

SCOTT-MACON CONSUMER & RETAIL: RESTAURANT REVIEW



2009 Edition

Third Quarter

Dear Clients and Friends:

Scott-Macon is pleased to present our quarterly Restaurant Industry Review covering the third quarter of 2009.

Pages two and three present a visual snapshot of the economic trends and drivers that impact the restaurant sector. We provide an overview of GDP, unemployment, consumer confidence, retail sales and housing data. The statistics continue to offer mixed news on the economic recovery. While third quarter GDP rose 3.5 percent signaling a much anticipated end to the recession, the worry is that the pace of recovery the market has been counting on may be hard to maintain. The latest jobless claims data suggest that jobs remain scarce and that wage gains are likely to be very limited as well. Consumer confidence and retail sales declined in September offsetting earlier improvements in the third quarter, causing many economists to conclude that growth in the economy will be moderate at best for the foreseeable future. Similarly, housing data continues to show a real estate market that is bouncing along the bottom both in terms of prices and activity.

Following the economic analysis, we present an analysis of publicly-traded restaurant companies. The average year-to-date and quarterly share price gain for companies contained in the Scott-Macon Restaurant Index was 78.37% and 7.46%, respectively. The Mean EBITDA multiple at the end of the third quarter was 8.4x. Based on recent earnings reports and guidance, it appears that restaurants continue to drive profits from cost saving strategies rather than from boosting same store sales. While third quarter traffic data offered a glimmer of hope to a few chains, weak sales trends were the norm across the vast majority of restaurant companies. Even up against easier year-to-year sales comparisons, many restaurant companies have been unable to post positive same-store sales results putting increased pressure on future profitability.

Following the public company analysis, we present a summary of the announced and closed transactions in the Restaurant Sector during the third quarter. M&A activity and the requisite financing to drive deals in the sector remain muted. However, several companies entered the market in the third quarter and one could reasonably expect activity to pick up in the coming months as the capital markets and the overall economy continue to improve.

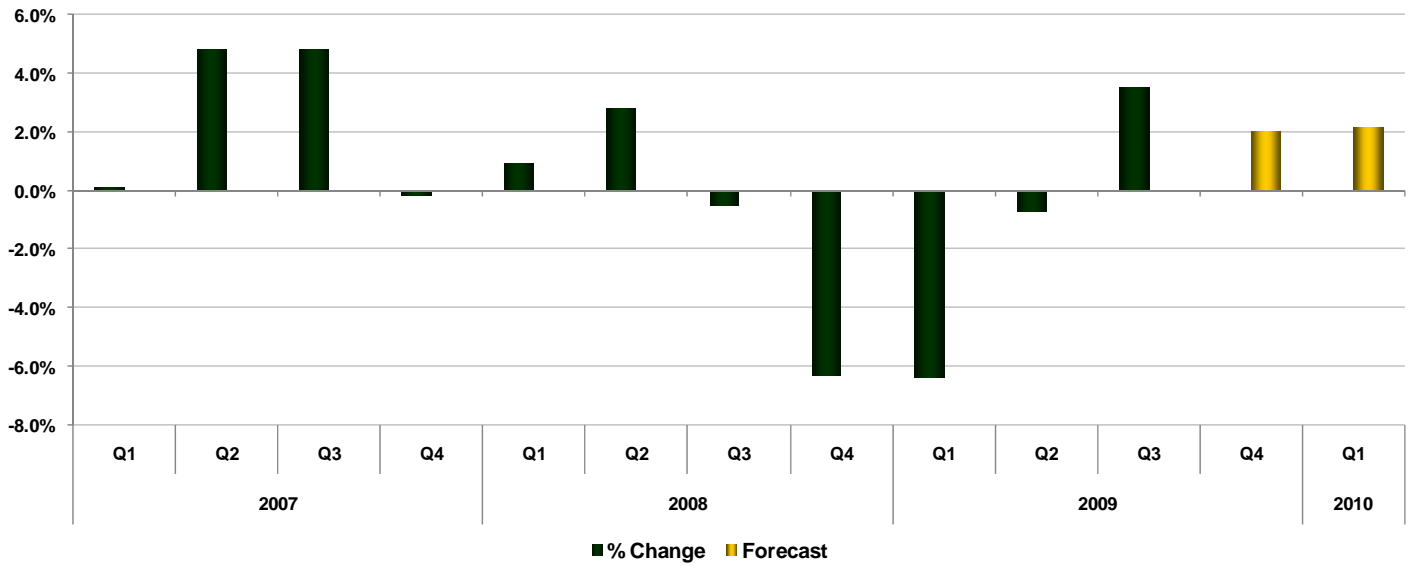
Finally, contact information for the Scott-Macon Consumer & Retail Group Professionals appears on the last page. We welcome your call or email to discuss the current markets or your investment banking needs.

Best regards,

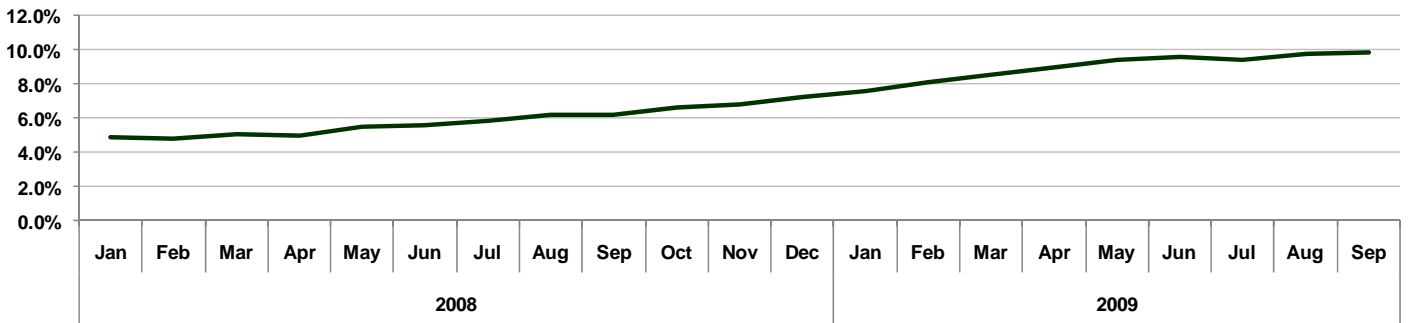
Robert Snape
Group Head & Managing Director
Consumer & Retail

ECONOMIC ANALYSIS

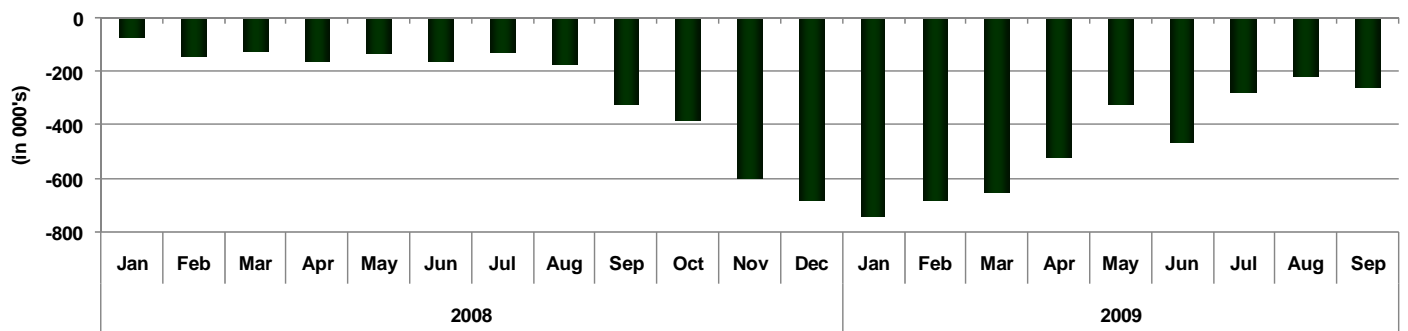
GDP



UNEMPLOYMENT



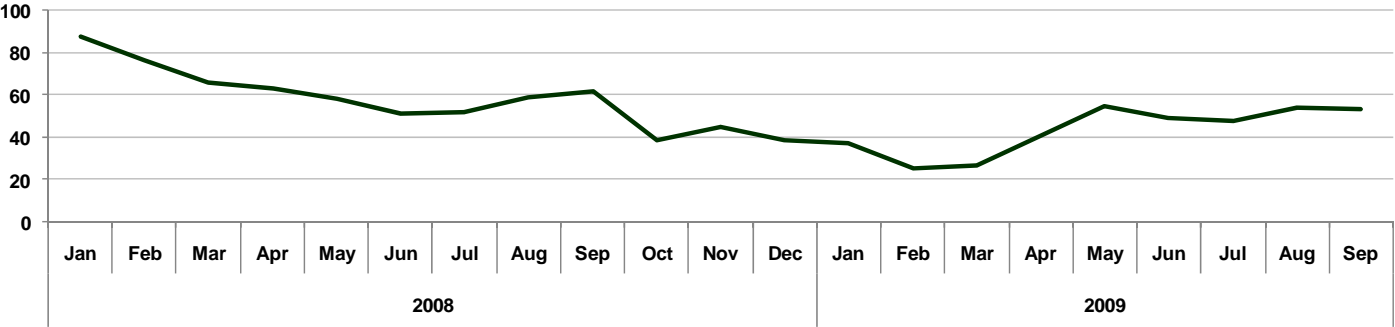
CHANGE IN NONFARM PAYROLLS



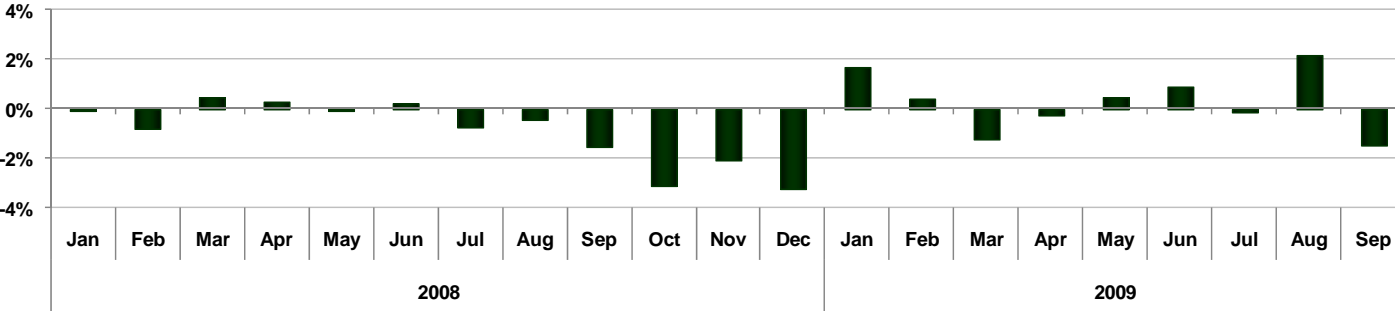
ECONOMIC ANALYSIS CONTINUED

CONSUMER CONFIDENCE INDEX

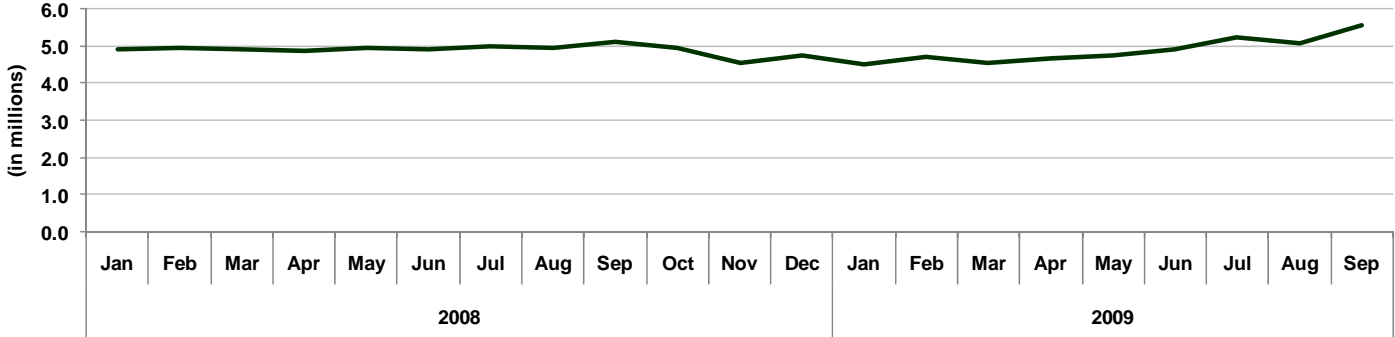
1985=100



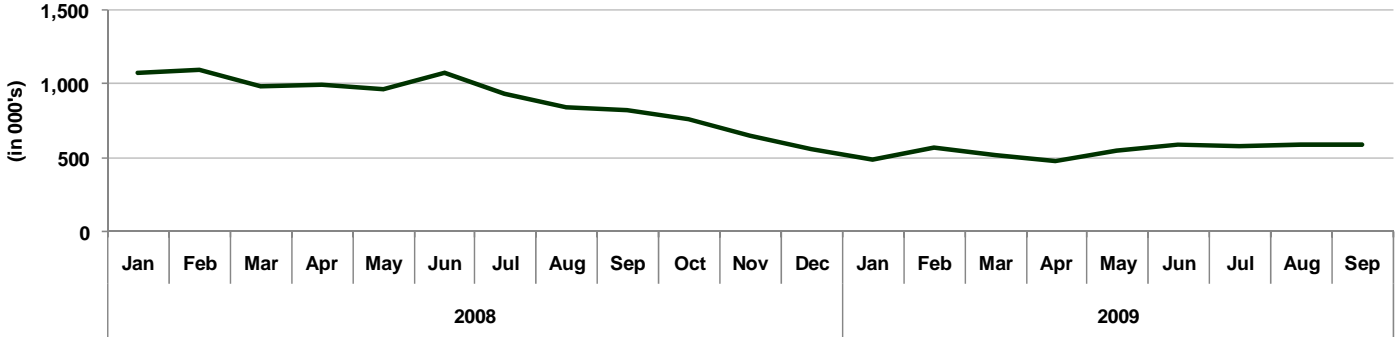
RETAIL SALES & FOOD SERVICE



EXISTING HOME SALES



HOUSING STARTS



ANALYSIS OF SELECTED PUBLICLY TRADED RESTAURANT COMPANIES

Company	Symbol	Last 9/30/2009	YTD Change	Quarterly Change	Market Cap	EV / LTM EBITDA
AFC Enterprises Inc.	AFCE	\$8.4 M	79.53%	20.46%	\$212.9 M	8.0x
Ark Restaurants Corp.	ARKR	\$17.3 M	51.01%	32.57%	\$60.2 M	7.0x
Einstein Noah Restaurant Group, Inc.	BAGL	\$12.0 M	109.39%	38.39%	\$194.4 M	7.1x
BJ's Restaurants Inc.	BJRI	\$15.0 M	39.18%	-10.77%	\$400.9 M	9.9x
Burger King Holdings Inc.	BKC	\$17.6 M	-26.34%	1.27%	\$2,371.2 M	7.2x
Benihana Inc.	BNHN.A	\$5.7 M	172.86%	-13.05%	\$88.3 M	4.0x
Bob Evans Farms Inc.	BOBE	\$29.1 M	42.24%	-1.32%	\$900.6 M	6.1x
Buffalo Wild Wings Inc.	BWLD	\$41.6 M	62.22%	25.75%	\$750.0 M	10.0x
The Cheesecake Factory Incorporated	CAKE	\$18.5 M	83.37%	3.81%	\$1,114.1 M	8.1x
Caribou Coffee Company, Inc.	CBOU	\$7.2 M	430.88%	5.71%	\$139.9 M	4.3x
Cracker Barrel Old Country Store, Inc.	CBRL	\$34.4 M	67.07%	18.87%	\$783.1 M	7.3x
CEC Entertainment Inc.	CEC	\$25.9 M	6.64%	-15.55%	\$597.0 M	5.1x
O'Charley's Inc.	CHUX	\$9.4 M	368.50%	2.74%	\$201.4 M	4.7x
CKE Restaurants Inc.	CKR	\$10.5 M	20.85%	19.34%	\$572.6 M	5.8x
Chipotle Mexican Grill, Inc.	CMG	\$97.1 M	56.58%	17.34%	\$3,070.6 M	12.7x
Cosi Inc.	COSI	\$0.6 M	119.13%	-4.55%	\$25.7 M	11.4x
California Pizza Kitchen Inc.	CPKI	\$15.6 M	45.71%	13.35%	\$377.2 M	6.6x
Famous Dave's of America Inc.	DAVE	\$5.9 M	101.72%	-7.87%	\$53.8 M	4.8x
Denny's Corp.	DENN	\$2.7 M	33.67%	17.70%	\$256.8 M	5.8x
DineEquity, Inc.	DIN	\$24.8 M	114.10%	-23.54%	\$435.6 M	7.2x
Domino's Pizza, Inc.	DPZ	\$8.8 M	87.69%	11.06%	\$509.2 M	10.8x
Darden Restaurants, Inc.	DRI	\$34.1 M	21.11%	0.18%	\$4,761.7 M	7.1x
Brinker International Inc.	EAT	\$15.7 M	49.24%	-12.80%	\$1,606.7 M	5.5x
Frisch's Restaurants Inc.	FRS	\$25.9 M	37.29%	-18.20%	\$132.1 M	5.6x
Jack in the Box Inc.	JACK	\$20.5 M	-7.24%	-11.30%	\$1,172.5 M	6.0x
J. Alexander's Corp.	JAX	\$4.2 M	76.38%	-2.50%	\$25.0 M	13.0x
Jamba, Inc.	JMBA	\$1.9 M	332.56%	51.22%	\$98.0 M	26.2x
Krispy Kreme Doughnuts Inc.	KKD	\$3.6 M	112.50%	19.00%	\$240.9 M	13.9x
Kona Grill Inc.	KONA	\$3.3 M	50.91%	-8.29%	\$30.3 M	8.1x
Landry's Restaurants Inc.	LVN	\$10.5 M	-9.48%	18.64%	\$169.5 M	5.4x
Luby's Inc.	LUB	\$4.2 M	0.24%	1.94%	\$117.5 M	10.8x
McDonald's Corp.	MCD	\$57.1 M	-8.23%	-1.98%	\$62,283.2 M	9.4x
Morton's Restaurant Group Inc.	MRT	\$4.3 M	48.95%	47.92%	\$70.6 M	11.8x
McCormick & Schmick's Seafood Restaurants, Inc.	MSSR	\$7.4 M	85.07%	1.50%	\$110.4 M	5.7x
Nathan's Famous Inc.	NATH	\$14.7 M	15.72%	11.01%	\$79.1 M	5.9x
Peet's Coffee & Tea Inc.	PEET	\$28.2 M	21.42%	6.29%	\$366.3 M	9.5x
PF Chang's China Bistro Inc.	PFCB	\$34.0 M	62.23%	1.22%	\$793.6 M	6.1x
Panera Bread Co.	PNRA	\$55.0 M	5.28%	8.85%	\$1,716.0 M	8.2x
Papa John's International Inc.	PZZA	\$24.6 M	33.32%	-3.65%	\$689.6 M	5.6x
Pizza Inn, Inc.	PZZI	\$1.7 M	-12.95%	-15.58%	\$13.5 M	5.4x
Red Robin Gourmet Burgers Inc.	RRGB	\$20.4 M	21.33%	7.47%	\$317.6 M	5.4x
Ruby Tuesday, Inc.	RT	\$8.4 M	439.74%	24.74%	\$542.2 M	7.3x
Rubio's Restaurants Inc.	RUBO	\$6.3 M	77.59%	3.09%	\$63.6 M	4.3x
Ruth's Hospitality Group Inc.	RUTH	\$4.2 M	205.80%	12.83%	\$102.0 M	7.0x
Starbucks Corp.	SBUX	\$20.7 M	118.29%	47.50%	\$15,221.1 M	11.4x
Steak 'n Shake Co.	SNS	\$11.8 M	97.82%	28.63%	\$339.1 M	11.4x
Sonic Corp.	SONC	\$11.1 M	-9.12%	7.59%	\$675.1 M	6.6x
Star Buffet Inc.	STRZ	\$3.5 M	73.29%	-17.77%	\$11.4 M	4.6x
Carrols Restaurant Group, Inc.	TAST	\$7.6 M	180.00%	14.03%	\$163.3 M	5.2x
Tim Hortons Inc.	THI	\$28.3 M	-1.87%	13.29%	\$5,122.2 M	10.7x
Texas Roadhouse Inc.	TXRH	\$10.6 M	37.03%	-5.43%	\$745.1 M	7.6x
Wendy's/Arby's Group, Inc.	WEN	\$4.7 M	-4.25%	15.09%	\$2,227.5 M	10.3x
Western Sizzlin Corp.	WEST	\$13.5 M	8.96%	10.20%	\$38.2 M	27.3x
Yum! Brands, Inc.	YUM	\$33.8 M	7.17%	-3.60%	\$15,751.0 M	9.3x
MEAN			78.37%	7.46%		8.4x
MEDIAN			50.08%	6.00%		7.1x

ANALYSIS OF SELECTED RESTAURANT MERGER AND ACQUISITION TRANSACTIONS

Effective Date	Acquirer	Target	TEV	Sales	EBITDA	TEV / EBITDA
8/10/2009	Friedman Fleischer & Lowe, LLC	Cajun Operating Company	NA	\$1,200.0 M	\$50.0 M	NA
7/2/2009	Jefferies Capital Partners	Carrols Restaurant Group, Inc. (NasdaqGM:TAST)	\$427.4 M	\$821.9 M	\$84.9 M	5.0x
Announced	Steak n Shake Co. (NYSE:SNS)	Western Sizzlin Corp. (NasdaqCM:WEST)	\$34.5 M	\$17.0 M	\$1.8 M	19.0x
8/19/2009	Stir Crazy Enterprises LLC (nka:Flat Out Crazy LLC)	Happy Valley Corporation	NA	NA	NA	NA

ABOUT SCOTT-MACON

Scott-Macon is an investment banking firm providing corporate advisory services to a broad range of industries, including a specific focus on the healthcare, medical and pharmaceutical services and products industries. Founded in 1973, Scott-Macon has 22 senior professionals with an average of 20 years' experience in investment banking.

SERVICES AND CAPABILITIES

- Corporate Sales — Assisting privately-held and publicly-traded companies to arrange sale, divestiture and merger transactions as well as corporate valuations for board or management use.
- Acquisition Advisory — Providing assistance in identifying acquisition prospects, contacting companies, and negotiating acquisition transactions.
- Capital Raising — Arranging for the private placement of equity and debt securities.
- Strategic Planning — Planning overall corporate objectives, reviewing strategic alternatives, and creating plans for maximizing value.

CONTACT INFORMATION

SCOTT-MACON, LTD.

800 Third Avenue
16th Floor
New York, NY 10022

Telephone: 212-755-8200
Facsimile: 212-755-8255
Website: www.scott-macon.com

CONSUMER & RETAIL GROUP PROFESSIONALS

Robert A. Snape

Group Head

rsnape@scott-macon.com

Robert B. Dimmitt

Senior Managing Director

rdimmitt@scott-macon.com

Jeffrey M. Tepper

Managing Director

jtepper@scott-macon.com

Jared Mudge

Vice President

jmudge@scott-macon.com

James R. Austria

Assistant Vice President

jaustria@scott-macon.com

Vijay R. Sampath

Senior Associate

vsampath@scott-macon.com

Sagar Janveja

Associate

sjanveja@scott-macon.com

Spencer R. Berg

Analyst

sberg@scott-macon.com

Disclaimer

In the preparation of the information contained in this document, Scott-Macon, Ltd. has endeavored to present information that is accurate and current as possible from sources believed to be reliable. However, inadvertent errors can occur. Therefore, the information is provided "as is", without an representation or warranty of any kind, expressed or implied. Any reproduction, retransmission, republication, or other use of all or part of this document is expressly prohibited, unless prior written permission has been granted by Scott-Macon, Ltd. All other rights are reserved.