



Restaurant Industry

U.S. Restaurant Industry

The U.S. restaurant industry is a large, growing market. In total, there are a reported 925,000 restaurants in the U.S., employing 12.5 million people. The National Restaurant Association projects overall industry sales will increase 5.1% to \$511 billion nationwide in 2006. By segment, sales in 2006 are forecast to increase 5.2% to \$173.4 billion at full-service restaurants and 5% to \$142.4 billion at quick-service outlets.

Consumer trends are driving the rise in restaurant industry sales. More specifically, the restaurant industry's share of the U.S. food dollar continues to rise as consumers increasingly eat away from home. Today, restaurants account for nearly half (47.5%) of all food spending in the U.S.

Most restaurants are small businesses. In fact, 70% are single-unit (independent) operations. Leading industry issues include finding and retaining employees, rising gas and energy prices, and shifts in consumer spending trends.

Overall, the national outlook for the restaurant industry is positive, with consumer preferences continuing to indicate a steady trend in eating away from home. One concern for the industry, however, is a potential economic downturn, which could hurt industry sales significantly.

Restaurants in California

The restaurant industry plays a vital role in the California economy. With over 58,000 locations in the state, restaurants generate 9.1% of California's total employment.

The restaurant industry is growing in California. Restaurant sales in the state are expected to reach \$51.5 billion in 2006.

Looking further out, the long-term outlook for the California restaurant industry is positive, with employment gains anticipated to total 15.4% over the next ten years (through 2016).

Restaurant - Mergers & Acquisitions

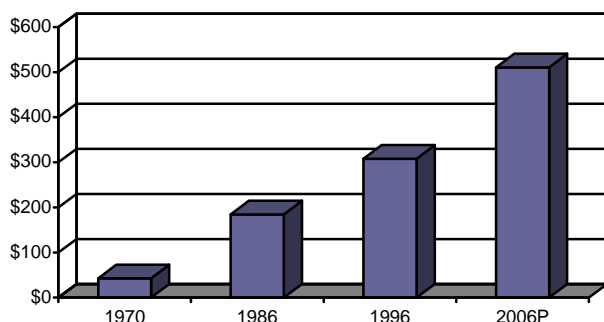
The restaurant industry is an active M&A market, with both strategic and financial buyers actively pursuing attractive acquisition candidates. A review of recent transactions indicate that operations of all sizes and types are being acquired. Buyers are acquiring stand-alone locations as well as chains, and these operations range from fast-food and fast-casual, to full-service restaurants.

Buyers acquiring in this industry are attracted to companies with solid financials, good locations, and a steady customer base. A dedicated management and employee team are also attractive qualities.

Private equity investment in the restaurant industry has been steadily growing over the past ten years, with a recent handful of high-profile deals making headlines. Investment groups are attracted to the stability and solid cash flow characteristics of restaurant companies.

Industry experts estimate that there are about 800 private-equity firms in the U.S., of which 5 – 10% have been involved in deals in the restaurant industry.

**Restaurant Industry Sales Rising
(in billions of current dollars)**



Source: National Restaurant Association, 2006
P: Projected