

o Summer | o 2013

**KIMBALL
& COMPANY**

Restaurant Report

RESTAURANT RELATED REAL PROPERTY AND BUSINESS BROKERAGE

PROVIDING YOU BETTER RESULTS, MORE QUICKLY, AND WITH LESS HASSLE
THAN YOU COULD ACHIEVE ON YOUR OWN

The Kimball & Company Restaurant Report is a quarterly newsletter provided free to restaurant owners, landlords, clients, prospects, associates, and the investment community. To subscribe to your own free subscription simply call us at (919) 782-1110, or go to www.kimballandcompany.com and submit a request via "contact us".

How Much is Your Restaurant Worth?

As a Commercial real estate and business broker specializing in restaurants, one of the most commonly asked questions is: How much is my restaurant worth? There are many reasons an owner would want this information ranging from just curiosity to the possibility of a sale. In either instance it is important to understand the variables that go into arriving at a current market value.

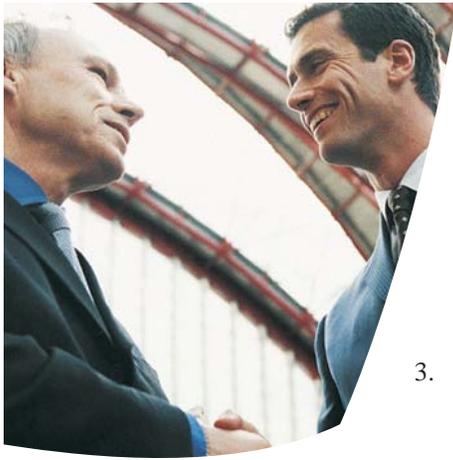
Ultimately, a restaurant is worth what a seller is willing to sell it for and a buyer is willing to pay. No matter what an outside expert will tell you, the real proof comes from the actual agreed upon price and terms. There are, however, some industry standards which can ballpark a range of price.

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MARKET WATCH

The Triangle restaurant market had 2,612 independent restaurants counted in the 2012 census, which was up 4 percent from the year prior. Chain restaurants had 2,773 locations in 2012, which was up 2 percent from the year prior. Amanda Jones Hoyle in a January issue of Triangle Business Journal sources The NPD Group to conclude the Triangle Area is growing at a rate double the national average. Now may be the time to grab market share as recession driven opportunities won't last.



How Much Is Your Restaurant Worth?

(cont'd from page 1)

A multiple of excess earnings approach to value is one of many reasonable approaches.

1. Prepare an ADJUSTED INCOME STATEMENT: Arrive at an income statement that a new owner would have after adding back costs to net operating income that a new owner would not have (entertainment and travel for example). Add back debt service and depreciation as cash costs a new owner will not have. Subtract costs that a new owner will have but the present owner does not have. Subtract for the owner's time at fair market management salaries. Subtract an expense for expected replacement reserve instead of depreciation. Let's say the Adjusted Income is \$115,000.

2. Determine the cost of the TANGIBLE ASSETS: Arrive at a fair market depreciated value of the furniture, fixtures, equipment, and leasehold improvements. Note this is not an auction price, but the cost to replace the assets of the restaurant with comparable used assets. In our example let's say the F, F, & E and leasehold improvements are worth \$125,000.

3. Apply a COST OF MONEY interest rate to the tangible assets. If the current cost of money is 6% and the assets are worth \$125,000 then the cost of money dollar amount is \$7,500 for the value of the assets.

4. Determine the EXCESS EARNINGS by subtracting the cost of money dollar amount from the earnings derived in step 1.

Adj. Income \$115,000
 Minus \$7,500
 Equals \$107,500

5. Determine an EXCESS EARNINGS MULTIPLE. This multiple weighs the risk, competition, growth, desirability, etc. of the business. An average of all these variables can range between 2 and 4 as a general rule for a restaurant business. For our example we will use an excess earnings multiple of 2.0.

6. Multiply the EXCESS EARNINGS by the EXCESS EARNINGS MULTIPLE.

Exc. Earnings \$107,500
 Times 2.0
 Equals \$215,000
 (the value of the excess earnings)

The TOTAL BUSINESS VALUE equals the value of the assets plus the value of the excess earnings, or

Value of the Assets \$115,000
 Plus Excess Earnings Value \$107,000
 Equals \$223,000

An additional factor which can make a dramatic effect on total price is OWNER FINANCING. Financing as much as 50% of the total price or more can have as much as or greater than a 25% effect on the total price of the restaurant.

Every restaurant business valuation is unique and highly customized. Does a below market lease have value? What about if you own the real estate? Does the owner work full time?

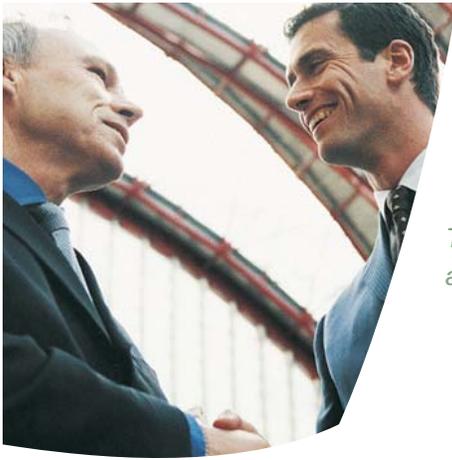
Should you like a free confidential valuation of a restaurant business you own or are thinking of investing in, do not hesitate to call us at (919) 782 -1110.

Seller's Discretionary Cash Flow:

Derived from the positive cash flow of a business, plus any add backs such as owners salary, depreciation, insurance or any other expense a new owner may not necessarily incur. Multiply that number by the corresponding multiple from the chart below.

The first column is the Percentage of Annual Sales and the second is the SDC Multiple

Business Type	Percentage of Annual Sales	SDC Multiple
All food services	38	2.0
Rest/Cocktails	29	2.0
Rest/Full Serve	34	2.6
Rest/Family	33	2.1
Rest/Breakfast-Lunch	37	1.6
Rest/Coffee Shop	39	2.0
Rest/Seafood	29	2.5
Rest/Oriental	46	2.7
Rest/Italian	30	1.9
Rest/Mexican	34	1.8
Fast Food (Takeout)	33	1.6
Fast Food (Hamburgers)	49	2.5
Fast Food/Pizza	28	1.3
Fast Food Chicken	35	1.9
Fast Food Mexican	43	2.6
Fast Food/Ice Cream	48	2.2
Fast Food Yogurt	49	1.9
Deli/Retail	39	1.8
Deli/Industrial	59	1.9
Bakery/Rest	38	1.9
Coffee Houses	40	1.9
Catering Business	58	1.9
Cocktail Lounges	44	2.1



New Players in the Market

The following are a small sampling of recent transactions completed by Kimball & Company.

Raleigh, NC – Kimball & Company Restaurant Brokerage Division is pleased to announce that David Smith of Raleigh, NC purchased Simply **Delicious Catering**—a full service catering company located in Creedmoor, NC, that has been in business since 1989. The new owner, David Smith, graduated from Johnson & Wales Culinary School in Charleston in 2000.

Raleigh, NC – Kimball & Company Restaurant Brokerage Division announces that the owner of **Village Deli & Grill**, has purchased another restaurant location at 2500 Wycliff Road in Raleigh, previously known as **The Barking Cow Saloon**, which is located off of I-440 and Lake Boone Trail.

The new site will become the 4th location for the chain of restaurants, with other locations being in Cameron Village in Raleigh, Morrisville, and Wake Forest. The restaurant chain has been in operation since 1996 and offers hearty, home-made wholesome foods in a rustic and cozy atmosphere.

Raleigh, NC— Kimball & Company Restaurant Brokerage Division announces that Niall Hanley of **Hibernian Restaurants** has completed the purchase of Duffy’s on Falls of Neuse Rd and is now open. In addition, Niall has purchased the previous Rosie’s location on Person Street across from the Person Street Pharmacy. With the addition of this location The Person Street corridor continues it’s resurgence. Bill Boyd of Kimball & Company represented Niall Hanley in the transactions.

Raleigh, NC— Kimball & Company Restaurant Brokerage Division announces the lease of the former **O’Charley’s Restaurant** on US 1 in Wake Forest to **Tlaquepaque, Inc.** a family business which operates twenty-four Mexican Restaurants in Virginia and western North Carolina.

Cary, NC— Kimball & Company Restaurant Brokerage Division announces the owners of **Tasu Sushi** at Crossroads Plaza have purchased the six thousand square foot free-standing building that was fomally a Houlihan’s and most recently a Bentley’s. The seller was L M Restaurants who operate the **Carolina Ale House** chain based in Raleigh, North Carolina.

Raleigh, NC— Kimball & Company Restaurant Brokerage Division announces the successful negotiation of a joint venture of the business at the 410 Glenwood Avenue South location formally known as **The Diner** between **Hibernian Restaurants** and **Dos Taquitos**. The new restaurant opened in March.

Kimball & Company is a commercial real estate sales, leasing, and investment firm located in Raleigh, NC since 1991. The Restaurant Services Division of Kimball & Company specializes in restaurant related site location and business brokerage transactions. Clients say that what sets Kimball & Company apart is the ability to gain better results, faster, and with far less hassle than what the client may be able to achieve on their own or through another firm. For more information, please call: (919)782-1110 or visit: www.kimballandcompany.com.

Looking For A Career Opportunity?

Are you frustrated by the limitations of your current position but know you are the best? Would you be interested in building a career with Kimball & Company — the dominant restaurant brokerage firm in the Triangle since 1991? Do you see yourself as a restaurant broker; and either have or can work toward a NC Real Estate license? We are overwhelmed with more leads than we can handle and have an opening for a seasoned pro or aggressive self-starter. Contact us today for more information.

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MEET BILL BOYD: Restaurant Broker Profile



Bill Knows the Restaurant Business!

As a restaurant Broker Associate of Kimball & Company, Bill brings over 25 years of experience in land development, ownership and management in Private & City Club Facilities and Restaurants. He also has widespread knowledge of the building and development of new restaurants to include franchise development for Longhorn Steaks in Florida. He later became the Owner/Operator for the State of Florida Franchise region for Longhorn. Bill also owned and operated several restaurants in Georgia, and even developed a chain of American restaurants in Europe!

Bill has been with Kimball & Company since 2000 helping countless restaurant owners with the sale of their restaurant business, finding a new location for startup, helping with expansion. In addition Bill specializes in sale leasebacks of restaurant properties to investors.

Bill resides in Cary, has 5 children and enjoys photography and music.

Available Locations & Business Opportunities

Many of our restaurant locations and businesses for sale are highly confidential. Contact us today to match your specific buying or leasing criteria with that "just right" location or business.

- Downtown Raleigh Café For Sale: Hours 11 – 4 Monday to Friday only!
- Hot Glenwood Avenue South Restaurant and Wine Bar
- Nearly new Pan-Asian cafe in exceptional downtown Raleigh location
- Profitable and Established – 2500ft² Café & Bakery in Cary
- Pub/Tavern with high traffic in a rapidly developing area in Cary
- **RECENTLY REDUCED!!!** Priced to Sell Restaurant/Bar/Pizzeria in Cary
- One of the area's finest restaurants in Fuquay-Varina
- American Grill and Tavern located in Sanford was a huge winner on sales of \$1.6M in 2012
- Excellent established lunch/catering operation in middle of RTP
- Immaculate Indian cuisine 1,500ft² restaurant in Booming Morrisville/Cary location
- Amazing opportunity to own established, profitable restaurant in the historic Pinehurst area
- Beautiful Bistro Restaurant in Booming Cary/Morrisville Area
- And many, many more... Contact us to find that perfect business or location!

WANTED TO BUY!

Restaurant Related Land
and Building Properties
Leased or Vacant



Kimball & Company represents an investment group wanting to acquire leased or vacant free standing restaurant properties (or small retail centers with occupied or vacant restaurant improved space as the primary use) for sale anywhere in the Southeast. We are also looking for restaurant related sale lease backs to acquire.