

A Specialized Investment Bank



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MEMBER NASD/SIPC

## Restaurant Industry Overview and Valuation

*July 2007*



**CB CAPITAL**  
PARTNERS, INC.

ANNUITIES • INVESTMENT BANKING • LIFE INSURANCE

# CB Capital Partners Overview

*CB Capital Partners experienced professionals help clients analyze financial alternatives.*



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## CB CAPITAL PARTNERS

- CB Capital Partners is a specialized investment banking firm that creates value through customized financial advisory assignments and by delivering high quality investment banking services to our clients. Our investment banking professionals have strong Wall Street experience and cater to small and middle market companies. We offer companies the expertise and capabilities of a large investment bank combined with the focused attention and energy of a small entrepreneurial firm. Our highest priority is to be an ethical investment banking service provider.

## INDUSTRY FOCUS

- CB Capital Partners brings value-added solutions to our clients through a partnership with our banking professionals and board members. This partnership provides our clients with an industry-knowledgeable team dedicated to their success. CB Capital Partners has proven expertise in the following four primary areas:
  - Healthcare, Medical Devices & Services
  - Consumer & Retail
  - Technology
  - Industrial Manufacturing

## STRATEGIC RELATIONSHIPS



- In 2001, CB Capital Partners became a contracted company of Pacific Life. This offers CB Capital Partners' clientele access to some of the most respected professional services groups on Wall Street.

## We offer our clients:

Expertise in every phase  
Extensive transaction experience  
Industry expertise in our focus areas  
Industry contacts

## Mergers & Acquisitions:

Buy-Side and Sell-Side Advisory Services  
Fairness Opinions and Valuation Services  
Divisional & Subsidiary Divestitures, Spin-Offs & Spin-Outs  
Management and Leveraged Buyouts  
Recapitalizations  
Strategic Partnerships and Investments  
Takeover Defense  
Financial Restructuring and Reorganization  
Maximize Shareholder value

## Private Placements:

Growth and Acquisition Capital  
Going Private Transactions  
Management Buyouts  
Leveraged Buyouts  
PIPEs (Private Investments in Public Companies)  
Recapitalizations  
Debt Refinancing  
Partial Sale or Partial Recapitalization



# Section I

## The Restaurant Industry Overview



# The Restaurant Industry Market Overview

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After climbing about 8% during the first two months of the year, restaurant stocks (along with the rest of the market) faced a challenging end to February and start to March, and reversed early gains. Since then, restaurant stocks have experienced a modest rally in mid-to-late March (increasing about 5% during that period)



Much of the stock price volatility appears attributable to broader economic concerns and speculation of potential actions by the Federal Reserve (influenced by inflationary pressures, the health of the housing markets and fuel prices, among others); however, we believe that eventually fundamentals will matter, and to that extent, restaurant stock prices appear to be ahead of fundamentals, particularly for the casual dining segment. We believe that a dose of reality could hit with first quarter earnings, revealing margin pressure due to higher-than-expected labor and food costs in addition to a challenging sales environment due to winter weather.



Industry analysts have become increasingly concerned regarding the numerous state minimum wage increases and the likelihood of a higher Federal minimum wage (more pressure likely to be felt by casual diners seeing server wages increase at a higher percentage), as well as the rise in corn prices and that impact on feedstocks.



Restaurant stocks climbed about 8% during the first two months of the year(2007), along with the rest of the market. They faced a challenging end to February and start to March which reversed early gains. Since then, restaurant stocks have experienced a modest rally in mid-to-late March (increasing about 5% during that period).

*Source: Bank of America Securities – Restaurant Industry Quarterly – March 30, 2007*

# The Restaurant Industry Market Overview

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**The Casual Dining Sector** – Casual Dining stocks were the worst performing category for the quarter, but still posted a gain of roughly 1%. Despite positive stock price performance for the quarter, the group continues to experience lackluster same-store sales results, which was exacerbated by severe winter weather. Analysts believe the continuation of a softer same-store sales environment has been driven by ongoing consumer environment pressures, trade-down to quick service and quick casual, chain capacity growth and past price increases.



**Quick Serve Sector** – The Quick Service restaurant (QSR) sector rose almost 3% in the first quarter. Analysts believe QSR comps continue to benefit from casual dining trade-down for certain day parts (particularly lunch). In addition, higher incomes for QSR customers, by way of minimum wage increases and continued improvements in new food offerings have also benefited results.



**Specialty Sector** - The Specialty Sector was the **Top Performer** in the restaurant sector, with performance up 5% during the first quarter. McCormick & Schmick's and Ruth's Chris led the way realizing gains of approximately 11% each.

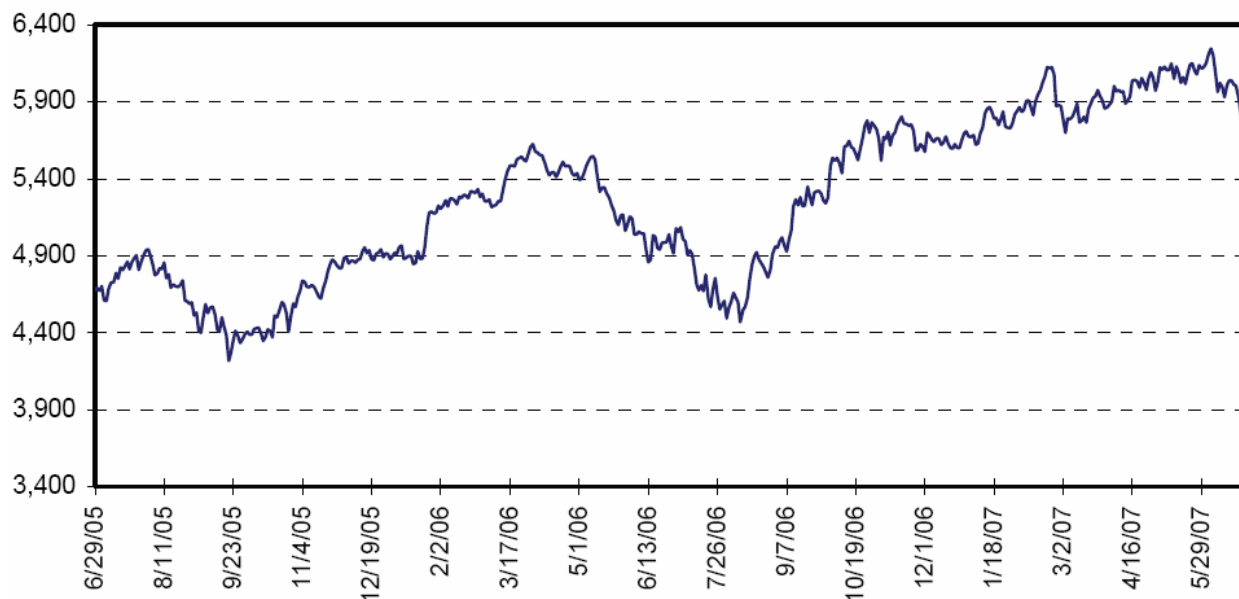
Source: Bank of America Securities – Restaurant Industry Quarterly – March 30, 2007

# The Restaurant Industry Market Overview

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Wachovia Capital Markets - Restaurant Index



The Wachovia Capital Markets Restaurant Index of 36 Restaurant companies declined 3.6% during the second half of June. The Wachovia index underperformed the S&P 500 (-1.9%), the NASDAQ Composite (+0.9%), and the Russell 2000 (-1.7%) during the same period. On a year-to-date basis, the Index was up 2.7% and has underperformed the S&P 500 (+6.0%), the Russell 2000 (+5.8%), and the NASDAQ Composite (+7.8%).

Source: FactSet, Wachovia Capital Markets, LLC 07-03-07

# Section II

## Restaurant Industry Valuation Overview



# Specialty Restaurant Sector Valuations



The Specialty Restaurant Sector has been the top performer in the restaurant sector in 2007.



Companies such as Chipotle have been able to trade at EBITDA multiples above 20.0x and 3.0x sales due in part to the significant potential to expand into new markets.



More mature companies such as California Pizza Kitchen are seeing EBITDA multiples below 9.0x and sales multiples around 1.0x.



McCormick & Schmick's has seen its stock grow by over 20% in the past year. It is currently trading at an EBITDA multiple of 11.4x, the median EBITDA multiple within the specialty segment, and a 1.2x multiple of sales.



Specialty Restaurant Sector is currently yielding Median Enterprise to LTM EBITDA multiple of 11.4x and Median Enterprise to LTM Sales multiple of 1.6x as of July 11, 2007.

*Source: Bank of America Securities – Restaurant Industry Quarterly – March 30, 2007*

*Note: Public comps exclude Family Dining/Buffer sector: Bob Evans, Inc. & CBRL Group Inc.*



# Comparable Company Analysis - Casual

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	Ticker	Price @	52 Week	Mkt Cap	EV	LTM Sales	LTM EBITDA	EV / LTM Sales	EV / LTM EBITDA	P/E Ratio FYE Estimate	EPS LTM	EPS Next FY
Restaurants	Symbol	7/11/07	% Change	(\$mm)	(\$mm)	(\$mm)	(\$mm)					
<b>Casual Dining</b>												
Applebee's Int'l	APPB	\$ 24.30	25.65%	\$ 1,810.0	\$ 1,950.0	\$ 1,340.0	\$ 225.4	1.5x	8.7x	28.7x	1.18	1.33
Brinker International	EAT	\$ 28.35	22.96%	\$ 3,210.0	\$ 3,720.0	\$ 4,310.0	\$ 564.3	0.9x	6.6x	16.3x	1.69	1.87
Darden Restaurants	DRI	\$ 45.21	28.73%	\$ 6,250.0	\$ 7,040.0	\$ 5,570.0	\$ 800.2	1.3x	8.8x	32.9x	2.79	3.07
Landry's Seafood	LNY	\$ 31.32	10.53%	\$ 689.54	\$ 1,350.00	\$ 1,470.0	\$ 211.55	0.9x	6.4x	N/A	1.45	1.82
O'Charley's	CHUX	\$ 19.87	23.36%	\$ 464.91	\$ 615.27	\$ 610.01	\$ 94.32	1.0x	6.5x	23.5x	1.07	1.22
RARE Hospitality Int'l	RARE	\$ 27.17	-3.58%	\$ 829.1	\$ 983.7	\$ 992.7	\$ 126.0	1.0x	7.8x	25.1x	1.61	1.86
Red Robin Gourmet Burgers	RRGB	\$ 43.43	4.74%	\$ 732.0	\$ 837.6	\$ 660.5	\$ 91.6	1.3x	9.1x	24.9x	1.86	2.15
Ruby Tuesday	RT	\$ 25.14	5.17%	\$ 1,340.0	\$ 1,810.0	\$ 1,420.0	\$ 256.0	1.3x	7.1x	14.7x	1.79	2.07
Texas Roadhouse	TXRH	\$ 13.70	14.06%	\$ 1,030.0	\$ 1,030.0	\$ 626.1	\$ 89.3	1.6x	11.5x	27.7x	0.54	0.65
<b>Average</b>								<b>1.2x</b>	<b>8.1x</b>	<b>24.2x</b>		
<b>Median</b>								<b>1.3x</b>	<b>7.8x</b>	<b>25.0x</b>		
<b>High</b>								<b>1.6x</b>	<b>11.5x</b>	<b>32.9x</b>		
<b>Low</b>								<b>0.9x</b>	<b>6.4x</b>	<b>14.7x</b>		
<b>S&amp;P 500 Index</b>	<b>SPX</b>	<b>\$ 1,547.70</b>	<b>21.23%</b>									

Source: Capital IQ; Yahoo! Finance; Thomson Financial.

Note: EAT fiscal year ends June, DRI fiscal year ends May, RT fiscal year ends May.

# Comparable Company Analysis - Quick-Service

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	Ticker	Price @	52 Week	Mkt Cap	EV	LTM	LTM	EV /	EV /	P/E Ratio	EPS	EPS
Restaurants	Symbol	7/11/07	% Change	(\$mm)	(\$mm)	Sales (\$mm)	EBITDA (\$mm)	LTM Sales	LTM EBITDA	FYE Estimate	LTM	Next FY
<b>Quick-Service</b>												
Burger King	BKC	\$ 26.37	69.99%	\$ 3,480.0	\$ 4,370.0	\$ 2,180.0	\$ 334.0	2.0x	13.1x	33.8x	1.09	1.27
Carrols Restaurant Group, Inc.	TAST	\$ 14.40	N/A	\$ 310.5	\$ 666.3	\$ 757.1	\$ 93.9	0.9x	7.1x	18.8x	0.82	1.01
CKE Restaurants	CKR	\$ 19.77	28.30%	\$ 1,240.0	\$ 1,470.0	\$ 1,600.0	\$ 180.0	0.9x	8.2x	27.8x	0.86	1.09
Jack in the Box	JBX	\$ 69.80	48.33%	\$ 2,188.0	\$ 2,580.0	\$ 2,800.0	\$ 267.3	0.9x	9.7x	19.7x	3.51	3.89
McDonald's Corp.	MCD	\$ 51.00	42.47%	\$ 61,630.0	\$ 66,930.0	\$ 22,140.0	\$ 6,280.0	3.0x	10.7x	17.4x	2.72	2.96
Papa John's Int'l	PZZA	\$ 28.28	-19.36%	\$ 858.7	\$ 942.2	\$ 1,020.0	\$ 132.3	0.9x	7.1x	15.3x	1.57	1.72
Domino's Pizza, Inc.	DPZ	\$ 18.81	-20.37%	\$ 1,180.0	\$ 1,890.0	\$ 1,430.0	\$ 248.3	1.3x	7.6x	13.5x	1.19	1.29
Sonic Corp.	SONC	\$ 21.95	1.02%	\$ 1,470.0	\$ 2,170.0	\$ 744.2	\$ 217.4	2.9x	10.0x	24.9x	0.96	1.12
Tim Hortons	THI	\$ 31.41	26.41%	\$ 5,980.0	\$ 6,210.0	\$ 1,630.0	\$ 465.9	3.8x	13.3x	25.1x	N/A	N/A
Yum! Brands, Inc.	YUM	\$ 34.41	42.72%	\$ 17,930.0	\$ 19,930.0	\$ 9,700.0	\$ 1,860.0	2.1x	10.7x	22.6x	1.63	1.82
Wendy's Int'l	WEN	\$ 37.11	-38.52%	\$ 3,240.0	\$ 3,680.0	\$ 2,450.0	\$ 257.2	1.5x	14.3x	70.8x	1.12	1.47
<b>Average</b>								<b>1.8x</b>	<b>10.2x</b>	<b>26.3x</b>		
<b>Median</b>								<b>1.5x</b>	<b>10.0x</b>	<b>22.6x</b>		
<b>High</b>								<b>3.8x</b>	<b>14.3x</b>	<b>70.8x</b>		
<b>Low</b>								<b>0.9x</b>	<b>7.1x</b>	<b>13.5x</b>		
<b>S&amp;P 500 Index</b>	<b>SPX</b>	<b>\$ 1,547.70</b>	<b>21.23%</b>									

Source: Capital IQ; Yahoo! Finance; Thomson Financial.

Note: BKC fiscal year ends June, JBX fiscal year ends Oct, CKR fiscal year ends Jan, SONC fiscal year ends Aug.

# Comparable Company Analysis - Specialty

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	Ticker	Price @	52 Week	Mkt Cap	EV	LTM	LTM	EV /	EV /	P/E Ratio	EPS	EPS
	Symbol	7/11/07	% Change	(\$mm)	(\$mm)	Sales (\$mm)	EBITDA (\$mm)	LTM Sales	LTM EBITDA	FYE Estimate	LTM	Next FY
<b>Restuarants</b>												
<b>Specialty</b>												
BJ's Restaurants	BJRI	\$ 19.75	3.48%	\$ 524.9	\$ 443.7	\$ 256.8	\$ 26.0	1.7x	17.1x	54.8x	0.5	0.63
California Pizza Kitchen	CPKI	\$ 20.40	14.14%	\$ 597.8	\$ 581.6	\$ 574.3	\$ 67.2	1.0x	8.6x	30.6x	0.85	1.05
CEC Entertainment	CEC	\$ 35.95	15.71%	\$ 1,180.0	\$ 1,280.0	\$ 780.0	\$ 204.4	1.6x	6.3x	16.9x	2.27	2.54
Cheesecake Factory	CAKE	\$ 25.50	6.79%	\$ 1,840.0	\$ 1,960.0	\$ 1,370.0	\$ 184.0	1.4x	10.6x	25.0x	1.13	1.34
Chipotle Mexican Grill, Inc.	CMG	\$ 86.15	68.47%	\$ 2,950.0	\$ 2,640.0	\$ 872.0	\$ 114.2	3.0x	23.1x	64.5x	1.72	2.17
McCormick & Schmick's Seafood	MSSR	\$ 25.00	24.84%	\$ 367.1	\$ 369.7	\$ 318.1	\$ 32.5	1.2x	11.4x	25.6x	1.15	1.37
P.F. Chang's	PFCB	\$ 36.75	3.78%	\$ 941.7	\$ 1,010.0	\$ 973.4	\$ 112.4	1.0x	9.0x	28.5x	1.36	1.61
Panera Bread	PNRA	\$ 47.20	-9.53%	\$ 1,500.0	\$ 1,450.0	\$ 874.7	\$ 147.1	1.7x	9.9x	25.5x	2	2.42
Peet's Coffee & Tea	PEET	\$ 25.25	-0.59%	\$ 352.9	\$ 323.4	\$ 218.3	\$ 23.5	1.5x	13.8x	52.0x	0.69	0.83
Ruth's Chris Steak House	RUTH	\$ 18.04	-8.98%	\$ 410.6	\$ 490.0	\$ 283.9	\$ 42.8	1.7x	11.4x	16.8x	0.98	1.14
Starbucks	SBUX	\$ 26.19	-13.85%	\$ 19,230.0	\$ 19,760.0	\$ 8,580.0	\$ 1,420.0	2.3x	13.9x	32.9x	0.88	1.06
<b>Average</b>								<b>1.7x</b>	<b>12.3x</b>	<b>33.9x</b>		
<b>Median</b>								<b>1.6x</b>	<b>11.4x</b>	<b>28.5x</b>		
<b>High</b>								<b>3.0x</b>	<b>23.1x</b>	<b>64.5x</b>		
<b>Low</b>								<b>1.0x</b>	<b>6.3x</b>	<b>16.8x</b>		
<b>S&amp;P 500 Index</b>	<b>SPX</b>	<b>\$ 1,547.70</b>	<b>21.23%</b>									

Source: Capital IQ; Yahoo! Finance; Thomson Financial  
\*SBUX fiscal year ends Sept\*

# Precedent Transaction Analysis

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## Recently Completed Restaurant Transactions

Effective Date	Target Name	Country	Target (\$ in Millions)				Enterprise Value (EV) to		
			Enterprise Value	LTM Revenue	LTM EBITDA	LTM EBIT	LTM Revenue	LTM EBITDA	LTM EBIT
07/05/07	Champps Entertainment, Inc.	United States	74.8	203.0	11.2	0.3	0.4 x	6.7 x	<b>285.4 x</b>
06/17/07	Friendly Ice Cream Corp.	United States	334.6	528.4	41.4	18.1	0.6 x	8.1 x	18.5 x
06/07/07	Miami Subs Corp.	United States	5.6	23.6	3.1	1.7	0.2 x	1.8 x	3.3 x
04/30/07	Mastro Group	United States	190.0	72.0	19.2	13.0	2.6 x	9.9 x	14.6 x
03/29/07	La Tasca Group Plc	United Kingdom	255.9	114.8	19.3	11.0	2.2 x	13.3 x	23.3 x
02/27/07	Bugaboo Creek Steak House, Inc.	United States	39.1	46.3	6.2	3.2	0.8 x	6.3 x	12.2 x
02/26/07	The Smith & Wollensky Restaurant Group, Inc.	United States	103.7	122.3	6.9	1.9	0.8 x	15.0 x	<b>55.2 x</b>
01/30/07	Grand Havana Enterprises, Inc.	United States	6.0	8.4	0.7	0.3	0.7 x	9.1 x	18.9 x
01/16/07	The Smith & Wollensky Restaurant Group, Inc.	United States	93.0	122.3	6.9	1.9	0.8 x	13.5 x	<b>49.4 x</b>
12/07/06	Caffe Nero Group Plc	United Kingdom	388.2	169.7	29.1	15.6	2.3 x	13.3 x	24.8 x
11/22/06	W.H. Brakspear & Sons Ltd.	United Kingdom	200.3	21.2	11.1	10.6	<b>9.4 x</b>	18.0 x	19.0 x
10/31/06	Logan's Roadhouse, Inc.	United States	486.0	90.3	17.5	12.9	<b>5.4 x</b>	<b>27.8 x</b>	37.8 x
10/25/06	Caisse des DTpots et Consignations	France	968.3	537.3	81.1	49.3	1.8 x	11.9 x	19.7 x
08/18/06	Lone Star Steakhouse & Saloon, Inc.	United States	561.1	677.6	46.5	23.4	0.8 x	12.1 x	24.0 x
08/03/06	The Gaucho Grill Ltd.	United Kingdom	139.0	39.9	0.3	(1.8)	<b>3.5 x</b>	<b>435.7 x</b>	NM
07/25/06	Ryan's Restaurant Group, Inc.	United States	813.7	822.4	89.2	53.8	1.0 x	9.1 x	15.1 x
05/22/06	Main Street Restaurant Group, Inc.	United States	133.2	243.6	16.6	6.7	0.5 x	8.0 x	20.0 x
04/28/06	Back Yard Burgers, Inc.	United States	39.5	42.0	4.0	1.8	0.9 x	9.8 x	21.7 x
03/17/06	Boston Restaurant Associates, Inc.	United States	8.6	23.1	1.9	0.8	0.4 x	4.6 x	11.0 x
02/17/06	Checkers Drive-In Restaurants, Inc.	United States	177.4	187.2	26.3	17.3	0.9 x	6.7 x	10.3 x
12/12/05	Fox & Hound Restaurant Group	United States	167.2	149.2	20.1	11.6	1.1 x	8.3 x	14.4 x
12/08/05	Dave & Buster's, Inc.	United States	346.5	453.6	59.1	17.3	0.8 x	5.9 x	20.0 x
10/07/05	Buffalo Grill SA	France	261.1	280.2	30.0	4.9	0.9 x	8.7 x	<b>53.4 x</b>
07/11/05	Buffalo Grill SA	France	266.1	280.2	30.0	4.9	0.9 x	8.9 x	<b>54.4 x</b>

<b>Average</b>	<b>1.04 x</b>	<b>9.51 x</b>	<b>18.25 x</b>
<b>Median</b>	<b>0.85 x</b>	<b>9.00 x</b>	<b>18.91 x</b>
<b>High</b>	<b>2.64 x</b>	<b>18.03 x</b>	<b>37.79 x</b>
<b>Low</b>	<b>0.24 x</b>	<b>1.79 x</b>	<b>3.32 x</b>

### Notes:

- (1) Source: CB Capital Partners, FactSet Mergerstat
- (2) Search Criteria:
  - U.S. & International transaction from 07/01/05 to 07/11/07
  - Target companies: SIC 5812 -Eating Places
  - Transaction value less than \$1.0 Billion
- (3) Bolded numbers excluded from calculations