

NEW WRITEUP - Privately held "Up & Comer" - COOPER'S HAWK WINERY AND RESTAURANT

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Cooper's Hawk Winery and Restaurant – providing a differentiated “experiential” dining occasion.

Cooper's Hawk was founded by Tim McEnery in 2005 and has grown to 30 high volume locations at the end of 2017. McEnery experienced his first foodservice employment as a dishwasher at the age of eleven, later worked after college at Aramark and Lynfred Winery. About thirteen years ago, twenty-nine-year-old McEnery visited a Chicago area winery and envisioned a restaurant/winery combination. After raising \$1.3M from family and friends, and borrowing \$1.0 from the SBA, the first Cooper's Hawk opened in Orland Park, Illinois. It was 13,000 feet in total, accommodating a winery, restaurant, tasting room and gift shop. McEnery's vision was a “Lifestyle Brand”, an “Experiential” dining occasion, creation of a “Culture of Community” where wine aficionados can interact with those of similar interest. The unique “culture” of the organization would center around good food (at modest prices) complimented by high quality wines (also at affordable prices) in a comfortable social setting. That original restaurant generated \$5 million in its first year, and is today the highest grossing restaurant at over \$12M.

At first, McEnery “did it all”, but after two years, moved the winery into its own space, at first adjacent to corporate headquarters, now located in Countryside, IL and also hired a professional winemaker, Rob Warren, to take over that responsibility. The 125,000-square-foot CH winery is now the 31st largest in the US, the fifth largest outside the state of California, producing annually about 300,000 cases and 50 varieties. Many of the wines are made from California grapes, as well as from Michigan, NY, OR, WA, as well as internationally (Italy, Australia, Chile). “Finished wines”, fermented but not blended, fruit and fruit extracts are also purchased to produce the eight popular fruit wines (including raspberry, peach and rhubarb), all sold for \$15 or less. Wine by the glass is also modestly priced, many in the range of \$7-\$9. Bottle prices are mostly under \$30. The tasting room is adorned with glassware, trinkets, and a variety of chocolate products, which guests like to pair with wine choices.

There is an active and rapidly growing Wine club/Loyalty program, with 290,000 members at 12/31/17, and that number has compounded by 60% over twelve years. The customer base is “upscale”, since 65% of the members are women, 44% have household incomes over \$100,000, 87% are married, 53% have no children, 31% have Bachelor's Degree, 19% Graduate Degrees. The Wine Club members receive a special offering every month, usually in the \$15-20 price range. 99% pick up their bottle at the restaurant, and 65% make additional purchases. Since the Loyalty program provides what amounts to a 7% discount, and “Two-Bottle” Members who utilize their full suite of benefits, receive almost \$1,000 of value in twelve months, the already modest food and

wine prices are made even more attractive. Regularly scheduled wine tasting events and trips are scheduled to bring the customer community together. Lastly, regarding the wine program, there have been active affiliations with “celebrity” winemakers and chef’s, such as, Tyler Florence, Jean Charles Boisset, Fabio Viviani, Gail Simmons, and others, adding further credibility to the program.

Then there is the food. Entrees are modestly priced, starting at \$17.99 for Parmesan-crusted chicken, most entrees priced under \$30.00. Appetizers range from \$9-13, sandwiches and hearty salads from \$11. The menu is adequately broad, including meat, fish and pasta. More specifically, entrees include soy ginger salmon, chicken Giardiniera, Asian pork belly tostadas and Mexican drunken shrimp. Each dish is made from scratch, and, PREDICTABLY, there are suggested wine pairings. There is a gluten free menu, and a Life Balance menu with each dish under 600 calories. Desserts include chocolate-covered strawberries, truffles and cheesecake lollipops and sell for about \$8.00. Lunch includes sandwiches and salads.

As of 12/31/17, there were 30 locations, (up from 25, 20 and 18 in '16.'15 and '14) Eight units are in FLA, ten in IL, two in IND, one in MD, 2 in MO, 3 in OH, 3 in VA, and 1 in WI. Five are planned for '18, in Pembroke Pines, FLA, Clinton Township, MI, New Lenox, IL, Orange, OH, and Virginia Beach, VA.

The average volume in '17 was \$8.3M, and \$9.4M for stores open at least three years. Same store sales have been up every quarter over the last three years, an impressive 8% in both calendar '16 and '17. Relative to in-store dining, 56.1% represented food sales. In terms of unit level economics leading to calculation of cash on cash returns, the model here differs from most restaurant chains by virtue of cost allocations between the winery and dining locations. Based on the high average volume/unit, we estimate that “Operating EBITDA”, before general corporate G&A, is in excess of 20%, generating an attractive corporate return on equity. Parenthetically, the private equity sponsor, and minority owner of Cooper’s Hawk, is the prestigious KarpReilly investment firm.

Cooper’s Hawk Winery and Restaurant is clearly an increasingly prominent, and highly successful participant in the full-service dining and drinking category. Their approach is unique, defensible (i.e. not easily replicated) and obviously attractive to customers, especially considering the impressive same store sales gains in recent years. Numerous fine dining awards, focused on the wine, the food, and the overall dining experience have been bestowed upon Cooper’s Hawk. The original McEnery vision and “culture” seems to pervade this company’s operation, an especially necessary ingredient to “rise above”, in today’s competitive and challenging environment.

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