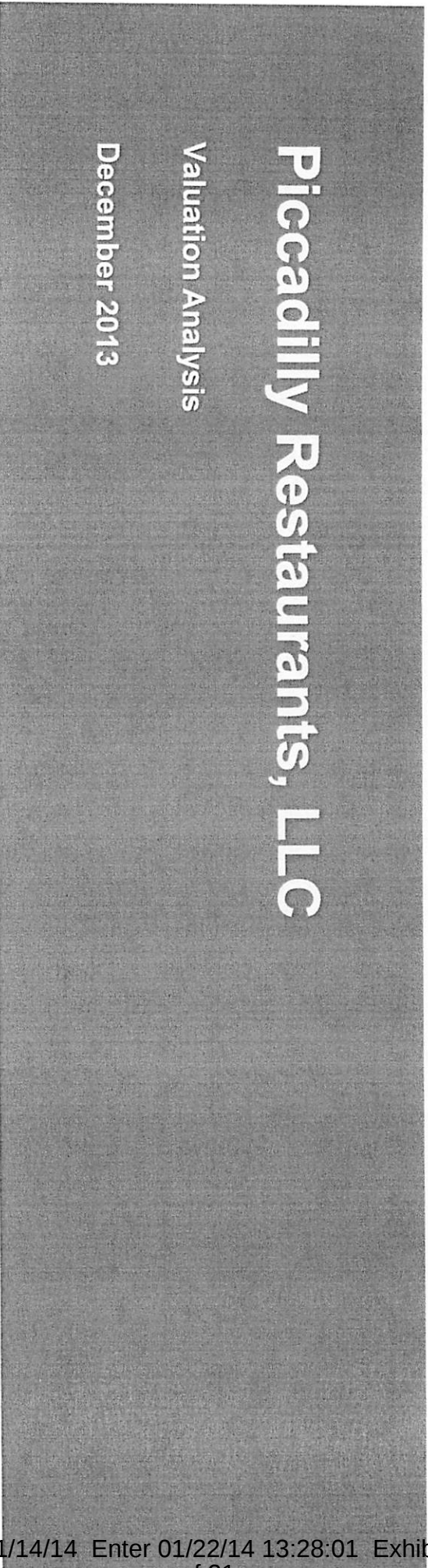




# Piccadilly Restaurants, LLC

Valuation Analysis

December 2013



Imperial Capital

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Piccadilly



# Limiting Conditions and Factors Affecting Conclusions

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This valuation analysis was prepared pursuant to the engagement of Imperial Capital, LLC ("Imperial") by Yucaipa Corporate Initiatives Fund II, LP ("Yucaipa"). The purpose of this valuation analysis is to summarize Imperial's conclusions as to the enterprise value of Piccadilly Restaurants, LLC ("Piccadilly" or the "Company") based upon information with respect to Piccadilly's operations that has been prepared by the management of the Company and their advisors as of the date hereof. This valuation analysis does not constitute an opinion with respect to the merits of the Company's underlying business decision to rely on the information provided by its advisors, any legal, tax or accounting issues relating to the Company, any terms of the Transaction or the relative merits of the Transaction as compared to any alternatives discussed by the Company. Imperial will not, as part of this valuation analysis, opine or give advice on any issues of solvency.

All budgets, projections, financial analyses, reports and other information with respect to Piccadilly's operations contained herein have been prepared by the management of the Company and their advisors and involve numerous and significant subjective determinations made by such management and their advisors. The estimates, budgets and projections contained herein may or may not be achieved and differences between projected results and those actually achieved may be material and adverse. Imperial has assumed that the financial forecasts have been reasonably prepared in good faith and are based upon the best currently available estimates and judgments of the Company's management and their advisors as to the future financial performance of Piccadilly as of the date of this report. Imperial has relied, without independent investigation or verification, on the accuracy and completeness of all such information and the conclusions contained herein are conditioned upon such information being accurate and complete in all respects. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or fairness of such information and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Imperial does not take any responsibility for the accuracy of the information provided by the Company or its advisors or for the completeness of any of the accompanying material. Imperial has not been requested to, and did not make an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Piccadilly or conduct a comprehensive physical inspection of any of Piccadilly's assets, nor has Imperial been furnished with any such evaluations or appraisals or reports of such physical inspections, nor has Imperial assumed any responsibility to obtain any such evaluations, appraisals or reports.

This report contemplates facts and conditions known by Imperial and existing as of the date of this report. Events and conditions subsequent to this date, including but not limited to updated projections, as well as other factors, could have a substantial impact upon the Company's value.





# Limiting Conditions and Factors Affecting Conclusions

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This valuation analysis summarizes Imperial's view on the total enterprise value of Piccadilly's ongoing business operation based on the information provided by the Company and its advisors. The valuation conclusions provided herein do not reflect any other "contingent" assets to which the Company's stakeholders may be entitled. The preparation of this valuation analysis involved various determinations as to the most appropriate and relevant methods of financial analyses and the consideration of various factors and the application of those methods to particular circumstances. This valuation analysis summary does not purport to be a complete description of all of the analyses undertaken to support our conclusions. Furthermore, in arriving at its valuation analysis, Imperial did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Imperial's analyses must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusions expressed herein. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth herein.

Pursuant to the terms of the engagement letters between Imperial and Yucaipa, Imperial has and/or will receive compensation in connection with services provided to Yucaipa in connection with this valuation analysis. Additionally, pursuant to the terms of the engagement letter between Imperial and Yucaipa, Yucaipa has agreed to indemnify Imperial from certain liabilities arising from this engagement and the preparation of this valuation analysis.



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## I. Executive Summary

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# Executive Summary

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**Imperial Capital, LLC has been engaged by Yucaipa Corporate Initiatives Fund II, LP to render a valuation analysis of Piccadilly Restaurants, LLC for the following objectives:**

- Determine a current business enterprise valuation based on a review of the Company's historical and projected financial information as well as utilizing comparable companies analysis, comparable M&A transaction analysis and a discounted cash flow ("DCF") analysis

**In conducting our analysis, we performed the following activities:**

- Reviewed and analyzed certain historical and projected financial information of Piccadilly that was filed with court and / or provided by Piccadilly management and their advisors <sup>(1)</sup>
- Reviewed certain publicly available information relating to public company and M&A valuations deemed relevant to Piccadilly



## II. Summary Financials

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# Summary Financials

## 2013 Monthly Financials

	2013 Monthly												
	Actuals										Projections		FYE 12/31/13
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	
Key Operating Metrics:													
Guest Count	1,130,901	1,241,594	1,662,616	1,268,460	1,216,000	1,446,000	1,103,000	1,191,000	1,427,000	1,143,015	1,176,207	1,345,023	15,350,817
Average Customer Check	\$ 8.18	\$ 8.52	\$ 8.66	\$ 8.51	\$ 8.78	\$ 8.96	\$ 8.91	\$ 8.65	\$ 8.41	\$ 8.43	\$ 8.72	\$ 9.46	\$ 8.69
% Growth	N/A	4.2%	1.6%	(1.8)%	3.2%	2.0%	(0.5)%	(2.9)%	(2.7)%	0.2%	3.5%	8.5%	N/A
Same Store Sales Growth	(3.7)%	(3.3)%	3.3%	2.6%	3.6%	2.2%	0.2%	0.9%	0.9%	0.9%	N/A	N/A	N/A
(\$ in thousands)													
Gross Sales	\$ 9,252	\$ 10,584	\$ 14,404	\$ 10,796	\$ 10,680	\$ 12,951	\$ 9,828	\$ 10,303	\$ 12,007	\$ 9,633	\$ 10,256	\$ 12,726	\$ 133,422
Sales Deductions	(173)	(346)	(573)	(432)	(414)	(499)	(344)	(358)	(388)	(312)	(244)	(316)	(4,400)
Net Sales	9,079	10,237	13,831	10,364	10,266	12,452	9,484	9,945	11,619	9,321	10,012	12,411	129,022
Food Cost	(2,884)	(3,122)	(4,027)	(3,018)	(2,978)	(3,564)	(2,717)	(2,895)	(3,423)	(2,712)	(2,892)	(3,750)	(37,981)
% of Gross Sales	31.2%	29.5%	28.0%	28.0%	27.9%	27.5%	27.6%	28.1%	28.5%	28.2%	28.2%	29.5%	28.5%
Labor Cost	(2,228)	(2,256)	(2,904)	(2,319)	(2,292)	(2,805)	(2,217)	(2,304)	(2,723)	(2,194)	(2,296)	(2,747)	(29,285)
% of Gross Sales	24.1%	21.3%	20.2%	21.5%	21.5%	21.7%	22.6%	22.4%	22.7%	22.8%	22.4%	21.6%	21.9%
Unit Operating Expenses	(2,117)	(2,229)	(2,764)	(2,331)	(2,447)	(2,708)	(2,193)	(2,488)	(2,701)	(2,065)	(2,174)	(2,442)	(28,658)
Unit-Level Profit	1,850	2,630	4,137	2,696	2,550	3,374	2,358	2,259	2,773	2,350	2,650	3,472	33,098
Unit Expenses:													
Management compensation	(848)	(867)	(1,063)	(809)	(813)	(1,010)	(794)	(820)	(1,007)	(721)	(751)	(951)	(10,454)
Occupancy charges	(970)	(923)	(910)	(861)	(883)	(912)	(872)	(852)	(820)	(850)	(811)	(811)	(10,473)
Unit-level G&A	(56)	(57)	(20)	(45)	(41)	(37)	(51)	(42)	(64)	(45)	(45)	(45)	(548)
Total Unit Other Expenses	(1,874)	(1,848)	(1,993)	(1,715)	(1,736)	(1,959)	(1,717)	(1,714)	(1,890)	(1,616)	(1,606)	(1,806)	(21,475)
Unit-level EBITDA	(24)	782	2,144	980	813	1,415	641	545	883	734	1,044	1,666	11,623
Total Corporate Expenses	(571)	(686)	(747)	(619)	(578)	(762)	(588)	(447)	(795)	(389)	(609)	(751)	(7,542)
Operating EBITDA	(594)	96	1,396	361	236	653	53	97	88	345	434	915	4,081
(Gain)/Loss Fixed Assets	15	90	0	7	-	2	2	-	164	-	(4)	(4)	272
Natural Disaster Loss	(2)	(1)	(1)	(1)	-	(1)	-	-	-	-	-	-	(7)
Total EBITDA	\$ (581)	\$ 184	\$ 1,395	\$ 367	\$ 236	\$ 654	\$ 55	\$ 97	\$ 252	\$ 345	\$ 430	\$ 911	\$ 4,346
% of Gross Sales	(6.3)%	1.7%	9.7%	3.4%	2.2%	5.1%	0.6%	0.9%	2.1%	3.6%	4.2%	7.2%	3.3%
Savings from Store Closures <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	1,276
Rent Reductions <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	185
Merchant De-Stocking Impact <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	509
EBITDA Improvement Initiatives	-	-	-	-	-	-	-	-	-	-	25	218	243
Gain on Sales of Real Estate	-	-	-	-	-	-	-	-	-	-	-	-	(254)
Adjusted EBITDA	\$ (581)	\$ 184	\$ 1,395	\$ 367	\$ 236	\$ 654	\$ 55	\$ 97	\$ 252	\$ 345	\$ 455	\$ 1,129	\$ 6,306
% of Gross Sales	(6.3)%	1.7%	9.7%	3.4%	2.2%	5.1%	0.6%	0.9%	2.1%	3.6%	4.4%	8.9%	4.7%
Capital Expenditures	\$ 168	\$ 85	\$ 356	\$ 340	\$ 340	\$ 241	\$ 286	\$ 132	\$ 132	\$ 132	\$ 213	\$ 210	\$ 2,634

Source: Financials provided by Piccadilly's financial advisors.

(1) Includes EBITDA contributions from all stores closed during or prior to the YTD period, the Chesapeake store which will be closed at year end 2013, and stores contemplated to be closed by the sale leaseback agreement; does not include Tamarac property which the Company will continue to pay occupancy costs. Also includes adjustments for advertisement and insurance reallocation and lost rebates.

(2) Annualized impact of rent reduction of ~\$360,000 per year beginning in July 2013.

(3) One-time expense in January through March 2013 due to supplier de-stocking Piccadilly's proprietary items.





# Summary Financials

## Projected Financials

	Fiscal Year Ending December 31,							
	Actual			Projected				
	2010	2011	2012	2013P	2014P	2015P	2016P	2017P
<b>Key Operating Metrics:</b>								
Number of Units	106	88	72	60	60	61	63	65
Guest Count	22,675,272	20,715,831	18,206,270	15,350,817	17,608,300	18,933,798	20,700,404	22,115,377
Average Customer Check	\$ 7.83	\$ 7.98	\$ 8.27	\$ 8.69	\$ 8.28	\$ 8.20	\$ 8.16	\$ 8.09
% Growth	N/A	1.9%	3.6%	5.1%	(4.7)%	(1.0)%	(0.5)%	(0.8)%
(\$ in thousands)								
Gross Sales	\$ 177,637	\$ 165,293	\$ 150,565	\$ 133,422	\$ 145,797	\$ 155,224	\$ 168,813	\$ 178,934
Sales Deductions	(1,952)	(2,317)	(2,264)	(4,400)	(3,551)	(3,587)	(3,702)	(3,688)
Net Sales	175,686	162,977	148,301	129,022	142,245	151,627	165,110	175,246
Food Cost	(51,597)	(48,389)	(44,569)	(37,981)	(41,567)	(44,916)	(49,419)	(53,025)
% of Gross Sales	29.0%	29.3%	29.6%	28.5%	28.5%	28.9%	29.3%	29.6%
Labor Cost	(39,925)	(37,189)	(33,167)	(29,285)	(30,455)	(32,208)	(34,905)	(37,008)
% of Gross Sales	22.5%	22.5%	22.0%	21.9%	20.9%	20.7%	20.7%	20.7%
Unit Operating Expenses	(40,192)	(37,668)	(32,302)	(28,658)	(29,043)	(30,242)	(32,155)	(33,504)
Unit-Level Profit	43,972	39,732	38,263	33,098	41,180	44,261	48,632	51,710
Unit Expenses:								
Management compensation	(16,069)	(14,891)	(12,877)	(10,454)	(11,512)	(12,064)	(12,696)	(13,573)
Occupancy charges	(15,163)	(14,623)	(13,055)	(10,473)	(10,033)	(10,338)	(10,699)	(11,259)
Unit-level G&A	(749)	(776)	(735)	(548)	(576)	(616)	(678)	(788)
Total Unit Other Expenses	(31,981)	(30,288)	(26,668)	(21,475)	(22,121)	(23,017)	(24,073)	(25,620)
Unit-Level EBITDA	11,991	9,444	11,595	11,623	19,059	21,244	24,558	26,089
Total Corporate Expenses	(6,519)	(7,160)	(6,537)	(7,542)	(9,012)	(9,587)	(9,725)	(9,800)
Operating EBITDA	5,472	2,284	5,058	4,081	10,048	11,657	14,834	16,189
(Gain)/Loss Fixed Assets	(77)	152	17	272	(84)	(84)	(84)	(84)
Natural Disaster Loss	-	(8)	(26)	(7)	-	-	-	-
<b>Total EBITDA</b>	<b>\$ 5,394</b>	<b>\$ 2,427</b>	<b>\$ 5,049</b>	<b>\$ 4,346</b>	<b>\$ 9,964</b>	<b>\$ 11,573</b>	<b>\$ 14,750</b>	<b>\$ 16,105</b>
% of Gross Sales	3.0%	1.5%	3.4%	3.3%	6.8%	7.5%	8.7%	9.0%
Savings from Store Closures <sup>(1)</sup>	-	-	-	1,276	628	612	578	586
Rent Reductions <sup>(2)</sup>	-	-	-	509	-	-	-	-
Merchant De-Stocking Impact <sup>(3)</sup>	-	-	-	243	-	-	-	-
EBITDA Improvement Initiatives	-	-	-	(254)	-	-	-	-
Gain on Sales of Real Estate	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 5,394</b>	<b>\$ 2,427</b>	<b>\$ 5,049</b>	<b>\$ 6,306</b>	<b>\$ 10,451</b>	<b>\$ 12,042</b>	<b>\$ 15,179</b>	<b>\$ 16,542</b>
% of Gross Sales	3.0%	1.5%	3.4%	4.7%	7.2%	7.8%	9.0%	9.2%
<b>Capital Expenditures</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 2,763</b>	<b>\$ 2,634</b>	<b>\$ 3,506</b>	<b>\$ 4,250</b>	<b>\$ 4,906</b>	<b>\$ 4,906</b>

Source: Financials provided by Piccadilly's financial advisors.

(1) Includes EBITDA contributions from all stores closed during or prior to the YTD period, the Chesapeake store which will be closed at year end 2013, and stores contemplated to be closed by the sale leaseback agreement; does not include Tamarac property which the Company will continue to pay occupancy costs. Also includes adjustments for advertisement and insurance reallocation and lost rebates.

(2) Annualized impact of rent reduction of ~\$360,000 per year beginning in July 2013.

(3) One-time expense in January through March 2013 due to supplier de-stocking Piccadilly's proprietary items.

## III. Valuation Analysis

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# Valuation Methodologies

Imperial Capital's analysis employed three standard valuation methodologies: Comparable Companies Analysis, Comparable M&A Transaction Analysis and Discounted Cash Flow Analysis. All three methodologies were weighted equally in our analysis.

Methodology	Description
Comparable Companies	<ul style="list-style-type: none"> <li>Application of current EBITDA trading multiples of comparable companies to Piccadilly's projected 2013 results</li> <li>Comparable company universe includes public companies focused on the casual and family dining restaurant segments</li> </ul>
Comparable M&A Transactions	<ul style="list-style-type: none"> <li>Analysis of comparable M&amp;A transactions and the application of their implied EBITDA multiples to Piccadilly's projected 2013 results</li> <li>Transaction universe includes companies in the restaurant sector sold since 2010</li> <li>In conducting our analysis, we reviewed and evaluated 14 total relevant M&amp;A transactions of which 7 deals had reliable valuation information and financial metrics publicly available</li> </ul>
Discounted Cash Flow	<ul style="list-style-type: none"> <li>Calculates the estimated present value of (i) Piccadilly's unlevered, after-tax free cash flows for the fiscal years ("FY") ending December 31, 2014 - 2017 and (ii) a terminal value for Piccadilly at the conclusion of the projected period ending FY2017</li> <li>Terminal value (i.e., at FY2017 horizon) calculated utilizing an 6.0x EBITDA exit multiple, which is based upon the average valuation metric calculated from the Comparable M&amp;A Transactions analysis</li> <li>Discount rate based on a weighted average cost of capital ("WACC"), which is calculated utilizing the average market risk factors (i.e., beta) of the companies evaluated in the Comparable Companies analysis as a proxy for Piccadilly's discount rate</li> <li>Projections utilized in the DCF were provided by Piccadilly management</li> </ul>

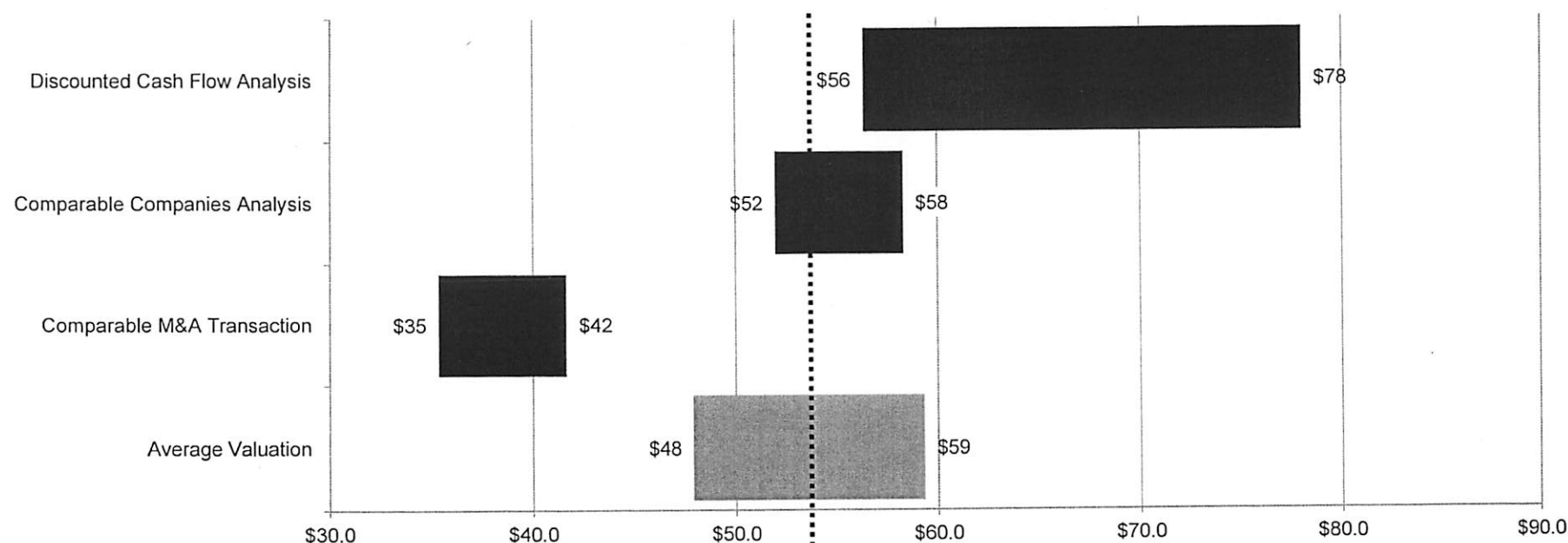


# Valuation Summary

Based on an equal weighting of the selected methodologies, the concluded enterprise value range is \$48 million to \$59 million, with a midpoint value of \$54 million

## Implied Enterprise Value Ranges

(\$ in millions)



**Valuation Estimate: \$48 – \$59 million**  
**2013P EBITDA Multiples: 7.6x – 9.4x**  
**2014P EBITDA Multiples: 4.6x – 5.7x**



# Valuation Summary

Implied Enterprise Value Ranges							
Methodology	Metric	Implied Multiples <sup>(1)</sup>			Enterprise Value		
(\$ in millions)							
<u>Discounted Cash Flow</u>							
4 Year Discounted Cash Flow Analysis.....	\$16.5	4.5x	-	6.5x	\$56	-	\$78
<u>Selected Companies</u>							
Casual and Family Dining							
Piccadilly (EV / 2013P Adjusted EBITDA).....	\$6.3	8.2x	-	9.2x	\$52	-	\$58
<u>Selected M&amp;A Transactions</u>							
Casual and Family Dining							
Piccadilly (EV / 2013P Adjusted EBITDA).....	\$6.3	5.6x	-	6.6x	\$35	-	\$42
<u>Piccadilly Summary</u>					<u>Low</u>		<u>High</u>
Average.....					\$48	-	\$59
Median.....					\$52	-	\$58

(1) Multiples ranges are determined as average of comparable multiples +/- 0.5x for EBITDA and WACC of 22% to 25% and Terminal Multiples of 4.5x to 6.5x for the Discounted Cash Flow Analysis.



# Comparable Companies Analysis

## Selection Methodology and Summary

- We considered a range of companies with the following characteristics:
  - Owners and franchisers of restaurants focused on casual and family dining
  - Primary operations in North America
- While there is no single public company that is in all aspects comparable to Piccadilly, there are certain attributes of each of the following companies that make them relevant as part of the comparable group

### Comparable Company Universe

- |  |   |
|--|---|
| – Bob Evans Farms, Inc. (NASDAQ:BOBE)                  | – Frisch's Restaurants, Inc. (AMEX:FRS)         |
| – Brinker International, Inc. (NYSE:EAT)               | – Luby's Inc. (NYSE:LUB)                        |
| – Cracker Barrel Old Country Store, Inc. (NASDAQ:CBRL) | – Red Robin Gourmet Burgers, Inc. (NASDAQ:RRGB) |
| – Famous Dave's of America, Inc. (NASDAQ:DAVE)         | – Ruby Tuesday, Inc. (NYSE:RT)                  |

<u>Metric</u>	<u>Valuation Multiple Range<sup>(1)</sup></u>	<u>Implied Enterprise Value Range</u>
2013P EBITDA - \$6.3M	8.2x – 9.2x	\$52M – \$58M





# Comparable Companies Valuation Detail

(\$ in millions, except per share values)

Ticker	Company	Stock Price (12/10/2013)	Stock Performance		Enterprise Value (EV)	LTM Revenue	2014P Growth %		Food Margin %	Labor Margin %	Food Margin %	Labor Margin %	EBITDA Margin %	EV / EBITDA		Net Debt / LTM EBITDA	Same Store Sales Growth <sup>(1)</sup>
			1 Year	1 Month			Revenue	EBITDA						LTM	CY2013		
Casual and Family Dining																	
EAT	Brinker International, Inc.	\$ 45.94	49.4%	0.0%	\$ 3,827.5	\$ 2,846.1	3.5%	6.4%	N/A	31.4%	N/A	68.6%	14.2%	9.4x	9.3x	1.8x	(1.2)%
CBRL	Cracker Barrel Old Country Store, Inc.	107.34	75.3%	(4.3)%	2,897.3	2,670.5	3.5%	13.8%	N/A	36.7%	N/A	63.3%	10.9%	9.9x	10.6x	1.2x	2.7%
BOBE	Bob Evans Farms, Inc.	51.31	26.8%	(4.6)%	1,567.7	1,608.9	2.1%	15.8%	N/A	31.8%	N/A	68.2%	10.4%	9.3x	9.3x	1.2x	(0.6)%
RRGB	Red Robin Gourmet Burgers Inc.	73.35	130.2%	(8.5)%	1,117.1	998.6	10.2%	13.0%	N/A	33.0%	N/A	67.0%	10.8%	10.3x	10.4x	0.6x	4.2%
RT	Ruby Tuesday, Inc.	7.19	(8.1)%	19.0%	678.1	1,251.5	(0.2)%	8.2%	N/A	33.5%	N/A	66.5%	7.8%	7.0x	10.1x	2.5x	(11.4)%
LUB	Luby's, Inc.	7.46	19.2%	(1.2)%	229.1	371.8	N/A	7.4%	26.5%	31.9%	73.5%	68.1%	6.8%	9.0x	8.0x	0.7x	(0.2)%
FRS	Frisch's Restaurants, Inc.	24.05	26.4%	(0.3)%	134.7	203.7	1.4%	N/A	33.5%	36.4%	66.5%	63.6%	10.7%	6.2x	N/A	0.6x	(1.0)%
DAVE	Famous Dave's of America Inc.	19.57	115.5%	(3.0)%	157.0	156.1	4.0%	N/A	27.2%	28.5%	72.8%	71.5%	7.3%	13.8x	N/A	1.1x	(0.8)%
Mean			43.5%	-0.4%			3.5%	10.8%	29.1%	32.9%	70.9%	67.1%	9.9%	8.7x	9.8x	1.0x	-1.0%
Median			26.8%	-2.1%			3.5%	10.6%	27.2%	32.5%	72.8%	67.5%	10.6%	9.3x	9.7x	1.2x	-0.7%
Piccadilly Restaurants, LLC - 2013						\$ 133.4	-	-	29.2%	21.0%	70.8%	78.1%	4.7%				
Piccadilly Restaurants, LLC - 2014						\$ 145.8	9.3%	65.8%	28.5%	20.9%	71.5%	79.1%	7.2%				

Source: Imperial Capital, LLC, Capital IQ, Bloomberg and Company SEC Filings.  
 Enterprise Value is defined as market capitalization plus net debt, minority interest and preferred equity.  
 Italicized, NA, and NM values are excluded from mean and median calculations.  
 (1) Represents year-over-year growth for most recent quarter.



# Comparable M&A Transactions Analysis

## Selection Methodology and Summary

- We considered a wide range of transactions in the Restaurant industry, including most specifically deals in the casual and family dining categories
- Transaction universe includes Restaurant companies sold since 2010, with deal sizes ranging from approximately \$10 million to over \$750 million
- In conducting our analysis, we reviewed and evaluated 14 total relevant M&A transactions which we believe to be relevant to Piccadilly
- Our analysis applies the mean of the comparable transactions' EBITDA multiples to Piccadilly's 2013P results, as summarized below:

<u>Casual and Family Dining</u>		
<u>Metric</u>	<u>Valuation Multiple Range<sup>(1)</sup></u>	<u>Implied Enterprise Value Range</u>
2013P EBITDA - \$6.3M	5.6x – 6.6x	\$35M – \$42M







# Comparable M&A Transactions Detail

## Casual and Family Dining

(\$ in millions)

Date	Target (Brands)	Acquirer	Implied Enterprise Value ("EV")	LTM EBITDA	EV / LTM EBITDA
Apr-13	Macaroni Grill	Ignite Restaurant Group, Inc. (NasdaqGS:IRG)	\$ 54.1	NA	NA
Dec-12	Paradise Cheeseburgers, LLC	Luby's Inc.	11.0	NA	NA
Jun-12	J. Alexander's Corp. (OTCPK:JAXR)	American Blue Ribbon Holdings, LLC	100.2	11.1	9.0x
Feb-12	O'Charley's Inc. (NasdaqGS:CHUX)	American Blue Ribbon Holdings, LLC	197.9	37.3	5.3x
Dec-11	First Watch Restaurants, Inc.	Freeman Spogli & Co.	NA	NA	NA
Nov-11	Giordano's Enterprises, Inc. <sup>(1)</sup>	Origin Capital Management LLC; Victory Park	61.6	10.3	6.0x
Jul-11	Arby's Restaurant Group, Inc.	Roark Capital Group	349.5	75.0	4.7x
Mar-11	Bruegger's Enterprises Inc.	Groupe Le Duff SA	91.0	14.8	6.2x
Jan-11	Hooters of America, Inc.	Chanticleer Holdings Inc.; KarpReilly; H.I.G. Capital	250.0	35.5	7.0x
Nov-10	Claim Jumper Restaurants, LLC	Landry's Restaurants Inc.	76.6	NA	NA
Nov-10	Bubba Gump Shrimp Company Restaurants, Inc.	Landry's Restaurants Inc.	120.0	NA	NA
Sep-10	Max & Ermas Restaurants Inc.	American Blue Ribbon Holdings, LLC	28.0	NA	NA
Jul-10	Magic Brands LLC (Fuddruckers & Koo Koo Roo)	Luby's Inc. (NYSE:LUB)	63.5	NA	NA
Jun-10	On the Border Mexican Grill & Cantina	Golden Gate Capital	180.0	30.0	6.0x

Mean	6.1x
Median	6.0x

Source: Imperial Capital, LLC, Capital IQ, Bloomberg, Company SEC Filings and public press releases and news sources. □

Enterprise Value is defined as market capitalization plus net debt, minority interest and preferred equity.

Italicized, NA, and NM values are excluded from mean and median calculations.

(1) Revenues based on annualized budget for 13 weeks ending 7/29/11.



# Discounted Cash Flow Valuation Summary

**The DCF analysis calculates the present value of Piccadilly's forecasted results through FY2017 by discounting future cash flows and the terminal exit value at a rate reflecting the Company's risk profile and assumed time value of money**

- DCF analysis is based on Piccadilly's forecasted unlevered free cash flows for the forecasted fiscal years 2014-2017
  - The cash flows are calculated based on projected operating income (net of any non-operational, non-recurring expenses included in the budget) less taxes, plus depreciation and amortization, less projected capital expenditures, less any projected working capital investment (or plus any cash proceeds generated from annual changes in working capital)
- The terminal value is based on an assumed exit at the conclusion of FY2017, at a valuation based on the Comparable M&A transactions analysis
  - We applied the median LTM EBITDA valuation multiple from the comparable M&A transactions of 6.0x to generate an appropriate terminal value
  - The projected free cash flows and terminal value are discounted to December 31, 2013 (prior to commencement of the first projected period), at a weighted average cost of capital ("WACC") that considers the marginal costs of all sources of capital
  - WACC was calculated at 23.0%, which is based on current market costs of capital, equity risk premiums and market risk metrics (i.e. "beta" or " $\beta$ ") of the companies comprising the comparable public universe
  - The DCF analysis uses the following ranges:
    - WACC from 22% to 25%
    - Terminal EBITDA multiples from 4.5x to 6.5x
  - The DCF analysis is to a large extent driven by the growth in EBITDA over the projected period, which is based on management projections, and to which Imperial Capital has applied no discount



# Discounted Cash Flow Valuation Detail

## Projected Cash Flows

Projected Cash Flows				
(\$ in thousands)				
	Fiscal Year Ending December 31,			
	2014P	2015P	2016P	2017P
Sales				
<b>Gross Sales</b> .....	\$ 145,797	\$ 155,224	\$ 168,813	\$ 178,934
Sales Deductions .....	(3,551)	(3,597)	(3,702)	(3,688)
Net Sales .....	142,245	151,627	165,110	175,246
% Growth .....	10.2%	6.6%	8.9%	6.1%
Food and Labor Cost .....	(72,022)	(77,124)	(84,324)	(90,032)
% of Gross Sales .....	49.4%	49.7%	50.0%	50.3%
<b>Unit Level Profit</b> .....	\$ 70,223	\$ 74,503	\$ 80,787	\$ 85,214
Operating and Corporate Expenses .....	(60,260)	(62,930)	(66,037)	(69,109)
% of Gross Sales .....	42.4%	41.5%	40.0%	39.4%
Savings from Store Closings <sup>(1)</sup> .....	488	468	429	436
<b>Adjusted EBITDA</b> .....	\$ 10,451	\$ 12,042	\$ 15,179	\$ 16,542
Less: Taxes <sup>(2)</sup> .....	(1,301)	(2,177)	(3,582)	(4,017)
Less: Capital Expenditures .....	(3,506)	(4,250)	(4,906)	(4,906)
Less: (Inc) Dec in Working Capital .....	288	(136)	(118)	(309)
Free Cash Flows .....	5,932	5,478	6,573	7,310
Terminal Cash Flows (@ 6.0x 2017 Adjusted EBITDA) .....	-	-	-	99,249
<b>Total Free Cash Flows</b> .....	\$ 5,932	\$ 5,478	\$ 6,573	\$ 106,559

(1) Includes EBITDA contributions, advertisement and insurance reallocations and lost rebates.

(2) Assumes tax rate of 45.0%.



# Discounted Cash Flow Valuation Detail

## Valuation Sensitivity

### NPV Calculation @ 12/31/2013

NPV of Free Cash Flows	\$	18,653
NPV of Terminal Cash Flows		53,305
<b>Enterprise Value</b>		<b>71,958</b>
Multiple of 2014P EBITDA		6.9x

### Assumptions

2014P Adjusted EBITDA	\$	10,451
Terminal EBITDA Multiple		6.0x
Discount Rate		23.0%

### Enterprise Value - Sensitivity Analysis

		<u>Discount Rate</u>			
		22.0%	23.0%	24.0%	25.0%
<b>Terminal EBITDA Multiple</b>	4.5x	\$59,829	\$58,632	\$57,471	\$56,347
	5.0x	\$64,381	\$63,074	\$61,807	\$60,579
	5.5x	\$68,934	\$67,516	\$66,142	\$64,811
	6.0x	\$73,486	\$71,958	\$70,477	\$69,043
	6.5x	\$78,038	\$76,400	\$74,813	\$73,275



# Weighted Average Cost of Capital

Based on the marginal costs of debt and equity capital, and the market risk and volatility standards of the comparable company universe, we calculate a WACC of 23.0% to be applicable to Piccadilly

Weighted Average Cost of Capital				
Variable	Value	Source		
Rd =	5.56%	(a)	BAML High Yield Index - as of December 9, 2013	
t =	45.00%		Assumed Marginal Tax Rate	
Rf =	2.86%	(b)	10-yr. Treasury Bond Rate - as of December 9, 2013	
Rm - Rf =	6.62%	(c)	Equity Risk Premium	
β =	1.45	(d)	Relevered Beta based on Family and Casual Dining - as of December 9, 2013	
D % =	16.30%	(e)	Debt/Capital Ratio	
E % =	83.70%		Equity/Capital Ratio	
Rsm =	11.77%	(f)	Decile 10'z' Premium	
Ris =	2.50%	(g)	Investment Specific Risk	

$[ Rd \times (1 - t) \times D\% ] + [ (Rf + ( \beta \times (Rm - Rf) ) + Rsm + Ris ) \times E\% ]$									
$[ 5.56\% \times (1 - 45.0\%) \times 16.30\% ] + [ 2.86\% + ( 1.45 \times 6.62\% ) + 11.77\% + 2.50\% \times 83.70\%$									

WACC =	Rd (1-t)	x	D%	+	Re	x	E%
$[ 3.06\% \times 16.30\% ] + [ 26.7\% \times 83.70\% ]$							
WACC (rounded) =		<u>23.0%</u>					

(a) Source: Cost of Debt based on BAML High Yield Index.

(b) Source: Federal Reserve Statistical Release.

(c) Source: Long-term expected equity risk premium based on Ibbotson 2012 Yearbook.

(d) Source: Adjusted Beta per Bloomberg.

(e) Based on the current Debt/Capital of the selected comparable companies.

(f) Equity size premium based on 10z decile premium (companies with market capitalizations of ~\$1.03MM - \$86.76MM) per Ibbotson 2012 Yearbook.

(g) Risk related to reorganization.