



## BBQ Holdings, Inc. (BBQ)

**Expect BBQ To Benefit From Its Diversified And Largely Franchised Restaurant Brand Portfolio; Maintain Projections For Solid Annual EPS Gains, Moderately Risky Rating And \$22 Target**

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.09)	\$0.12A		\$0.07		\$0.18		
June	(0.21)	0.25A		0.33		0.37		
Sep.	0.05	0.23A		0.26		0.29		
Dec.	(0.18)	0.14		0.27		0.28		
<b>EPS</b>	<b>(\$0.38)</b>	<b>\$0.74</b>		<b>\$0.94</b>		<b>\$1.12</b>		
<b>P/E</b>		<b>19.1x</b>		<b>15.1x</b>		<b>12.6x</b>		
<b>EBITDA (mil)</b>	<b>\$0.76</b>	<b>\$16.45</b>		<b>\$20.33</b>		<b>\$24.13</b>		
<b>EV / EBITDA</b>		<b>13.3x</b>		<b>10.8x</b>		<b>9.1x</b>		

Note: EPS excludes stock-based compensation expense of \$0.05 per share in 2019 and \$0.10-\$0.12 in 2020-2023 and acquisition and restructuring charges. 2Q:21 excludes a one-time gain of \$1.47 tied to debt forgiveness for a PPP loan. 3Q:21 excludes a \$0.31 gain on bargain purchase. \* Enterprise Value includes \$89.1 million in lease commitments. Sum of quarterly may not equal full year due to rounding. NC= Not Covered by Sidoti & Co., LLC.

Year	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$149.4	\$114.2	\$99.2	\$64.6	\$54.9	\$82.3	\$121.4	\$202.4	\$266.3	\$291.5
GAAP EPS*	\$0.40	(\$0.63)	(\$0.35)	(\$1.16)	\$0.56	(\$0.07)	\$0.54	\$2.29	\$0.82	\$1.03

\* 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 November 2021, BBQ Holdings had seven brands (Famous Dave's, Village Inn, Granite City, Bakers Square, Real Urban BBQ, Clark Crew BBQ and Tahoe Joe's) with 303 locations in three countries including 89 corporate locations and 214 franchised locations. Headquarters are in Minnetonka, MN.

- **Compared to single-brand operators, we think BBQ's well-diversified portfolio of operating seven restaurant brands is a competitive advantage.**
- **While the Omicron variant is likely to be somewhat disruptive near term, we argue that with a predominantly franchised location mix, BBQ Holdings, Inc. will benefit from its increasing scale and buying power and growing corporate overhead leverage.**
- **In our view, from a purely operational side of the business, yesterday's decision by the U.S. Supreme Court not to enforce the Biden administration's COVID-19 vaccine/testing mandate is a positive for BBQ, as the company continues to deal with an already tight labor market.**
- **All in, after estimated adjusted EPS of \$0.74 in 2021, we continue to estimate EPS growth of 27% in 2022 to \$0.94 and project another 19% EPS advance in 2023 to \$1.12.**
- **As we see it, the company's balance sheet is in very good shape, buttressed by estimated average annual free cash flow per share of \$1.39 in 2021-2023.**
- **We maintain our price target of \$22 which is based on 20x our 2023 EPS estimate of \$1.12.**
- **Given the ample upside potential relative to our price target, we argue that BBQ shares remain undervalued. We maintain our Moderately Risky Rating.**

**We argue that a well-diversified restaurant brand portfolio is a key positive for BBQ...** The company ended the September quarter with seven restaurant brands across 296 total locations. In terms of corporate restaurant revenue contributions during the last four reported quarters, Famous Dave's accounted for 35% of sales, Granite City was 29%, Village Inn was 16%, Bakers Square and Tahoe Joe's each were 8%, Clark Crew BBQ was 3% and Real Urban BBQ was about 2%. While the latest variant of COVID-19 (Omicron) is likely to be somewhat disruptive (both in terms of staffing and customer traffic, at least in the short-term)

**NR**

Price Target: \$22

Price: \$14.15

Risk Rating: M

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### Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$150
Enterprise Value	\$219
52-Week Range (NASDAQ)	20-5
5-Year EPS CAGR	14%
Avg. Daily Trading Volume	17,000
Shares Out (Mil)	10.495
Float Shares (Mil)	10.097
Insider Ownership	4%
Institutional Holdings	86%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)	\$1.67
FCF Yield (2023E)	11.8%
Net Cash Per Share (2023E)	(\$3.93)
Price to Book Value	2.4x
Return on Equity (2023E)	12.8%
Total Debt to Capital	61%
Interest Coverage Ratio	18.7x
Short Interest %	0.3%
Short Interest Days To Cover	1.9
Russell 2000	2,159
Russell 2000 – Last 12 Months	2.3%
BBQ – Last 12 Months	184.2%



BBQ Holdings, Inc.

Source: FactSet Prices

for Granite City (given its greater relative reliance on hosting private groups along with Sunday brunch, etc.), we think demand for the core Famous Dave's brand and the other barbecue brands will likely remain favorable, with some consumers simply shifting to takeout and delivery instead of dining in. Village Inn and Bakers Square restaurants are generally in more rural and less densely populated areas and as such, we think the impact from Omicron has not and likely will not be overly material.

**... and with a mostly franchised business model, we still anticipate solid EPS gains through 2023.** At the end of the September quarter, about 72% of the company's restaurants were franchisee operated and the rest were company operated locations. With BBQ looking to expand the business with additional locations, we think the franchisee-operated restaurant count will likely remain at 70%-plus. We think having this type of a mix of franchisee-operated restaurants will enable BBQ to benefit from increased franchise royalty and fee revenue, which will favorably leverage the company's corporate overhead. We also expect BBQ to profit from management's focus on improving latent capacity of its current restaurants (including having more ghost kitchens, virtual brands and dual concepts) along with additional operational improvements to the business. All in, with BBQ raising prices to offset inflationary headwinds (especially food and labor costs), we model EPS will expand at an average annual rate of 23% through 2023 (from our 2021 forecast). We expect BBQ to benefit from same-store sales growth and new restaurant additions, including the July 2021 acquisition of Village Inn ([21 company-operated restaurants and 114 franchised restaurants) and Bakers Square (12 company-operated restaurants) and the October 2021 acquisition of Tahoe Joe's (5 company-operated restaurants), organic growth and higher margins, with BBQ likely to leverage its increased scale, corporate overhead and operating expenses. Lastly, we note that while additional acquisitions are likely, no future M&A activity is imbedded in our financial models, given the uncertainty about timing and size of such transactions.

**As we see it, BBQ has a solid balance sheet, and we anticipate healthy free cash flow generation.** The company ended 3Q:21 with long-term bank debt of just \$8.8 million. With lease obligations, debt to total capital was 61%. We argue that BBQ's cash position was more than adequate, with the company ending 3Q:21 with \$30.1 million. In 2Q:21, the company completed a one million total share offering which raised \$12.46 million net of fees (with proceeds used for the acquisition of Village Inn and Bakers Square). Too, in late November announced a new credit agreement which gives BBQ additional financial flexibility and optionality with reduced interest rates. We anticipate free cash flow (operating cash flow less capex) of \$12.8 million (\$1.22 per share) in 2021, \$13.5 million (\$1.29 per share) in 2022 and \$17.5 million (\$1.67 per share) in 2023. Assuming no large acquisitions, we do not think there is a need for BBQ to raise additional capital with either debt or equity.

<b>Valuation</b>	<b>We maintain our Moderately Risky Rating on BBQ shares and \$22 price target.</b> With its growing and well-diversified portfolio of restaurant brands, we think that BBQ Holdings, Inc. will benefit from increasing scale, buying power and corporate overhead leverage. We project a 5-year EPS CAGR of 14%. As per FactSet, during the last three years, BBQ shares traded in a range of 9x-35x two-year forward consensus EPS estimates with an average of 19x. Given the solid EPS gains that we anticipate through 2023, along with the company's healthy balance sheet and ample free cash flow prospects, we think a slightly higher-than-average P/E multiple is appropriate. Thus, our \$22 price target is based on 20x our 2023 EPS estimate of \$1.12. Given the upside potential implied by this price target, we argue that BBQ shares remain undervalued.		
<b>Key Risks</b>	COVID-19	Food and labor costs	Operating lease exposure

BBQ HOLDINGS, INC.

**Table 1.: BBQ Holdings, Inc. Income Statement**  
(Dollars in millions except per share data)  
Fiscal year ends on the Sunday nearest to December 31

	2020	Mar. A	June A	Sep. A	Dec. E	2021 E	Mar. E	June E	Sep. E	Dec. E	2022 E	Mar. E	June E	Sep. E	Dec. E	2023 E
Restaurant sales, net	109.544	33.603	41.205	50.374	60.521	185.703	54.008	64.323	61.658	66.984	246.973	56.229	71.039	67.524	74.853	269.645
Franchise royalty and fee revenue	8.919	2.374	2.946	3.329	2.949	11.598	3.264	3.775	3.142	3.356	13.537	3.964	4.389	3.705	3.556	15.614
Franchisee national advertising fund contributions	1.124	0.328	0.421	0.461	0.313	1.523	0.344	0.442	0.484	0.329	1.599	0.362	0.464	0.508	0.345	1.679
Licensing and other revenue	1.850	1.014	0.948	1.219	0.440	3.621	1.166	1.094	1.390	0.510	4.160	1.283	1.203	1.515	0.556	4.557
<b>Total revenue</b>	<b>\$121.437</b>	<b>\$37.319</b>	<b>\$45.520</b>	<b>\$55.383</b>	<b>\$64.223</b>	<b>\$202.445</b>	<b>\$58.783</b>	<b>\$69.635</b>	<b>\$66.674</b>	<b>\$71.178</b>	<b>\$266.269</b>	<b>\$61.837</b>	<b>\$77.095</b>	<b>\$73.252</b>	<b>\$79.310</b>	<b>\$291.495</b>
Food and beverage costs	(33.867)	(10.057)	(11.932)	(14.731)	(17.708)	(54.4)	(16.370)	(19.040)	(18.010)	(19.238)	(72.7)	(16.812)	(20.985)	(19.785)	(21.513)	(79.1)
% of company store revenue	30.9%	29.9%	29.0%	29.2%	29.3%	29.3%	30.3%	29.6%	29.2%	28.7%	29.4%	29.9%	29.5%	29.3%	28.7%	29.3%
Labor and benefits costs	(37.228)	(10.254)	(12.429)	(16.805)	(20.239)	(59.7)	(16.856)	(19.619)	(20.100)	(21.636)	(78.2)	(17.330)	(21.688)	(21.972)	(24.132)	(85.1)
% of company store revenue	34.0%	30.5%	30.2%	33.4%	33.4%	32.2%	31.2%	30.5%	32.6%	32.3%	31.7%	30.8%	30.5%	32.5%	32.2%	31.6%
Operating expenses	(36.984)	(10.249)	(11.594)	(14.512)	(16.879)	(53.2)	(16.494)	(18.139)	(16.956)	(18.327)	(69.9)	(17.077)	(19.962)	(18.502)	(20.435)	(76.0)
% of company store revenue	33.8%	30.5%	28.1%	28.8%	27.9%	28.7%	30.5%	28.2%	27.5%	27.4%	28.3%	30.4%	28.1%	27.4%	27.3%	28.2%
Depreciation and amortization expenses	(5.121)	(1.552)	(1.433)	(1.940)	(1.882)	(6.8)	(1.979)	(1.999)	(2.019)	(2.006)	(8.0)	(2.120)	(2.172)	(2.194)	(2.205)	(8.7)
General and administrative expenses	(14.395)	(4.038)	(4.544)	(5.109)	(5.600)	(19.3)	(5.937)	(6.232)	(5.927)	(6.071)	(24.2)	(5.813)	(6.861)	(6.461)	(6.821)	(26.0)
% of total revenue	11.9%	10.8%	10.0%	9.2%	8.7%	9.5%	10.1%	9.0%	8.9%	8.5%	9.1%	9.4%	8.9%	8.8%	8.6%	8.9%
National advertising fund expenses	(1.124)	(0.328)	(0.421)	(0.461)	(0.470)	(1.7)	(0.529)	(0.627)	(0.600)	(0.641)	(2.4)	(0.557)	(0.694)	(0.659)	(0.714)	(2.6)
% of total revenue	0.9%	0.9%	0.9%	0.8%	0.9%	0.8%	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	(5.683)	(0.012)	(0.025)	(0.069)	0.000	(0.1)	0.000	0.000	0.000	0.000	0.0	0.000	0.000	0.000	0.000	0.0
Pre-opening expenses	(0.010)	(0.028)	(0.092)	(0.063)	(0.063)	(0.2)	(0.063)	(0.063)	(0.063)	(0.063)	(0.3)	(0.067)	(0.073)	(0.076)	(0.079)	(0.3)
Gain on acquisition, net of acquisition costs	0.000	0.000	0.000	0.000	0.000	0.0	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	1.810	0.008	(0.143)	0.001	0.000	(0.1)	0.000	0.000	0.000	0.000	0.0	0.000	0.000	0.000	0.000	0.0
<b>Total costs and expenses</b>	<b>(132.602)</b>	<b>(36.510)</b>	<b>(42.613)</b>	<b>(53.689)</b>	<b>(62.842)</b>	<b>(195.7)</b>	<b>(58.228)</b>	<b>(65.718)</b>	<b>(63.675)</b>	<b>(67.982)</b>	<b>(255.6)</b>	<b>(59.775)</b>	<b>(72.436)</b>	<b>(69.649)</b>	<b>(75.899)</b>	<b>(277.8)</b>
Income / loss from operations	(11.165)	0.809	2.907	1.694	1.380	6.790	0.555	3.917	2.998	3.196	10.666	2.062	4.660	3.603	3.411	13.736
<b>Total other expense</b>	<b>12.595</b>	<b>(0.030)</b>	<b>13.922</b>	<b>3.128</b>	<b>0.016</b>	<b>17.036</b>	<b>0.017</b>	<b>0.018</b>	<b>0.021</b>	<b>0.024</b>	<b>0.080</b>	<b>0.027</b>	<b>0.030</b>	<b>0.034</b>	<b>0.037</b>	<b>0.128</b>
Income / loss before income taxes	1.430	0.779	16.829	4.822	1.397	23.827	0.572	3.935	3.019	3.220	10.746	2.090	4.689	3.637	3.448	13.864
Income tax (expense)/ benefit	2.837	(0.082)	(0.399)	(0.036)	(0.251)	(0.768)	(0.114)	(0.787)	(0.604)	(0.641)	(2.146)	(0.460)	(1.032)	(0.815)	(0.793)	(3.099)
Net income	4.267	0.697	16.430	4.786	1.145	23.058	0.457	3.148	2.415	2.580	8.600	1.630	3.658	2.822	2.655	10.765
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	0.0	0.000	0.000	0.000	0.000	0.0
Net loss attributable to non-controlling interest	0.680	0.102	(0.644)	0.048	0.000	(0.494)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net income / loss attributable to shareholders	4.947	0.799	15.786	4.834	1.145	22.564	0.457	3.148	2.415	2.580	8.600	1.630	3.658	2.822	2.655	10.765
<b>GAAP Diluted EPS</b>	<b>\$0.54</b>	<b>\$0.08</b>	<b>\$1.64</b>	<b>\$0.46</b>	<b>\$0.11</b>	<b>\$2.29</b>	<b>\$0.04</b>	<b>\$0.30</b>	<b>\$0.23</b>	<b>\$0.25</b>	<b>\$0.82</b>	<b>\$0.16</b>	<b>\$0.35</b>	<b>\$0.27</b>	<b>\$0.25</b>	<b>\$1.03</b>
Adjusted EBITDA (dollars in millions)	0.762	3.120	5.104	4.425	3.803	16.452	3.256	6.228	5.330	5.516	20.329	4.908	7.155	6.123	5.946	24.132
Adjusted EBITDA margin	0.6%	8.4%	11.2%	8.0%	5.9%	8.1%	5.5%	8.9%	8.0%	7.7%	7.6%	7.9%	9.3%	8.4%	7.5%	8.3%
Adjusted EBITDA per share	0.083	0.328	0.531	0.422	0.363	1.570	0.311	0.594	0.508	0.526	1.939	0.468	0.683	0.584	0.567	2.302
<b>Adjusted EPS per share</b>	<b>(\$0.38)</b>	<b>\$0.12</b>	<b>\$0.25</b>	<b>\$0.23</b>	<b>\$0.14</b>	<b>\$0.74</b>	<b>\$0.07</b>	<b>\$0.33</b>	<b>\$0.26</b>	<b>\$0.27</b>	<b>\$0.94</b>	<b>\$0.18</b>	<b>\$0.37</b>	<b>\$0.29</b>	<b>\$0.28</b>	<b>\$1.12</b>
Diluted share count	9.2	9.5	9.6	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
<b>Growth: year over year</b>																
Restaurant sales, net	62.8%	62.3%	64.9%	54.7%	93.4%	69.5%	60.7%	56.1%	22.4%	10.7%	33.0%	4.1%	10.4%	9.5%	11.7%	9.2%
Franchise royalty and fee revenue	-26.4%	-5.9%	51.0%	54.6%	28.7%	30.0%	37.5%	28.2%	-5.6%	13.8%	16.7%	21.4%	16.2%	17.9%	6.0%	15.3%
Franchisee national advertising fund contributions	-30.4%	16.3%	74.0%	52.6%	5.0%	35.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Licensing and other revenue	48.1%	193.1%	63.4%	145.3%	3.0%	95.7%	15.0%	15.4%	14.0%	16.0%	14.9%	10.0%	10.0%	9.0%	9.0%	9.5%
Total revenue	47.6%	56.4%	64.0%	56.0%	87.2%	66.7%	57.5%	53.0%	20.4%	10.8%	31.5%	5.2%	10.7%	9.9%	11.4%	9.5%
Total costs and expenses	58.1%	45.0%	21.8%	51.3%	70.1%	47.5%	59.5%	54.2%	18.6%	8.2%	30.6%	2.7%	10.2%	9.4%	11.6%	8.7%
GAAP Diluted EPS	NM	NM	NM	1052.9%	NM	327.8%	-45.5%	-81.7%	-50.0%	125.2%	-64.2%	256.4%	16.2%	16.8%	2.9%	25.2%

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)

Fiscal year ends on the Sunday nearest to December 31

	2020	Mar. A	June A	Sep. A	Dec. E	2021 E	Mar. E	June E	Sep. E	Dec. E	2022 E	2023 E
Net income	4.267	0.697	16.430	4.786	1.145	23.058	0.457	3.148	2.415	2.580	8.600	10.765
Depreciation and amortization	5.121	1.552	1.433	1.940	1.882	6.807	1.979	1.999	2.019	2.006	8.002	8.691
Stock-based compensation	0.886	0.318	0.320	0.294	0.294	1.226	0.250	0.250	0.250	0.250	1.000	1.000
Net gain / loss on disposal of property	(1.783)	(0.008)	0.143	(0.001)	-	0.134	-	-	-	-	-	-
Gain on bargain purchase	(13.246)	-	-	(3.203)	-	(3.203)	-	-	-	-	-	-
Deferred income taxes	(2.837)	0.082	0.399	(0.040)	-	0.441	-	-	-	-	-	-
Other non-cash items	6.749	0.186	(14.127)	4.977	-	(8.964)	-	-	-	-	-	-
<i>Changes in assets and liabilities:</i>												
Accounts receivable, net	(1.011)	0.598	(0.786)	0.062	(4.128)	(4.254)	2.450	(1.019)	0.303	(2.712)	(0.978)	(1.143)
Prepaid expenses and other assets	(0.752)	(2.579)	0.100	1.111	1.115	(0.253)	(1.165)	(0.464)	1.485	(0.734)	(0.878)	(0.174)
Accounts payable	2.418	1.635	(0.970)	0.042	3.771	4.478	1.927	(1.918)	(1.989)	2.868	0.888	1.369
Accrued and other liabilities	2.276	0.323	3.138	(3.511)	(3.003)	(3.053)	(1.015)	0.829	0.231	0.374	0.419	0.749
<b>Cash flows from operating activities</b>	<b>2.088</b>	<b>2.804</b>	<b>6.080</b>	<b>6.457</b>	<b>1.076</b>	<b>16.417</b>	<b>4.884</b>	<b>2.824</b>	<b>4.714</b>	<b>4.633</b>	<b>17.054</b>	<b>21.257</b>
Proceeds from the sale of assets	2.869	0.691	(0.691)	-	-	-	-	-	-	-	-	-
Purchases of property, equipment and leasehold improvements	(3.499)	-	(1.114)	(1.302)	(1.200)	(3.616)	(1.000)	(1.000)	(0.900)	(0.680)	(3.580)	(3.800)
Payments for acquired restaurants	(5.381)	-	-	(14.548)	(4.212)	(18.760)	-	-	-	-	-	-
Advances on notes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Payments received on notes receivable and other	0.042	0.006	0.063	0.756	-	0.825	-	-	-	-	-	-
<b>Cash flows provided by / used for investing activities</b>	<b>(5.969)</b>	<b>0.697</b>	<b>(1.742)</b>	<b>(15.094)</b>	<b>(5.412)</b>	<b>(21.551)</b>	<b>(1.000)</b>	<b>(1.000)</b>	<b>(0.900)</b>	<b>(0.680)</b>	<b>(3.580)</b>	<b>(3.800)</b>
Proceeds from long-term debt	22.058	-	-	-	-	-	-	-	-	-	-	-
Payments for debt issuance costs	(0.045)	-	0.010	(0.010)	-	-	-	-	-	-	-	-
Payments on long-term debt and financing lease obligation	(4.621)	(0.519)	(0.523)	(0.530)	-	(1.572)	-	-	-	-	-	-
Proceeds (repurchase) of common stock, net	-	-	12.462	(0.017)	-	12.445	-	-	-	-	-	-
Payments / proceeds from exercise of stock options	0.006	-	0.310	0.135	-	0.445	-	-	-	-	-	-
Tax benefit for equity awards issued	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flows used for / provided by financing activities</b>	<b>17.398</b>	<b>(0.519)</b>	<b>12.259</b>	<b>(0.422)</b>	<b>-</b>	<b>11.318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase / decrease in cash, cash equivalents and restricted cash	13.517	2.982	16.597	(9.059)	(4.336)	6.184	3.884	1.824	3.814	3.953	13.474	17.457
Cash, cash equivalents and restricted cash, beginning of period	6.086	19.603	22.585	39.182	30.123	19.603	25.787	29.671	31.495	35.309	25.787	39.261
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>19.603</b>	<b>22.585</b>	<b>39.182</b>	<b>30.123</b>	<b>25.787</b>	<b>25.787</b>	<b>29.671</b>	<b>31.495</b>	<b>35.309</b>	<b>39.261</b>	<b>39.261</b>	<b>56.718</b>

**Cash Flow Analysis:**

Operating Cash Flow / Share	\$0.23	\$0.30	\$0.63	\$0.62	\$0.10	\$1.57	\$0.47	\$0.27	\$0.45	\$0.44	\$1.63	\$2.03
Free Cash Flow (Operating Cash Flow -Capex)	(1.41)	2.80	4.97	5.16	(0.12)	12.80	3.88	1.82	3.81	3.95	13.47	17.46
Free Cash Flow/ Share	(\$0.15)	\$0.30	\$0.52	\$0.49	(\$0.01)	\$1.22	\$0.37	\$0.17	\$0.36	\$0.38	\$1.29	\$1.67
Stock Based Compensation / Share	\$0.10	\$0.03	\$0.03	\$0.03	\$0.03	\$0.12	\$0.02	\$0.02	\$0.02	\$0.02	\$0.10	\$0.10
Free Cash Flow (Operating Cash Flow -Capex-stock comp)	(2.30)	2.49	4.65	4.86	(0.42)	11.58	3.63	1.57	3.56	3.70	12.47	16.46
Free Cash Flow Per Share Less Share Based Compensation	(\$0.25)	\$0.26	\$0.48	\$0.46	(\$0.04)	\$1.10	\$0.35	\$0.15	\$0.34	\$0.35	\$1.19	\$1.57

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

**Table 3.: BBQ Holdings, Inc. Balance Sheet**

(Dollars in millions except per share data)

Fiscal year ends on the Sunday nearest to December 31

	2020	Mar. A	June A	Sep. A	2021 E	Mar. E	June E	Sep. E	2022 E	2023 E
<b>Assets:</b>										
Cash and cash equivalents	\$18.101	\$21.224	\$38.358	\$28.977	\$25.787	\$29.671	\$31.495	\$35.309	\$39.261	\$56.718
Restricted cash	1.502	1.361	0.824	1.146	1.146	1.146	1.146	1.146	1.146	1.146
Accounts receivable, net of allowance for doubtful accounts	4.823	4.176	4.966	4.900	9.028	6.578	7.597	7.294	10.006	11.149
Inventories	2.271	2.380	2.433	2.949	2.949	2.949	2.949	2.949	2.949	2.949
Prepaid expenses and other current assets	1.252	2.417	2.881	2.367	1.252	2.417	2.881	1.396	2.130	2.304
Assets held for sale	1.070	1.070	1.024	1.024	1.024	1.024	1.024	1.024	1.024	1.024
<b>Total current assets</b>	<b>29.019</b>	<b>32.628</b>	<b>50.486</b>	<b>41.363</b>	<b>41.186</b>	<b>43.785</b>	<b>47.092</b>	<b>49.118</b>	<b>56.516</b>	<b>75.290</b>
<b>Property, equipment and leasehold improvements, net</b>										
Property, equipment and leasehold improvements, net	32.389	31.508	31.112	39.174	38.492	37.513	36.515	35.396	34.070	29.178
Operating lease right-of-use assets	61.634	59.920	60.787	78.581	80.581	80.581	80.581	80.581	80.581	80.581
Goodwill	0.601	0.601	0.601	1.071	2.071	2.071	2.071	2.071	2.071	2.071
Intangible assets, net	9.967	9.850	9.733	23.231	24.443	24.443	24.443	24.443	24.443	24.443
Deferred tax assets	4.934	4.935	4.623	3.382	3.382	3.382	3.382	3.382	3.382	3.382
Other	1.724	1.669	1.660	1.129	1.129	1.129	1.129	1.129	1.129	1.129
<b>Total assets</b>	<b>140.268</b>	<b>141.111</b>	<b>159.002</b>	<b>187.931</b>	<b>191.284</b>	<b>192.904</b>	<b>195.213</b>	<b>196.120</b>	<b>202.192</b>	<b>216.075</b>
<b>Liabilities:</b>										
Accounts payable	6.385	8.020	7.050	7.092	10.863	12.791	10.873	8.884	11.752	13.120
Current portion of lease liabilities	6.185	6.332	6.844	10.624	10.624	10.624	10.624	10.624	10.624	10.624
Current portion of long-term debt and financing lease obligation	2.111	2.138	2.165	2.192	2.192	2.192	2.192	2.192	2.192	2.192
Accrued compensation and benefits	2.390	4.068	6.313	7.929	6.072	5.057	5.886	6.116	6.491	7.240
Other current liabilities	9.766	8.156	8.814	12.014	12.014	12.014	12.014	12.014	12.014	12.014
<b>Total current liabilities</b>	<b>26.837</b>	<b>28.714</b>	<b>31.186</b>	<b>39.851</b>	<b>41.765</b>	<b>42.678</b>	<b>41.588</b>	<b>39.830</b>	<b>43.072</b>	<b>45.190</b>
Lease liabilities, less current portion	63.105	61.445	61.839	78.470	78.470	78.470	78.470	78.470	78.470	78.470
Long term debt less current portion	22.169	21.628	7.131	6.578	6.578	6.578	6.578	6.578	6.578	6.578
Other liabilities	1.224	1.376	1.376	1.458	1.458	1.458	1.458	1.458	1.458	1.458
<b>Total liabilities</b>	<b>113.335</b>	<b>113.163</b>	<b>101.532</b>	<b>126.357</b>	<b>128.271</b>	<b>129.184</b>	<b>128.094</b>	<b>126.336</b>	<b>129.578</b>	<b>131.696</b>
<b>Total equity</b>	<b>26.933</b>	<b>27.948</b>	<b>57.470</b>	<b>61.574</b>	<b>63.013</b>	<b>63.721</b>	<b>67.119</b>	<b>69.784</b>	<b>72.614</b>	<b>84.379</b>
<b>Total liabilities and equity</b>	<b>140.268</b>	<b>141.111</b>	<b>159.002</b>	<b>187.931</b>	<b>191.284</b>	<b>192.904</b>	<b>195.213</b>	<b>196.120</b>	<b>202.192</b>	<b>216.075</b>

**Balance sheet analysis:**

Return on equity %	15.8%	2.5%	28.6%	7.8%	36.6%	0.7%	4.7%	3.5%	11.8%	12.8%
Book value per share	\$2.94	\$2.94	\$5.98	\$5.87	\$6.01	\$6.08	\$6.40	\$6.66	\$6.93	\$8.05
Tangible book value per share	\$2.87	\$2.88	\$5.91	\$5.77	\$5.81	\$5.88	\$6.21	\$6.46	\$6.73	\$7.85
Total debt to total capital	77.6%	76.6%	57.6%	61.4%	60.8%	60.6%	59.3%	58.4%	57.4%	53.7%
Net cash (debt) per share	(\$8.23)	(\$7.40)	(\$4.12)	(\$6.57)	(\$6.88)	(\$6.51)	(\$6.33)	(\$5.97)	(\$5.59)	(\$3.93)

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

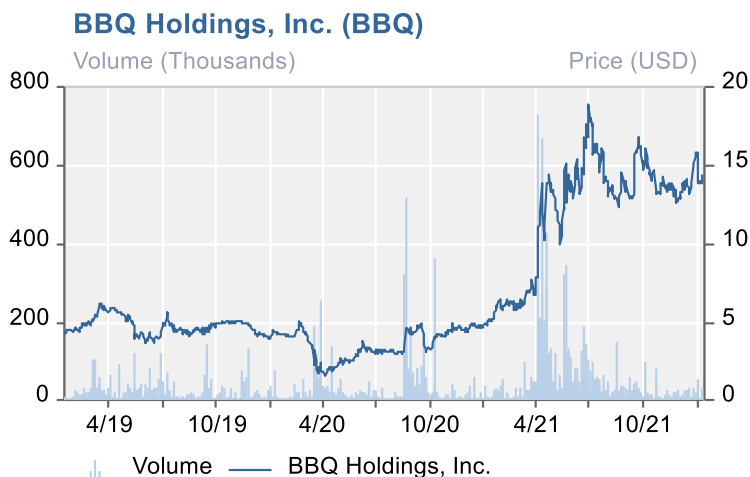
**Appendix**  
Required Disclosures

**Required Disclosures**

**BBQ Holdings, Inc. (BBQ-\$14.15) NR Price Target: \$22 Risk Rating: M**

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	9/10/21	13	NR	19	M
PT	10/7/21	15.8		19	
Rating	10/18/21	13	Suspended	19	
ACHG	11/26/21	13.1	NR	19	
PT	11/29/21	13.1		22	



Source: FactSet Prices

<b>Valuation</b>	We maintain our Moderately Risky Rating on BBQ shares and \$22 price target. With its growing and well-diversified portfolio of restaurant brands, we think that BBQ Holdings, Inc. will benefit from increasing scale, buying power and corporate overhead leverage. We project a 5-year EPS CAGR of 14%. As per FactSet, during the last three years, BBQ shares traded in a range of 9x-35x two-year forward consensus EPS estimates with an average of 19x. Given the solid EPS gains that we anticipate through 2023, along with the company's healthy balance sheet and ample free cash flow prospects, we think a slightly higher-than-average P/E multiple is appropriate. Thus, our \$22 price target is based on 20x our 2023 EPS estimate of \$1.12. Given the upside potential implied by this price target, we argue that BBQ shares remain undervalued.		
<b>Key Risks</b>	COVID-19	Food and labor costs	Operating lease exposure

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