

LBO

x Switches

Circuit breaker	OFF	Management PIK
Case	2	
PIK	2	

x Assumptions

Transaction Background

Company name	Burger King
Ticker	BKC
Latest closing share price	18.86
Latest closing share price date	9/1/2010

Transaction Financials and Assumptions

LTM EBITDA	445
Debt	755
Cash	188
Minimum Cash	118
Exit Multiple	8.8x

Capital Structure

	<u>Amount</u>	<u>xEBITDA</u>
Revolver	0	0.0x
Secured term loan - USD tranche	1,510	3.4x
Secured term loan - EUR tranche	334	0.8x
Senior notes	800	1.8x
Subordinated Notes	100	0.2x
Total	2,744	6.2x

x Sources and Uses

Sources

	<u>Amount</u>	<u>xEBITDA</u>	<u>% Capital</u>
Revolver	0	0.0x	0%
Secured term loan - USD tranche	1,510	3.4x	35%
Secured term loan - EUR tranche	334	0.8x	8%
Senior notes	800	1.8x	19%
Subordinated Notes	100	0.2x	2%
Cash on hand	69	0.2x	2%
Sponsor equity	1,463	3.3x	34%
Total	4,276	9.6x	100%

x Financials (6/30 FYE)

Assumptions	2008A	2009A	2010A
Revenue growth	--	3.4%	(1.4%)
Gross margin	37.3%	35.2%	35.5%
OpEx margin	22.9%	21.8%	22.2%
Tax rate	35.3%	29.7%	34.3%

x	Operating Model	2008A	2009A	2010A
	Revenue	2,455	2,537	2,502
	% growth	--	3.4%	(1.4%)
	COGS	1,538	1,644	1,615
	% of sales	62.7%	64.8%	64.5%
	Gross Profit	917	894	887
	% of sales	37.3%	35.2%	35.5%
	OpEx	563	554	555
	% of sales	22.9%	21.8%	22.2%
	EBIT	354	339	333
	% of sales	14.4%	13.4%	13.3%

EBIT - Conservative
% of sales

EBIT - Management
% of sales

Interest Expense	67	57	50
Interest Income	6	3	1

EBT	293	285	284
% of sales	11.9%	11.2%	11.4%

Taxes	103	85	98
% tax rate	35.3%	29.7%	34.3%

Net Income	190	200	187
% of sales	7.7%	7.9%	7.5%

EBITDA Reconciliation

EBIT	354	339	333
D&A	96	98	112
Adjustments	0	4	0
EBITDA	450	441	445
% of sales	18.3%	17.4%	17.8%

EBITDA	450	441	445
% of sales	18.3%	17.4%	17.8%

EBITDA - Conservative
% of sales

EBITDA - Management
% of sales

x	Working Capital	2008A	2009A	2010A
.	Trade and notes receivable	139	130	143
.	% of sales	5.7%	5.1%	5.7%
.				
.	Prepays and other current assets	99	119	104
.	% of sales	4.0%	4.7%	4.1%
.				
.	Accounts and drafts payable	130	127	107
.	% of sales	5.3%	5.0%	4.3%
.				
.	Accrued advertising	77	68	72
.	% of sales	3.1%	2.7%	2.9%
.				
.	Other accrued liabilities	242	220	201
.	% of sales	9.9%	8.7%	8.0%
.				
.	Net Working Capital	(211)	(166)	(133)
.	% of sales	(8.6%)	(6.5%)	(5.3%)
.				
.	Change in Net Working Capital	--	45	33
.	% of sales	--	1.8%	1.3%

x	Long Lived Assets	2008A	2009A	2010A
.	CapEx	178	204	150
.	% of sales	7.3%	8.0%	6.0%
.				
.	Depreciation of PP&E	91	89	103
.	% of sales	3.7%	3.5%	4.1%
.	% of CapEx	50.8%	43.8%	68.5%
.				
.	PP&E			
.	Beginning Balance	873	961	1,013
.	Capital Expenditures	178	204	150
.	Depreciation	91	89	103
.	Ending Balance	961	1,013	1,014
.				

·	Intangible Assets			
·	Beginning Balance	1,050	1,055	1,063
·	Purchases / (Impairment)	10	17	(29)
·	Amortization	5	9	9
·	Ending Balance	1,055	1,063	1,025
·				
·	Goodwill and Other Assets	267	261	274
·				
·	Other Liabilities	517	494	478
·				
·	D&A	96	98	112
·	<i>% of sales</i>	3.9%	3.9%	4.5%
·				
·	D&A - Conservative			
·	<i>% of sales</i>			
·				
·	D&A - Management			
·	<i>% of sales</i>			
·				
·	CapEx	178	204	150
·	<i>% of sales</i>	7.3%	8.0%	6.0%
x	Cash Flow Statement	2008A	2009A	2010A
·	Net Income			
·	D&A			
·	Changes in Net Working Capital			
·	Other Long-Term Assets and Liabilities			
·	PIK Interest			
·	Cash Flow From Operations			
·				
·	Capital Expenditures			
·	Purchases of Intangible Assets			
·	Cash Flow From Investing			
·				
·	Mandatory Debt Repayments			
·	Pre-Revolver Cash Flow (Levered Free Cash Flow)			
·				
·	Revolver			
·	Post-Revolver Cash Flow			
·				
·	Discretionary Payments			
·	Secured term loan - USD tranche			
·	Secured term loan - EUR tranche			
·	Senior notes			
·	Total			
·				
·	Net Change in Cash			

x	Debt Schedule			
	Debt Paydown	2008A	2009A	2010A
.	Cash			
.	Beginning Balance			
.	Inflow / (Outflow)			
.	Ending Balance			188
.				
.	Revolver			
.	Beginning Cash Balance			
.	Minimum Cash			
.	Beginning Excess Cash			
.	Free Cash Flow Generated			
.	Cash Available to Paydown / (Draw From) Revolver			
.				
.	Beginning Balance			
.	Increase / (Decrease)			
.	Ending Balance			0
.	Maximum Availability			
.	CHECK			
.				
.	Secured term loan - USD tranche			
.	Beginning Balance			
.	Mandatory Paydown			
.	Paydown From Excess Cash Flows			
.	Ending Balance			1,510
.				
.	<i>Mandatory Paydown (% of Initial Amount)</i>			
.	<i>Cash Sweep</i>	<i>% of available</i>		0.0%
.				
.	Secured term loan - EUR tranche			
.	Beginning Balance			
.	Mandatory Paydown			
.	Paydown From Excess Cash Flows			
.	Ending Balance			334
.				
.	<i>Mandatory Paydown (% of Initial Amount)</i>			
.	<i>Cash Sweep</i>	<i>% of available</i>		100.0%
.				
.	Senior notes			
.	Beginning Balance			
.	Mandatory Paydown			
.	Paydown From Excess Cash Flows			
.	Ending Balance			800
.				
.	<i>Mandatory Paydown (% of Initial Amount)</i>			
.	<i>Cash Sweep</i>	<i>% of available</i>		100.0%

Sponsor Equity at Entry

x	MOIC
	IRR

IRR (for reference)	22.1%
Revolver Check	OK

Valuation at Entry

Offer value / share	24.00
% Premium / discount	27%

Offer value (Equity value)	3,325
Diluted shares outstanding	139

Debt	755
Cash	188

Enterprise Value	3,893
LTM EBITDA	445
Entry Multiple	8.8x

Interest (%)	Fees (%)	Fee (\$)	Term	Amortization
4.5%	2.5%	0	5 yrs	0
6.8%	2.7%	41	6 yrs	7
7.1%	2.5%	8	6 yrs	1
10.2%	2.5%	20	8 yrs	3
10.0%	2.5%	3	5 yrs	1
		72		11

Uses

	Amount	xEBITDA	% Capital
Equity payment	3,325	7.5x	78%
Debt refinancing	755	1.7x	18%
Transaction fees	91	0.2x	2%
Financing fees	72	0.2x	2%
Other	32	0.1x	1%
Total	4,276	9.6x	100%

2011E	2012E	2013E	2014E	2015E
2.9%	(18.3%)	(10.4%)	1.4%	6.0%
35.5%	37.2%	39.0%	40.7%	42.5%
22.2%	20.0%	17.8%	15.6%	13.4%
33.8%	33.3%	32.8%	32.3%	31.8%

2011E	2012E	2013E	2014E	2015E
2,574	2,102	1,884	1,910	2,024
2.9%	(18.3%)	(10.4%)	1.4%	6.0%
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--

351	426	465	528	589
13.6%	20.3%	24.7%	27.6%	29.1%

342	363	399	480	589
13.3%	17.3%	21.2%	25.2%	29.1%

351	426	465	528	589
13.6%	20.3%	24.7%	27.6%	29.1%

212	210	203	192	173
1	1	1	1	1

139	217	262	337	417
5.4%	10.3%	13.9%	17.6%	20.6%

47	72	86	109	133
33.8%	33.3%	32.8%	32.3%	31.8%

92	145	176	228	284
3.6%	6.9%	9.4%	11.9%	14.1%

464	518	563	620	685
18.0%	24.6%	29.9%	32.5%	33.8%

451	453	481	563	675
17.5%	21.5%	25.5%	29.5%	33.4%

464	518	563	620	685
18.0%	24.6%	29.9%	32.5%	33.8%

2011E	2012E	2013E	2014E	2015E
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142	116	104	105	111
5.5%	5.5%	5.5%	5.5%	5.5%

110	90	81	82	87
4.3%	4.3%	4.3%	4.3%	4.3%

110	90	80	82	86
4.3%	4.3%	4.3%	4.3%	4.3%

75	61	55	55	59
2.9%	2.9%	2.9%	2.9%	2.9%

207	169	151	153	163
8.0%	8.0%	8.0%	8.0%	8.0%

(139)	(114)	(102)	(103)	(110)
(5.4%)	(5.4%)	(5.4%)	(5.4%)	(5.4%)

(6)	26	12	(1)	(6)
(0.2%)	1.2%	0.6%	(0.1%)	(0.3%)

2011E	2012E	2013E	2014E	2015E
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183	149	134	136	144
7.1%	7.1%	7.1%	7.1%	7.1%

99	81	73	74	78
3.8%	3.8%	3.8%	3.8%	3.8%
54.4%	54.4%	54.4%	54.4%	54.4%

1,014	1,097	1,166	1,227	1,289
183	149	134	136	144
99	81	73	74	78
1,097	1,166	1,227	1,289	1,354

1,025	1,025	1,025	1,025	1,025
9	9	9	9	8
9	9	9	9	8
1,025	1,025	1,025	1,025	1,025
274	274	274	274	274
478	478	478	478	478

113	92	98	92	96
4.4%	4.4%	5.2%	4.8%	4.7%

108	90	82	82	86
4.2%	4.3%	4.3%	4.3%	4.3%
113	92	98	92	96
4.4%	4.4%	5.2%	4.8%	4.7%

183	149	134	136	144
7.1%	7.1%	7.1%	7.1%	7.1%

2011E	2012E	2013E	2014E	2015E
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92	145	176	228	284
113	92	98	92	96
(6)	26	12	(1)	(6)
0	0	0	0	0
5	5	6	6	6

216	216	268	327	393
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183	149	134	136	144
9	9	9	9	8
192	158	143	144	152

0	0	0	0	0
25	58	125	183	241

0	0	0	0	0
25	58	125	183	241

0	0	0	0	0
25	58	125	126	0
0	0	0	57	241
25	58	125	183	241

0	(0)	(0)	(0)	(0)
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2011E	2012E	2013E	2014E	2015E
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118	118	118	118	118
0	(0)	(0)	(0)	(0)
118	118	118	118	118

118	118	118	118	118
118	118	118	118	118
0	0	0	0	0
25	58	125	183	241
25	58	125	183	241

0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
150	150	150	150	150
OK	OK	OK	OK	OK

1,510	1,510	1,510	1,510	1,510
0	0	0	0	0
0	0	0	0	0
1,510	1,510	1,510	1,510	1,510

0.0%	0.0%	0.0%	0.0%	0.0%
0	0	0	0	0

334	310	251	126	0
0	0	0	0	0
25	58	125	126	0
310	251	126	0	0

0.0%	0.0%	0.0%	0.0%	0.0%
25	58	125	183	241

800	800	800	800	743
0	0	0	0	0
0	(0)	(0)	57	241
800	800	800	743	502

0.0%	0.0%	0.0%	0.0%	0.0%
0	0	0	57	241

100	105	110	116	122
0	0	0	0	0
5	5	6	6	6
105	110	116	122	128

0.0%	0.0%	0.0%	0.0%	0.0%
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2,749	2,730	2,677	2,558	2,381
25	58	125	183	241
2,725	2,672	2,552	2,375	2,140
TRUE	TRUE	TRUE	TRUE	TRUE

2011E	2012E	2013E	2014E	2015E
1	1	1	1	1
0.5%	0.5%	0.5%	0.5%	0.5%
0	0	0	0	0
4.5%	6.8%	6.8%	6.8%	6.8%
103	103	103	103	103
6.8%	6.8%	6.8%	6.8%	6.8%
23	20	13	4	0
7.1%	7.1%	7.1%	7.1%	7.1%
82	82	82	79	63
10.2%	10.2%	10.2%	10.2%	10.2%
0	0	0	0	0
10.0%	10.0%	10.0%	10.0%	10.0%
5	5	6	6	6
5.0%	5.0%	5.0%	5.0%	5.0%
212	210	203	192	173
8%	8%	8%	8%	8%

685
8.8x
5,998
2,022
3,977

1,463

2.7x
22.1%

PIK
5.0%

Step
<i>0.00%</i>
<i>1.75%</i>
<i>2.20%</i>
<i>0.50%</i>

Diluted Share Count Calculation

x	Full Diluted Shares		
	Offer price		24.00
	Basic shares outstanding (latest filing)		136.6
	In-the-money exercisable options		7.4
	Total proceeds (\$mm)		129.4
	Total shares repurchased (mm)		5.4
	Net dilutive options		2.0
	Dilutive impact of shares from other securities		1.7
	Settled stock based comp		2.0
	Net diluted shares outstanding		138.6

Options outstanding			
	<u>Outstanding</u>	<u>Exercise price</u>	<u>Dilutive Shares</u>
Tranche 1	7.4	17.43	7.42
Tranche 2			0
Tranche 3			0
Tranche 4			0
Tranche 5			0
Tranche 6			0
Tranche 7			0
Tranche 8			0
Tranche 9			0
Tranche 10			0
Total			7.42