



BBQ Holdings, Inc. (BBQ)

BBQ's Acquisition of Tahoe Joe's Adds Five Steakhouses and Compelling IP; We Continue To Forecast Higher Franchisee Royalties Starting 3Q:21; Maintain \$19 Target, Moderate Risk Rating

	2019		2020		2021E		2022E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.07	(\$0.09)		\$0.12A		\$0.21		
June	0.16	(0.21)		0.25A		0.31		
Sep.	0.02	0.05		0.20		0.27		
Dec.	(0.08)	(0.18)		0.19		0.25		
EPS	\$0.15	(\$0.38)		\$0.76		\$1.04		
P/E				20.8x		15.2x		
EBITDA (mil)		\$0.8		\$15.4		\$20.1		
EV / EBITDA				11.9x		9.1x		

Note: EPS excludes stock-based compensation expense of \$0.05 per share in 2019 and \$0.10-\$0.11 in 2019-2022. EPS exclude acquisition and restructuring charges. EPS for 2Q:21 excludes a one-time gain tied to debt forgiveness for a PPP loan. * Enterprise Value includes \$61.8 million in lease commitments. Sum of quarterly may not equal full year due to rounding. NC= Not Covered by Sidoti & Co., LLC.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	\$155.4	\$149.4	\$114.2	\$99.2	\$64.6	\$54.9	\$82.3	\$121.4	\$202.0	\$263.1
GAAP EPS*	\$0.62	\$0.40	(\$0.63)	(\$0.35)	(\$1.16)	\$0.56	(\$0.07)	\$0.54	\$2.06	\$0.95

* 2021 EPS includes a \$14.1 million benefit from the forgiveness tied to a PPP loan

Description: BBQ Holdings, Inc. (www.bbq-holdings.com) is a national restaurant company engaged in the ownership and operation of casual and fast dining restaurants. As of August 13, 2021, BBQ Holdings had six brands with 299 locations in three countries including 85 Company owned locations and 214 franchised locations. The company is headquartered in Minneapolis, MN.

- On October 6, BBQ announced the acquisition of Tahoe Joe's, a five-unit California steakhouse chain and the IP from Home Town Buffet, Ryan's, Furr's Fresh Buffet, and Old Country Buffet.
- Given the financial terms were not disclosed, we do not expect the purchase price or near-term impact to be material and will look for more details in 3Q:21 results, expected in November, before incorporating the transaction into our estimates.
- The deal follows the purchase of Village Inn and Bakers Square in July 2021, estimated at about 3x pro forma EBITDA, which we continue to forecast will materially add to franchise royalties with 114 added locations surfacing in 3Q:21 or about \$4 million annually.
- Strategically, we view the acquired IP from the Tahoe Joe's transaction could add potential opportunities for dual concepts and/or ghost kitchen.
- Thus far, a dual concept test adding a Texas T-Bone in a Colorado Famous Dave's location was estimated by BBQ to potentially yield \$1.0-1.3 million in additional revenue with 25% flow through fueling incremental EBITDA of \$250,000-325,000.
- Liquidity recently benefited by \$12.5 million from a share offering and \$14.1 million from a PPP loan forgiveness, which we project will be partially offset by a \$13.5 million outflow in 3Q:21, tied to the purchase of Village Inn and Baker's Square.
- All in, by year-end 2022, we forecast that cash will reach \$37.0 million with total debt to total capital declining to 52.0% or \$3.94 per share.
- We maintain a Moderately Risky rating and a price target of \$19, which is based on about 18x our unchanged 2022 EPS estimate of \$1.04.
- We note that dual concepts and breakfast introductions hold the potential for an estimated \$5.75 million in incremental EBITDA; traction in these areas could lead us to review our estimates and valuation.

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Price Target: \$19

Price: \$15.84

Risk Rating: M

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$160
Enterprise Value *	\$183
52-Week Range (NASDAQ)	20-4
5-Year EPS CAGR	14%
Avg. Daily Trading Volume	34,000
Shares Out (Mil)	10.358
Float Shares (Mil)	9.960
Insider Ownership	4%
Institutional Holdings	86%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2022E)	\$0.67
FCF Yield (2022E)	4.2%
Net Cash Per Share (2022E)	(\$3.94)
Price to Book Value	2.9x
Return on Equity (2022E)	13.7%
Total Debt to Capital	57%
Interest Coverage Ratio	12.1x
Short Interest %	0.2%
Short Interest Days To Cover	0.7
Russell 2000	2,260
Russell 2000 – Last 12 Months	40.4%
BBQ – Last 12 Months	357.6%



BBQ Holdings, Inc.

Source: FactSet Prices

<p>Valuation</p>	<p>We maintain a Moderately Risky rating and a price target of \$19 on BBQ shares. We view BBQ's upcoming 3Q:21 results as an important inflection point as they will mark the advance of franchisee units, given that royalty income offers high predictability and low capital intensity versus company-owned units. We believe that a valuation multiple of 18x is well supported by a projected rise in franchise units that should surface in upcoming results (projected in mid-November). Hence, we apply an 18x multiple to our 2022 EPS estimate of \$1.04, which implies a price target of \$19 or about 11x our 2022 enterprise value to EBITDA (\$198 million market cap, \$7.1 million debt, \$61.8 million leases less \$38.4 million in cash for enterprise value of \$228.2 million). We stress that we include leases as debt in our enterprise value. Our Moderately Risky rating is supported by potential concerns about discretionary consumer spending as stimulus benefits taper off, labor and food price inflation and ongoing COVID-19 related challenges that may lead to disruptions in restaurant operating hours.</p>		
<p>Key Risks</p>	<p>COVID-19</p>	<p>Food and labor costs</p>	<p>Operating lease exposure</p>

BBQ HOLDINGS, INC.

Table 1.: BBQ Holdings, Inc. Income Statement
(Dollars in millions except per share data)

	1Q:20	2Q:20	3Q:20	4Q:20	2020	1Q:21 A	2Q:21 A	3Q:21 E	4Q:21 E	2021 E	1Q:22 E	2Q:22 E	3Q:212 E	4Q:22 E	2022 E
	Mar.	June	Sept	Dec.	CY	Mar.	June	Sept	Dec.	CY	Mar.	June	Sept	Dec.	CY
Restaurant sales, net	20,703	24,989	32,559	31,293	109,544	33,603	41,205	50,745	59,177	184,731	55,283	63,265	59,782	63,286	241,617
Franchise royalty and fee revenue	2,524	1,951	2,153	2,291	8,919	2,374	2,946	3,627	4,049	12,996	4,030	4,275	4,272	4,252	16,829
Franchisee national advertising fund contributions	0,282	0,242	0,302	0,298	1,124	0,328	0,421	0,302	0,298	1,349	0,328	0,421	0,302	0,298	1,349
Licensing and other revenue	0,346	0,580	0,497	0,427	1,850	1,014	0,948	0,512	0,440	2,914	1,156	1,081	0,584	0,501	3,322
Total revenue	\$23.855	\$27.762	\$35.511	\$34.309	\$121.437	\$37.319	\$45.520	\$55.186	\$63.964	\$201.989	\$60.797	\$69.042	\$64.940	\$68.337	\$263.117
Food and beverage costs	(6,754)	(7,717)	(9,735)	(9,661)	(33,867)	(10,057)	(11,932)	(15,477)	(18,345)	(55.8)	(17,138)	(19,675)	(18,533)	(19,682)	(75.0)
% of company store revenue	32.6%	30.9%	29.9%	30.9%	30.9%	29.9%	29.0%	30.5%	31.0%	30.2%	31.0%	31.1%	31.0%	31.1%	31.1%
Labor and benefits costs	(7,721)	(8,066)	(11,189)	(10,252)	(37,228)	(10,254)	(12,429)	(16,238)	(19,173)	(58.1)	(17,691)	(20,308)	(19,190)	(20,188)	(77.4)
% of company store revenue	37.3%	32.3%	34.4%	32.8%	34.0%	30.5%	30.2%	32.0%	32.4%	31.4%	32.0%	32.1%	32.1%	31.9%	32.0%
Operating expenses	(6,626)	(9,104)	(10,521)	(10,733)	(36,984)	(10,249)	(11,594)	(15,071)	(17,753)	(54.7)	(16,640)	(17,588)	(16,620)	(17,910)	(68.8)
% of company store revenue	32.0%	36.4%	32.3%	34.3%	33.8%	30.5%	28.1%	29.7%	30.0%	29.6%	30.1%	27.8%	27.8%	28.3%	28.5%
Depreciation and amortization	(1,045)	(1,378)	(1,397)	(1,301)	(5,121)	(1,552)	(1,433)	(1,361)	(1,321)	(5.7)	(1,361)	(1,361)	(1,361)	(1,361)	(5.4)
General and administrative expenses	(3,032)	(3,803)	(3,138)	(4,422)	(14,395)	(4,038)	(4,544)	(5,463)	(6,332)	(20.4)	(5,776)	(6,559)	(6,169)	(6,492)	(25.0)
% of total revenue	12.7%	13.7%	8.8%	12.9%	11.9%	10.8%	10.0%	9.9%	9.9%	10.1%	9.5%	9.5%	9.5%	9.5%	9.5%
National advertising fund expenses	(0,282)	(0,242)	(0,302)	(0,298)	(1,124)	(0,328)	(0,421)	(0,497)	(0,497)	(1.7)	(0,547)	(0,621)	(0,584)	(0,615)	(2.4)
% of total revenue	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Asset impairment, lease termination and other costs	(0,173)	(4,779)	0,138	(0,869)	(5,683)	(0,012)	(0,025)	0,000	0,000	(0.0)	0,000	0,000	0,000	0,000	0.0
Pre-opening expenses	(0,025)	(0,002)	0,120	(0,103)	(0,010)	(0,028)	(0,092)	(0,092)	(0,092)	(0.3)	(0,092)	(0,092)	(0,092)	(0,092)	(0.4)
Gain on acquisition, net of acquisition costs	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0.0	0,000	0,000	0,000	0,000	0.0
Net gain / loss on disposal of property	0,477	0,100	0,530	0,703	1,810	0,008	(0,143)	0,000	0,000	(0.1)	0,000	0,000	0,000	0,000	0.0
Total costs and expenses	(25.181)	(34.991)	(35.494)	(36.936)	(132.602)	(36.510)	(42.613)	(53.170)	(62.471)	(194.8)	(58.210)	(65.191)	(61.536)	(65.324)	(250.3)
Income / loss from operations	(1,326)	(7,229)	0,017	(2,627)	(11,165)	0,809	2,907	2,015	1,493	7,224	2,587	3,851	3,403	3,014	12,856
Total other expense	14.288	(0.867)	(0.232)	(0.594)	12.595	(0.030)	13.922	0.015	0.016	13.923	0.019	0.020	0.021	0.022	0.082
Income / loss before income taxes	12,962	(8,096)	(0,215)	(3,221)	1,430	0,779	16,829	2,030	1,509	21,147	2,607	3,871	3,424	3,036	12,938
Income tax expense / benefit	0,349	1,897	0,273	0,318	2,837	(0,082)	(0,399)	(0,203)	0,181	(0,503)	(0,626)	(0,929)	(0,822)	(0,729)	(3,105)
Net income	13,311	(6,199)	0,058	(2,903)	4,267	0,697	16,430	1,827	1,691	20,644	1,981	2,942	2,602	2,307	9,833
Net income / loss from discontinued operations, net of tax	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0.0
Net loss attributable to non-controlling interest	0,396	(0,053)	0,270	0,067	0,680	0,102	(0,644)	0,000	0,000	(0,542)	0,000	0,000	0,000	0,000	0,000
Net income / loss attributable to shareholders	13,707	(6,252)	0,328	(2,836)	4,947	0,799	15,786	1,827	1,691	20,102	1,981	2,942	2,602	2,307	9,833
GAAP Diluted EPS	\$1.49	(\$0.68)	\$0.04	(\$0.31)	\$0.54	\$0.08	\$1.64	\$0.18	\$0.16	\$2.06	\$0.19	\$0.28	\$0.25	\$0.22	\$0.95
Adjusted EBITDA	(0,457)	(2,158)	1,995	1,382	0,762	3,120	5,104	3,873	3,330	15,426	4,700	5,555	5,107	4,717	20,078
Adjusted EBITDA margin	NM	NM	5.6%	4.0%	0.6%	8.4%	11.2%	7.0%	5.2%	7.6%	7.7%	8.0%	7.9%	6.9%	7.6%
Adjusted EBITDA per share	(0,050)	(0,236)	0,218	0,151	0,083	0,328	0,531	0,372	0,320	1,483	0,452	0,534	0,491	0,454	1,931
Adjusted EPS per share	(\$0.09)	(\$0.21)	\$0.05	(\$0.18)	(\$0.38)	\$0.12	\$0.25	\$0.20	\$0.19	\$0.76	\$0.21	\$0.31	\$0.27	\$0.25	\$1.04
Diluted shares	9.2	9.1	9.2	9.2	9.2	9.5	9.6	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Growth: year over year															
Restaurant sales, net	101%	48%	62%	57%	63%	62%	65%	56%	89%	69%	65%	54%	18%	7%	31%
Franchise royalty and fee revenue	-21%	-43%	-26%	-11%	-26%	-6%	51%	68%	77%	46%	70%	45%	18%	5%	29%
Franchisee national advertising fund contributions	-31%	-49%	-24%	-13%	-30%	16%	74%	0%	0%	20%	0%	0%	0%	0%	0%
Licensing and other revenue	30%	86%	90%	4%	48%	193%	63%	3%	3%	57%	14%	14%	14%	14%	14%
Total revenue	68%	31%	50%	47%	48%	56%	64%	55%	86%	66%	63%	52%	18%	7%	30%
Total costs and expenses	79%	78%	49%	41%	58%	45%	22%	50%	69%	47%	59%	53%	16%	5%	28%
GAAP Diluted EPS	NM	NM	NM	55%	NM	NM	NM	339%	NM	284%	138%	-83%	42%	36%	-54%

Sources: Company reports and Sidoti & Company, LLC estimates

BBQ HOLDINGS, INC.

Table 2.: BBQ Holdings, Inc. Cash Flow Statement
(Dollars in millions except per share data)

	1Q:20	2Q:20	3Q:20	4Q:20	2020	1Q:21 A	2Q:21 A	3Q:21 E	4Q:21 E	2021 E	1Q:22 E	2Q:22 E	3Q:212 E	4Q:22 E	2022 E
	Mar.	June	Sep	Dec.	CY	Mar.	June	Sep	Dec.	CY	Mar.	June	Sep	Dec.	CY
Net income	\$13.31	(\$6.20)	\$0.06	(\$2.90)	\$4.27	\$0.70	\$16.43	\$1.83	\$1.69	\$20.64	\$1.98	\$2.94	\$2.60	\$2.31	\$9.83
Depreciation and amortization	1.05	1.39	1.39	1.30	5.12	1.55	1.43	1.36	1.32	5.67	1.36	1.36	1.36	1.36	5.45
Stock-based compensation	0.14	0.11	0.17	0.46	0.89	0.32	0.32	0.22	0.24	1.10	0.25	0.25	0.25	0.25	1.00
Net gain / loss on disposal of property	(0.48)	(0.10)	(0.50)	(0.70)	(1.78)	(0.01)	0.14	0.00	0.00	0.14	0.00	0.00	0.00	0.00	0.00
Gain on bargain purchase	(14.36)	0.69	0.00	0.43	(13.25)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred income taxes	(0.40)	(1.90)	(0.27)	(0.27)	(2.84)	0.08	0.40	0.00	0.00	0.48	0.00	0.00	0.00	0.00	0.00
Other non-cash items	(0.02)	5.27	0.03	1.47	6.75	0.19	(14.13)	0.00	0.00	(13.94)	0.00	0.00	0.00	0.00	0.00
<u>Changes in assets and liabilities:</u>															
Accounts receivable, net	(0.72)	0.48	0.73	(1.51)	(1.01)	0.60	(0.79)	(1.07)	(2.95)	(4.21)	2.19	(0.73)	0.43	(2.50)	(0.61)
Prepaid expenses and other assets	0.78	(2.77)	1.12	0.12	(0.75)	(2.58)	0.10	1.96	(0.33)	(0.85)	(1.17)	(0.46)	1.50	(0.73)	(0.87)
Accounts payable	3.13	(0.84)	(1.31)	1.43	2.42	1.64	(0.97)	0.00	3.38	4.05	1.99	(2.00)	(2.20)	2.71	0.49
Accrued and other liabilities	(2.69)	3.65	(0.29)	1.61	2.28	0.32	3.14	(1.37)	0.81	2.90	(0.44)	0.79	(0.25)	0.22	0.30
Cash flows from operating activities	(0.26)	(0.22)	1.13	1.44	2.09	2.80	6.08	2.92	4.16	15.97	6.16	2.14	3.69	3.61	15.60
Proceeds from the sale of assets	0.00	0.00	0.03	2.84	2.87	0.69	(0.69)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases of property, equipment and leasehold improvements	(0.95)	(1.05)	(0.67)	(0.83)	(3.50)	0.00	(1.11)	(1.90)	(1.90)	(4.91)	(1.90)	(1.90)	(1.90)	(1.90)	(7.60)
Payments for acquired restaurants	(3.97)	(0.98)	0.00	(0.43)	(5.38)	0.00	0.00	(13.50)	0.00	(13.50)	0.00	0.00	0.00	0.00	0.00
Advances on notes receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments received on notes receivable and other	0.01	0.00	0.01	0.02	0.04	0.01	0.06	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00
Cash flows provided by / used for investing activities	(4.91)	(2.03)	(0.63)	1.60	(5.97)	0.70	(1.74)	(15.40)	(1.90)	(18.35)	(1.90)	(1.90)	(1.90)	(1.90)	(7.60)
Proceeds from long-term debt	8.10	13.96	0.00	0.00	22.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments for debt issuance costs	(0.04)	(0.01)	0.00	0.00	(0.05)	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Payments on long-term debt and financing lease obligation	0.00	0.00	(0.66)	(3.96)	(4.62)	(0.52)	(0.52)	0.00	0.00	(1.04)	0.00	0.00	0.00	0.00	0.00
Proceeds (repurchase) of common stock	0.00	0.00	0.00	0.00	0.00	0.00	12.46	0.00	0.00	12.46	0.00	0.00	0.00	0.00	0.00
Payments / proceeds from exercise of stock options	0.00	0.00	0.00	0.01	0.01	0.00	0.31	0.00	0.00	0.31	0.00	0.00	0.00	0.00	0.00
Tax benefit for equity awards issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash flows used for / provided by financing activities	8.07	13.95	(0.66)	(3.95)	17.40	(0.52)	12.26	0.00	0.00	11.74	0.00	0.00	0.00	0.00	0.00
Increase / decrease in cash and cash equivalents	2.90	11.69	(0.17)	(0.91)	13.52	2.98	16.60	(12.48)	2.26	9.36	4.26	0.24	1.79	1.71	8.00
Cash and cash equivalents, beginning of period	6.09	8.98	20.68	20.51	6.09	19.60	22.58	39.18	26.71	19.60	28.96	33.22	33.47	35.25	28.96
Cash and cash equivalents, end of period	8.98	20.68	20.51	19.60	19.60	22.58	39.18	26.71	28.96	28.96	33.22	33.47	35.25	36.96	36.96

Cash Flow Analysis:

Operating Cash Flow /Share	(\$0.03)	(\$0.02)	\$0.12	\$0.16	\$0.23	\$0.30	\$0.63	\$0.28	\$0.40	\$1.54	\$0.59	\$0.21	\$0.35	\$0.35	\$1.50
Free Cash Flow (Operating Cash Flow -Capex)	(1.21)	(1.27)	0.46	0.61	(1.41)	2.80	4.97	1.02	2.26	11.05	4.26	0.24	1.79	1.71	8.00
Free Cash Flow/ Share	(\$0.13)	(\$0.14)	\$0.05	\$0.07	(\$0.15)	\$0.30	\$0.52	\$0.10	\$0.22	\$1.06	\$0.41	\$0.02	\$0.17	\$0.16	\$0.77
Stock Based Compensation / Share	\$0.01	\$0.01	\$0.02	\$0.05	\$0.10	\$0.03	\$0.03	\$0.02	\$0.02	\$0.11	\$0.02	\$0.02	\$0.02	\$0.02	\$0.10
Free Cash Flow (Operating Cash Flow -Capex-stock comp)	(1.35)	(1.38)	0.28	0.15	(2.30)	2.49	4.65	0.80	2.02	9.95	4.01	(0.01)	1.54	1.46	7.00
Free Cash Flow Per Share Less Share Based Compensation	(\$0.15)	(\$0.15)	\$0.03	\$0.02	(\$0.25)	\$0.26	\$0.48	\$0.08	\$0.19	\$0.96	\$0.39	(\$0.00)	\$0.15	\$0.14	\$0.67

Sources: Company reports and Sidoti & Company, LLC estimates.

BBQ HOLDINGS, INC.

Table 3.: BBQ Holdings, Inc. Balance Sheet
(Dollars in millions except per share data)

	1Q:20	2Q:20	3Q:20	2020	1Q:21 A	2Q:21 A	3Q:21 E	2021 E	1Q:22 E	2Q:22 E	3Q:212 E	2022 E
	Mar.	June	Sep	CY	Mar.	June	Sep	CY	Mar.	June	Sep	CY
Assets:												
Cash and cash equivalents	\$8.013	\$19.919	\$19.551	\$18.101	\$21.224	\$38.358	\$26.705	\$28.965	\$33.223	\$33.468	\$35.254	\$36.960
Restricted cash	0.971	0.758	0.959	1.502	1.361	0.824	0.000	0.000	0.000	0.000	0.000	0.000
Accounts receivable, net of allowance for doubtful accounts	5.099	4.619	3.885	4.823	4.176	4.966	6.037	8.992	6.803	7.532	7.105	9.607
Inventories	2.434	2.596	2.490	2.271	2.380	2.433	2.433	2.433	2.433	2.433	2.433	2.433
Prepaid expenses and other current assets	1.474	1.788	0.923	1.252	2.417	2.881	0.923	1.252	2.417	2.881	1.383	2.118
Assets held for sale	2.842	3.911	3.911	1.070	1.070	1.024	1.024	1.024	1.024	1.024	1.024	1.024
Total current assets	20.833	33.591	31.719	29.019	32.628	50.486	37.123	42.665	45.901	47.338	47.199	52.141
Property, equipment and leasehold improvements, net	37.466	33.645	33.131	32.389	31.508	31.112	31.651	32.230	32.769	33.307	33.846	34.385
Operating lease right-of-use assets	71.930	66.540	64.833	61.634	59.920	60.787	60.787	60.787	60.787	60.787	60.787	60.787
Goodwill	0.690	0.651	0.651	0.601	0.601	0.601	14.101	14.101	14.101	14.101	14.101	14.101
Intangible assets, net	10.458	10.231	10.117	9.967	9.850	9.733	9.733	9.733	9.733	9.733	9.733	9.733
Deferred tax assets	1.610	4.061	4.264	4.934	4.935	4.623	4.623	4.623	4.623	4.623	4.623	4.623
Other	1.590	1.670	1.691	1.724	1.669	1.660	1.660	1.660	1.660	1.660	1.660	1.660
Total assets	144.577	150.389	146.406	140.268	141.111	159.002	159.677	165.800	169.573	171.549	171.949	177.430
Liabilities:												
Accounts payable	7.097	6.259	4.952	6.385	8.020	7.050	7.418	10.799	12.787	10.785	8.585	11.292
Current portion of lease liabilities	6.989	6.068	6.459	6.185	6.332	6.844	6.844	6.844	6.844	6.844	6.844	6.844
Current portion of long-term debt and financing lease obligations	2.020	8.854	2.749	2.111	2.138	2.165	2.165	2.165	2.165	2.165	2.165	2.165
Accrued compensation and benefits	1.360	2.341	2.225	2.390	4.068	6.313	4.941	5.752	5.307	6.092	5.839	6.057
Other current liabilities	8.217	8.798	8.467	9.766	8.156	8.814	8.814	8.814	8.814	8.814	8.814	8.814
Total current liabilities	25.683	32.320	24.852	26.837	28.714	31.186	30.182	34.374	35.917	34.701	32.248	35.172
Lease liabilities, less current portion	69.505	67.598	65.319	63.105	61.445	61.839	61.839	61.839	61.839	61.839	61.839	61.839
Long term debt less current portion	12.922	20.037	25.483	22.169	21.628	7.131	7.131	7.131	7.131	7.131	7.131	7.131
Other liabilities	1.245	1.300	1.386	1.224	1.376	1.376	1.376	1.376	1.376	1.376	1.376	1.376
Total liabilities	109.355	121.255	117.040	113.335	113.163	101.532	100.528	104.720	106.263	105.047	102.594	105.518
Common stock	0.093	0.093	0.093	0.093	0.093	0.104	0.104	0.104	0.104	0.104	0.104	0.104
Additional paid-in capital	7.993	8.104	8.278	8.748	9.066	22.147	21.997	22.237	22.487	22.737	22.987	23.237
Retained earnings	28.130	21.878	22.206	19.370	20.169	35.955	37.782	39.472	41.454	44.396	46.998	49.305
Total shareholders' equity	36.216	30.075	30.577	28.211	29.328	58.206	59.883	61.813	64.045	67.237	70.089	72.646
Non-controlling interest	(0.994)	(0.941)	(1.211)	(1.278)	(1.380)	(0.736)	(0.736)	(0.736)	(0.736)	(0.736)	(0.736)	(0.736)
Total equity	35.222	29.134	29.366	26.933	27.948	57.470	59.147	61.077	63.309	66.501	69.353	71.910
Total liabilities and equity	144.577	150.389	146.406	140.268	141.111	159.002	159.677	165.800	169.574	171.549	171.949	177.430
Balance sheet analysis:												
Return on equity %	37.8%	-21.3%	0.2%	15.8%	2.5%	28.6%	3.1%	33.8%	3.1%	4.4%	3.8%	13.7%
Book value per share	\$3.83	\$3.19	\$3.21	\$2.94	\$2.94	\$5.98	\$5.69	\$5.87	\$6.09	\$6.39	\$6.67	\$6.91
Tangible book value per share	\$3.75	\$3.12	\$3.14	\$2.87	\$2.88	\$5.91	\$4.33	\$4.52	\$4.73	\$5.04	\$5.31	\$5.56
Total debt to total capital	72.2%	77.9%	77.3%	77.6%	76.6%	57.6%	56.9%	56.1%	55.2%	54.0%	52.9%	52.0%
Net cash (debt) per share	(\$9.07)	(\$9.04)	(\$8.79)	(\$8.23)	(\$7.40)	(\$4.12)	(\$4.93)	(\$4.71)	(\$4.30)	(\$4.28)	(\$4.11)	(\$3.94)

Sources: Company reports and Sidoti & Company, LLC estimates.

Appendix
Required Disclosures

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BBQ Holdings, Inc. (BBQ-\$15.84) NR Price Target: \$19 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	9/10/21	13	NR	19	M



Valuation	We maintain a Moderately Risky rating and a price target of \$19 on BBQ shares. We view BBQ's upcoming 3Q:21 results as an important inflection point as they will mark the advance of franchisee units, given that royalty income offers high predictability and low capital intensity versus company-owned units. We believe that a valuation multiple of 18x is well supported by a projected rise in franchise units that should surface in upcoming results (projected in mid-November). Hence, we apply an 18x multiple to our 2022 EPS estimate of \$1.04, which implies a price target of \$19 or about 11x our 2022 enterprise value to EBITDA (\$198 million market cap, \$7.1 million debt, \$61.8 million leases less \$38.4 million in cash for enterprise value of \$228.2 million). We stress that we include leases as debt in our enterprise value. Our Moderately Risky rating is supported by potential concerns about discretionary consumer spending as stimulus benefits taper off, labor and food price inflation and ongoing COVID-19 related challenges that may lead to disruptions in restaurant operating hours.		
Key Risks	COVID-19	Food and labor costs	Operating lease exposure

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