

SWEET 100

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Fast Casual Restaurants Present Significant Opportunity for Investors

How many investments in your portfolio have the ability to produce a 40%+ cash-on-cash return? Not many you think? Well, how much of your portfolio is invested in Fast Casual Restaurants? I know what you are thinking, sustained 40% cash-on-cash returns are impossible. Sure, there are success stories, but compared to the rate of failure, restaurant investments just don't make any sense. Right?

Before you answer that question, consider these numbers. From 2002-2006, private equity firms invested over \$332 Million in the Fast Casual Segment. Now, compare that to the \$846 Million invested in the segment from 2007-2011. Why such an increase? As communicated by one such firm at a conference held in NYC this past month, investments in Fast Casual restaurants present a significant opportunity. While the casual dining environment has taken a hit over the last five years, Fast Casual has become a target for private equity for a number of reasons. The main reason being that the fundamental investment measure of return, cash-in/cash-out, is spectacular. In other words, Fast Casual restaurants cost less to build, can generate higher profit margins, and therefore can produce better returns than any other segment of the industry. Simple right? It is so simple, as communicated at the conference, private equity firms investing in this segment are targeting returns of 40% in the development of new units.

Investment fundamentals aside, consumers are demanding more fast casual restaurants. While the segment currently represents only seven percent of total revenue for the industry that percentage is expected to grow substantially.

What does all of this mean for our investors? Generally, we are excited as we continue to receive validation of our investment strategy. While larger private equity firms pool institutional capital to source industry investments, our focus is on delivering those same investment opportunities to the individual accredited investor, high net-worth individual, and/or family office who typically would not have access to such opportunities.

Quick Facts

Brand	2010 Units	New Unit ROI
Chipotle	1,084	50.3%
Panera	1,453	48.1%
Mean	1,269	49.2%

Source: Public company filings and news sources

News and Upcoming Events

We will be attending the following events:

NRA Show 2012

Saturday, May 5th thru
Tuesday, May 8th
Chicago, IL

Imperial Capital Consumer Summit 2012

Tuesday, May 15th
Santa Monica, CA

RECON ICSC Retail Convention

Sunday, May 20th thru
Wednesday, May 23rd
Las Vegas, NV

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