

THE 2000 CHAIN RESTAURANT MERGER & ACQUISITION CENSUS

Census Criteria

The Census reports change of ownership activity for chain restaurants in the United States. In order to be counted in the Census, a meaningful change of ownership must have been announced. The Census does not include routine trades of restaurant securities on a formal exchange, but does include initial public offerings, subsequent stock offerings, significant investments and, of course, traditional mergers and acquisitions.

Restaurant chains qualify for the Census if either the acquirer or the target are headquartered in the United States and have at least four separate foodservice establishments of the same or different concept. Qualifying candidates include quick service, full service and limited service firms.

The Census lists those transactions which have been announced during the census year. Some of the transactions may not have been completed.

The goal of the Census is to provide restaurant executives with comparative industry information to assist in making major strategic growth decisions. In addition to buyer, seller and target names and locations, the Census obtains the following information:

1. The category of buyer (franchiser acquiring franchisee, foreign company, operator buying unrelated concept, public shareholders, present owner acquiring more stock, etc.).
2. Asset acquired (capital stock, assets, expansion rights, etc.).
3. Reason the seller was selling the target (financial difficulty, divestiture, cash for expansion, pay down debt, etc.).
4. Industry segment (burger, chicken, pizza, family, cafeteria, etc.).
5. Principal reason the buyer acquired the target (investment, conversion, new concept, etc.).
6. Geographical region of target company.

Because the vast majority of the transactions are private and confidential, purchase price information is normally unavailable. While this information would be useful, some buyers and sellers have been unwilling to share this information for the Census.

Information is compared with prior years to assist in identifying trends. The following information summarizes the key statistics of the Census for 1999 and 2000.

2000 Census Overview

The Census captured 132 announced transactions, 15% above the 1999 level. Public market transactions (IPOs and secondaries) were about equal to last year, but well below the record 1997 level. Approximately 95% of the activity was recorded in the private market, close to that recorded in 1999.

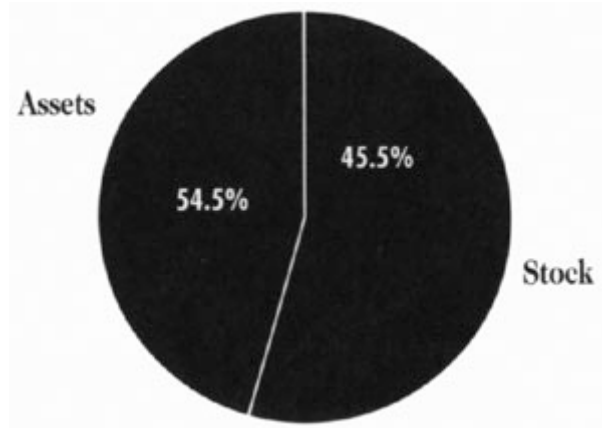
TYPE OF BUYER

It was no surprise that operators acquiring an unrelated or new concept continued to lead the Census. Six IPOs were recorded and one company filed for a secondary offering. Franchisees continued to acquire units in their own system as well as diversifying by acquiring franchisees in other systems. With the financial markets quite strong during the first half of the year, equity funds and management groups were able to find financing to continue their acquisition objectives.

Type of Buyer	# of Transactions
Operator acquiring unrelated concept	55 51
Franchisees acquiring related units	28 19
Management buyout	13 10
Equity Fund	9 8
Public stock offering	7 9
Company not in foodservice	6 3
Franchisors acquiring franchisee of related concept	5 9
Franchisors acquiring franchisee of unrelated concept	5 0
Owner acquiring more ownership	4 4
Unidentified	0 2
	2000—132 Transactions
	1999—115 Transactions

TYPE OF DEAL

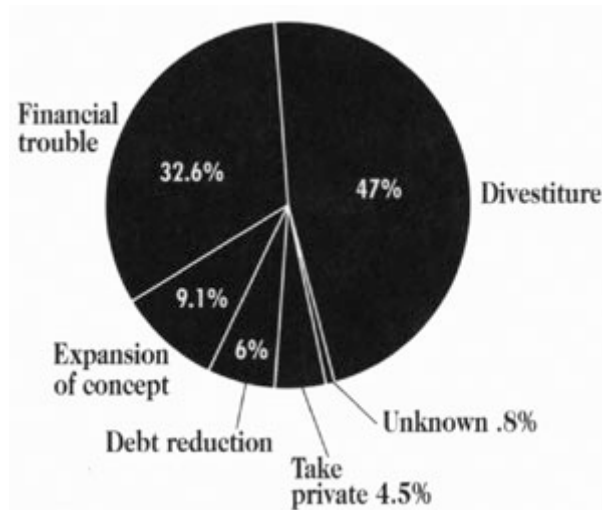
In 82% of the private transactions, sellers insisted upon payment in cash, up slightly from 1999. 42% of the non-public market transaction sellers chose to sell stock rather than assets, reversing the decline from prior years. Several of the stock sales involved public companies going private.



	2000	%	1999	%
Assets	72	54.5	69	60.0
Stock	60	45.5	46	40.0
	132	100.0	115	100.0

REASON FOR THE SALE

With a decline in restaurant values beginning to surface in the latter half of the year, six publicly held companies went private, up significantly from the last two years. Companies in financial trouble put themselves on the block and were able to find buyers at acceptable prices. Public offerings listed expansion of the chain's concept followed by a reduction of debt as the major reasons for the sale of their stock.



	2000	%	1999	%
Divestiture	62	47.0	62	53.9
Financial trouble	43	32.6	22	19.1
Expansion of concept	12	9.1	18	15.7
Debt reduction	8	6.0	9	7.8
Take private	6	4.5	3	2.6
Unknown	1	0.8	0	0.0
Management succession	0	0.0	1	0.9
	132	100.0	115	100.0

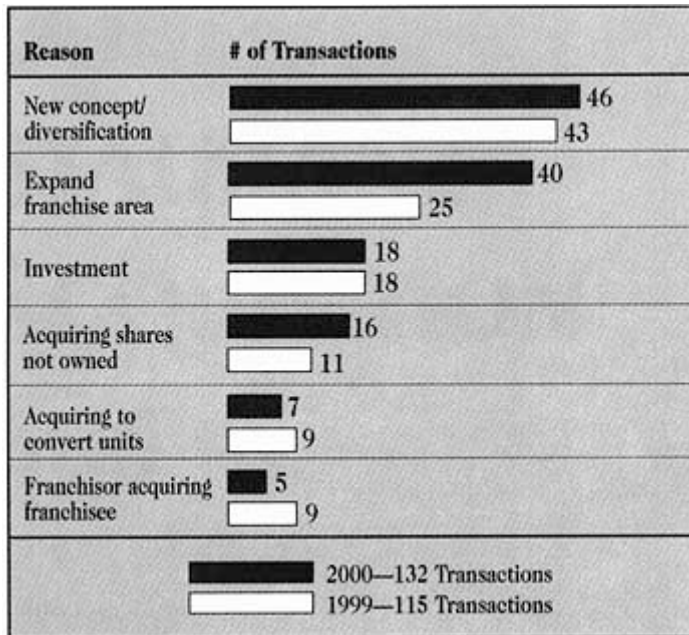
INDUSTRY SEGMENT

The family/coffee shop segment lead the Census for the first time in many years. Midscale restaurants continued to attract buyers as many of the companies taken private were in this category. The burger segment again saw many more transactions this year than in the past two years. Full service concepts increased their share of the number of transactions captured; however, over 50% of all transactions were in QSR.

	2000	%	1999	%
Family/Coffee Shop	23	17.4	11	9.6
Midscale Family	19	14.4	16	13.9
Burger	18	13.6	7	6.1
Ethnic	17	12.9	13	11.3
Pizza	11	8.4	14	12.2
Contract Feeder	9	6.8	8	7.0
Chicken	6	4.5	9	7.8
Bakery	6	4.5	5	4.3
Diversified	5	3.8	3	2.6
Ice Cream	5	3.8	1	0.9
Sandwich	4	3.0	14	12.2
Seafood	3	2.3	2	1.7
Cafeteria	3	2.3	1	0.9
Steak House	2	1.5	7	6.1
Dinner House	1	0.8	2	1.7
Juice Bar	0	0.0	2	1.7
	132	100.0	115	100.0

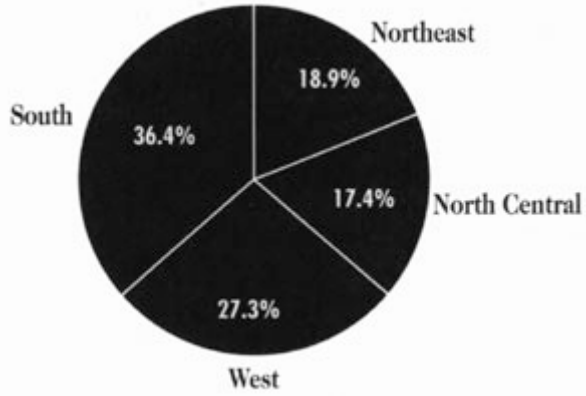
REASON FOR THE PURCHASE

Diversification remains the most frequent reason given by buyers in searching for a new concept. Because of lower values in the latter half of the year, many shareholders chose to buy other shareholders' interest. A horizontal integration strategy prompted many franchisees and contract feeders to expand their territories with proven concepts.



GEOGRAPHICAL REGION OF TARGET COMPANY

Foreign buyers were unsuccessful in purchasing domestic restaurant chains, a sharp departure from 1999. The Southern region once again lead all other regions followed by the West.



Region	2000	%	1999	%
South	48	36.4	55	47.8
West	36	27.3	24	20.9
Northeast	25	18.9	14	12.2
North Central	23	17.4	16	13.9
Foreign/Unknown	0	0.0	6	5.2
	132	100.0	115	100.0

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