

BJ's Restaurant Inc.
NASDAQ: BJRI

Analyst: Mark Gruber
Sector: Consumer Disc.

BUY

Price Target: \$60.39

Key Statistics as of 4/29/2016

Market Price:	\$44.60
Industry:	Hotels, Restaurants, and Leisure
Market Cap:	1.02 Billion
52-Week Range:	\$38.49-53.91
1 Year Beta:	1.08

Thesis Points:

- Low Oil Prices lead to more business
- Focusing on the alcohol sales, which have the best margins in the restaurant industry
- Focus on a healthy menu that caters to the health kick that has recently taken place in the United States
- BJ's reward card helps bring customers back

Company Description:

BJ's Restaurant Inc. owns and operates casual dining restaurants in the United States. Restaurants under the BJ's Restaurant Inc. name include BJ's Restaurant and Brewhouse, BJ's Pizza and Grill, and BJ's Restaurant and Brewery. They were founded in 1978 in Huntington Beach, California. Since then they have grown to over 170 locations in 20 states.



Thesis

The low oil prices is a big plus for the restaurant industry. When prices are low, consumers are much more likely to drive their car and go out to places rather than just eating meals at home. The oil industry is expected to be oversaturated over the next few years, which means that oil prices should continue to stay low. Another reason why they are growing more than others in the industry is due to their alcohol sales. The alcohol margin is much higher than their food margin, and they get more sales in that segment than most in the industry. The average in the industry is between 12-14% for alcohol sales mix. BJ's is in the mid 20's which is significantly higher than their peers. Margins in the alcohol segment range between 200% and 600% which is much higher than the margins in the food segment. They also brew their own beers, and some of them are exclusive to BJ's. This helps drive people back to the restaurant, because it is the only place that serves it. Lastly they have been focusing on healthier eating with many choices under 1000 calories. Over the past decade the health kick has really taken over in the United States. Now, more than ever people care about what they are eating, and creating dishes that taste good and are good for you, with help them create an additional competitive edge over their competition. One their menu they have a section called BJ's EnLIGHTened Entrees with 12 items under 795 calories.

Promotions

Another big advantage that helps BJ's Restaurants stay ahead of the competition, is by the numerous promotions they ran, including their BJ's reward card. For every \$1 you spend, you get one reward point. Once you get 75 points you get \$5 off your next meal. This helps by incentivizing people to come back. They also have other promotions run throughout the year such as lunch specials. They also have an app where they offer many promotions to help attract new customers, and get their existing customers to come back.

Industry Outlook

The restaurant industry is a highly competitive industry with steady revenue streams. The past few years has seen the restaurant industry take a hit, but due to the low oil prices, demand has started to steadily increase.

Financials

BJ's Restaurant has seen their revenues steadily increase over the last few years. They have gone from 775.1 million in 2013 to 919.6 in 2015. They have also increased their gross margin and ebitda margin over the last few years.

	2012	2013	2014	2015
EBITDA, Adj	84.5	81.0	95.2	122.5
Margin %	11.9	10.5	11.3	13.3

In 2014 the company decided to take on debt. They had 58 million in 2014 and the number grew to 100.5 million in 2015. The biggest reason for them taking on this much debt, is because they are planning on growing 18 stores in the next year, and they needed more cash to be able to finance these new buildings. They have also steadily been increasing their earnings per share and net income over the past few years. They have also been steadily creating additional value as shown by the graph below.

	2011	2012	2013	2014	2015
ROIC/WACC Ratio	0.80	0.78	0.58	1.13	1.26

Management

BJ's Restaurant is led by CEO, Gregory Trojan. He has been with the company since 2012 where he was the President, and then become the CEO on February 1, 2013. Prior to working at BJ's he served as CEO for Guitar Center for two years and was the Vice President for them before that. Greg Levin is the company's CFO and executive Vice President. He has been with the company since February 2004. Prior to working at BJ's Levin was the CFO of SB Restaurant Company where he gained extensive knowledge of the restaurant industry. Lastly Kevin Mayer, is the CMO of BJ's Restaurant. He has been with BJ's since 2013. Prior to working at BJ's Mayer worked at Volkswagen of America where he served as Vice President of Marketing for two years, and worked as the General Motors Director of Global Advertising and Promotions for Chevrolet. In that role he got experience in how to promote their products, and has carried that expertise over to BJ's Restaurant.

Porters Five Forces

The restaurant industry is a highly competitive industry. The threat of new entrants is medium. There are always new restaurants being built, however it is highly capital intensive. The bargaining power of suppliers is low because there are many suppliers that provide food and televisions. The threat of substitute products is high, because it does not cost anything to switch suppliers. The bargaining power of buyers is high, because there are many options for people to choose from when they go out to eat. Not only of their many restaurants but there are also fast food places, or grab and go places such as gas stations and convenience stores. The intensity of rivalry is also extremely high, because once again there is high competition in the restaurant industry. Restaurants are constantly running promotions to help entice customers to switch.

Conclusion

Bj's Restaurant has been expanding rapidly for the past few years, with an average of 8 stores per year. They have 60 stores in over 35 states, but there is still room for growth. They are expecting to grow 18 stores in 2016, and that number should increase in 2017. They also have some of the best margins in the industry thanks to their beverage sales. They also have exclusive items that you can only get there, such as some of their brews, which will help get customers to come back.

BJ's Restaurants, Inc. (BJRI)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Mark Gruber
4/28/2016

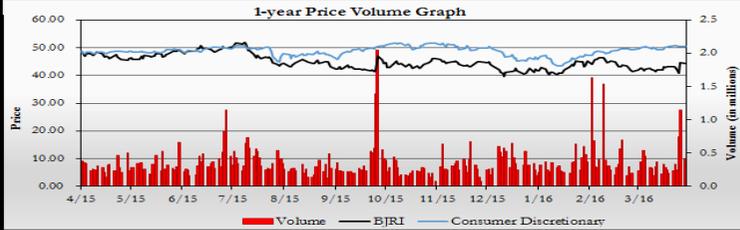
Current Price:
Divident Yield:

\$44.63
0.0%

Intrinsic Value
Target Price:

\$54.78
\$60.39

Target 1 year Return: 35.33%
Probability of Price Increase: 100%



Description
BJ's Restaurants, Inc. owns and operates casual dining restaurants in the United States.

General Information
Sector: Consumer Discretionary
Industry: Hotels, Restaurants and Leisure
Last Guidance: November 3, 2015
Next earnings date: July 21, 2016
Estimated Country Risk Premium: 6.00%
Effective Tax rate: 40%
Effective Operating Tax rate: 44%

Peers
Donkin' Brands Group, Inc.
Buffalo Wild Wings Inc.
The Cheesecake Factory Incorporated
Texas Roadhouse, Inc.
Sonic Corp.
Panera Bread Company
Darden Restaurants, Inc.
Dave & Buster's Entertainment, Inc.

Market Data

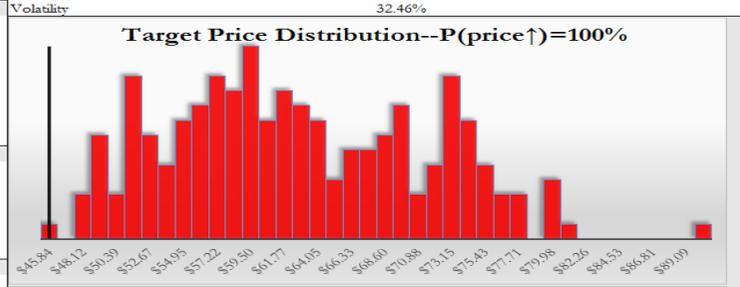
Market Capitalization	\$1,073.57
Daily volume (mil)	0.07
Shares outstanding (mil)	24.13
Diluted shares outstanding (mil)	25.67
% shares held by institutions	78%
% shares held by investments Managers	67%
% shares held by hedge funds	20%
% shares held by insiders	3.97%
Short interest	5.13%
Days to cover short interest	3.26
52 week high	\$52.37
52-week low	\$38.49
Levered Beta	1.00
Volatility	32.46%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
3/31/2015	-2.78%	4.43%
6/30/2015	-4.05%	0.08%
9/29/2015	-0.64%	-0.33%
12/29/2015	-3.72%	-0.06%
3/29/2016	-1.85%	-1.48%
Mean	-2.61%	0.53%
Standard error	0.6%	1.0%

Total compensations growth

Period	BJRI	Industry
4y	-9.68%	-6.05%
5y	9.77%	2.72%
3y	20.06%	4.27%
5y	5.13%	2.72%
1y	-100%	-10.97%
N/M	N/M	0%



Management

Management	Position
Trojan, Gregory	Chief Executive Officer, Pre
Levin, Gregory	Chief Financial Officer, Pri
Ledwith, Lon	Executive Vice President of
Lynds, Gregory	Chief Development Officer an
Krakower, Brian	Chief Information Officer an
Miller, Kendra	Senior Vice President, Gener

Profitability

BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
ROIC	7.2%	8.35%
NOPAT Margin	6%	6.67%
Revenue/Invested Capital	1.23	1.25
ROE	9.1%	9.55%
Adjusted net margin	5%	6.30%
Revenue/Adjusted Book Value	1.73	1.52

Invested Funds

BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
Total Cash/Total Capital	4.1%	4.5%
Estimated Operating Cash/Total Capital	4.1%	3.8%
Non-cash working Capital/Total Capital	0.0%	-5.7%
Invested Capital/Total Capital	100.0%	99.1%

Capital Structure

BJRI (LTM)	BJRI (5 years historical average)	Industry (LTM)
Total Debt/Common Equity (LTM)	0.40	0.27
Cost of Existing Debt	2.54%	2.60%
Estimated Cost of new Borrowing	2.87%	2.70%
CGFS Risk Rating	A	A
Unlevered Beta (LTM)	0.83	0.90
WACC	7.97%	8.45%

Sensitivity Attribution Analysis

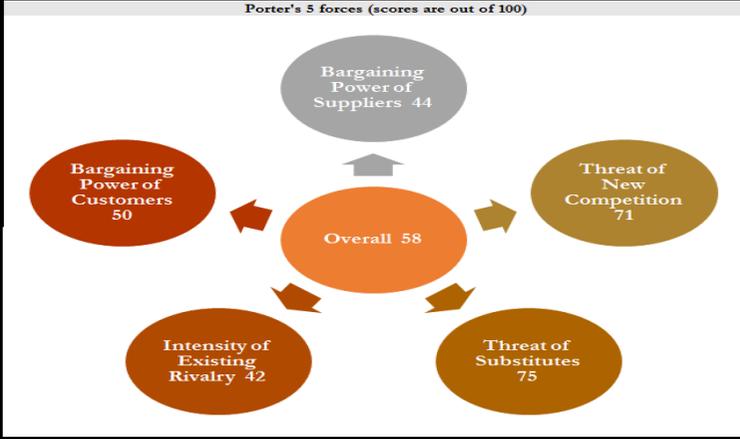
Revenue	50.0%
Operating Expenses	36.5%
Dividends	0.6%
NWC	0.5%
CAPEX	11.4%
Operating Cash	1.0%

Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	8.5%	5.8%	0.90
3/29/2017	9.6%	6.0%	0.90
3/29/2018	9.9%	5.9%	0.98
3/29/2019	9.0%	6.8%	1.15
3/29/2020	8.2%	7.5%	1.25
3/29/2021	7.3%	8.3%	1.35
3/29/2022	6.4%	9.1%	1.45
3/29/2023	5.6%	9.7%	1.40
3/29/2024	4.7%	10.4%	1.49
3/29/2025	3.9%	11.1%	1.58
3/29/2026	3.0%	11.8%	1.66
Continuing Period	2.1%	12.5%	1.73

Net Claims

Period	Invested Capital	Net Claims	Price per share
Base Year	\$554.77	\$460.06	\$54.61
3/29/2017	\$603.70	\$451.90	\$59.03
3/29/2018	\$664.45	\$426.80	\$65.75
3/29/2019	\$716.84	\$429.47	\$72.74
3/29/2020	\$762.11	\$415.43	\$80.04
3/29/2021	\$851.57	\$387.44	\$87.66
3/29/2022	\$867.71	\$463.22	\$95.75
3/29/2023	\$927.41	\$388.96	\$104.65
3/29/2024	\$1,027.79	\$288.31	\$113.99
3/29/2025	\$1,121.66	\$159.93	\$123.70
3/29/2026	\$1,214.41	\$3.07	\$133.73
Continuing Period			



Porter's 5 forces (scores are out of 100)

Bargaining Power of Suppliers	44
Bargaining Power of Customers	50
Intensity of Existing Rivalry	42
Threat of New Competition	71
Threat of Substitutes	75
Overall	58