

MOD PIZZA - Privately Held "Up & Comer"

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Fast Casual Pizza Segment

MOD Pizza

MOD Pizza, based in Bellevue, Washington was founded in 2008 by Scott and Ally Svenson, who had built two successful food service companies while living in England. The first, Seattle Coffee, was sold to Starbucks in 1998, and Scott stayed on as President of Starbucks Europe. The Svensons were also involved with the founding of Carluccio's Ltd, a chain of Italian restaurants, which went public in the UK in 2005 and grew to 35 locations by 2008.

After returning home to Seattle with their four children, the Svensons foresaw the emergence of "fast casual" pizza, a segment which didn't previously exist. To our knowledge, MOD was the "first mover" in this regard. The Svensons started MOD pizza with the intention of "making a difference" in terms of employees, customers and communities served. The MOD experience provides customers the opportunity to create and customize their own pie for one price as they move through the ordering line choosing their ingredients. The pies are rapidly cooked in a 700 degree oven, and served super-fast in about 8 minutes (including both preparation and cook time).

The first location opened in Union Square, Seattle in 2008. The second location opened in early 2010 and there were five locations, in a variety of settings by Late 2011. With about \$7 million of expansion capital provided by the Svensons and other early stage investors over the 2012 and 2013 fiscal years, expansion took the chain to 14 locations by yearend 2013. MOD raised an additional \$15 million in March of 2014, and by yearend 2014 there were 31 stores in AZ, CA, CO, OR, TX, and WA, all but one (franchised in CO) are company operated. During calendar 2015, MOD closed an additional funding round of \$45 million and grew to a total of 92 locations, 80 company operated and 12 franchised (having signed a small group of experienced multi-unit operators). During calendar 2016 \$74 million of additional capital was raised and 100 locations were opened, bringing the total to 192. During calendar 2017, \$33 million additional equity was raised, led by previous investors, and a \$40 million credit facility was established, bringing the total equity raised to \$185 million. Openings in 2017 totaled 110 systemwide, building on its prior year base by an impressive 57%.

Within the 302 total units, the Company operated 225 locations with franchised partners operating 72 and their UK JV partner operating 5. MOD is now represented in 27 states and the U.K., after entering 7 new states (IN, MT, UT, DE, FLA, NEV and GA) during 2017. Systemwide sales were \$275 million in 2017 (a YTY increase of 81%), netting MOD \$219 million (a YTY increase of 68%) from company store revenues plus initial franchise fees and ongoing royalties. Same store sales at company stores were a positive 5.2% in 2017, bringing its two-year same store sales growth to

almost 11% and the three year “stack” to over 23%. Two new multi-unit franchises were awarded, and recently opened locations in Florida, Georgia, and Alabama (Roll, Tide!).

The Company has been dedicated to building a strong corporate operating team, prepared to make the necessary investment in people to support the very rapid expansion of (primarily) company operated units. The Company expects to continue it's strong store growth in 2018, consisting of mostly company operated locations. There are currently about 215 corporate employees at headquarters to support the rapid growth and this number is expected to expand further during 2018. The Company has been dedicated to building a strong corporate operating team, prepared to make the necessary investment in people. In terms of executive talent, Bob Barton, previously CFO and VP of operations at drugstore.com, was named CFO at MOD early in 2016. While he was at drugstore.com the company went from a startup through the IPO process to more than \$400 million in revenues. Additional executives added were Lisa Luebeck, senior vice president of legal and general counsel, and Megan Hansen, senior vice president of people. During 2017, Paul Twohig (COO), Tracy Cioffi (CMO), Robin Hamm (VP Culinary), Robert Notte (VP Technology) were added, all with outstanding credentials, and Kate Jaspon (CFO of Dunkin Brands) was appointed to the Board of Directors.

Scott Svenson has built and inspires an operating team that is dedicated to “making a difference”, building an operating culture where every employee is working for a cause bigger than themselves. “Spreading MODness”, the idea of using the business as a platform for positive social change, was demonstrated in 2017 by, among other things, a contribution over \$1M to support local communities and Squad members in need, and franchisees’ donation of over \$364,000 to *Generosity Feeds*, which helps create half a million meals for hungry children. MOD’s strong connection and social impact with Squad members, consumers, and the community at large were reflected by various awards during the year. MOD continues to be the largest and most rapidly growing - *primarily company operated* - chain within the fast casual pizza segment. This dynamic leadership team, supported by deep pocketed financial backers, has built an admirable company to this point, and provides every indication of continued success.