Financial Due Diligence & Acquisition Assessment

Southern Chicken Co.

Prepared for a Confidential Private Equity Sponsor

Based on an actual transaction advisory engagement. Company details, locations, names and financial information have been modified for confidentiality purposes.

EXECUTIVE SUMMARY

A scaled, cash-generative platform with a clear path to margin expansion

$120.3M	$18.1M	15.0%	97	5
LTM REVENUE	ADJ. EBITDA	ADJ. EBITDA MARGIN	RESTAURANTS	STATES

KEY FINDINGS

- **High** — Revenue grew $98.4M → $120.3M (FY23–FY25), a 10.6% CAGR; same-store sales accelerated to +5.3% in FY25
- **High** — Adj. EBITDA margin expanded 200 bps to 15.0%, ahead of the regional peer set
- **Medium** — Mature-cohort stores post 24.8% four-wall margins vs. 7.0% at the 8 underperforming locations (+ $0.4–0.6M EBITDA opportunity)

KEY RISKS

- 8 underperforming locations (8% of the fleet) dilute consolidated margin by an est. 90–110 bps
- 34 stores (35% of the fleet) are due for a facilities refresh — $1.9M of near-term deferred capex

INVESTMENT RECOMMENDATION

8.7 / 10

INVESTMENT ATTRACTIVENESS SCORE

● PROCEED TO EXCLUSIVITY

KEY CONDITIONS

- Confirmatory QoE
- $1.9M capex reserve
- Management retention (Franchise Dev. hire)

Recommend proceeding to exclusivity, subject to confirmatory QoE and a defined 100-day remediation plan for underperforming units.

INVESTMENT HIGHLIGHTS

Five reasons this platform merits a premium multiple

01

Attractive Category

QSR chicken keeps outpacing limited-service restaurant growth on durable value and convenience demand.

02

Strong Unit Economics

Mature stores post a $2.05M AUV at 24.8% four-wall margins — well above the fleet average.

03

Scalable Platform

Proven company-owned / franchised hybrid across 5 states, with multiple levers for continued growth.

04

Embedded Growth

97 units today against a 200+ addressable footprint, on a de-risked, standardized build model.

05

Operational Upside

8 underperforming stores + 34 refresh-eligible locations = a clear, quantified value creation roadmap.

A clean perimeter, ready for a straightforward close

BUYER	Confidential Private Equity Sponsor
SELLER	Founder & Management Shareholders
TRANSACTION TYPE	Control Acquisition (Majority Recapitalization)
TARGET	Southern Chicken Co. and consolidated operating subsidiaries
DEAL STRUCTURE	Cash-free, debt-free, with customary working capital peg
TRANSACTION PERIMETER	97 restaurants (61 company-owned, 36 franchised); excludes 2 non-operating parcels held for sale
ADVISOR	Leverage Strategic — Buy-Side Financial & Commercial Due Diligence

SO WHAT The perimeter is clean — no distress, no carve-out complexity — and franchise royalties add a stable, capital-light layer on top of company-operated cash flow.

Illustrative structure at 8.0x Adj. EBITDA, with meaningful founder alignment

7.5x–8.5x
EV / ADJ. EBITDA RANGE

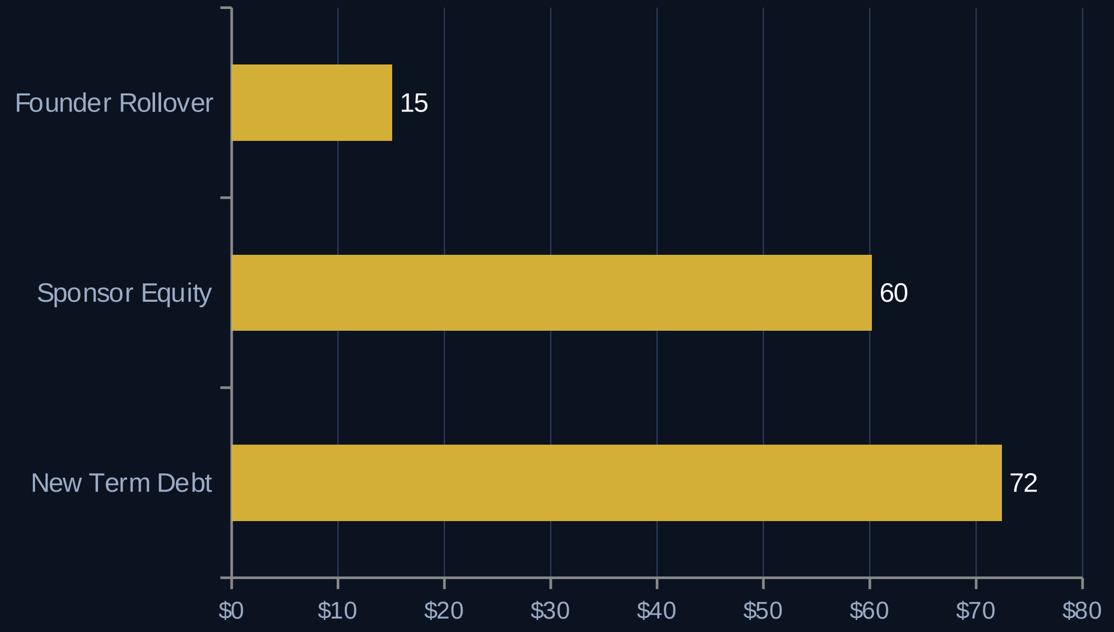
$135.8M–153.9M
IMPLIED ENTERPRISE VALUE

4.0x
NEW DEBT / ADJ. EBITDA

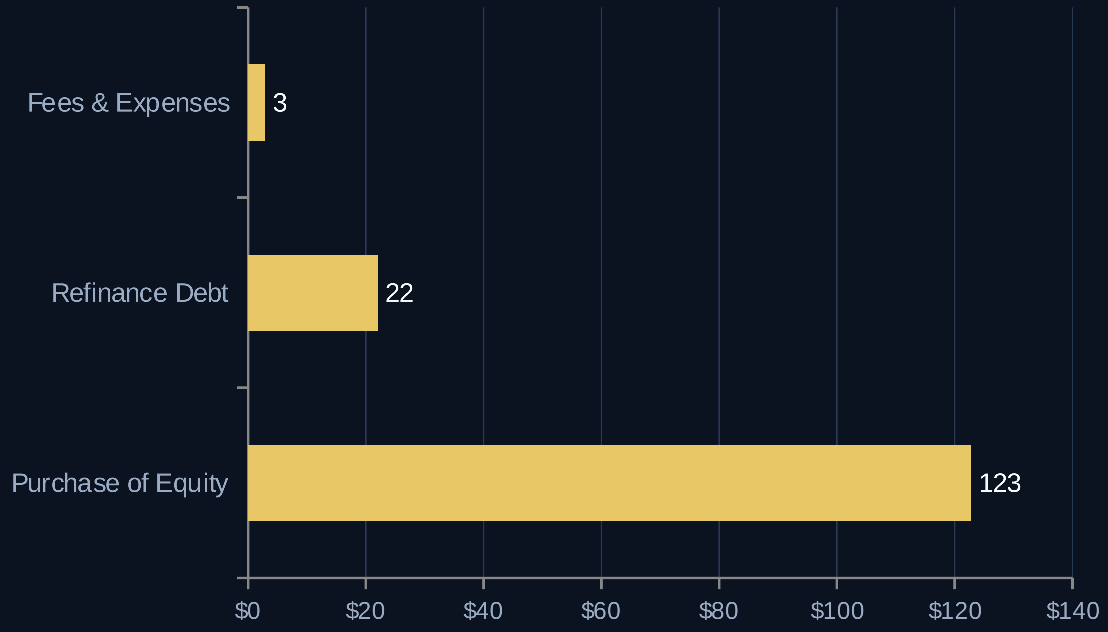
20%
FOUNDER EQUITY ROLLOVER

ILLUSTRATIVE SOURCES & USES — 8.0x ADJ. EBITDA ($144.8M EV)

SOURCES ($M)



USES ($M)



Sources and Uses tie exactly at $147.7M. Founder rollover of ~20% of post-close equity preserves alignment through the value-creation period.

RETURNS ANALYSIS

Base case underwrites a ~17% IRR without assuming multiple expansion

5-Year Hold — Exit at Entry Multiple (8.0x), No Multiple Expansion Assumed

DOWNSIDE

4% EBITDA CAGR

10.0%

SPONSOR IRR

1.61x

SPONSOR MOIC

Yr 5 Adj. EBITDA	$22.0M
Exit EV	$176.2M
Exit Net Debt	$55.1M

BASE CASE

9% EBITDA CAGR

17.3%

SPONSOR IRR

2.22x

SPONSOR MOIC

Yr 5 Adj. EBITDA	$27.8M
Exit EV	$222.8M
Exit Net Debt	$55.7M

UPSIDE

13% EBITDA CAGR

23.5%

SPONSOR IRR

2.88x

SPONSOR MOIC

Yr 5 Adj. EBITDA	$33.3M
Exit EV	$266.8M
Exit Net Debt	$50.0M

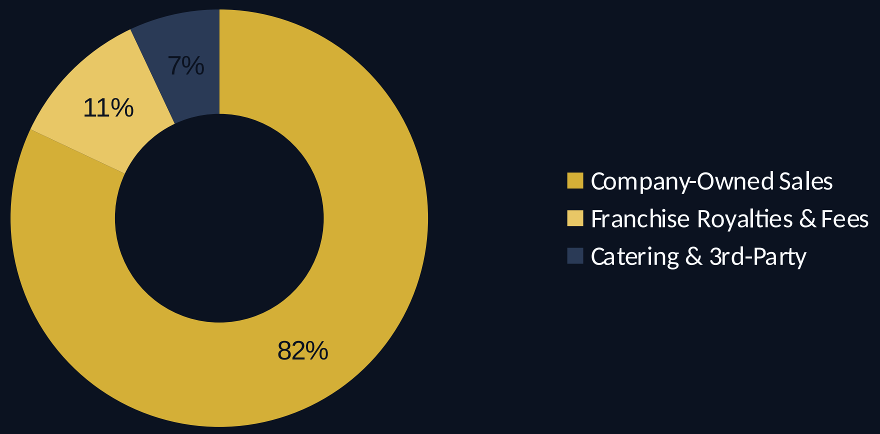
SO WHAT Base case (~17% IRR) sits modestly below a typical 20%+ hurdle — the spread to upside is driven by executing identified value-creation levers, not multiple expansion.
Disciplined 100-day execution, not entry price, is the real determinant of returns.

A founder-built platform with 16 years of operating history

HISTORY & BUSINESS MODEL

- Founded 2009 in Dallas, TX; grew from one location to a 97-unit regional platform
- Hybrid model: 61 company-operated units drive most EBITDA; 36 franchised units add high-margin royalty income
- Menu built around bone-in / boneless fried chicken with a value-tier LTO cadence that drives traffic without eroding check
- One centralized commissary supplies proprietary marinades/breading to both channels — consistent food cost, extra margin on franchisee inputs

REVENUE STREAMS



CUSTOMER BASE

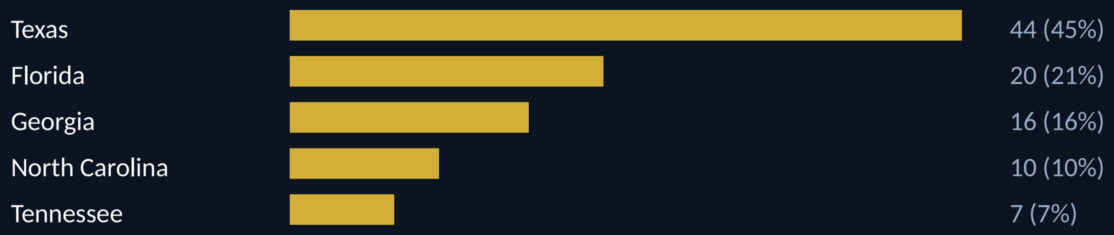
$11.40

AVERAGE CHECK

38%

DIGITAL / 3RD-PARTY DELIVERY MIX (UP FROM 24% 3YRS AGO)

FOOTPRINT (97 UNITS)



MENU & POSITIONING

Value- and convenience-oriented QSR consumer. Loyalty and delivery integration continue to widen addressable daypart occasions without diluting core-menu pricing discipline.

WHY IT MATTERS

Rising digital mix and average check both point to a customer who visits more often without trading down — the same dynamic the cohort data confirms at the store level.

MANAGEMENT ASSESSMENT

A capable operating team, with one clear organizational gap

STRONG | 16 yrs

R. Ellison

Founder & CEO

Founded the company in 2009; built commissary and franchise infrastructure personally. Deep category and vendor relationships.

Retention supported by a ~20% equity rollover; operating role transitions to the COO within 12–18 months.

STRONG | 7 yrs

M. Castellanos

Chief Operating Officer

Joined from a national multi-unit operator; oversees store ops, labor scheduling, and the FY24 POS rollout.

Operational backbone of the platform — a key-person risk if she departs, though no flight-risk signal identified.

ATTRACTIVE | 3 yrs

D. Okafor

VP, Operations

Responsible for underperforming-cohort review and store-refresh sequencing; prior regional QSR operations experience.

Shorter tenure than peers — reference checks and a 100-day retention conversation recommended as a closing condition.

GAP | n/a

Vacant Role

Dir., Franchise Development

Franchise sales has historically been handled part-time by the CEO — the largest organizational gap found in diligence.

Directly tied to the Franchise Development value-creation lever (Page 34); should be a Day-1 hiring priority post-close.

Assessment reflects financial due diligence observations and management interviews; a formal commercial/HR workstream is recommended to confirm retention risk ahead of close.

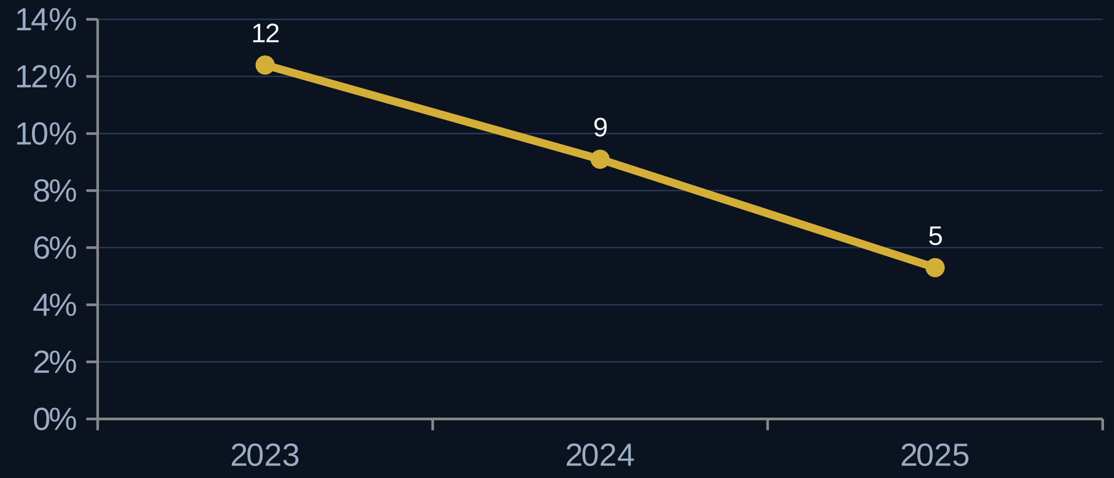
Extending the leadership review beyond individual bios

Vision	STRONG	Founder-articulated growth strategy (franchise dev., adjacent-DMA expansion) is specific and already in the value creation plan
Execution	STRONG	16-year track record of unit growth, margin expansion, and on-schedule systems rollouts (POS, labor management)
Talent Development	ATTRACTIVE	COO and VP Ops hired externally with multi-unit experience; no formal internal leadership-development program
Succession Planning	ATTRACTIVE	Founder-to-COO transition planned over 12–18 months, but no documented, board-approved succession policy exists today
Incentive Alignment	STRONG	~20% founder equity rollover plus milestone-linked incentive comp directly aligns management with the plan
Organizational Depth	GAP	Franchise Development role is vacant with no bench candidate; vendor relationships remain single-threaded through the CEO

A large, growing category — but growth is decelerating as competition intensifies

$60B-65B	5.6%	5.3%	~10%
US CHICKEN-QSR SEGMENT (2025)	SEGMENT CAGR, 2020–2025	2025 GROWTH (VS. 9.1% IN 2024)	SHARE OF TOTAL US FAST FOOD

GROWTH IS DECELERATING FOR A SECOND CONSECUTIVE YEAR



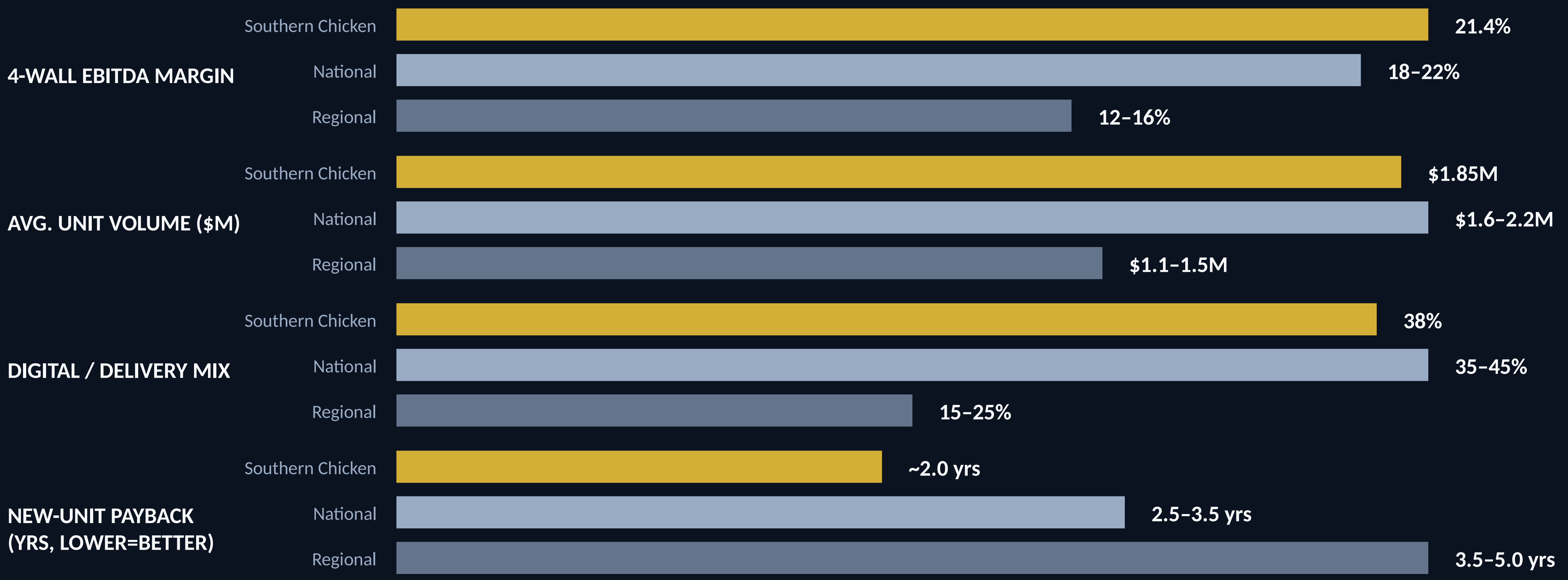
NAMED CATEGORY BENCHMARKS (2025–26)

Chain	2025 Sales	US Units	AUV
Chick-fil-A	$23.9B	3,287	$7.5M
Raising Cane’s	$5.5B	913	$6.0M
Popeyes	~$5.5B	~3,700	~$1.5M
KFC	~$5.2B	~4,000	~$1.3M

SO WHAT The category remains attractive in absolute terms — 5.3% growth vs. 3.0% for chain restaurants overall — but deceleration is a real trend to underwrite. Southern Chicken's regional, value-tier positioning is less exposed than a national premium player.

COMPETITIVE POSITIONING

National-grade economics with regional flexibility national chains bypass



A simple, repeatable value chain underpins consistent unit economics

Customer → Restaurant → Operations Platform → Revenue → Cash Flow

VALUE CREATION DRIVERS

Traffic & Frequency

Digital ordering, loyalty, and value-tier LTOs drive repeat visitation without discounting the core menu.

Unit Economics

Standardized builds and a centralized commissary keep food cost and labor in a tight, predictable band.

Operating Leverage

Corporate overhead is scaled for 150+ units today — incremental units carry minimal incremental SG&A.

Capital Efficiency

Negative net working capital and a proven ramp curve support largely self-funded growth.

Three consecutive years of double-digit revenue growth with margin expansion

10.6%

FY23–FY25 REVENUE CAGR

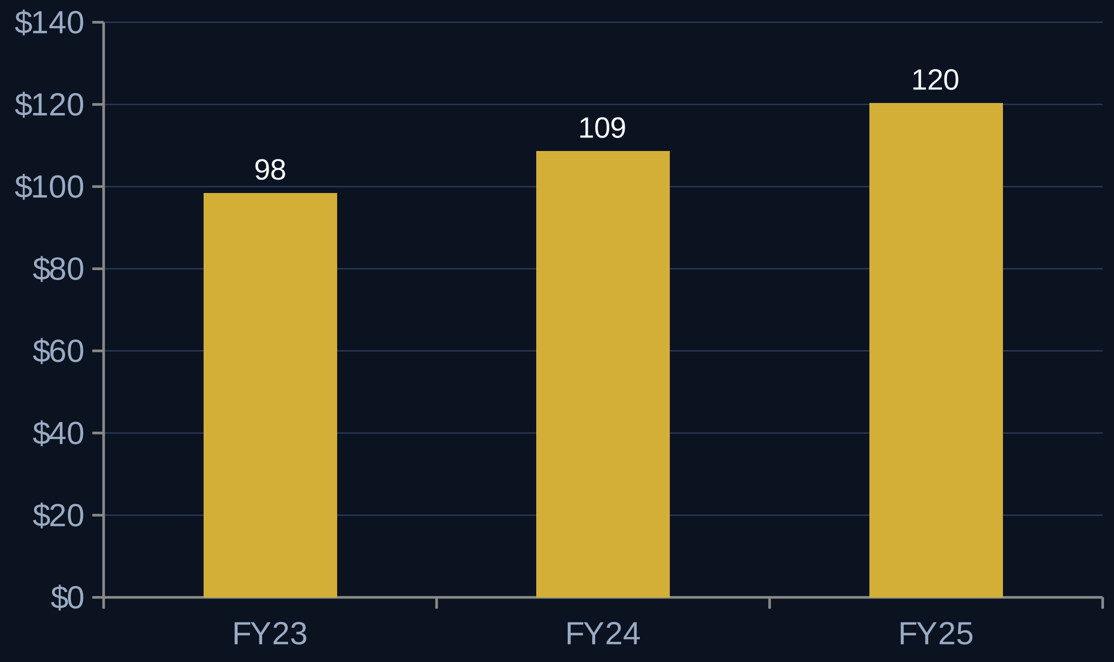
+200 bps

MARGIN EXPANSION FY23–FY25

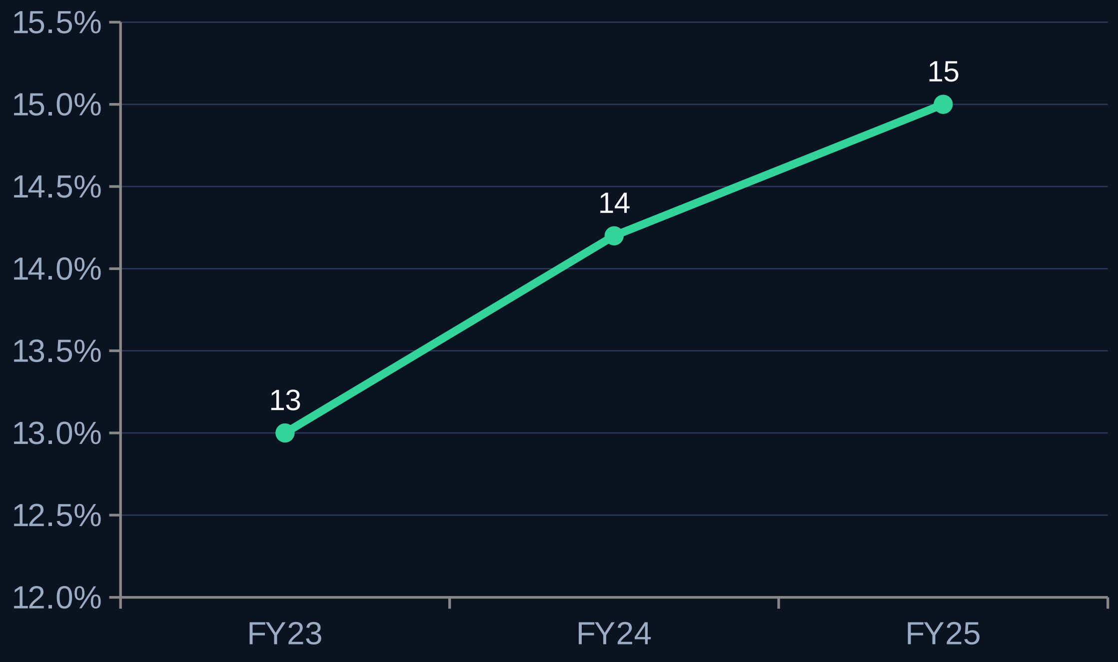
97

UNITS AT FY25 (FROM 84 IN FY23)

REVENUE ($M)

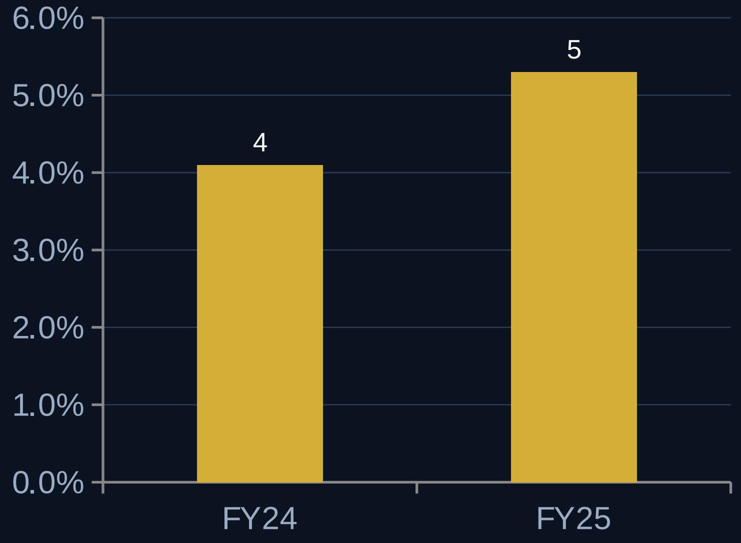


ADJ. EBITDA MARGIN (%)



Growth is broad-based, not reliant on a single lever

SAME-STORE SALES GROWTH



CUSTOMER TRENDS

- Digital / delivery mix rose from 24% to 38% of company-owned transactions over three years
- Loyalty enrollment now covers a majority of repeat volume, improving cohort-level visibility

PRICING POWER

- Pricing actions tracked, not outran, input cost inflation — supporting traffic retention
- Value-tier bundles hold a controlled mix share, protecting core-menu average check

REVENUE SUSTAINABILITY

- SSS growth is traffic- and check-driven in roughly equal measure, not pricing alone
- No customer or channel concentration risk beyond the Texas geographic footprint

SO WHAT This is durable, diversified growth — the kind that underwrites a premium multiple rather than a one-time step-change that reverses post-close.

Loyalty and repeat-visit data reinforce the cohort economics story

34%
LOYALTY-LINKED TXN SHARE (VS. ~19% 3 YRS AGO)

61%
REPEAT-CUSTOMER TXN SHARE

2.4
VISITS / LOYALTY MEMBER / MO.

2.1
COMPETING CONCEPTS WITHIN 5-MI.

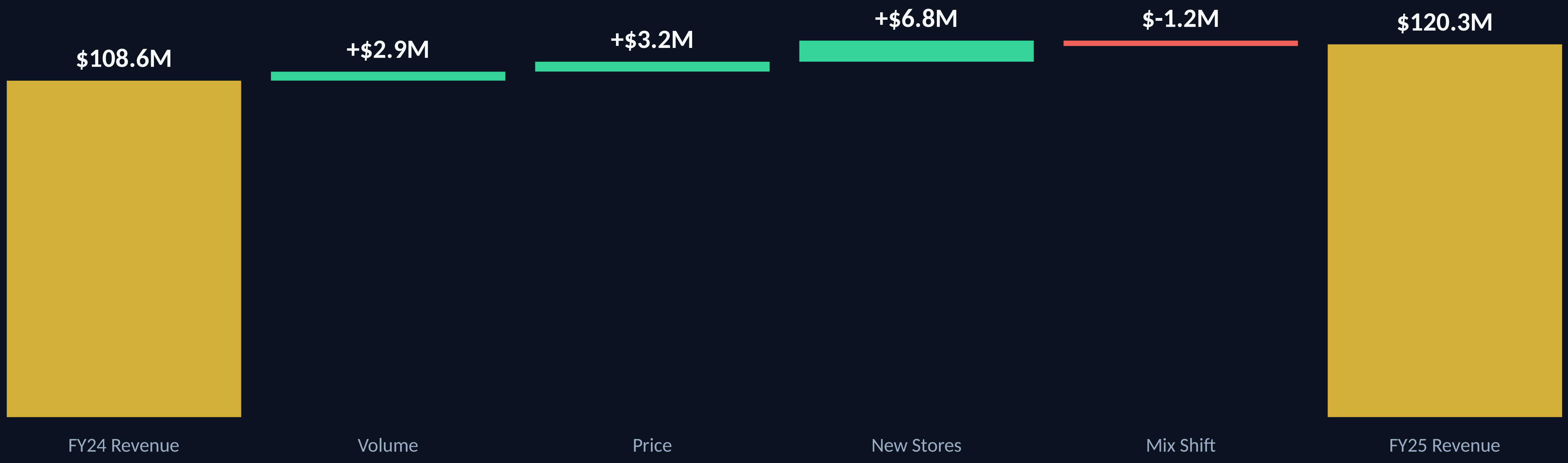
COHORT-LEVEL CUSTOMER ENGAGEMENT (LOYALTY & POS DATA, FY25)

COHORT	LOYALTY PEN.	VISITS/MO.	AVG. TICKET	REPEAT TXN
Mature (36mo+)	38%	2.6	$11.65	66%
Growth (12–36mo)	33%	2.3	$11.30	58%
Underperforming	21%	1.7	$10.40	44%
Fleet Average	34%	2.4	$11.40	61%

SO WHAT Engagement data lines up with the cohort economics story: underperforming stores show materially lower loyalty penetration and repeat-visit rates alongside weaker four-wall margins. A targeted local-marketing and loyalty-reactivation push should be sequenced alongside the physical refresh program, not treated separately.

REVENUE BRIDGE

New unit growth is the single largest contributor to FY25 revenue



READING THE BRIDGE New store openings contributed $6.8M of the $11.7M year-over-year increase, with organic volume and price adding a combined $6.1M. A modest $1.2M mix-shift headwind reflects deliberate growth in lower-check digital and value-tier occasions.

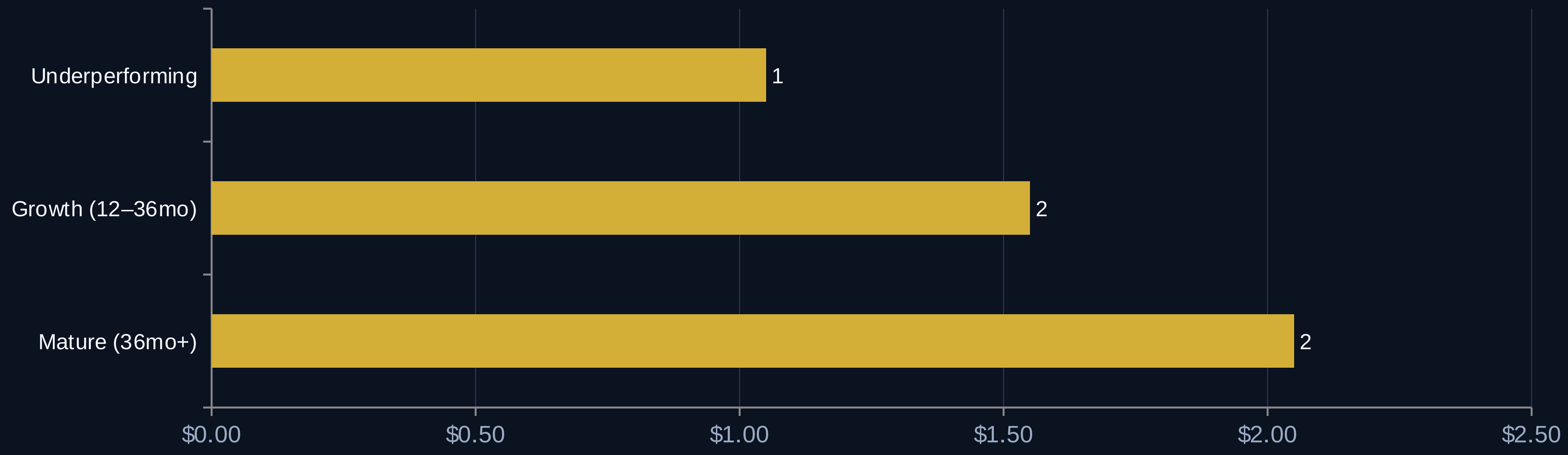
Unit-level economics support a replicable, fundable growth model

$1.85M
AVERAGE UNIT VOLUME

$396K
EBITDA PER STORE

21.4%
STORE CONTRIBUTION MARGIN

AUV BY COHORT ($M)



Fleet performance is bifurcated — and the gap is addressable

COHORT	STORE COUNT	AUV	4-WALL MARGIN
Mature (36mo+)	68	$2.05M	24.8%
Growth (12–36mo)	21	$1.55M	16.0%
Underperforming	8	$1.05M	7.0%

SO WHAT The 8 underperforming stores generate a 7.0% four-wall margin vs. 24.8% for the mature cohort — a ~1,780 bps gap concentrated in a small, identifiable subset of the fleet. Closing even half that gap adds an estimated $0.4–$0.6M of run-rate EBITDA with no new unit growth. This is the single highest-conviction, lowest-execution-risk lever available to a new owner in year one.

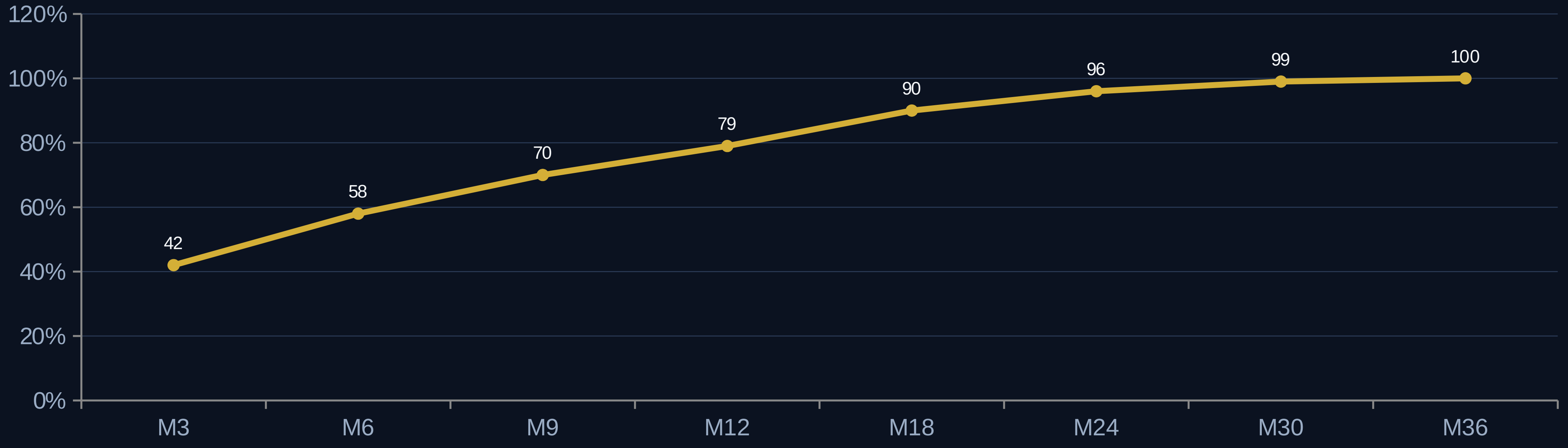
New units reach stabilized productivity within 24 months

24 mo.
TIME TO STABILIZED MATURITY

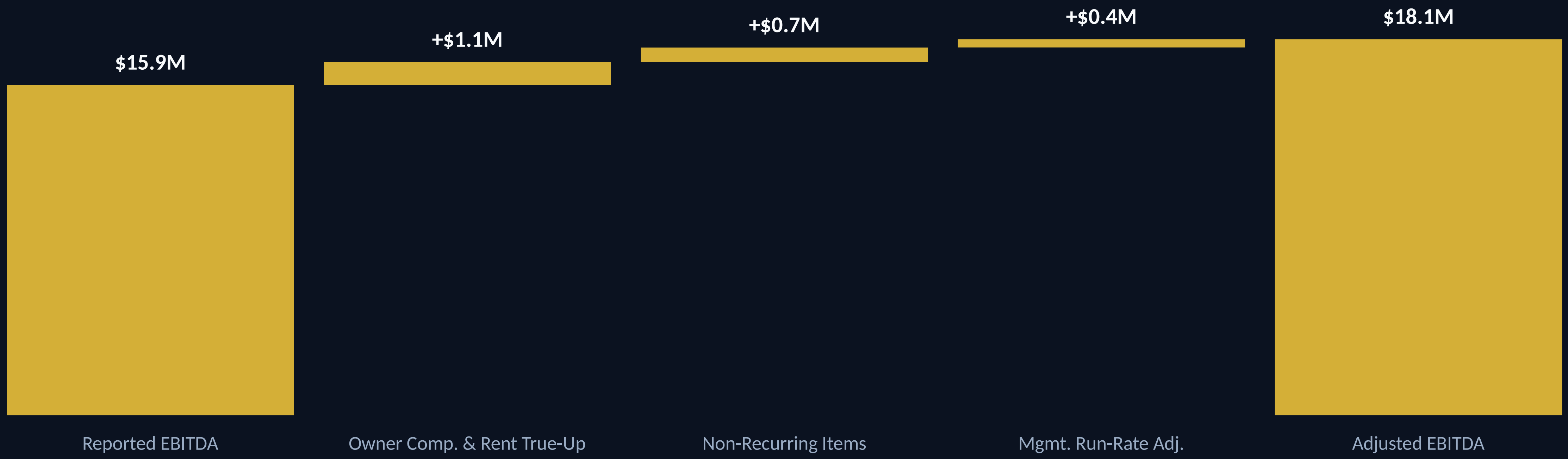
79%
AUV ACHIEVED BY MONTH 12

~$775K
AVERAGE NEW-UNIT BUILD COST

NEW-UNIT PRODUCTIVITY CURVE (% OF MATURE-STORE AUV)



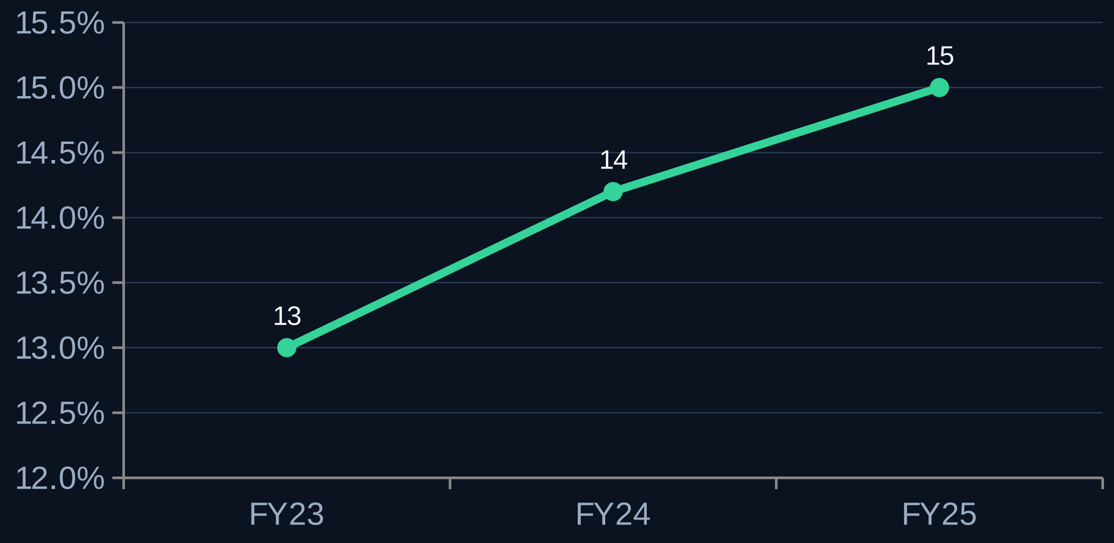
$2.2M of adjustments bridge reported to adjusted EBITDA



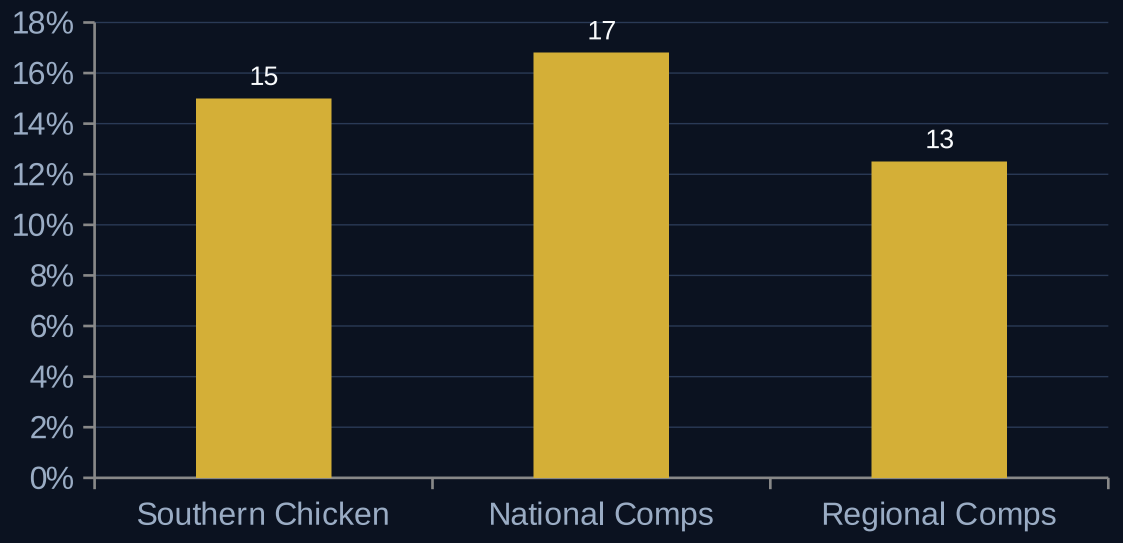
ADJUSTMENT DETAIL Owner comp. and related-party rent trued up to market ($1.1M); one-time legal settlement and POS migration ($0.7M); overhead already scaled for a larger unit count ($0.4M). All adjustments are supportable and consistent with buy-side QoE conventions — see Appendix A.

Margin expansion is structural, not a one-year anomaly

3-YEAR MARGIN TREND



FY25 BENCHMARK COMPARISON



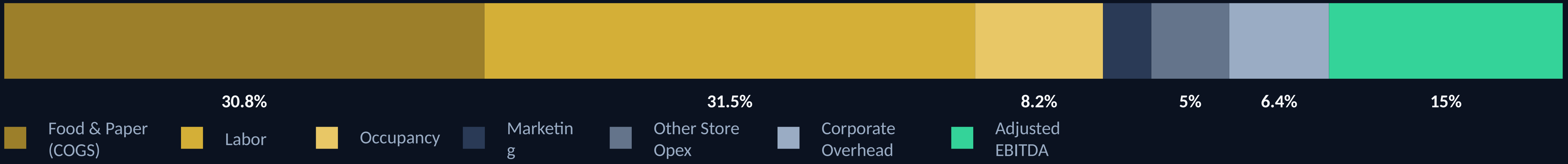
MARGIN DRIVERS

- Operating leverage on corporate overhead as the unit count scaled from 84 to 97 restaurants
- Disciplined labor scheduling supported by a POS-integrated labor management system rolled out in FY24

OPERATING EXPENSE ANALYSIS

Cost structure is well-managed relative to category benchmarks

FY25 REVENUE DOLLAR, FULLY ALLOCATED



CATEGORY COMMENTARY

Labor (31.5%)

In line with category benchmark; overtime discipline improved 40 bps YoY following schedule-optimization rollout

Occupancy (8.2%)

Below category average, reflecting owned real estate at 12 of the 61 company-operated units

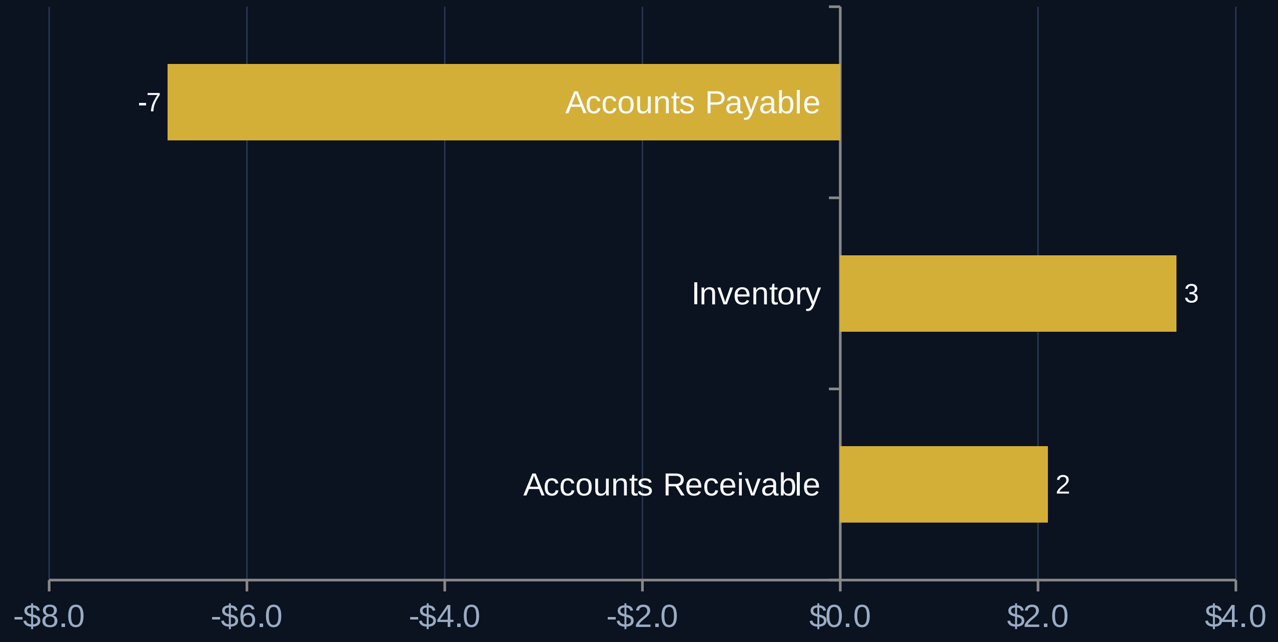
Corporate Overhead (6.4%)

Currently scaled for 150+ units — the clearest source of near-term operating leverage as the fleet grows

WORKING CAPITAL ANALYSIS

A negative working capital model funds a portion of unit growth

WORKING CAPITAL COMPONENTS ($M)



$(1.3)M

NET WORKING CAPITAL

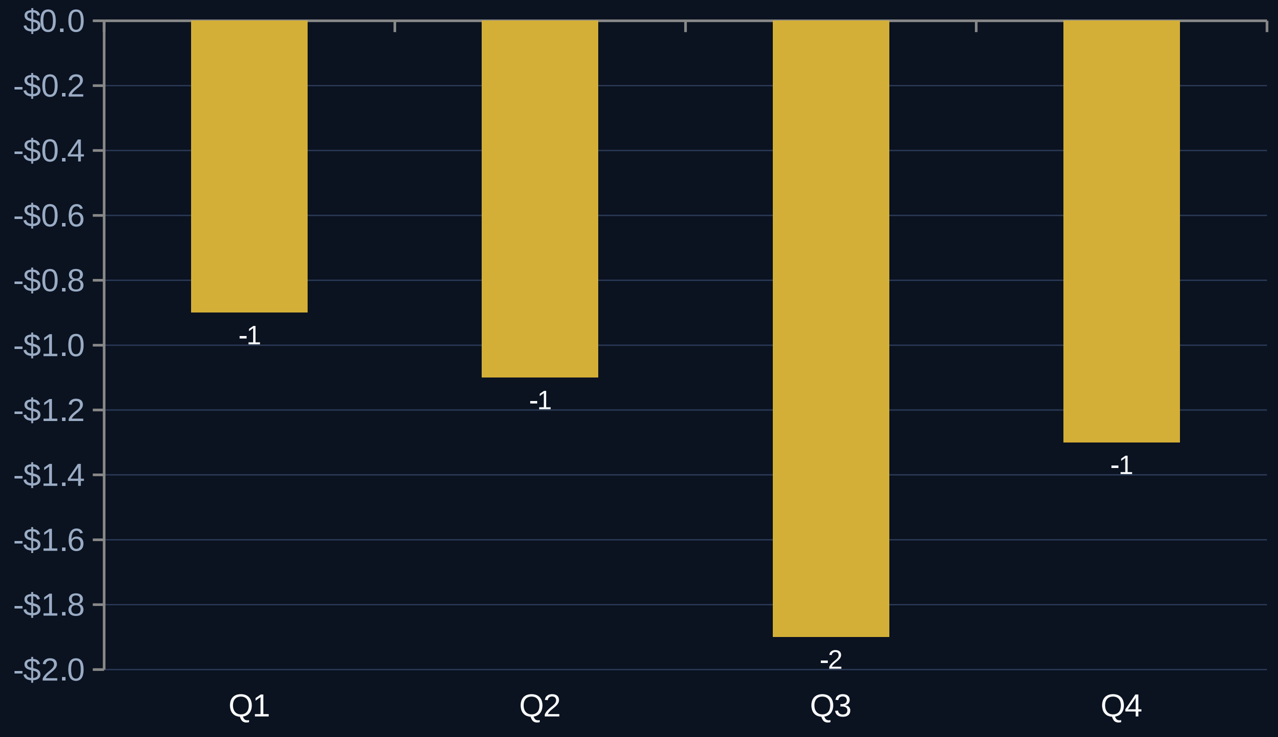
AP terms consistently exceed the combined AR and inventory cycle — typical, and favorable, for a company-owned restaurant model with limited receivables exposure.

SO WHAT Negative NWC means each incremental store, once opened, contributes a small working-capital tailwind rather than a drag — supporting a self-funding growth algorithm post-close.

NORMALIZED WORKING CAPITAL

Modest seasonal swings, no structural adjustment required

QUARTERLY NWC BALANCE ($M)



SEASONAL IMPACTS & ADJUSTMENTS

- Q3 inventory build ahead of back-to-school and early-holiday catering demand drives the widest seasonal NWC swing
- No structural adjustment is required to the target peg — the Q1–Q4 range of $(0.9)M to $(1.9)M reflects normal seasonality, not a trend

A conservatively capitalized balance sheet ahead of the transaction

TERM LOAN	$22.0M outstanding, 6.5% fixed rate
REVOLVING CREDIT FACILITY	$5.0M capacity, undrawn at close
MATURITY PROFILE	Bullet maturity in 2028; no near-term refinancing risk
COVENANTS	Standard leverage and fixed-charge coverage; in compliance in all periods presented
INTEREST BURDEN	FY25 cash interest of ~$1.5M, well covered by Adjusted EBITDA

1.2x

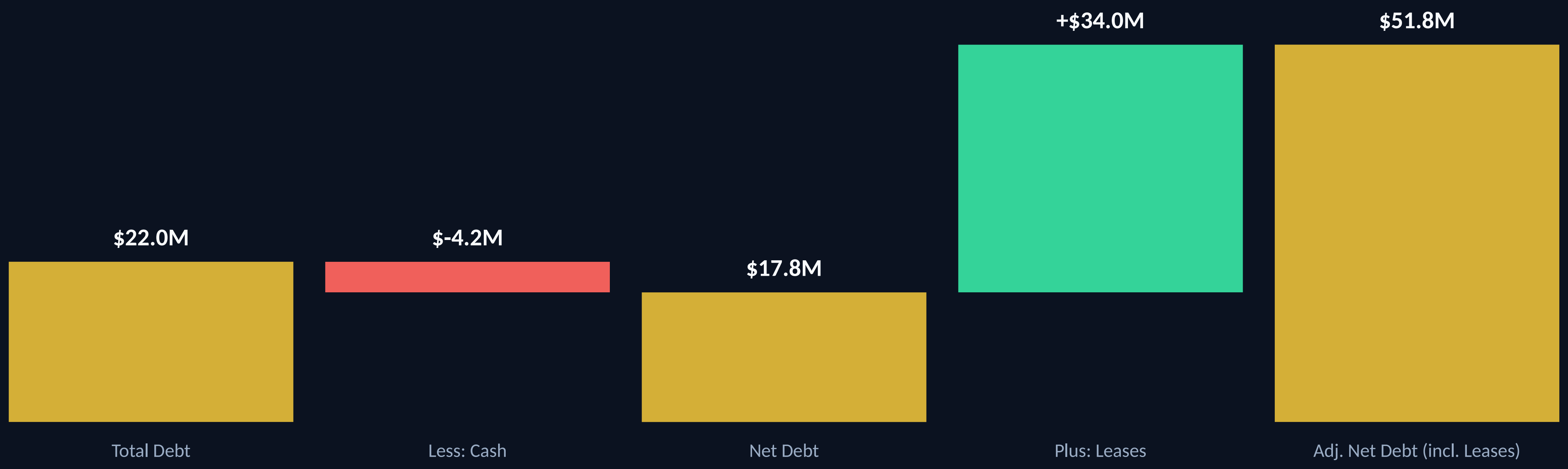
GROSS DEBT / ADJ. EBITDA

12.1x

ADJ. EBITDA / CASH INTEREST

Source: Company management; Leverage Strategic Supporting Financial Model, Debt_NetDebt tab.

Lease-adjusted leverage remains conservative for the category



1.0x

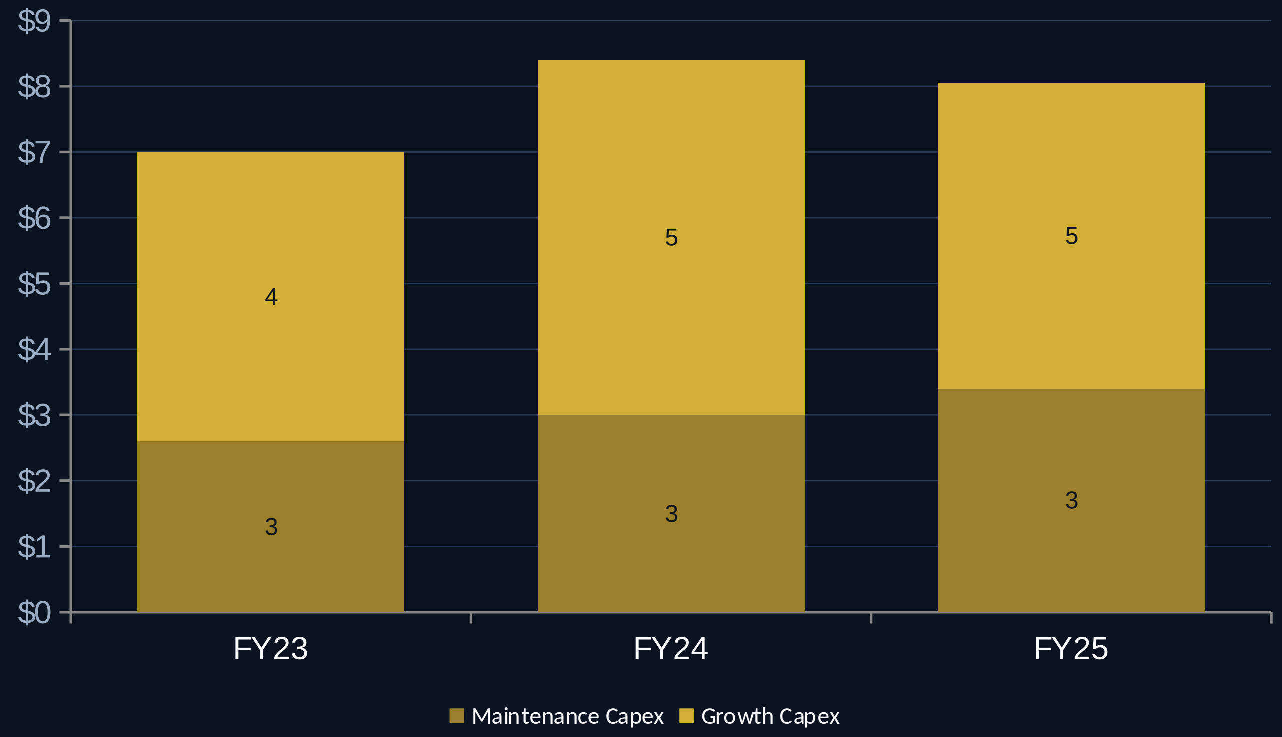
NET DEBT / ADJ. EBITDA

2.9x

ADJ. NET DEBT (INCL. LEASES) / ADJ. EBITDA

Capex has scaled deliberately with unit growth, not run ahead of it

HISTORICAL CAPEX ($M)



OBSERVATIONS

- Maintenance capex has held steady at ~2.7–2.9% of revenue, consistent with category norms for a fleet of this age
- Growth capex tracks new-unit openings directly at the ~$775K average build cost per location

A known, quantified refresh obligation — not a surprise

34
STORES DUE FOR REFRESH

$45K–$65K
ESTIMATED COST PER STORE

$1.9M
TOTAL DEFERRED CAPEX

STORE REFRESH NEEDS

- 34 of 97 locations (35% of the fleet) have not received a facilities refresh in 7+ years and show measurable customer-facing wear
- Refresh scope is standardized (dining room, exterior signage, kitchen equipment lifecycle) with a well-understood cost range

RISK & MITIGANT

Risk: deferred refresh capex, if unaddressed, risks continued traffic erosion at the 34 flagged locations, compounding the underperforming-cohort margin gap.

Mitigant: the $1.9M obligation should be reflected in the purchase price or reserved in a post-close capex budget, phased over 18–24 months and prioritized by cohort performance.

The operating platform is disciplined, with one clear remediation target

01

Standardized operating model

IMPLICATION

Consistent kitchen line design, POS stack, and training curriculum across all 61 company-owned units simplifies post-close integration.

02

Underperforming-cohort concentration

IMPLICATION

The 8 underperforming stores share common traits — older facilities, longer drive times — pointing to a fixable, not structural, issue.

03

Labor scheduling system recently deployed

IMPLICATION

FY24 rollout of integrated labor management is only partially reflected in FY25 run-rate; further benefit likely in FY26.

Brand and channel positioning support continued share gain

01

Digital channel mix still below national peers

IMPLICATION

38% digital / delivery mix sits in the lower half of the 35–45% national benchmark — runway remains, not a ceiling.

02

Franchise pipeline is underdeveloped

IMPLICATION

Only 36 of 97 units are franchised despite a proven model — a disciplined franchise sales function could accelerate growth.

03

Value-tier LTO cadence is a proven traffic driver

IMPLICATION

Each of the last 6 value LTOs drove a measurable, short-term traffic lift without materially diluting average check.

FINANCIAL FINDINGS

Earnings quality is high, with fully supportable adjustments

01

QoE adjustments are conservative and well-documented

IMPLICATION

$2.2M of adjustments (13.8% of reported EBITDA) are each independently supportable against underlying schedules.

02

Negative working capital is a structural, recurring feature

IMPLICATION

Consistent AP-over-AR/inventory dynamics across all periods — not a one-time working capital release.

03

Leverage is conservative ahead of a recapitalization

IMPLICATION

1.0x net debt / Adj. EBITDA at close provides meaningful capacity for acquisition financing or a dividend recap.

Unresolved fieldwork items still requiring confirmation before close — distinct from the structural deal risks on the next page

AREA	FINDING	STATUS / NEXT STEP
Financial	$180K unexplained physical-inventory variance, concentrated in three Texas locations	Confirmatory recount pre-close; working capital true-up if unresolved
Commercial	Single-source breading/marinade supplier; no contracted backup identified	Request supply agreement and contingency sourcing plan
Legal	One franchisee (4 units, GA) disputing royalty calcs since Q3 FY25; informal mediation	Request franchisee file; consider purchase price holdback
Operational	3 of 8 founder-affiliated leases have renewal options expiring within 24 months	Confirm landlord renewal intent; closing condition if unresolved
Related-Party	Founder-affiliated marketing agency (~$140K/yr) not yet benchmarked to market	Market benchmarking exercise; true up as part of QoE if off-market
Operational	One open workers' comp claim >$50K at a Texas location, first reported FY24	Request claims history and reserve-adequacy confirmation

KEY RISKS & MITIGANTS

Structural deal risks — already reflected in the investment thesis — each with a built-in mitigant

CATEGORY	RISK	MITIGANT
Commercial	Digital-mix gap vs. national peers at scale	Invest in targeted delivery-platform promotion; benchmark to the 45% national ceiling
Operational	Underperforming 8-store cohort dilutes margin	Prioritized 100-day review; refresh, reposition, or rationalize within two quarters
Financial	$1.9M deferred capex obligation	Reflect in purchase price or reserve in post-close budget; phase over 18–24 months
Execution	Franchise pipeline underdeveloped for model maturity	Stand up a dedicated franchise development function in year one
Commercial	Texas concentration — 45% of the store base	Adjacent-MSA expansion into Alabama and South Carolina diversifies the footprint
Financial	8 stores leased from founder-affiliated entities below market	Convert to market-rate leases as a closing condition

Revenue growth initiatives underwrite the top of the plan

Franchise Development

+$0.6–0.9M

Stand up a dedicated franchise sales function to accelerate capital-light unit growth against an underpenetrated pipeline.

Digital Channel Expansion

+$0.4–0.6M

Close the gap to the national 45% digital-mix benchmark through targeted delivery-platform investment in lagging DMAs.

Catering & 3rd-Party Growth

+$0.3–0.5M

Formalize a catering sales motion around the existing commissary infrastructure, currently underdeveloped relative to unit count.

Selective New-Unit Growth

+$1.0–1.4M

Layer 6–8 new units per year into adjacent DMAs using the proven 24-month ramp curve and standardized build model.

Margin expansion is available without new unit growth

Underperforming-Cohort Remediation

+$0.4–0.6M

Refresh, reposition, or rationalize the 8 underperforming stores; close a portion of the ~1,780 bps margin gap to the mature cohort.

Corporate Overhead Leverage

+$0.3–0.5M

Overhead is already scaled for 150+ units — continued unit growth converts directly to margin with minimal incremental SG&A.

Procurement Consolidation

+$0.2–0.4M

Renegotiate commissary and distribution terms at a larger platform scale, informed by the buyer's broader purchasing power.

Labor Scheduling Optimization

+$0.2–0.3M

Full-year benefit of the FY24 labor management system rollout, only partially reflected in the FY25 run-rate.

100-DAY POST-ACQUISITION PLAN

A phased, low-drama integration plan across four workstreams

	Days 1–30	Days 31–60	Days 61–100

MANAGEMENT	• Confirm VP Operations retention; launch Director of Franchise Development search • Align incentive comp to remediation and growth milestones
OPERATIONS	• Launch underperforming-cohort remediation review • Sequence store-refresh capex plan by cohort priority
FINANCE	• Post-close reporting cadence against the QoE-adjusted baseline • Finalize capex budget reserving the $1.9M deferred obligation
TECHNOLOGY	• Audit POS and delivery-platform integrations across all 97 units • Roll out labor management system to remaining company-owned units

IC scorecard: proceed to LOI, with clear-eyed caveats

ITEM	VIEW	CAVEAT / WHAT TO WATCH
Revenue Quality	● STRONG	Digital-channel and delivery-platform concentration should be monitored
EBITDA Quality	● STRONG	Adjustments are supportable; related-party lease term warrants confirmatory review
Market Attractiveness	● ATTRACTIVE	Category growth is decelerating and competitive intensity is rising
Management Team	● ATTRACTIVE	Contingent on confirmatory reference checks
Unit Economics	● STRONG	A defined, quantified underperforming-cohort tail exists (8 of 97 units)
Key Risks	● ATTRACTIVE	Concentrated in a known, addressable subset of the fleet
Value Creation Potential	● STRONG	Contingent on successful franchise-development build-out

8.0x (7.5x–8.5x range)

RECOMMENDED EV MULTIPLE

4.0x New Debt / Adj. EBITDA

RECOMMENDED LEVERAGE

Proceed to LOI

RECOMMENDED ACTION

Recommend proceeding to exclusivity

STRENGTHS

- 16-year operating history with disciplined unit economics
- Negative working capital funds a portion of growth

WEAKNESSES

- 8-store underperforming cohort dilutes margin
- Franchise development pipeline underdeveloped

OPPORTUNITIES

- Fragmented category supports buy-and-build
- Digital mix has 700bps+ of runway to national peers

THREATS

- Input cost and labor inflation across the category
- Competitive response from national chains in core DMAs

FINAL RECOMMENDATION

● ATTRACTIVE

Proceed to exclusivity. Southern Chicken Co. combines durable unit economics with a clearly quantified, low-execution-risk value creation plan.

NEXT STEPS

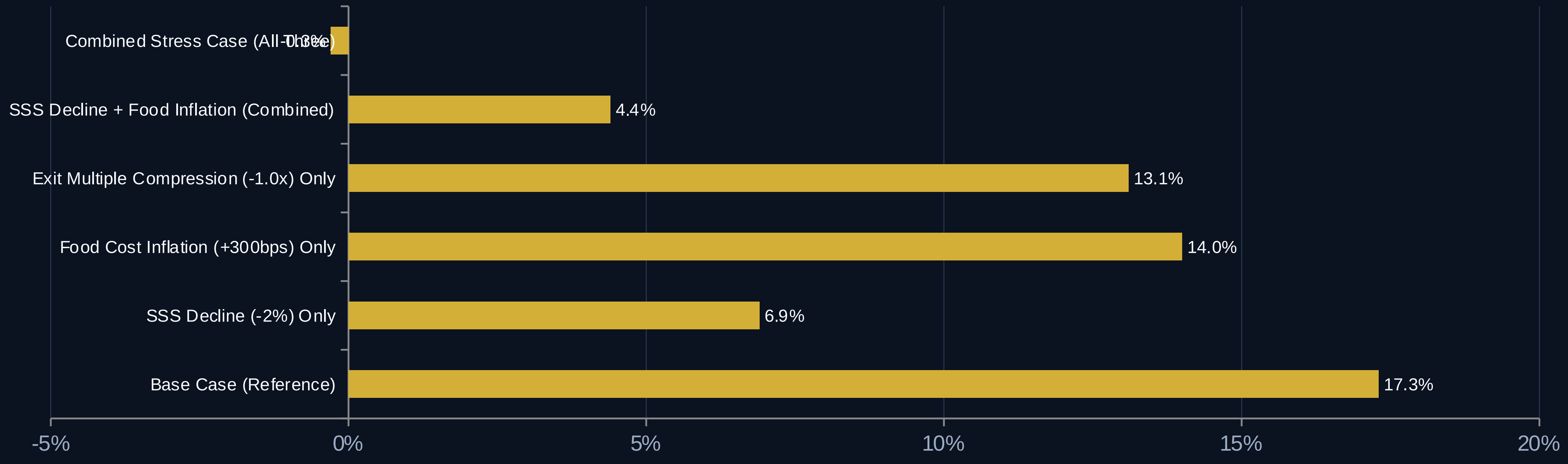
- Confirmatory QoE
- LOI within 2 weeks

Full reported-to-adjusted EBITDA bridge, with independent documentation

$M	LINE ITEM	DOCUMENTATION
$15.9M	Reported EBITDA	Per company-prepared FY25 financial statements
$1.1M	+ Owner Comp. & Related-Party Rent True-Up	Owner comp. and related-party rent adjusted to market-rate equivalents
$0.7M	+ Non-Recurring Items	One-time legal settlement and POS system migration costs
$0.4M	+ Management Run-Rate Adjustments	Corporate overhead already scaled for a larger unit count than FY25 actuals reflect
$2.2M	**Total Adjustments**	13.8% of Reported EBITDA; each line independently supportable against underlying schedules
$18.1M	**Adjusted EBITDA**	Reported EBITDA + Total Adjustments; reconciles to $0.0M variance vs. Opex_Detail build

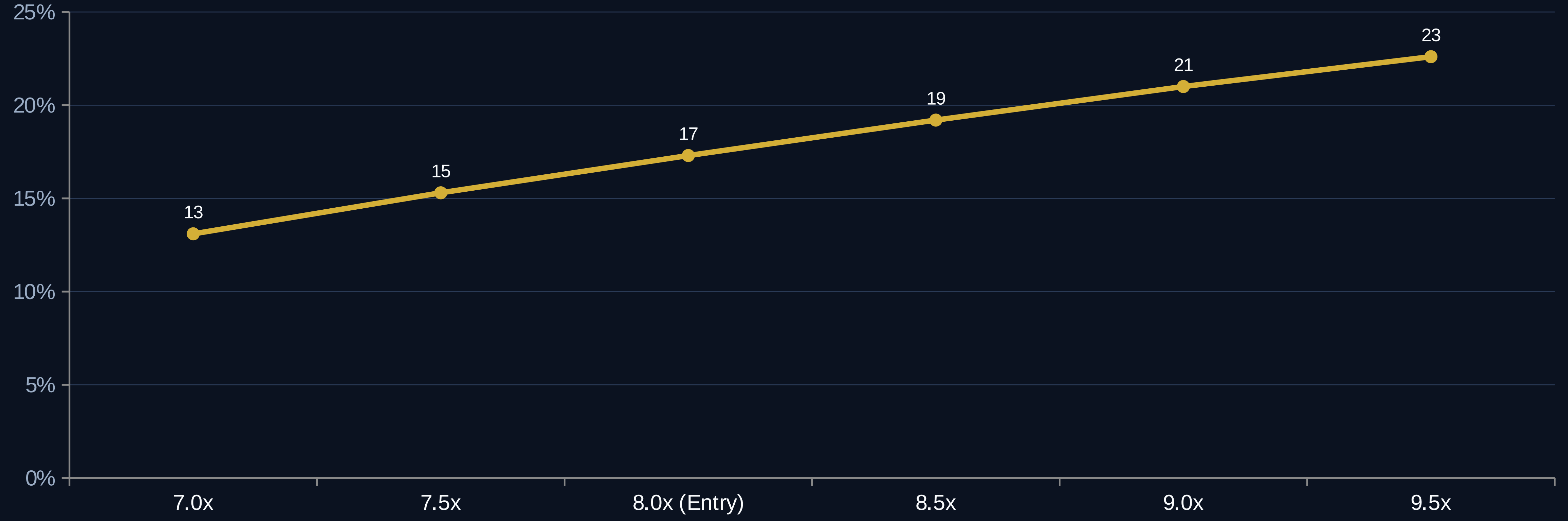
Source: Leverage Strategic Supporting Financial Model, QoE_Bridge tab. Reconciliation check vs. Reported + Total Adjustments: $0.0M.

Layering SSS decline, commodity inflation, and exit multiple compression onto the base case



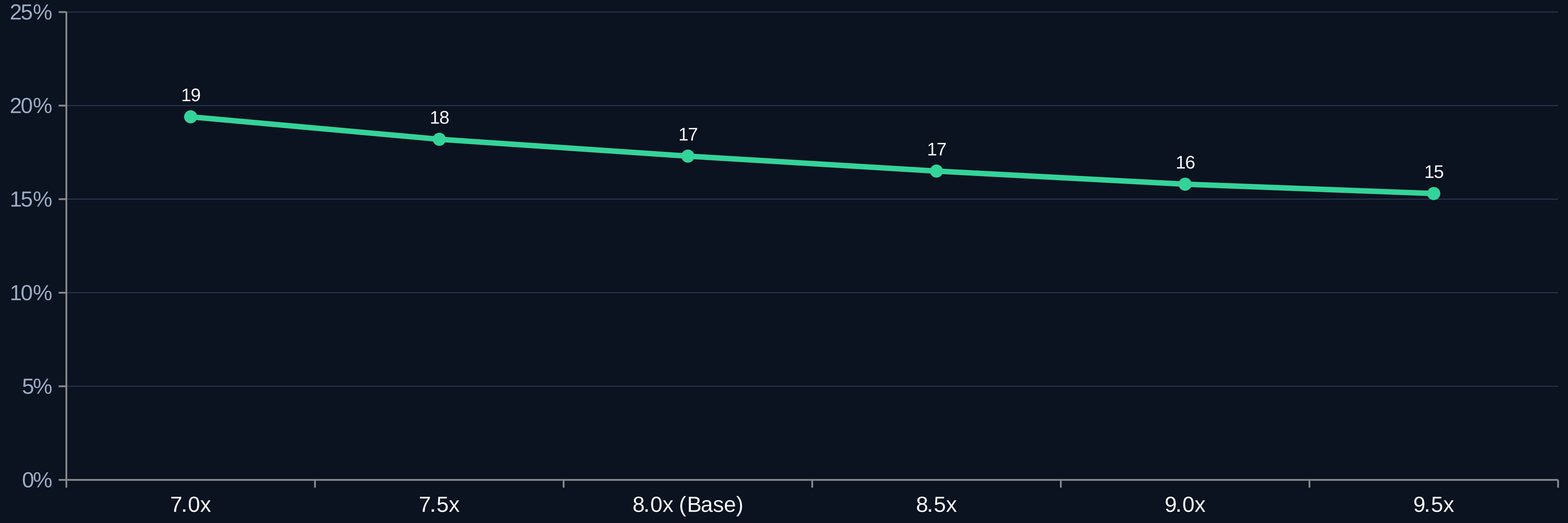
Combined stress case assumes a 1% Year 1–5 Adj. EBITDA CAGR (vs. 9% base) and a 7.0x exit multiple. Even in this scenario, sponsor capital is approximately preserved (0.99x) — the platform does not require multiple expansion or aggressive growth to avoid a loss of capital.

Sponsor IRR and MOIC across exit multiples, holding Year-5 EBITDA and net debt at base case



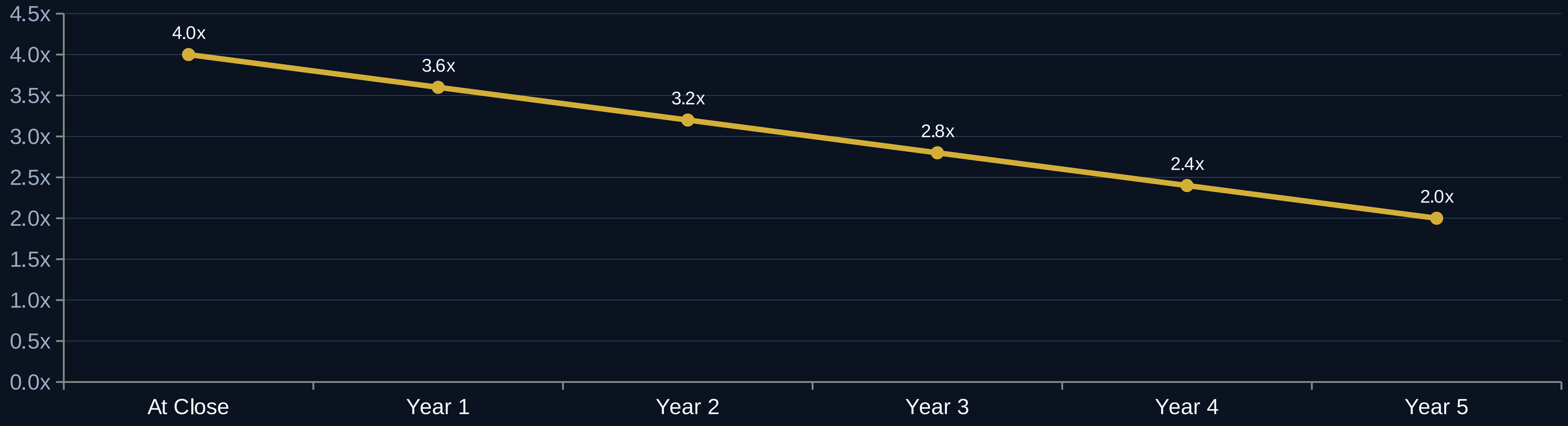
MOIC → 1.85x 2.03x 2.22x 2.4x 2.59x 2.77x

Sponsor IRR and MOIC across entry prices, holding exit at the same multiple (no expansion)



MOIC → 2.43x 2.31x 2.22x 2.14x 2.08x 2.04x

Base-case annual FCF sweep delevers the platform from 4.0x to 2.0x Net Debt / Adj. EBITDA



Assumes a 100% free cash flow sweep at a 34.15% EBITDA-to-FCF conversion rate and 7.0% cash interest on the new term debt. Ending net debt of $55.7M at Year 5 ties to the base-case exit net debt on Page 5.

LEVERAGE STRATEGIC

ACQUISITION & STRATEGIC FINANCE ADVISORY