

BLAZE PIZZA LLC - UPDATED WRITEUP - click above at "Privately Held "Up & Comer"

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FAST CASUAL PIZZA SEGMENT

Blaze Pizza LLC

Blaze Pizza, based in Pasadena, California, was founded in 2011 by Elise and Rick Wetzel of Wetzel's Pretzels. As others within this segment have done, Blaze provides a made to order approach to the pizza segment. Blaze attracted a prominent sponsorship group early, including LeBron James, Maria Shriver, American film producer John Davis and Tom Werner, co-owner of the Boston Red Sox. Most recently, as LeBron's contract with McDonald's expired in 2016, he became a spokesperson for Blaze Pizza. Jim Mizes was recruited in July of 2013, as President and COO, after being in leadership positions at several successful foodservice chains. Promoted to CEO in May, 2017, he leads a team of seasoned executives. Executive Chef, Brad Kent, a CIA graduate with outstanding credentials was recruited early, created the recipes and cooking procedures, and his Blaze pizzas were lauded by the Zagat Guide, among others, in 2013. Since Blaze is 99% franchised, expansion capital beyond the initial raise has not been necessary to fund the growth. The Company has been profitable and cash flow positive since 2015.

In terms of differentiating their concept, Blaze offers fresh made dough that is proofed for 24 hours, while some competitors use frozen dough. For Millennials and those with dietary preferences, Blaze also offers fresh made in house gluten free dough as an option, as well as vegan cheese, and emphasizes the uniquely "clean" ingredients that have no artificial colors, flavors, additives or preservatives. After choosing their type of dough, customers move down the assembly line as the staff add ingredients, and the completed pizza is cooked in the stone-hearth oven in only three minutes. Blaze's oven is "oversized", and combined with their "back line", should have the necessary capacity to build delivery and on-line ordering as customers increasingly choose these options. Salads, S'more pies and blood orange lemonade are among other products offered.

Blaze offers 8 signature pizzas, designed by Chef Brad Kent, or guests can "build their own" pizza all for one price. Therefore customers can choose any or all toppings, purchasing a pizza that could sell elsewhere for \$12 to \$15, for about \$8.00.

Expansion has been rapid for this predominantly franchised chain, and volumes have been among the highest in this segment. Over 50 franchise groups have been signed up within the U.S. and

Canada. Blaze is now also focused on selling franchises in smaller cities through the country, while also starting its international expansion. Blaze finished 2017 with 237 total restaurants, including 5 company operated units, in the US and Canada. The footprint is about 2500 square feet, the total startup investment is about \$700,000/location, cost of goods runs around 28% and fully loaded labor approximates 30%. Newest restaurants are projected to open at approximately \$1.2 million, usually building to about a \$1.4 million rate in the second year. The 117 restaurants in the system that were 18 months or older generated an average unit volume of \$1.424 million. The 5 corporate owned restaurants over 18 months old averaged \$2.063 million. The ongoing royalty is 5% and the creative fund is 2%. The initial franchise fee is \$30,000. The operating model for franchisees projects to a 35-40% cash on cash (EBITDA at store level) return by the third year, after royalties. The average check is \$14.00 and the average price/pizza with attachment is \$9.00. Lunch (46%) and dinner (54%) provide a fairly balanced daypart appeal. 75% of the customers dine in the restaurant, 25% off premises and 7% is ordered online. Blaze is leveraging technology and connecting to Millennials, as seen by their followers on Facebook, over 1 million email subscribers, app downloads and more. The company sees additional sales opportunities with 3rd party delivery, drive-thrus, new products and line extensions and leveraging technology.

During 2017, 64 stores opened, and the Company projects that about 85 new stores will open this year, which would bring the 12/31/18 total to 325. In 2016 “Flagship” locations were opened at DisneyWorld in Florida and Universal CityWalk in Los Angeles as well as Houston International Airport. Similar high profile locations will have opened during 2018 in Kuwait, Bahrain, Saudi Arabia and over 10 in Canada. The Company expects that over 100 locations will open annually in 2019 and beyond. In addition, the Company has begun development of non-traditional locations, an area with obviously very large incremental potential, having signed agreements with HMS for airports and Sodexo for schools/universities.

Clearly, with the franchising experience of the Wetzels, the culinary skills of Brad Kent, and the seasoned executive team, Blaze is equipped to capably lead their franchised expansion. Once a franchised chain reaches the critical mass necessary to support its franchise system, well positioned franchise companies most often prove to be excellent long term investment due to the free cash flow characteristics. From what we see, Blaze is one of the highest quality companies serving fast, artisanal pizza, and the unchallenged leader in terms of a franchised model within this segment.