑
10-Year Treasury	2.32	2.58	1.73	↑
30-Year Treasury	2.93	3.16	2.56	↑
Prime Rate	4.0	3.75	3.50	↑

Senior Restaurant Analyst Robert Derrington of Telsey Advisors speaking on CNBC on April 5: "I look at Ron Shaich and I think of the song, The Gambler, by Kenny Rogers. 'You've got to know when to hold 'em, know when to fold 'em.' Ron Shaich is a really sharp guy and I think he understands the business and is ready to cash in some chips."

From a paper written by the economist Robert J. Shiller in 2001 discussing stock market behavior, human judgment and expert opinion: "Investing for the long term means judging the distant future, judging how history will be made, how society will change, how the world economy will change. Reaching decisions about such issues cannot proceed from analytical models alone; there has to be a major input of judgment that is essentially personal and intellectual in origin."

Berkshire Hathaway Vice-Chairman Charlie Munger told this joke at the Daily Journal Corporation annual meeting in February 2017: "A young man comes to see Mozart and says, 'I want to compose symphonies.' And Mozart says, 'You're too young to compose symphonies.' He's 20 years old and says, 'But you were composing symphonies when you were 10 years old.' Mozart says, 'Yeah, but I wasn't running around asking other people how to do it.'"

The late Chick fil-A founder S. Truett Cathy on the meaning of Business Ethics: "I concluded there is really no such thing as business ethics. I believe no amount of business school training or work experience can teach what is ultimately a matter of personal character. Businesses are not dishonest or selfish, people are. Thus, a business, successful or not, is merely a reflection of the character of its leadership."

Delivery pioneer Jason Demant on why digitally enabled delivery is so important to restaurant owners: "People are lazy. If I can order a good meal and it shows up 10-15, 20 minutes later, why leave the office and why leave my house?"

English actor and comedian John Cleese: "What's the right term for the kind of 'foodie restaurant' where it takes longer for the waiter to describe a dish than it takes us to eat it."

MARKET SURVEILLANCE

Panera Bread Company

PNRA-NASDAQ

To be acquired by JAB for $315 per share

Date Announced: April 5, 2017

Transaction: JAB will acquire Panera through JAB BV, an investment vehicle of JAB Consumer Fund and JAB Holding Company, for $315 per share, or approximately $7.5 billion, which includes the assumption of $340 million of debt.

EBITDA Multiple: Baird Senior Research Analyst David Tarantino calculated an Enterpise Value to EBITDA multiple of 18.4x on a 2016 trailing basis and 16.8x on the 2017 EBITDA estimate.

Bankers: Morgan Stanley advised Panera. Bank of America Merrill Lynch acted as the buyside advisor to JAB.

INCOME STATEMENT

Fiscal year ended December 27, 2016

Revenues	$2,795,365,000
Net Income	$145,574,000
Net Income Per Share	$6.18
EBITDA Estimate	$450,000,000

BALANCE SHEET

As of December 27, 2016

Cash	$105,529,000
Long-Term Debt	$410,594,000
Shareholder's Equity	$288,787,000

Summary: What is JAB? JAB stands for Joh. A. Benckiser, a private investment group focused on consumer goods. The group has successfully built a substantial coffee empire with acquisitions of Keurig Green Mountain Coffee, Peet's Coffee & Tea, Danish coffee chain Baresso Coffee, Caribou Coffee and most recently Krispy Kreme, for which it paid roughly $1.35 billion or 19x EBITDA in 2016.

JAB is the largest shareholder of Coty, Inc. a health and beauty company listed on the New York Stock Exchange. JAB also holds substantial stakes in Jimmy Choo, Bally International and Reckitt Benckiser Group.

Rave Restaurant Group

RAVE-NASDAQ

Completes convertible note offering

Date Completed: March 6, 2017

Amount Raised: $3,000,000

Security Description: Shareholders purchased all 30,000 of the company's 4% convertible senior notes due 2022.

Conversion Price: Each convertible note can be converted into 50 shares at a conversion price of $2.00 per share.

Use of Proceeds: The company plans to repay a $1 million loan owed to Newcastle Partners, L.P., the largest shareholder of the company. The loan was made on December 22, 2016.

INCOME STATEMENT

Six months ended December 26, 2016

Revenues	$30,248,000
Net Loss	($9,421,000)
Loss Per Share	($.89)

BALANCE SHEET

As of December 26, 2016

Cash	$1,098,000
Shareholder's Equity	$878,000

Summary: As of the close of 2016, the company owned one and franchised 160 Pizza Inn restaurants and owned 29 and franchised 70 Pie Five restaurants.

Overall Pie Five systemwide retail sales increased $5.2 million, or 21.6%, for the six-month period ended December 25, 2016 when compared to the same period a year ago. For the first six months of this fiscal year, average weekly sales declined 10.2% from $12,418 per week a year ago to $11,151 this year.

A number of high-profile store closures of Pie Five Restaurants have occurred in Minnesota, Illinois and Colorado.

Darden Restaurants

DRI-NYSE

To acquire 165-unit Cheddar's Fresh Kitchen for $780 million

Date Announced: March 27, 2017

Transaction: Darden will acquire Cheddar's for $780 million in cash from private equity firms L Catterton and Oak Investment Partners.

EBITDA Multiple: According to Darden, the 12-month trailing enterprise value/EBITDA multiple of Cheddar's, net of tax benefits estimated to be $30 million, is 10.4x. The company says operating synergies will total $20 million to $25 million in savings, representing approximately 4% of Cheddar's annual revenues.

Financing: Darden has approximately $390 million of cash on hand plus it has garnered a financing commitment from JPMorgan Chase Bank, Wells Fargo Bank and Wells Fargo Securities. The actual amount of debt to be issued is undetermined at this time.

Bankers: Bank of America Merrill Lynch advised Darden while Morgan Stanley advised Cheddar's.

Summary: During the company's recent quarterly conference call, Darden CEO Gene Lee stated Cheddar's had average unit volumes of $4.4 million, based on a check average of approximately $13.50. He cited Cheddar's strong return on investment at the unit level, and with only 165 restaurants open today, a significant pathway for growth. Cheddars was planning slower growth in 2017 after acquiring 44 restaurants from its largest franchisee, Geer Companies, in late 2016.

Wall Street analysts generally liked the Cheddar's deal despite their continued reservations about casual dining. Goldman Sachs analyst Karen Holthouse suggests the proposed deal could be 4.6%-5.3% accretive to her 2019 earnings per share estimate. Gregory Francfort of Bank of America Merrill Lynch sees the acquisition more as one of a large company flexing its "competitive moat of sizable digital and technology budgets."

ANALYST REPORTS

Shake Shack
SHAK-NASDAQ
(Sell)
Recent Price: $33.45

Shake Shack operated 64 company and seven franchised restaurants in the U.S. at of the end of 2016 and plans to open at least 22 domestic restaurants each year for the foreseeable future. Overseas, Alshaya Trading Company operated 38 international Shake Shacks in the Middle East as a licensee. There were five additional licensed Shake Shacks in Japan and South Korea.

Goldman Sachs analyst **Karen Holthouse** maintains a Sell rating on the company's shares. In her recent research report dated April 5, she cited a risk to the company's share price as "new units continue to open to lower levels of consumer interest."

Holthouse analyzed the frequency of Yelp reviews for four stores in Washington, DC and found the flagship store in Dupont Circle "opened to high initial interest, but frequency quickly declined after the first two months...the second and third units displayed significantly lower initial interest...and the most recent (Logan Circle) only has six reviews in its first month of operation (a 50% drop-off from the last two opens and only 10% of what the flagship earned)." Breaking down the state data, Holthouse found only 28% of consumers at the first location were locals, suggesting Shake Shack is "supported by tourism versus repeat local traffic."

Red Robin Gourmet Burgers
RRGB-NASDAQ
(Strong Buy)
Recent Price: $57.55

Red Robin is holding an investor day on May 23 at which time the 500-unit casual dining company will outline its future outlook. Investors will be interested to learn how Red Robin is faring compared to the rest of the struggling casual dining sector.

Raymond James analyst **Brian Vaccaro** is bullish on the company's prospects and raised his price target to $70 per share based on a 2018 estimated enterprise value to EBITDA multiple estimate of 7.5x. Vaccaro makes two main points in his April 7 report: "(1) there are tangible opportunities to drive sales outperformance and higher margins and (2) the company's management team has a demonstrated track record of success implementing a similar set of initiatives at other concepts such as Chili's and Applebee's."

Vaccaro says that earnings per share could double to $5.60 assuming off-premise sales double to nearly 10% of total sales, slightly positive "in-restaurant" comps, EBITDA margin improvement of 160 basis points consisting of store level and G&A savings partially offset by labor deleverage, and share repurchases equating to 20% of the current shares outstanding.

Dave & Buster's
PLAY-NASDAQ
(Buy)
Recent Price: $59.50

Dave and Buster's missed some expectations, but beat others showing again the resilience of its experiential model in a tricky restaurant environment.

Earnings per share for Q4 of 2016 came in at $.63, ahead of consensus of $.59. The EPS beat was driven by lower than expected G&A, taxes and 3.2% comp growth. Comps missed, but **Jeffries** analyst **Andy Barish** said it's still a very strong quarter.

"Given a tough year ago compare, holiday shifts, and weather, which resulted in additional weakness in Texas, we feel SSS were solid and continue to underscore PLAY's unique operating model and growing brand awareness," said Barish.

Margins slipped to 32.3% amid a mix of of favorable commodities costs, a 5% wage inflation, higher rent but lower than expected SG&A. It's expected to be more of the same this year with Barish "modeling 40bps/60bps of margin compression."

The company plans another year of strong growth via both typical large and newer small-format locations "with 26 leases signed and 11-12 stores planned for '17, including 6-7 in new markets." Barish holds a Buy rating and a price target of $65 or 10.5X 2018 EV/EBITDA.

ANSWER MAN'S NEW GLOSSARY OF AMERICAN RESTAURANT FINANCE	
3-G'd	This is what Popeye's home office employees will tell their friends, relatives and the Georgia unemployment office why they were laid off after Restaurant Brands International's $79 per share, 21x EBIDTA buyout deal is completed. They were....
Iconic Brand	A quaint phrase describing an older restaurant brand, where the stores are dilapidated, the parking lot has ruts reminiscent of Normandy during the D-Day invasion and the fruit flies outnumber patrons 10-to-one. Oh, and those booths are really gross.
Asset-Lite Model	A highly-touted investment scheme that requires franchisees to invest 100% of the capital and pay fat royalties and fees so activists and institutions can snag 100% of the brand returns via share buybacks and dividends. No surprise it eventually breaks down.
Store Rationalization	Mass market casual dining chains across America are forming teams with this moniker to decide how many stores they should close in 2017. May the force be with them.
Food Halls	The latest food craze where landlords, left with abandoned retail anchor space from bankrupt tenants clobbered by Amazon, convince small, untested chef-inspired restaurant concepts with short life spans to pay $150-$200 per square foot.
Refranchising	Public companies unload their company stores at 5-6x EBITDA to franchisees so they can value their shares at 15x. David Copperfield would be proud of this levitation.
A Shit Show	This is what shareholders of Noodles & Company call the struggling chain's sale of equity in order to come up with enough cash to buy out landlords for 55 leases that never should have been signed in the first place. Are you kidding me?
Disruptors	In the restaurant business, the real disruptors are brands that offer high-quality food and service at a reasonable price.
Employee Engagement	Gallup says only 33% of employees are engaged at work. Think of it this way, fellow restaurateurs: The more your employees are engaged, the less they will steal from you.
Stay Relevant	Restaurant chains that roll out small steaks on wood-fired grills to attract millennials are akin to gray-haired baby boomers posting garish pool party photos on Instagram.
Deep Dive	Chipotle's share price took one of these the day CEO Steve Ells mumbled something resembling an apology to Today Show host Matt Lauer over the company's e-coli incident.
Polished Casual	Otherwise known as "high check average" casual dining. Next on the grim reaper's doorstep?
Flip and Flop	An HGTV term describing a real estate deal where a restaurant franchisee jacks up his rent so high he can sell it for an unbelievably high price to some hapless 1031 exchange investor.

RESTAURANT FINANCE MONITOR
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