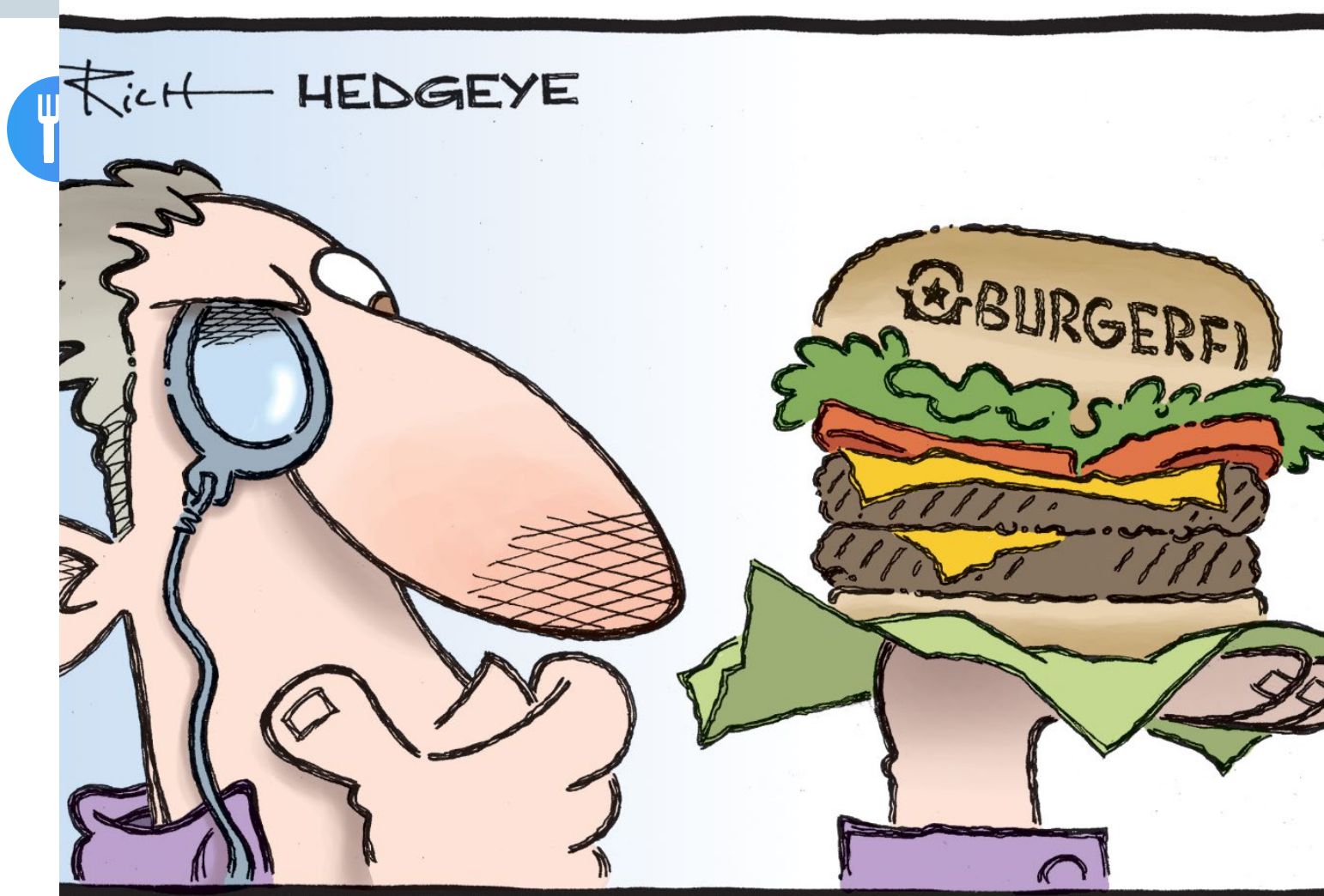


HEDGEYE

BURGERFI – THE NEXT BIG THING?

Adding to the Best Idea **LONG** list

February 12, 2021



RESTAURANTS

Howard Penney | Managing Director | @HowardWPenney

Daniel Biolsi | Director | @Hedgeye_Staples

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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Hedgeye Restaurants Position Monitor

HEDGEYE

HEDGEYE RESTAURANTS POSITION MONITOR

BEST IDEAS - LONG

TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E
EAT	Brinker International	\$67.15	\$3,064	18.5x
TXRH	Texas Roadhouse	\$87.34	\$6,062	32.3x
STKL	SunOpta	\$16.52	\$2,148	133.2x
BFI	BurgerFi International	\$15.55	N/A	N/A

BEST IDEAS - SHORT

TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E
BYND	Beyond Meat	\$175.66	\$10,747	827.0x
SHAK	Shake Shack	\$130.76	\$5,355	520.7x
QSR	Restaurant Brands	\$59.14	\$35,565	21.4x
DIN	Dine Brands Global	\$75.80	\$1,281	14.7x
CAKE	Cheesecake Factory	\$51.61	\$2,318	32.7x
BLMN	Bloomin' Brands	\$23.41	\$2,070	20.5x

LONG BIAS

PZZA	Papa John's	\$109.13	\$3,570	47.2x
DPZ	Domino's	\$385.20	\$15,054	29.3x
DRI	Darden	\$128.92	\$16,810	23.5x
BJRI	BJ's Restaurants	\$53.06	\$1,223	260.9x
SBUX	Starbucks	\$105.86	\$124,641	34.5x

SHORT BIAS

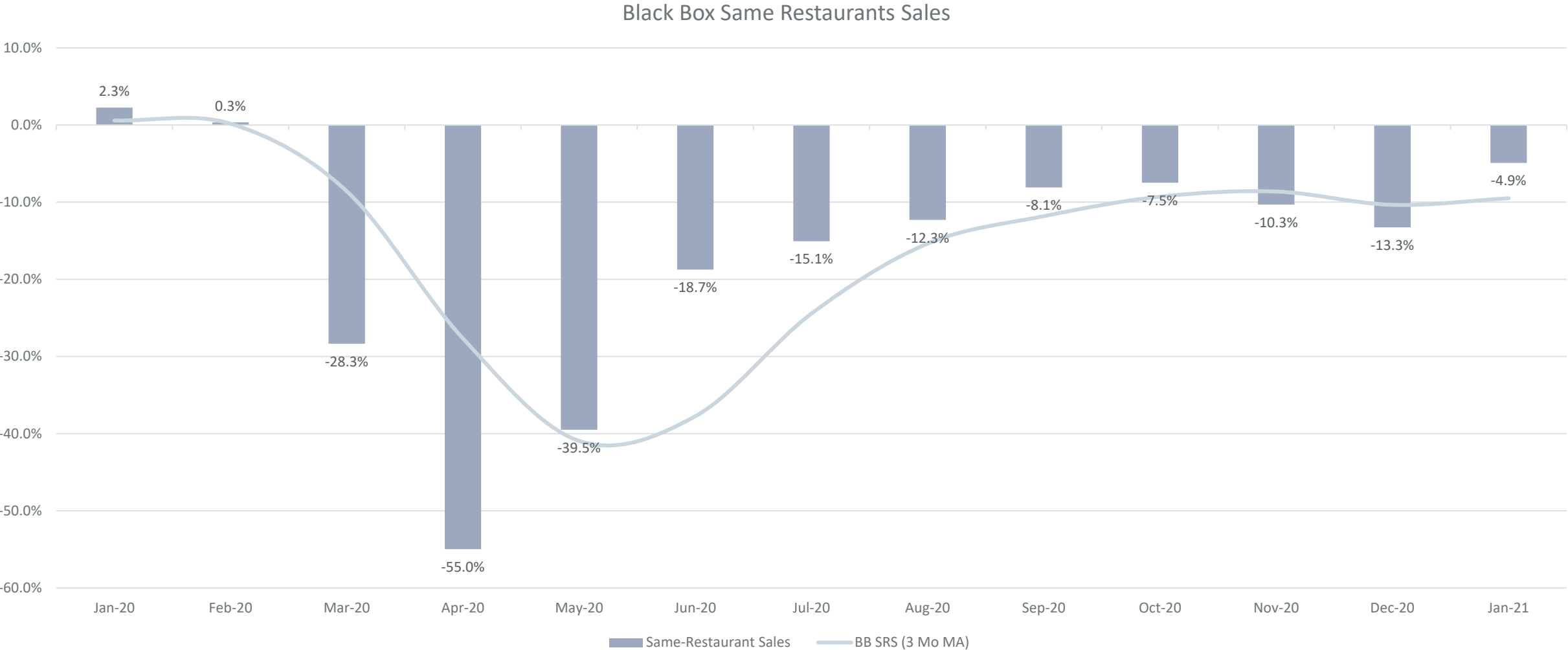
DASH	DoorDash	\$213.26	\$68,347	N/A
TAST	Carrols	\$6.57	\$354	258.7x
WING	Wingstop	\$171.37	\$4,881	117.1x
TKWY-AMS	JustEat Takeaway	\$88.28	\$12,946	1628.9x

*Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

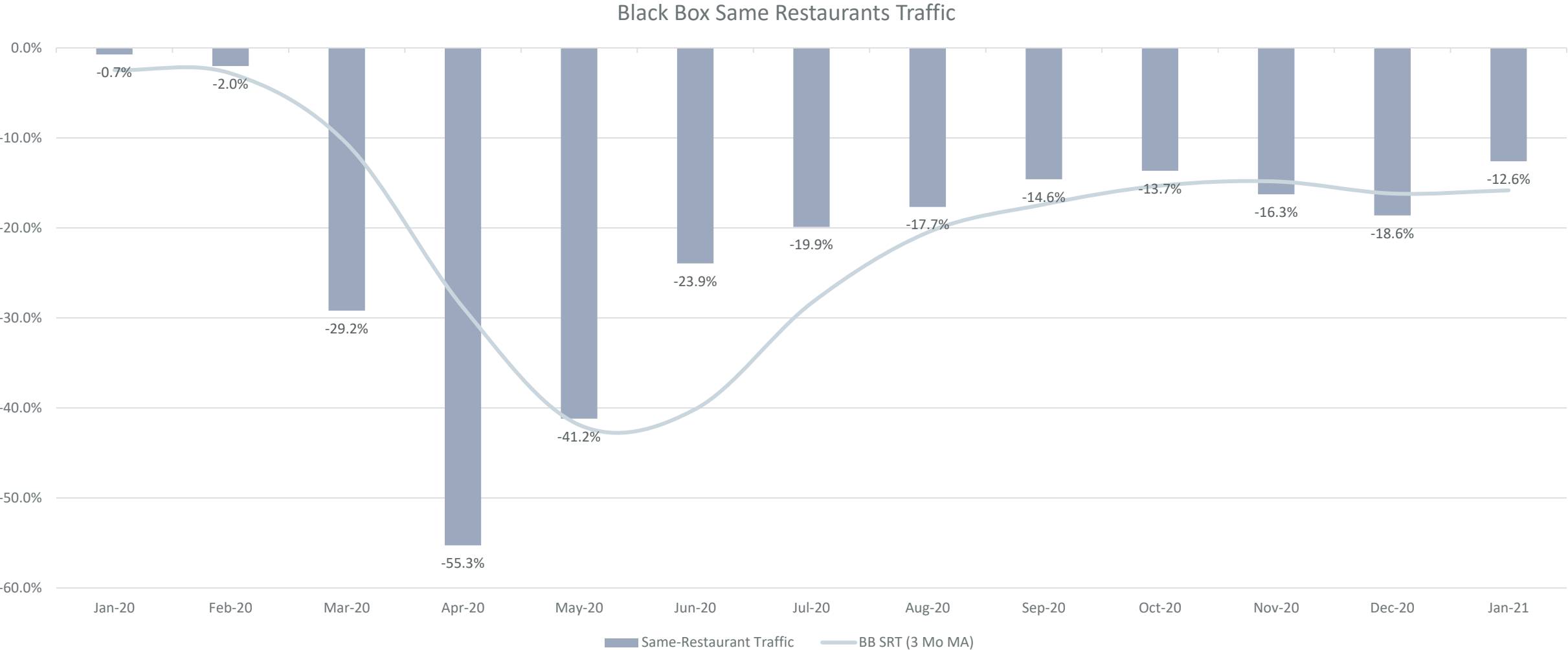
Restaurant Macro



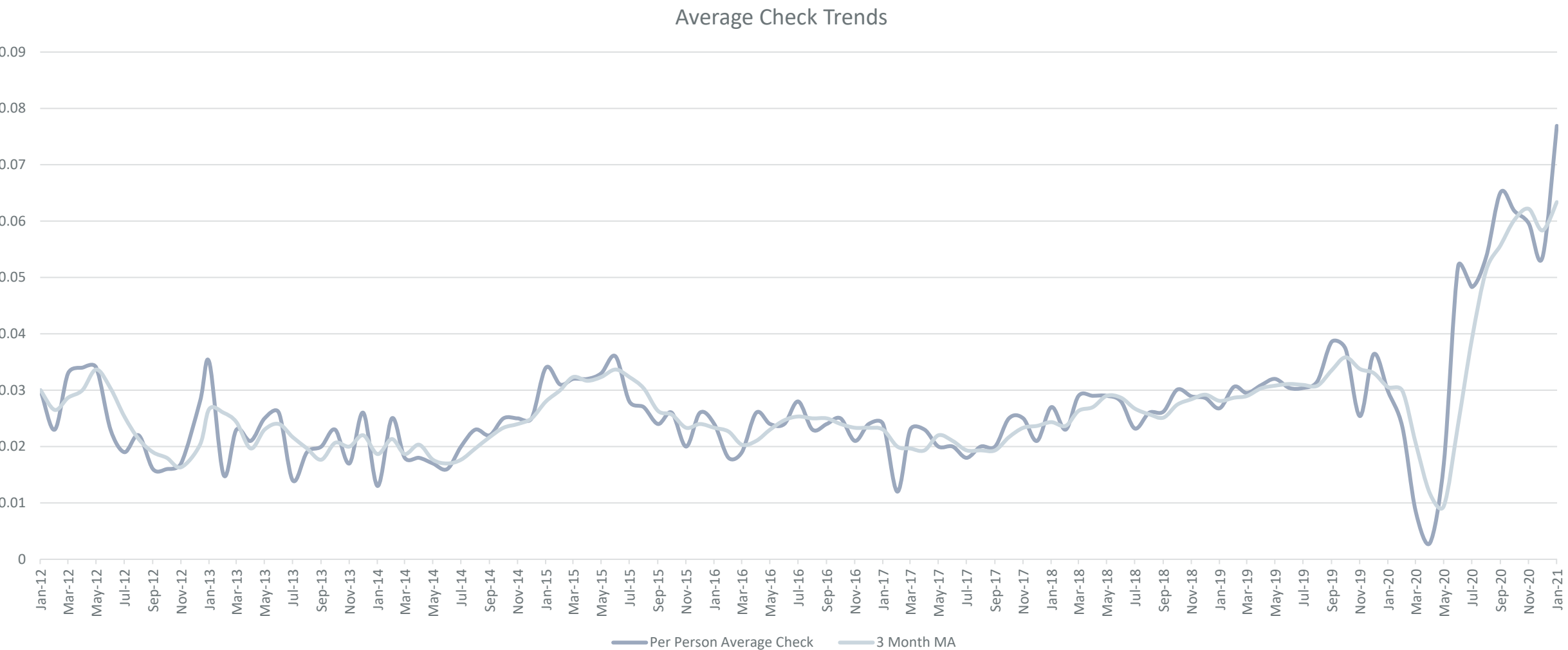
Black Box | Same Restaurant Sales



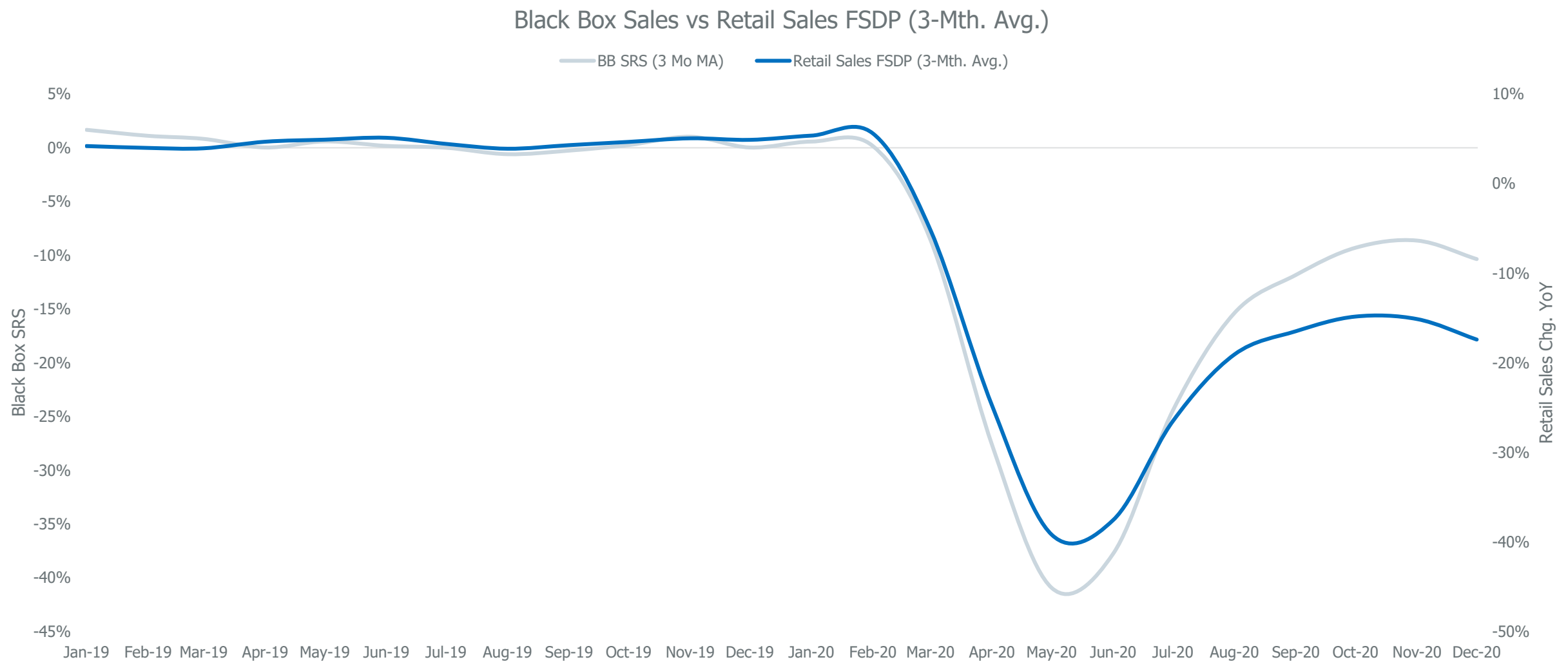
Black Box | Same Restaurant Traffic



Black Box | Average Check

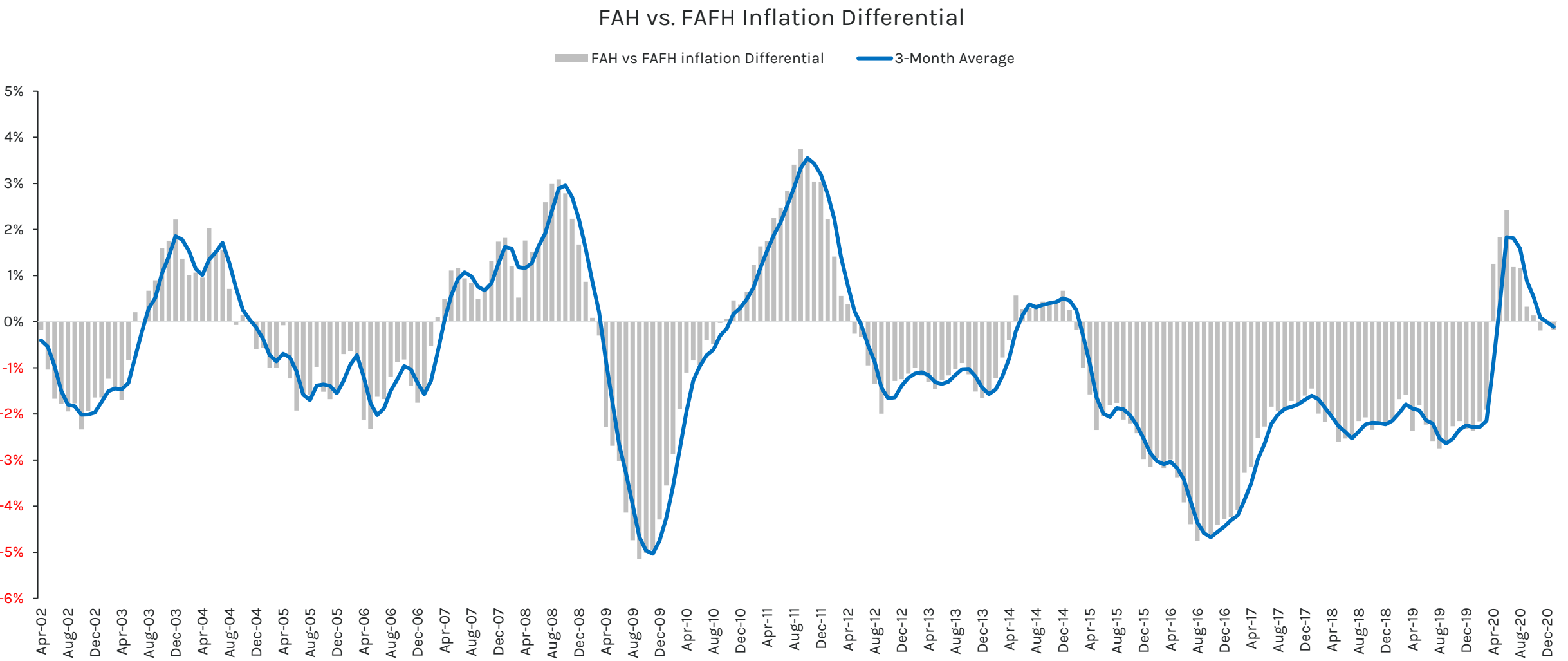


Black Box | Sales vs. Food Service



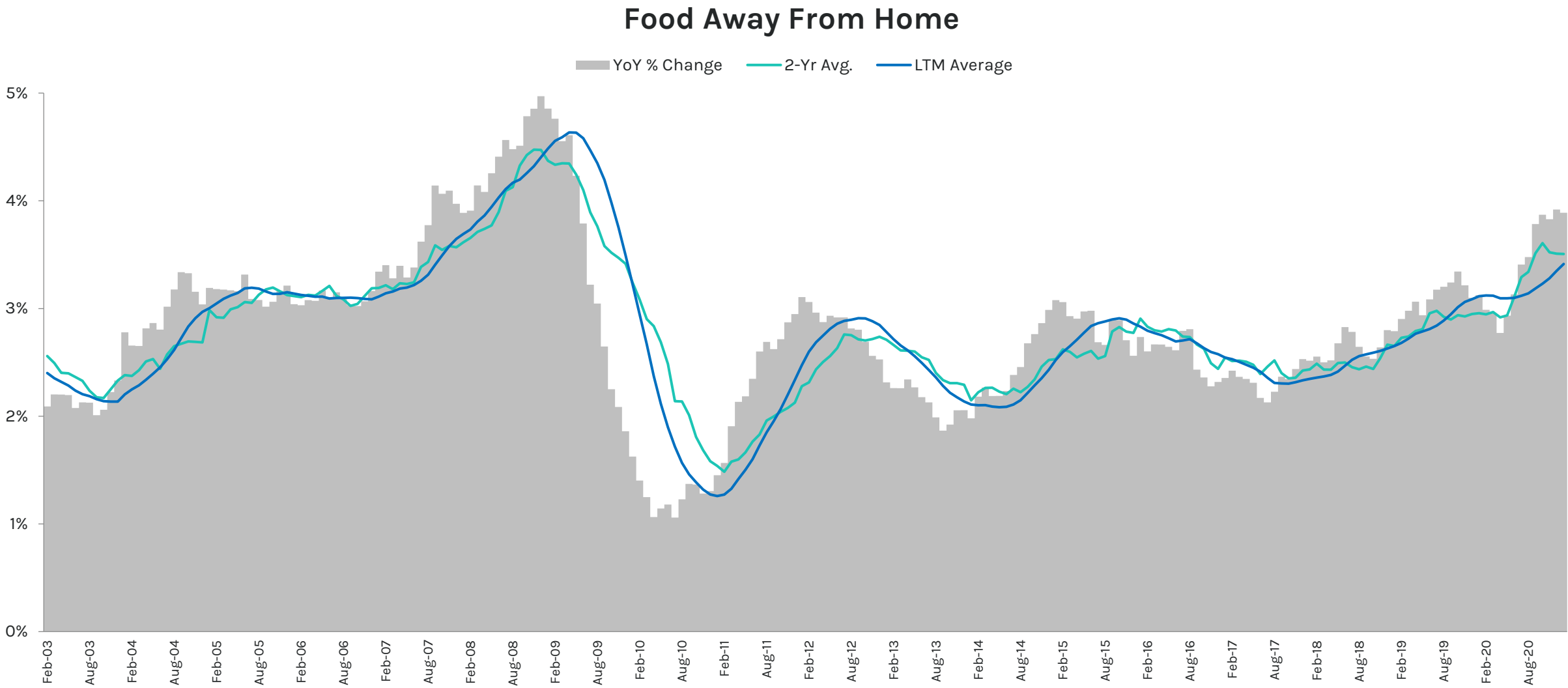
Macro | CPI Food At Home vs. Food Away From Home

Restaurant price increases are outpacing grocery prices in the three most recent months.



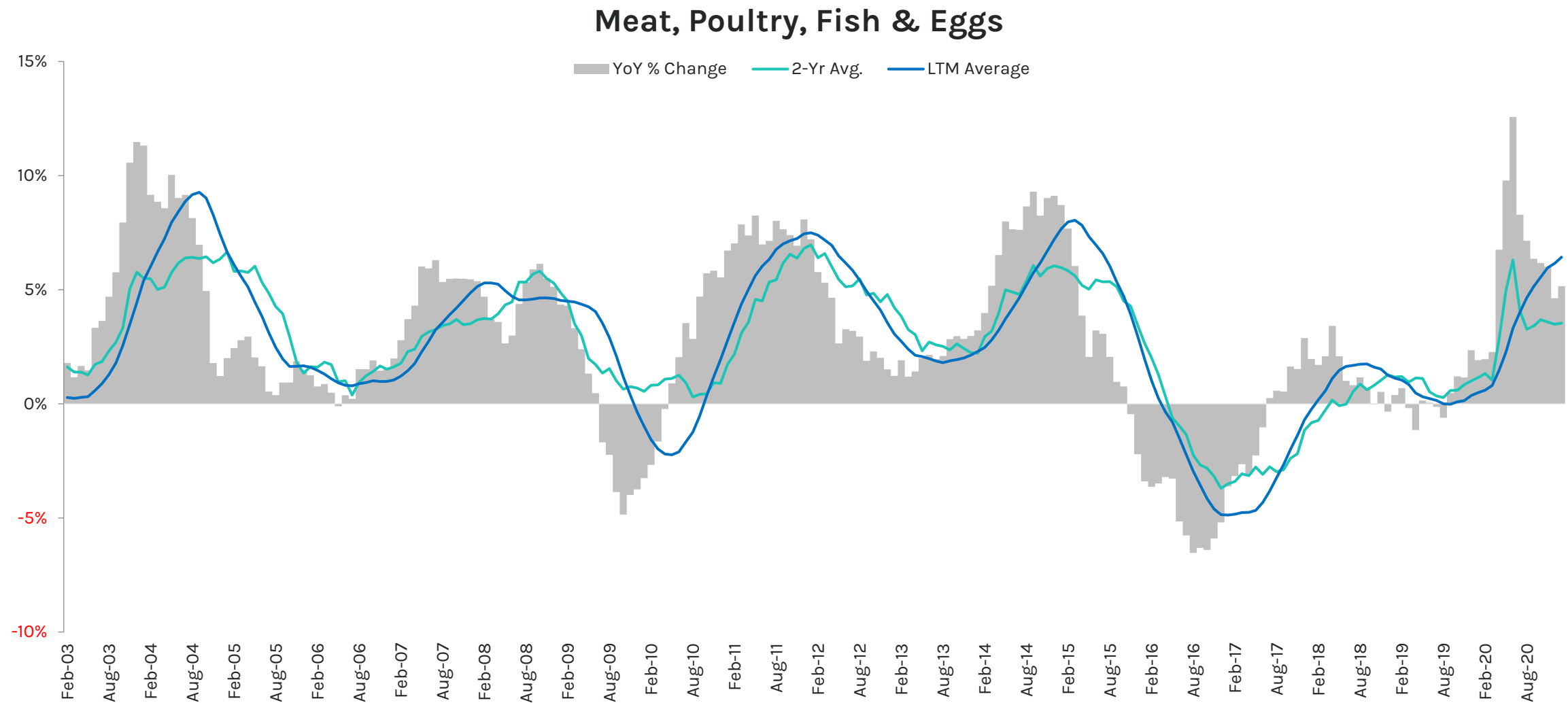
Macro | CPI – Food Away From Home

Price increases have picked up during the pandemic.



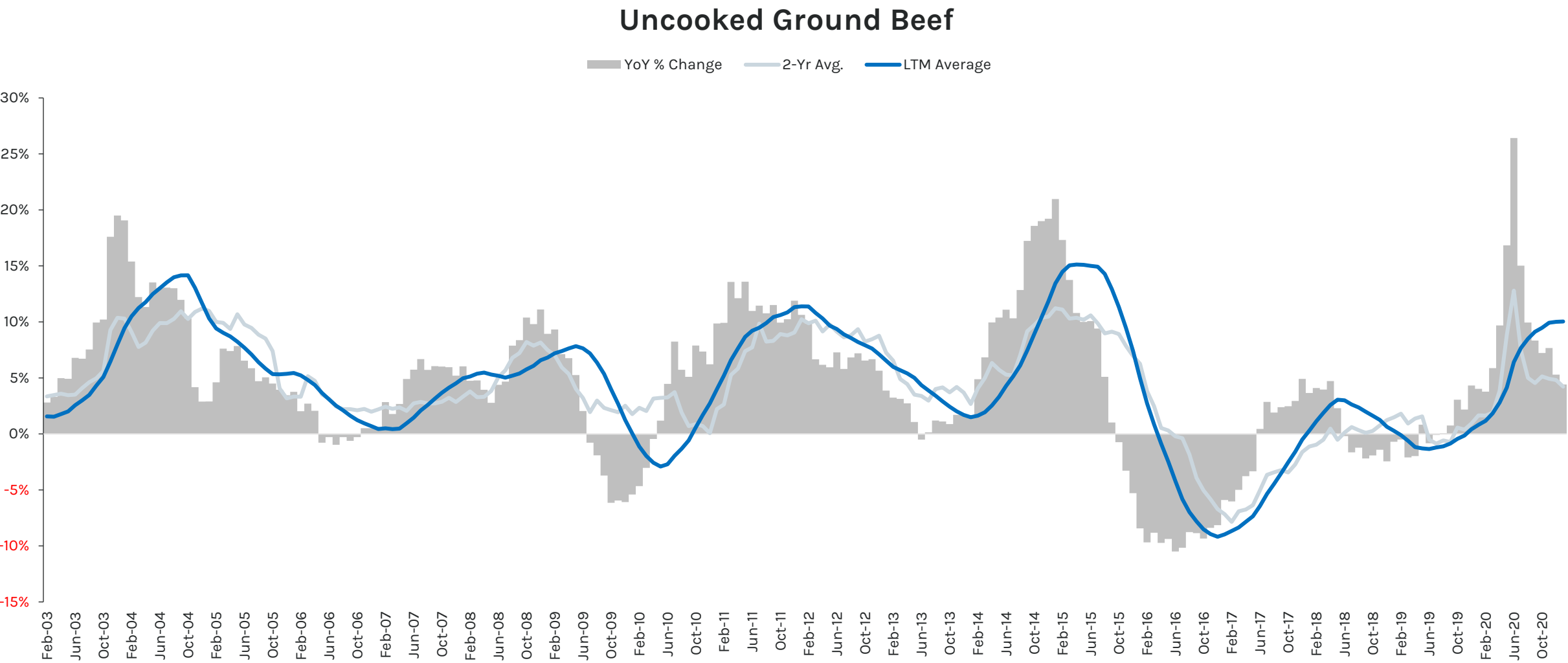
Macro | CPI – Meats, Poultry, Fish, and Eggs

Prices have cooled recently, but are still lifting the overall food category.



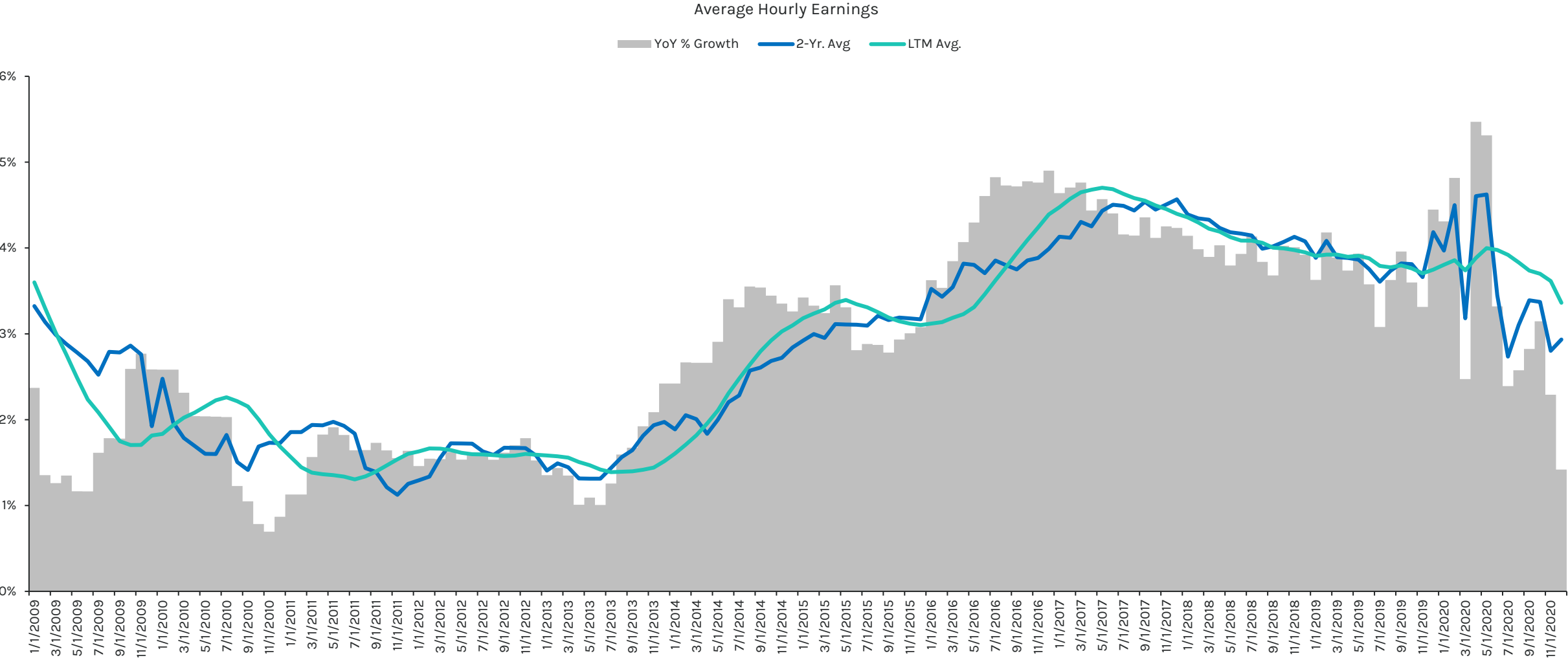
Macro | CPI – Ground Beef

Price increases continue to cool since the early pandemic spike.



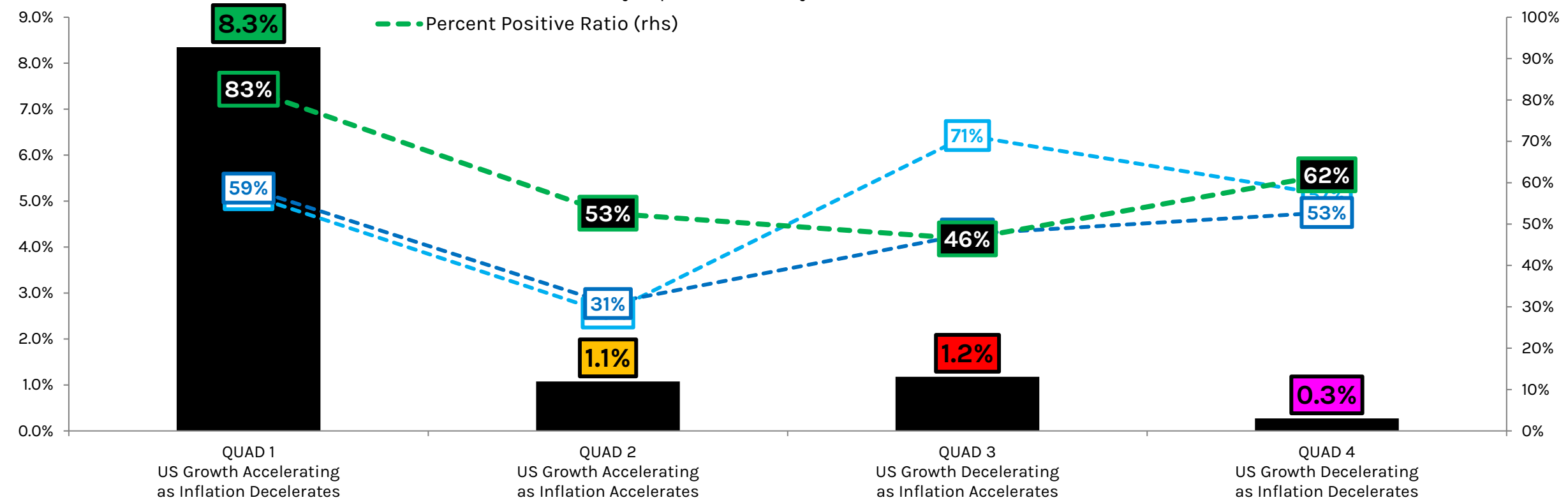
Macro | Hourly Wage Growth For Food Services & Drinking Places

After initially spiking during the pandemic wage inflation has cooled.



S&P 500 Hotels Restaurants & Leisure Industry GICS Level 3 Index

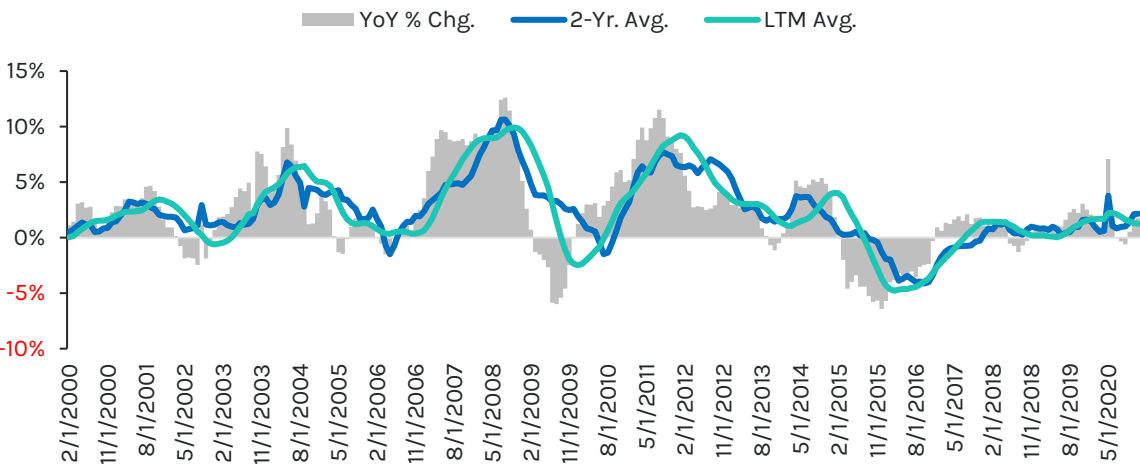
- Quarterly Expected Value, by Hedgeye Macro GIP Quadrant
- Percentile of Quarterly Expected Value, by Asset Class or Exposure Grouping (rhs)
- Percentile of Quarterly Expected Value, by Quadrant (rhs)
- Percent Positive Ratio (rhs)



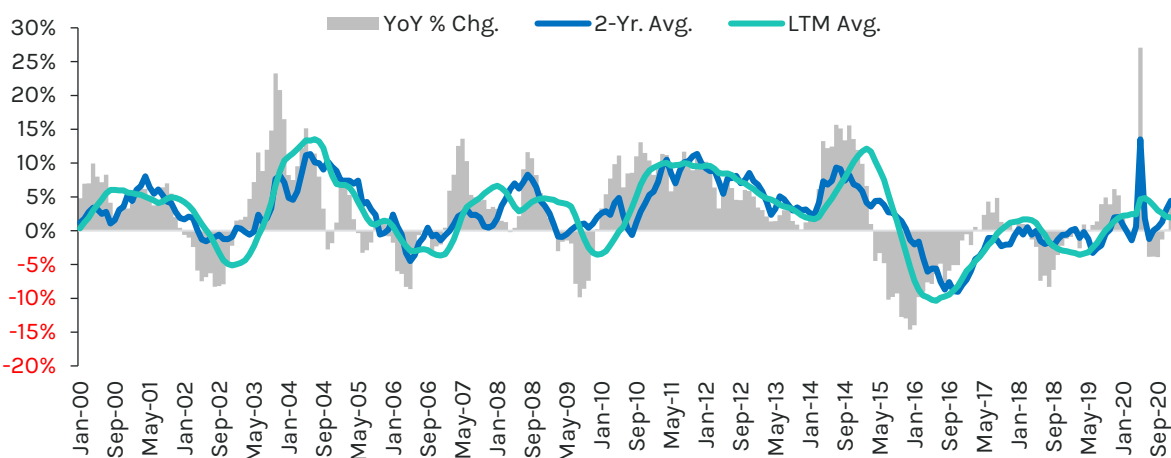
Data Source: Bloomberg. Asset classes include equities, fixed income, currencies and commodities. Quarterly observations starting in 1Q98.

Macro | PPI Dashboard

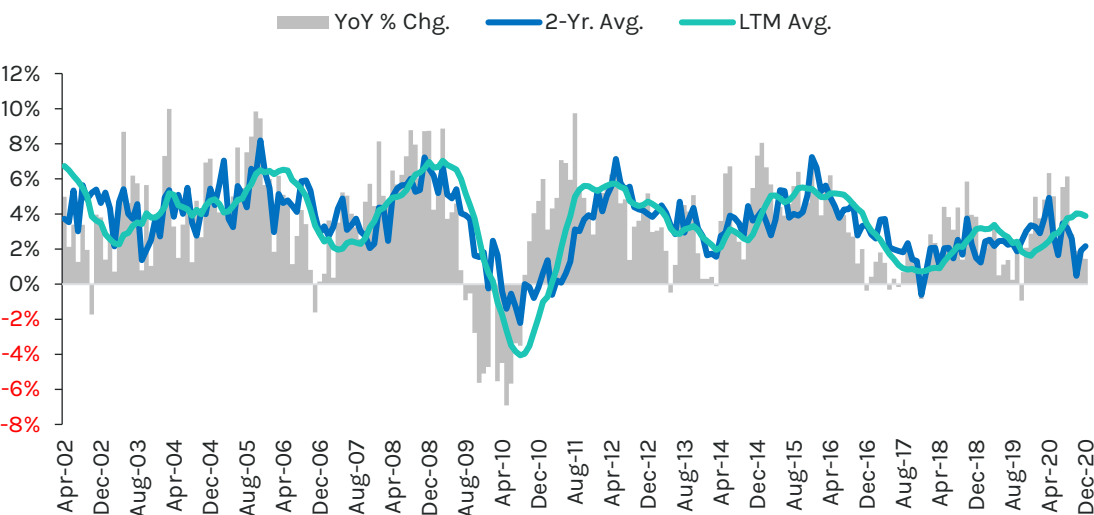
PPI - Food Manufacturing



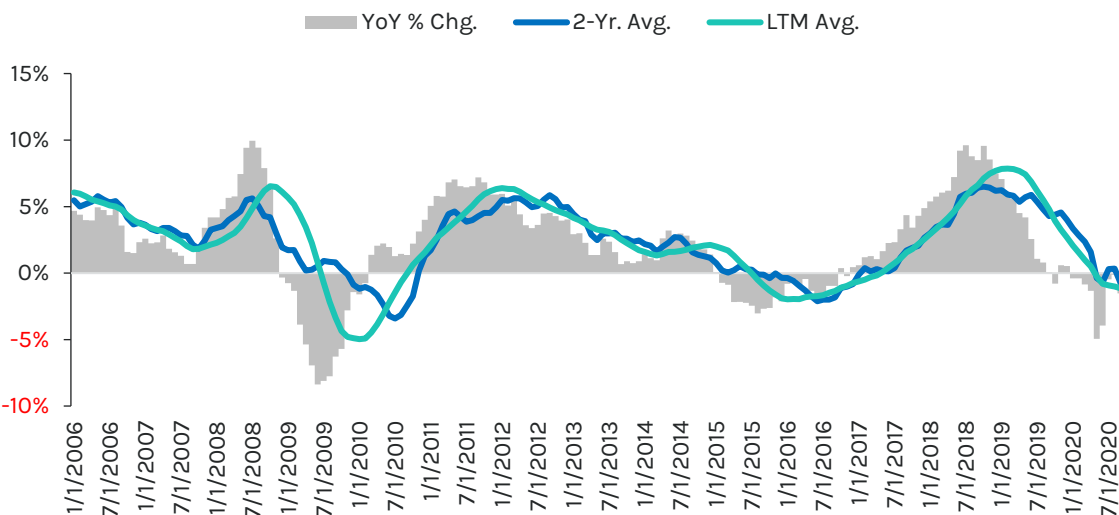
PPI - Animal Slaughtering and Processing



PPI - Food and Beverage Stores

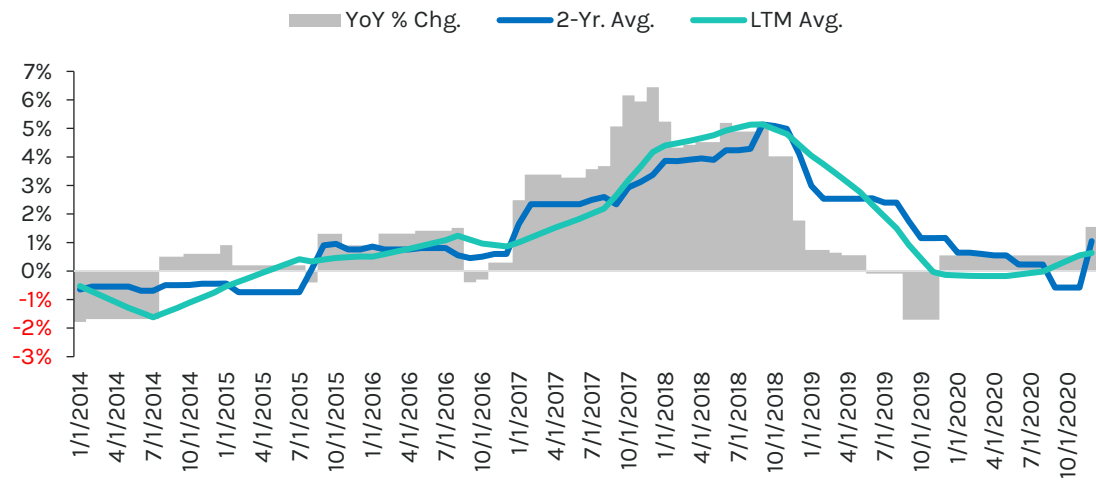


PPI - General Freight Trucking

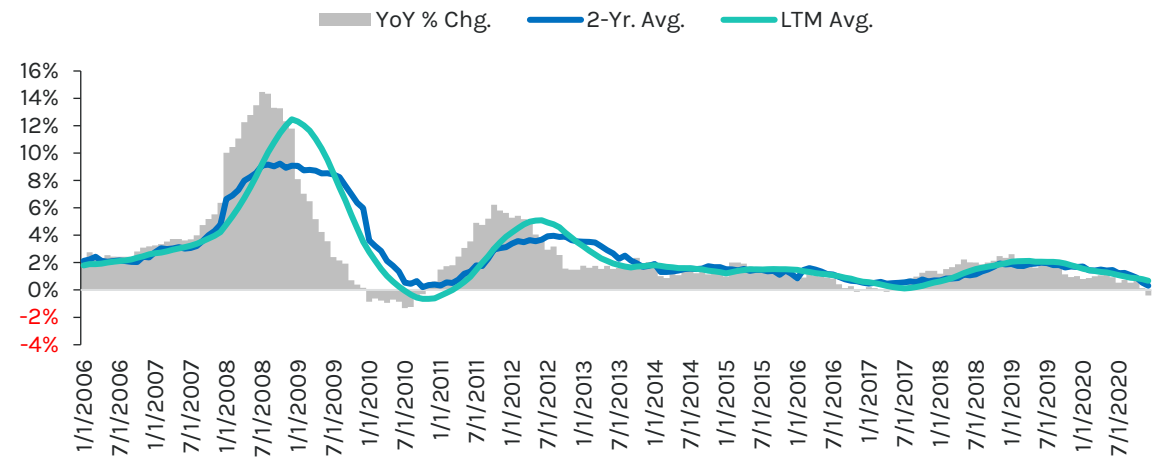


Macro | PPI Dashboard

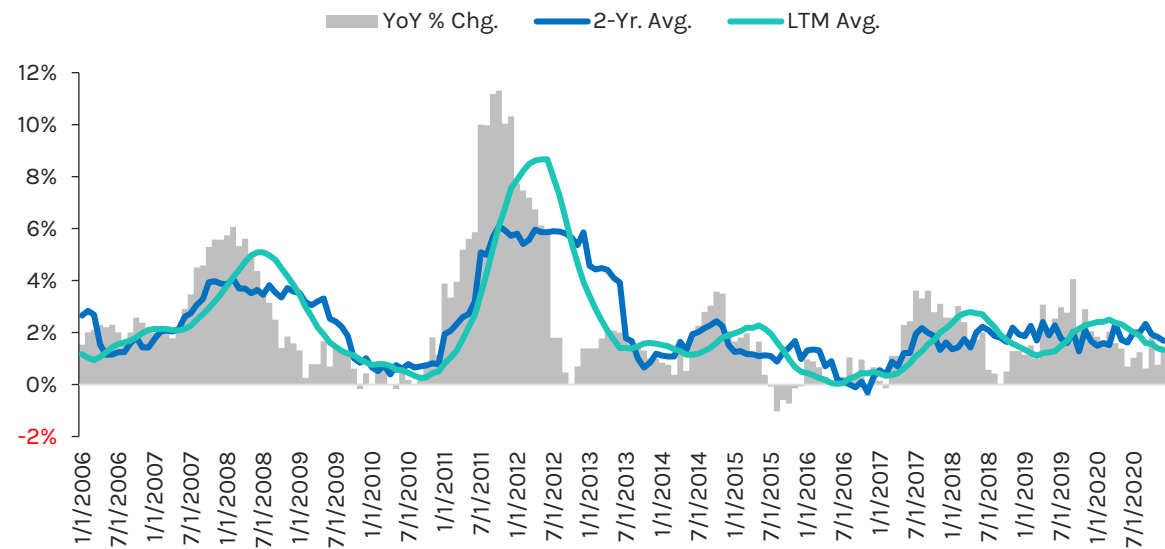
PPI - Frozen Potato Products



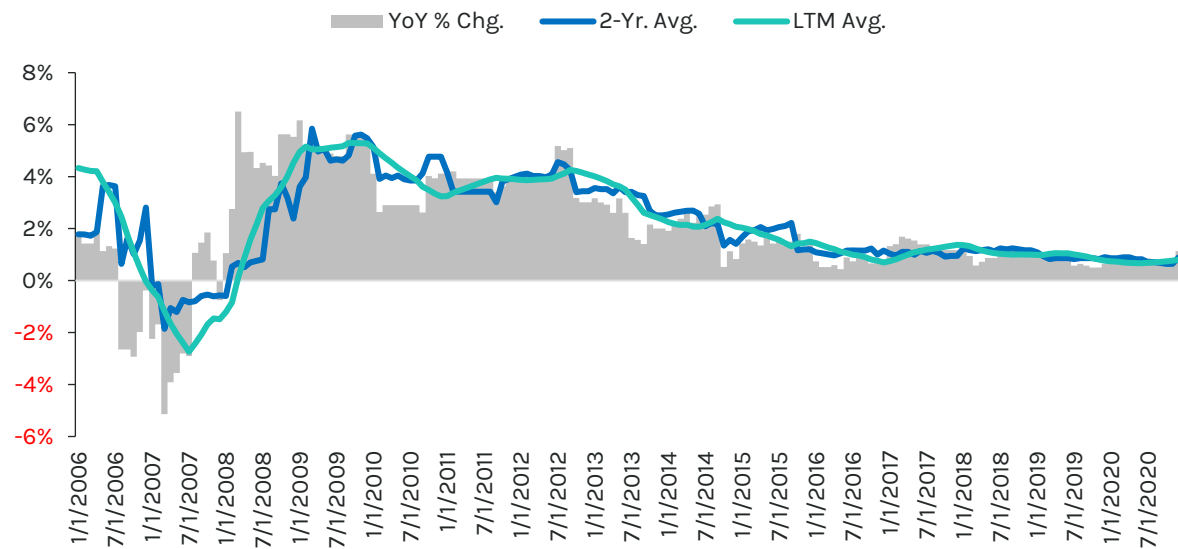
PPI - Bakeries & Tortilla Mfg.



PPI - Ice Cream and Frozen Dessert mfg.



PPI - Breweries



Company Overview

HEDGEYE



1 EMERGING “PURPOSE BUILT” RESTAURANT BRAND

Will BFI be the next WING, SHAK or CMG? It's possible, as we have not seen a young brand with this much promise in over 5 years. The young concept will allow the company to readily adapt to digital, delivery and Ghost kitchens to maximize returns. It's important to remember that BFI is an emerging company in the restaurant space and there will be bumps in the road. BFI has exceptional runway for growth as it is only 23% penetrated for its unit potential.

2 TIMING IS RIGHT FOR UNIT GROWTH

Coming out of the pandemic the real estate opportunity for BFI is strong. As a public company with a strong balance sheet, developers will be looking for a new concept like BurgerFi. BFI will also benefit from the significant number of restaurant closures in 2020 and 2021. The company will look to grow total system stores by 20-25% annually over the next 5 years.

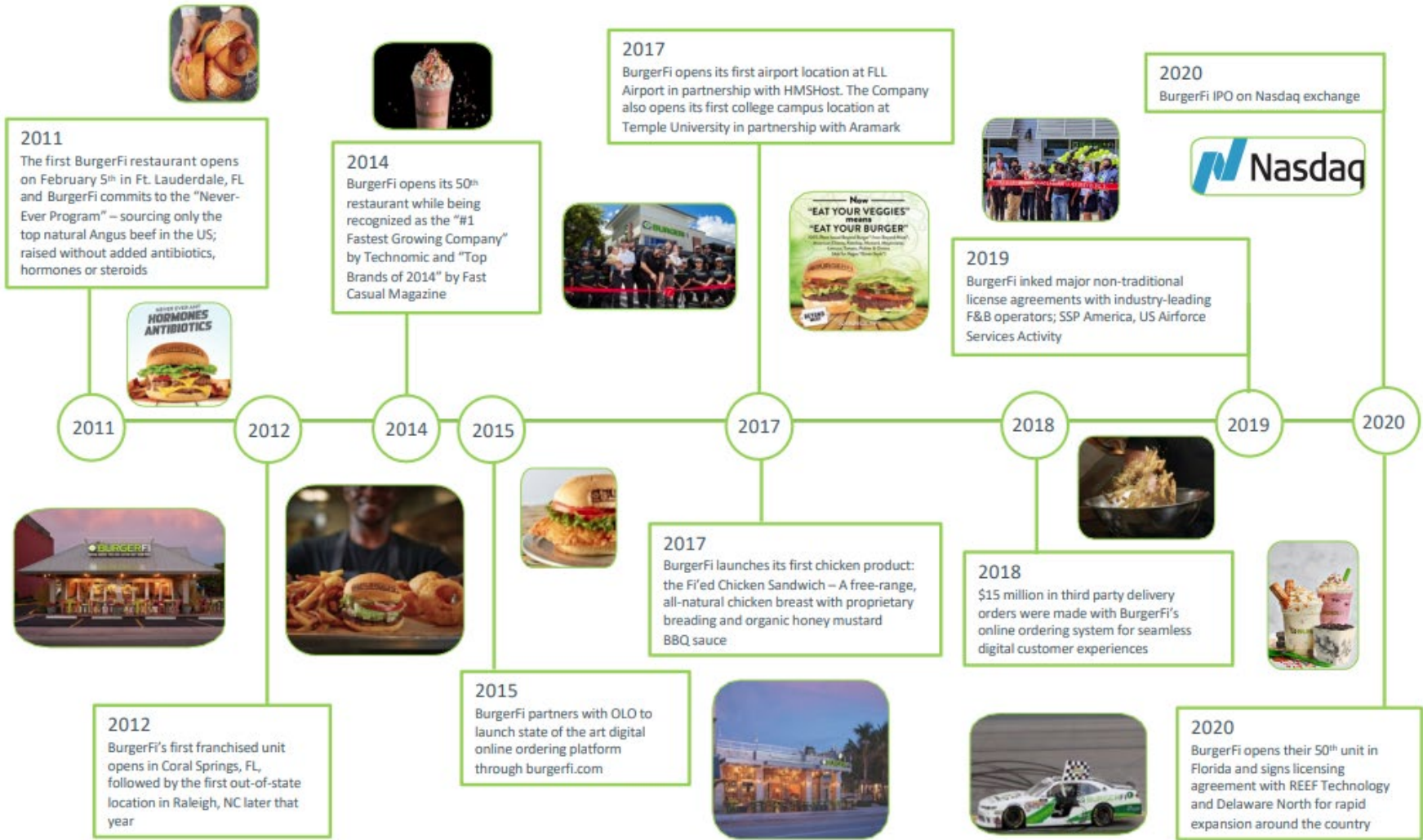
3 MANAGEMENT HAS STRONG QSR BACKGROUND

Julio Ramirez has 35+ years of QSR/Fast Casual experience and nearly as many years in key senior executive-level roles at Burger King Corporation. He helped establish Burger King as a strong brand as President of BK Latin America. Management has focused the growth of the company units in its core markets to allow for increased brand awareness to drive top line momentum.

4 POTENTIAL DOUBLE IN 2-3 YEARS?

We want to be clear that BFI is an emerging restaurant concept in a very competitive market. We think the stock can double from current prices over the 1-2 years, but there will likely be setbacks along the way. In the short run the concept will benefit from easy comparisons in 2021, but it needs to see strong execution on its unit growth strategy to be successful.

BFI | TIMELINE



BFI | MANAGEMENT TEAM

The Management Team Has a Real Estate/QSR background.

Senior Executive Leadership Team



Ophir Sternberg
Executive Chairman
30+ years of experience



Julio Ramirez
Chief Executive Officer
35+ years of experience



Charles Guzzetta
President
10+ years of experience



Nick Raucci
Chief Operating Officer



Bryan McGuire
Chief Financial Officer



Chef Paul Griffin
Chief Culinary Officer



Ross Goldstein
Chief Legal Officer

Julio Ramirez

- 35+ years of QSR/Fast Casual experience
- 25+ years in key senior executive-level roles at Burger King Corporation
 - Executive Vice President of Global Operations
 - Senior Vice President of USA Franchise
- Operations & Development
 - President of Latin America
 - Senior Director of USA Field Marketing
- Led teams that successfully opened 10 high-growth markets including Brazil, Colombia and others
- Surpassed McDonald's in total restaurant locations in Mexico and 14 other countries in Latin America
- Co-owned Giardino Gourmet Salads, a fast casual chain, and helped to re-brand and double the company in size



BFI | CAN BFI MEASURE UP?

How Does BFI Stack Up (\$ Mill)?

	BFI	SHAK	CMG	WING
2021 Sales	\$ 50.0	\$ 734.7	\$ 7,025.0	\$ 280.1
2021 Sales Growth	75%	40%	17%	14%
2020 SSS	-13%	-12%	12%	14%
Average Check	\$ 13.00	\$ 16.00	\$ 13.00	\$ 15.00
YE 2020 Stores US (US)	117	183	2,945	1,523
% Franchised	85%	41%	0%	97%
Unit Potential	500	500	6,000	7,000
% Penetration	23%	37%	49%	22%
2020 Average Unit Volume	\$1,750.0	\$ 3,000.0	\$ 2,200.0	\$ 2,200.0
Restaurant Level Margin (2021)	13.0%	19.0%	22.0%	24.0%
Unit Investment Cost	\$ 750.0	\$ 2,200.0	\$ 1,000.0	\$ 700.0
Cash On Cash Return	30.3%	25.9%	48.4%	75.4%
EBIT Margin	9.0%	1.6%	11.6%	25.0%
2020 Food Costs	26.5%	32.6%	32.6%	35.0%
2020 Labor Costs	32.3%	26.5%	26.5%	24.0%
Stock Price at IPO/LISTING	\$ 15.71	\$ 21.00	\$ 22.00	\$ 19.00
Current Price	\$ 15.55	\$ 114.00	\$ 1,487.00	\$ 156.00
% Return Since IPO	-1%	443%	6659%	721%

MENU STRATEGY



Broad consumer appeal

➤ Diversified Food & Beverage Sales Mix

Using state-of-the art digital menu boards, BurgerFi's menu speaks to the brand's quality and variety.

This diversified menu appeals to a broad range of consumers, including those who may opt for non-beef options such as chicken, vegetarian burgers, the 100% vegan, plant-based Beyond Burger and gluten-free alternatives.

If a company like BYND is going to be successful in its Food Service segment, more concepts like BFI will need to focus on selling the BYND burger.

BurgerFi's menu also features fresh-cut fries and hand-battered onion rings, frozen custard and shakes, freestyle Coca-Cola beverages and craft beer and wine.

BurgerFi enjoys diverse sales across dayparts and revenue centers.

➤ Customization Options

Beginning with 100% natural Angus beef, free of hormones and antibiotics, BurgerFi has built an eclectic, consumer-friendly menu.

Customers are treated to an intuitive and highly customizable experience, appealing to a variety of food preferences, including enhanced offerings through vegan and gluten-free options (e.g. "greenstyle" lettuce wrapped sandwiches).

BFI | MENU

BurgerFi's "better burger" menu features many indulgent foods.

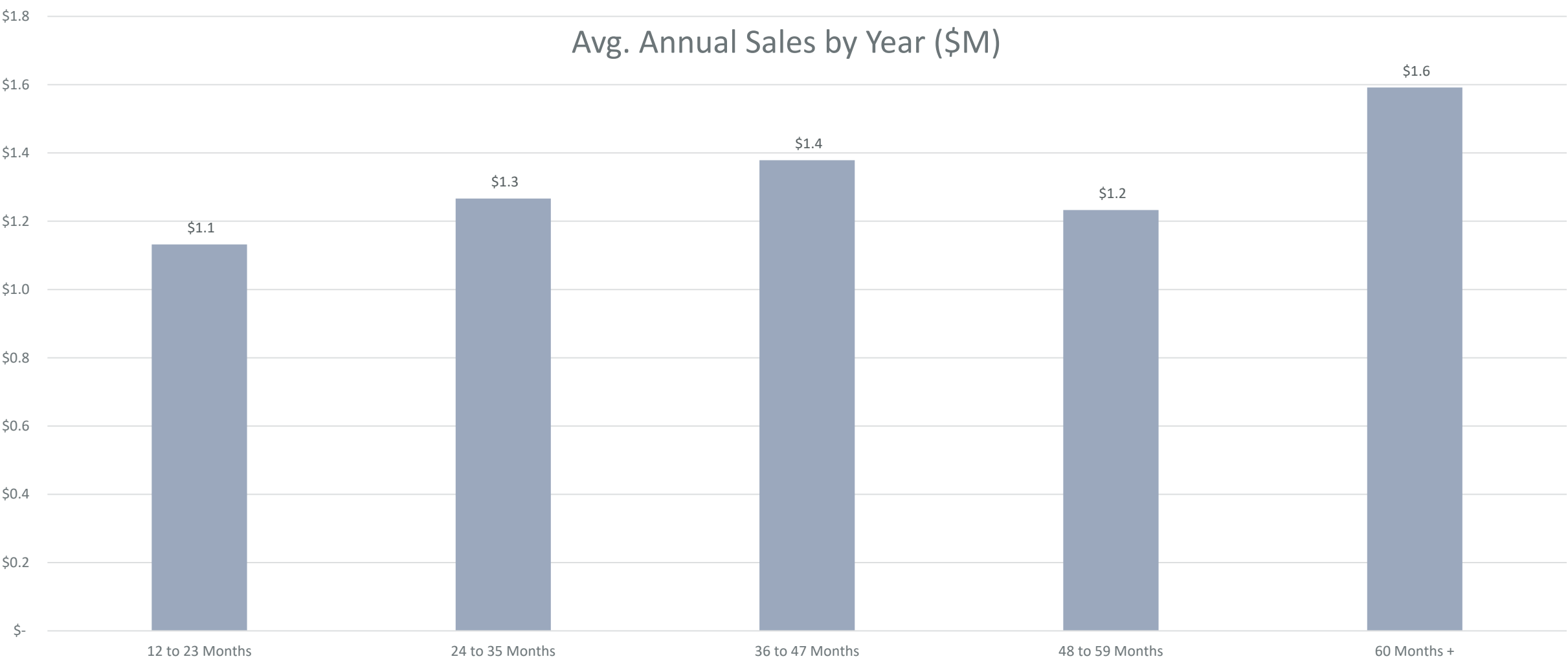


Franchise Economics



Franchisee | Average Annual Sales by Months Open

Store maturation is a natural comp lift.



UNIT GROWTH | Concentration on the East Coast

Geographic concentration is also natural comp lift.



Franchisee | Openings & Closings

Low level of franchisee closings indicate healthy operators.

Franchisees

- In 2017 15 restaurants opened, 2 terminated, 1 re-acquired, and 5 ceased operations.
- In 2018 11 restaurants opened, 1 terminated, and 4 re-acquired.
- In 2019 11 restaurants opened, 4 re-acquired, and 1 ceased operations.

Company & Affiliate Owned

- In 2017 2 re-acquired from franchisee, 1 closed, and 1 sold to franchisee.
- In 2018 5 re-acquired from franchisee, 1 closed, and 1 sold to franchisee.
- In 2019 2 opened, 2 re-acquired from franchisee, and 3 closed.
- Two most recently re-acquired restaurants were for \$1.3M and \$1.25M.

Franchisee | Figures & Metrics

Fees are standard and investment costs are lower than comparables.

- Royalty rate 5.5%
- Brand development 1.5% of sales
- Local ad 2%
- Initial franchise fee \$37,500
- Rent ranges \$17,600-41,250
- Total investment costs \$613,600-987,250 include leasehold improvements of \$242-420k, and equipment & furniture of \$235-275k.
- Average annual sales of franchisees in 2019 \$1.55M.

UNIT DEVELOPMENT POTENTIAL



BFI | UNIT LOOKS



BUILDING THE FRANCHISEE PIPELINE

Focus growth on core markets in Florida/East Coast & Seeding West Coast with Ghost Kitchens

- BFI has a strong presence in the Southeastern United States - BurgerFi will focus on franchise development and growth up the Eastern seaboard - to the Mid Atlantic and Northeast regions
- Franchisee strategy:
 - Are well capitalized
 - Have strong knowledge of geographical trade areas
 - Possess restaurant, retail and/or hospitality experience
 - Can work well with existing team and other operators/are a good cultural fit
- BurgerFi will identify franchisees through;
 - Existing contacts in the industry
 - Engaging current multi-brand franchise groups
 - Piloting with successful franchise focused investment banking firms
- Focus is on filling-in Eastern USA from Florida to New England
- Continue to pursue opportunistic multi-unit deals in Southwest/Midwest/Western markets with experienced operators
- REEF Technology is the ecosystem that connects the world to your block. With a distributed real estate network of more than 5,000 locations and 10,000 logistics and real estate professionals across 50 cities, REEF is the largest operator of logistics hubs, and "neighborhood kitchens" - otherwise known as "ghost kitchens" - in the United States.
- BurgerFi signed a license agreement with REEF Technology in April 2020
- REEF is backed by SoftBank
- New market expansion - Los Angeles, Seattle, Houston, Nashville, Minneapolis, Portland and Austin
- Penetration into markets that have been cost prohibitive for traditional brick and mortar restaurants
- BurgerFi launched its first ghost kitchen in June 2020 in Miami, Florida
- BurgerFi is committed to having 25 operating ghost kitchens by December 31, 2021
- BurgerFi is currently in the beginning stages of working with other major ghost kitchen operators including; Cloud Kitchens and EPIC Kitchens

2020 UPDATE – NO EBITDA GUIDANCE

The company put out an 8k update the performance on a number of different metrics as you can see below. BFI did not provide any estimate for 2020 EBITDA.

DELIVERY

“5 consecutive months of over 90% month over month delivery sales growth. We’ll continue to invest in technology with the goal of delivering a frictionless, omnichannel experience to drive guest satisfaction and sales,”

SAME-STORE SALES

In the fourth quarter 2020 versus the fourth quarter 2019, same store sales declined 2.9% compared to down 9.2% in the third quarter of 2020, and down 33.7% in the second quarter of 2020 and down 11.8% in the first quarter of 2020. Same store sales continued to sequentially improve each quarter in 2020 since Covid-19 hit in March. Same store sales declined 13.4% for the year ended December 31, 2020 versus the prior year.

In the fourth quarter 2020, BurgerFi company-owned restaurant sales increased 12.4% to \$7.0 million versus \$6.2 million in the same period last year. Systemwide restaurant sales for the fourth quarter were \$34.7 million which represents a decrease of 7.2% of same period in the prior year of \$37.4 million. This decrease was due primarily to the effects of Covid, which resulted in significant same store sales declines, particularly in the second quarter in 2020, versus the prior year, and also resulted in 10 temporary closings of franchise restaurants. The decrease was partially offset by 11 new company and franchise-owned restaurant openings in 2020. Systemwide sales were \$129.3 million in 2020, down 11.3% from \$145.8 million in 2019.

ROYALTY REVENUE

Royalty Revenue of \$1.5 million in the fourth quarter 2020 decreased \$0.5 million from the same period in 2019, representing a decrease of 24.9%. Royalty Revenue for the year ended December 31, 2020 was \$5.6 million which represented a decrease of 23.4% from 2019 Royalty Income of \$7.4 million.

UNIT GROWTH

BurgerFi opened 11 system-wide locations during the year ended 2020. Since December 1, 2020, BurgerFi has already opened 4 new restaurants, including BurgerFi’s first drive-thru in Hamburg, KY. BurgerFi is expecting to open 30 to 35 company and franchise operated restaurants in 2021, and a step-up unit growth for 2022 to open a total of 40 to 45 new company and franchise operated restaurants.

CASH ON HAND

Cash and marketable securities on hand were \$39.5 million as of December 31, 2020.

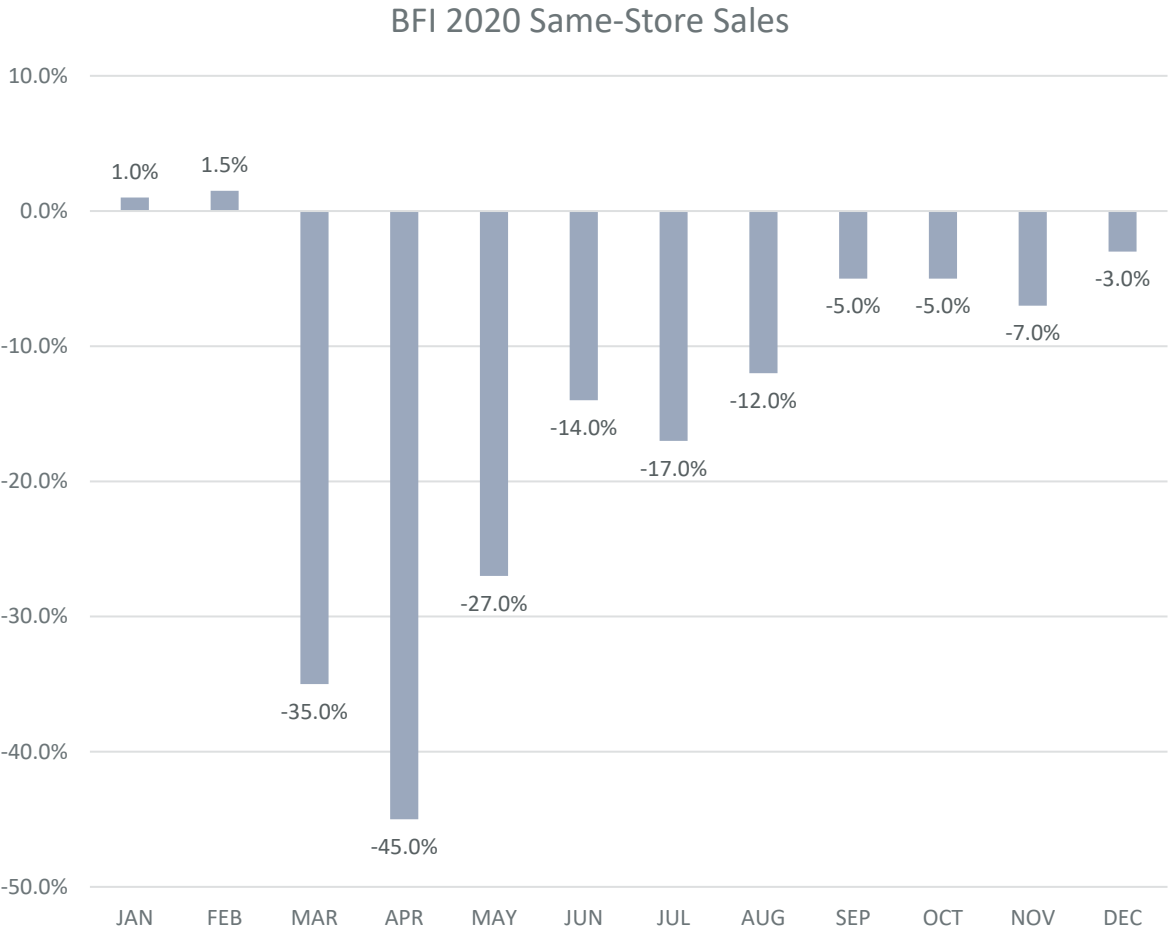
BFI | Quarterly Same-Store Sales



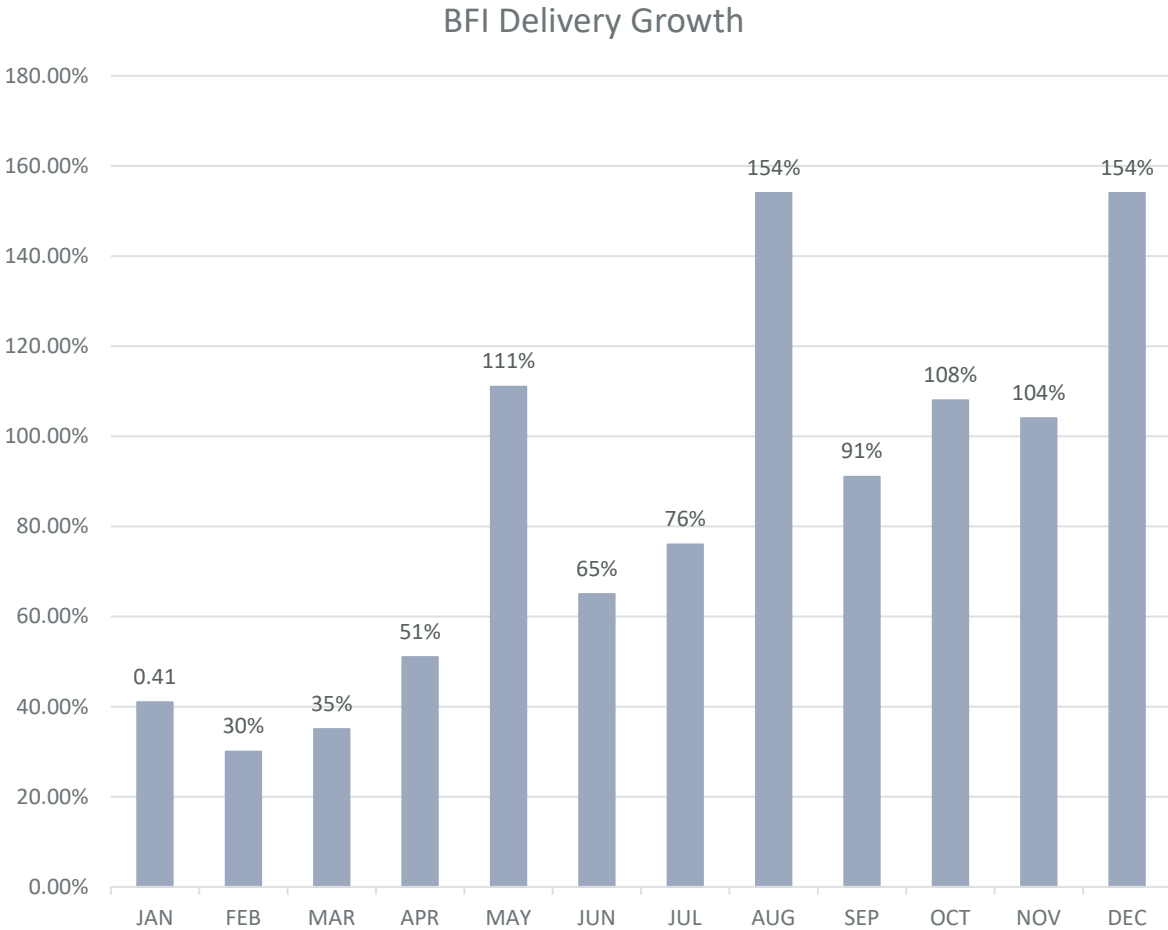
Current Modeling Trends



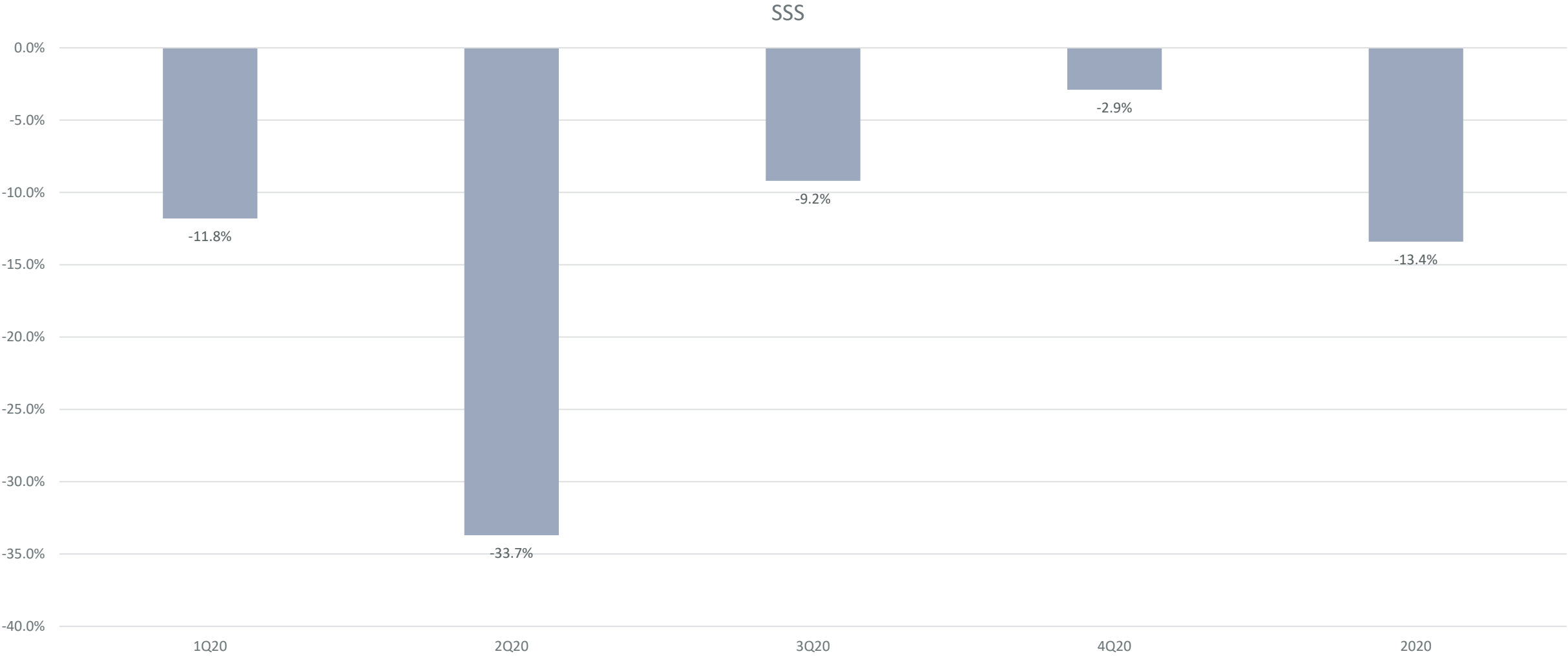
Same-Store Sales



Delivery Growth



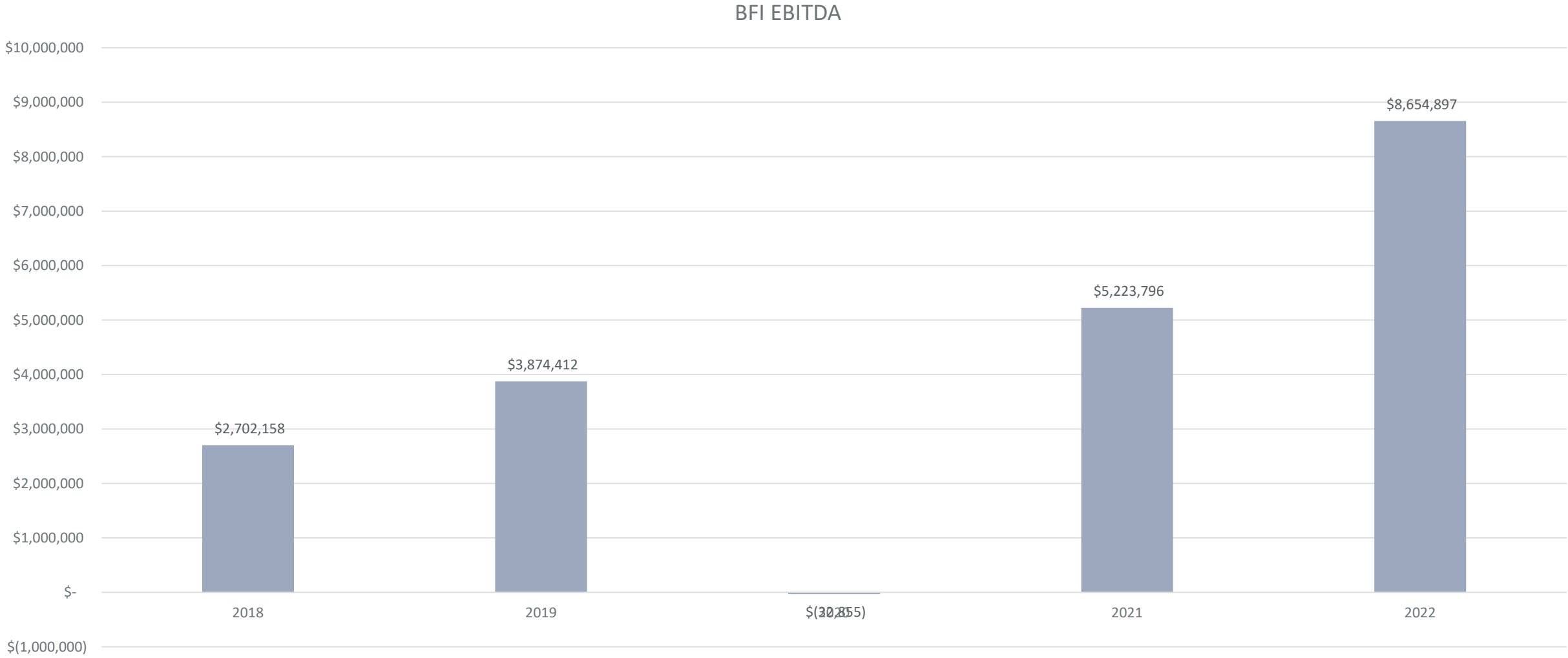
Trends | Quarterly Same-Store Sales



Trends | Systemwide Sales



Trends | EBITDA Estimates



Valuation



BFI | COMP SHEET

HEDGEYE RESTAURANTS COMP SHEET																						
									Financial Estimates							Valuation						
									2021E Consensus			2022E Consensus			YoY % Growth		2021E Consensus		2022E Consensus			
Company Name	U.S. Ticker	Latest Price	Shares Out.	FD Market Cap. (\$M)	Net Debt	FD EV (\$M)	Cash	Debt	Sales	EBITDA	EBITDA Margin	Sales	EBITDA	EBITDA Margin	Sales	EBITDA	EV/Sales	EV/EBITDA	EV/Sales	EV/EBITDA		
Shake Shack, Inc. Class A	SHAK	\$ 130.76	41.40	\$ 5,413.46	\$ (191.00)	\$ 5,222.5	\$ 191.00	\$ -	\$ 735.23	\$ 75.36	10.2%	\$ 917.64	\$ 109.63	11.9%	24.8%	45.5%	7.4x	71.8x	5.9x	49.4x		
Chipotle Mexican Grill, Inc.	CMG	\$1,543.11	28.50	\$43,978.64	\$ (1,066.00)	\$42,912.6	\$1,066.00	\$ -	\$8,152.99	\$1,415.10	17.4%	\$9,077.08	\$1,749.41	19.3%	11.3%	23.6%	5.4x	31.1x	4.8x	25.1x		
BurgerFi International, Inc.	BFI	\$ 15.55	21.30	\$ 331.22	\$ (42.70)	\$ 288.5	\$ 45.00	\$ 2.30	\$ 48.00	\$ 5.20	10.8%	\$ 83.00	\$ 8.60	10.4%	72.9%	65.4%	6.9x	63.7x	4.0x	38.5x		
Papa John's International, Inc.	PZZA	\$ 109.13	33.00	\$ 3,601.29	\$ 471.00	\$ 4,072.3	\$ 140.00	\$ 611.00	\$1,881.40	\$ 187.87	10.0%	\$1,962.34	\$ 201.84	10.3%	4.3%	7.4%	1.9x	19.2x	1.8x	17.8x		
Domino's Pizza, Inc.	DPZ	\$ 385.20	39.80	\$15,330.96	\$ 3,614.00	\$18,945.0	\$ 491.00	\$4,105.00	\$4,298.38	\$ 850.41	19.8%	\$4,594.29	\$ 931.05	20.3%	6.9%	9.5%	3.6x	18.0x	3.3x	16.5x		
Wingstop, Inc.	WING	\$ 171.37	29.68	\$ 5,086.86	\$ 274.90	\$ 5,361.8	\$ 52.30	\$ 327.20	\$ 280.16	\$ 84.83	30.3%	\$ 320.97	\$ 101.94	31.8%	14.6%	20.2%	18.2x	60.0x	15.8x	49.9x		
Average											16.4%			17.3%			22.5%	28.6%	7.2x	44.0x	6.0x	32.9x

For more information, contact us at:

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