















Arthur, Dasha, Moses



FRESH. AUTHENTIC. TASTY.

Company overview

- Fat Brand's business model is to acquire, develop and manage quick service, fast casual dining restaurant concepts
- Owns 17 restaurant brands and approximately 2300 locations worldwide
- It's a **growth stock**. The company is making some expensive investments in order to expand its operations but is also showing some results out of their acquisitions. Investors should have in my mind it's a risky business but also one with high appreciation potential.

Financials

- The company has never had profits out of the operations
- Growing debt, which went from \$ 97 million in 2020 up to \$ 1 billion in 2021, but has not increased that much in TTM (1
 - That amount of debt was contracted in order to cover high spending during the COVID pandemic and mainly to acquire 8 new brands and open hundreds of new restaurant locations
- On the other hand, during the same period, the company's revenue went from \$18 to \$118
- Assets went from 619M to 1.219B in TTM
- Liabilities went from 638M to 1.330B in same period

Financials







FAT's P&L

	December 26, 202	December 27, 2020	
Consolidated statement of operations data:			
Revenues			
Royalties	\$ 42,650	\$ \$ 13,420	
Franchise fees	4,02		
Advertising fees	16,72	3,527	
Restaurant sales	41,56		
Factory revenue	13,470		
Management fees and other revenue	439	41	
Total revenues	118,88	18,118	
Costs and expenses			
General and administrative expense	50,24	14,876	
Cost of restaurant and factory revenues	44,24	_	
Impairment of goodwill and other intangible assets	1,03	9,295	
Refranchising (gain) loss	314	3,827	
Acquisition fees	4,24	1,168	
Advertising expense	17,97	5,218	
Total costs and expenses	118,05	7 34,384	
Income (loss) from operations	82-	(16,266	
Other expense, net	(35,944	(2,283	
Loss before income tax benefit	(35,120	(18,549	
Income tax benefit	(3,53)	(3,689	
Net loss	\$ (31,58)	\$ (14,860	

FAT's Assets

	Dece	mber 26, 2021	December	27, 2020
ssets				
Current assets				
Cash	S	56,656	S	3,944
Restricted cash		24,740		2,867
Accounts receivable, net of allowance for doubtful accounts of \$4,016 and \$739, as of December 26, 2021 and December 27, 2020, respectively		19,555		4,208
Trade and other notes receivable, net of allowance for doubtful accounts of \$129 and \$103 as of December 26, 2021 and December 27, 2020, respectively		231		208
Assets classified as held for sale		5,476		10,831
Other current assets		11,853		2,365
Total current assets		118,511	8	24,423
Noncurrent restricted cash		18,525		400
Notes receivable - noncurrent, net of allowance for doubtful accounts of \$271, as of December 26, 2021 and December 27, 2020		3,493		1,622
Deferred income tax asset, net		_		30,551
Operating lease right of use assets		90,552		4,469
Goodwill		295,128		10,909
Other intangible assets, net		652,788		47,711
Property and equipment, net		80,501		483
Other assets	99	2,534		576
Total assets	S	1,270,032	S	121,144

FAT's Liabilities

Liabilities and Stockholders' Deficit				
Liabilities				
Current liabilities				
Accounts payable	S	27,527	S	8,625
Accrued expenses and other liabilities		46,295		19,833
Deferred income, current portion		2,636		1,887
Accrued advertising		10,853		2,160
Accrued interest payable		10,678		1,847
Dividend payable on preferred shares		1,574		893
Liabilities related to assets classified as held for sale		4,780		9,892
Current portion of operating lease liability		14,341		748
Current portion of redeemable preferred stock, net		67,500		7,961
Current portion of long-term debt		631		19,314
Current portion of acquisition purchase price payable		1,173		_
Other		10,500		17
Total current liabilities		198,488		73,177
Deferred income – noncurrent		17,662		9,099
Acquisition purchase price payable				2,806
Deferred income tax liabilities, net		12,921		1000
Operating lease liability, net of current portion		92,920		4,011
Long-term debt, net of current portion		904,265		73,852
Other liabilities		970		82
Total liabilities		1,227,232	8	163,027

FAT's CF

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et loss \$ (31 sic and diluted loss per common share \$	20)	(18,549
sic and diluted loss per common share	37)	(3,689
	83) \$	(14,860
	15) S	(1.25
		11,897,952
sh dividends declared per common share	52 S	

Key Financial ratios

Liquidity

- Current Ratio: 0.41
- Operating Cash Flow: (31.92M)

Leverage

- Total Debt: 1.02 B
- Total Cash: 23.91 M
- Book value per share: (8.03)
- Total Assets: 1.272 B
- Total Liabilities: 1.291 B

Profitability

- Profit Margin: (19,86%)
- Operating Margin: 3,87%

Efficiency

- Return on Assets: 0,98%
- Return on Equity: (31,58M) / (21.655M)

Strategies for Fat Brand's growth

One of the main ways Fat Brands grows is by opening new restaurant locations or acquiring new brands and managing it, adding value through better management and synergy gains

As the company is still operating under losses and is still not able to invest resources of their own, to keep growing they must seek out for long term debt so they can finance the opening of new locations or even the acquisition of new strategic brands



The Cost of Capital

The cost of capital could be higher than usual, as inflation and interests are at its highest levels in years.

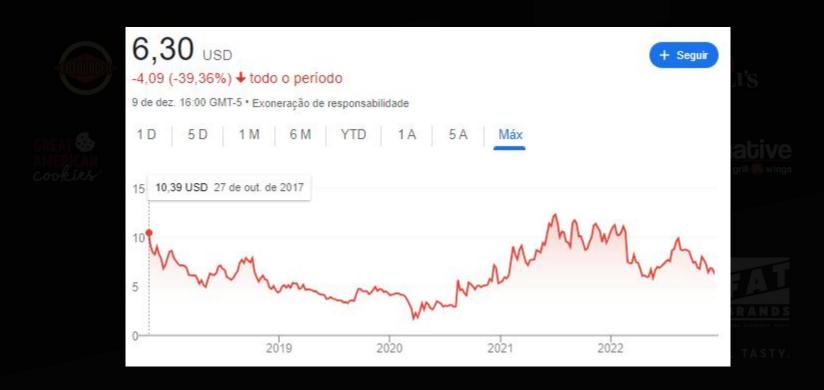
Also, as FAT is a very leveraged company, for which creditors will demand higher interests

In order to get a lower interest for their debt, FAT can contract long term debt, which they could get for around 5 to 7% interest / year.

Risk Factors for Fat Brands

- Unprofitable business
- Not very liquid company; depends on more debt to keep operation
- Very Leveraged company
- Negative Balance Sheet
- Very low margins
- Many Competitors; Low barrier market
- High interests to be paid

FAT stock evolution since IPO



Conclusion

As value investors, our recommendation is to sell FAT stock





FRESH. AUTHENTIC. TASTY