Analyst at Roth Capital Partners: For the next presentation, we have David Burke, the CEO of Diversified Restaurant Holdings, and also with us, we have Phyllis Knight, the CFO.

I'll hand it over to you.

David Burke: Good afternoon, everyone. Thank you for attending. We appreciate it. My name is David Burke, I'm CEO of Diversified Restaurant Holdings, and Phyllis Knight, our CFO here, is also going to share a few points with you. We don't have a lot of time, so we'll try to quickly go through some of the slides as I'd like a leave a little more time for Q&A to get some of those who aren't familiar with the story up to speed and then we'll go from there.

I need to mention the Safe Harbor statement. I think this pretty self-explanatory, if everybody can just take a second to read through that in the slide presentation.

Who we are? We are the largest Buffalo Wild Wings franchise in the system. We have 64 locations. We grew through organic growth in the beginning and then became more acquisitive over the last few years. The most recent acquisition was 18 restaurants that we bought in the St. Louis market from an existing franchisee. Our objective was to really start scaling up and focus on the profitability. We are operators. Our bread and butter is running really high margin and we are now a pure play franchise.

Up until December 25, 2016, the end of our fiscal year, we had two concepts. Our other one was Bagger Dave's Burger Tavern and that was an unknown concept. It was one that we created ourselves. We decided to spin that off, because we felt that there was more value if the Company was separate. Now, we can really focus on the Buffalo Wild Wings and the future growth potential that we have there.

This slide gives you a little rundown of our market cap, recent price, institutional ownership, etc. We ended the year with $166.5 million in revenue and $32 million in restaurant level EBITDA, which is about 19.4%.

I'm assuming everyone knows Buffalo Wild Wings or has some familiarity with it. If you don't, it’s wings, beer and sports with full service. There are about 1,200 stores in the nation. Half of those are owned by the corporation, Buffalo Wild Wings - the franchisor. The other half is owned by franchisees, and again, we are the largest, with about 11% of the franchisee base.

I'll talk in a little bit more detail about some opportunities. This slide gives a brief list of some of the promotions that we do and how they’re going to drive sales, particularly in this environment. It is no surprise in the restaurant industry that we're experiencing some headwinds with soft sales. We believe the weakness is attributable to a couple of things. One of the biggest is oversaturation in the market. It's overcapacity in general, not just in the casual dining sector, but in fast casual as well. What we’re seeing is a low barrier to entry with lot of cash out there, so people are building quite a few new restaurants.

Second most influential is retail. Our restaurants, as with most casual dining restaurants, are built near retail traffic driving areas, whether that be malls, big box retailers, movie theaters, etc. As everyone knows, the online experience has significantly changed that traffic dynamic, so there is a bit of an impact, we believe, as a result of it.

One of our marketing strategies is the half-price Tuesday promotion. Let's give you some insight into what we're doing. The franchisor and the franchisees are going through this, as well. It's a pretty significant departure from what we've done in the recent past. Tuesday promotions have always been big for Buffalo Wild Wings, but up until recently, it was not backed with national media, and we had it as more of a price point per wing promotion. For instance, $0.70 wings would be promoted as $0.60 wings. Somewhere along the line, we decided to change the message to make it more attractive, so now, we're changing the message for in-house promotion and putting some national media behind it as well. It has proven to be very successful.

This chart shows that, six weeks prior to promotion when we kicked it off, we had negative 3.4% same store sales. That's reasonably consistent with what we experienced last year in general on Tuesdays. Post promotion, basically Q4 of last year, we were about 8.9% on that Tuesday, and then year-to-date 2017, we're up at 16.4%. What you're expecting to seeing there is this promotion gaining traction, and you are seeing how long it takes to gain traction as we can put that media behind it.

The Blazin' Rewards Loyalty Program is another big one. This is also backed by the franchisor, and is something relatively new. In fact, we don't even have it rolled out in all of our markets yet. We were fortunate enough to be able to test it in our St. Louis market. We have a very good relationship with the franchisor and we've raised our hand pretty often to be the franchisee to test some of these new initiatives. We do this because we want to be involved right from the beginning.

What you are seeing here is the Rewards Member signup. In the 18 locations that have the program, since basically mid-last year, we were up 21,000 signups. This is important for a few different reasons. The first one is that you have a higher average check for loyalty members, and second is that we're getting a lot of good intel on each one of our guests and customers going forward.

So, as we roll this out through probably April or May of this year in all of our locations, we'll start getting a really good insight into our most loyal guests, their habits, their buying habits, their frequencies, what time of day they come in, what drives them, the menu mix, etc. Then, we can start targeting them a little bit better with better marketing.

Delivery is a big initiative for us. We and the franchisor are both working on this, but it's independent this time. We decided that we need to move forward before there is an official rollout, and there is really nothing to hold us back to doing that. We're experiencing some really nice gains from it.

We started rolling this out in Q3 last year and, right now, we have delivery in 24 of our 64 locations, and we started picking up some significant volume. One of the concerns we had was that deliveries or our carry-out sales would hurt our overall sales, but as the blue bars suggests, that is not happening. We're very excited to see that this is true incremental sales for us, which is what we're trying to drive here. We were up 2.7% in Q4, just for those 24 locations. We anticipate that growing in 2017 and we hope it will rise a little bit higher above 2.7% as it gains traction.

GrubHub is the dominant delivery service that we work with. We work with other ones depending on the market and region that we're in, so it's not an exclusive arrangement by any stretch.

Before I let Phyllis come up here, let me just speak to the dashboard slide. This just gives you a little highlight of 2016: $166 million of revenue; operating income of $7.3 million, that's up 157%; restaurant level EBITDA, up 9% to $32 million; and Adjusted EBITDA, that's adjusted for pre-opening expense and any true one-off expenses whether they be transaction related or other, just over $23 million.

I think an important metric here is the cash flow yield percent of enterprise value of 10%. We're very proud to see this. It's a reflection of our current market cap, where we think there is an undervalued situation here with our share weakness.

Phyllis Knight: Okay, as David mentioned, we did a spin-off of Bagger Dave's right at the end of last fiscal year. To put that in context, everything that you're seeing on these financial slides is restated to treat Bagger Dave's as discontinued operations. Bagger Dave's is not in these numbers. We're providing a bunch of history here, because we thought it might be helpful. It has been difficult on the outside to get a sense for what the pure Buffalo Wild Wings side of the business looks like, because it has been buried within and combined with Bagger Dave's for the most part.

Net sales growth shows that this is truly a growth company, with a 25% growth rate over the last five years between 2012 and 2016. We're going to talk a little bit about guidance, but we see sales reaching about $175 million, which is the mid-point of our guidance for 2017.

Our store count has grown over the years through a combination of building them ourselves and doing acquisitions. Since 2011, we acquired 22 stores through the end of the second quarter of this year. At that point, we'll have our 65th store opened.

Obviously, in the restaurant segment, everybody is talking about what's going on with same-store sales. This slide provides a little bit of data on what's going on with same-store sales at DRH. We gave a couple of years of history there and segregated our pricing versus traffic trend. I think what you see here is, we really started to see some negative traffic trends starting in early 2016, but we didn't really see that in the same-store sales numbers, because it was being offset by some pretty healthy pricing increases.

As we started to see the traffic trends deteriorate, we were pretty conservative, and we didn't take much price in 2016. As we look at this now and we see the range of the traffic declines in that 2% to 3% decline range, we really feel like there is room to take price. It isn't really so much an indictment on DRH's Buffalo Wild Wings restaurants as much as it is just an industry trend. We do expect to take price in 2017 to a much greater degree than we did in 2016, somewhere in the 1 point to 1.5 point range for the full year.

With EBITDA growth, again, these are some numbers that we're very proud of. We see a 20% annual growth rate. We ended last year with $32.3 million at the restaurant level. We expect to grow that to the $34 million to $35 million range again as part of our guidance for the current year. David mentioned Adjusted EBITDA, but again, you can see the growth rate there of 16% annualized.

This slide has a lot of detail and it's probably detail we wouldn't typically have given out, but again, we wanted to provide a pretty clear picture of what's been going on inside the Company over the time that you hadn't been able to see the numbers quite clearly and you can see the breakdown of the restaurant level margins.

Net-net, we've ranged in the 20% area for our restaurant level operating margins over the last several years, and that's a range we're guiding toward in the future as well. I think that's a number that the Company is very proud of. That's really best-in-class in the Buffalo Wild Wings world in terms of franchisees.

You can see the breakdown, and probably the two biggest keys there are cost of sales, where we've really been able to keep that in the 28% to 29% range historically, and of course, the ever important labor number, which we grind on culturally within our company. We measure our store managers based on how they manage their labor, and I think it shows the consistency that we've been able to maintain over the years. In terms of a further breakdown on cost of sales, I won't dwell on this slide, but our biggest cost input is our fresh bone-in chicken wings. They run somewhere around 20% of our cost of sales.

We've been in an environment of escalating prices while a lot of commodity prices in the food world have been coming down. There have been a lot of headwinds this year with chicken wing prices. We ended at a high at the end of 2016, and they have stayed high really into the first quarter of 2017. Our expectations are that it's going to level out at least for the foreseeable future in that range.

We look at labor trends in three buckets: the hourly wage category, the management labor and then the overhead piece that sits on top of it. Obviously, the one we have the absolute most impact on in terms of how we manage our stores is how we manage the hourly labor component. We have targets set for each of our stores and we hold our managers accountable for hitting those.

A big part of the story for DRH, at this point in our lifecycle, was the big acquisition we did in 2015. We bought 18 locations in the St. Louis market. It was a 100% debt financed deal. We put on $54 million of debt in the middle of 2015. From our perspective, it was a fantastic deal. It was first-lien bank debt, but it left us with a challenge. We are now really focusing in the short-term on trying to get the leverage in the Company down, so we're back in shape and able to play in the acquisitions space going forward.

Our plan for 2017 is to control capital expenditures. We're looking at a range of $4 million to $6 million on CapEx, which is really a relatively sharp decline from the past. We're doing that partly because new store development really isn't much on our radar screen right now. We're relatively tapped out in the markets that we play in today in terms of runway for new development.

We see the growth here being more acquisition related and, as a result, we're really focused on getting the balance sheet in shape. We expect to generate about $15 million of free cash flow and to use that entirely toward reducing our debt in 2017. Our target longer term from a leverage perspective is somewhere in the 3 to 3.5 range, which we're on the path to hit in 2018.

In terms of guidance, you've seen the midpoint estimates in the slides I just went through, but we're guiding toward revenue. We did $166.5 million in 2016. We expect to be in the $173 million to $178 range for 2017, with Restaurant level EBITDA $33 million to $36 million. You can read the numbers and you've already seen most of them here.

On the CapEx front, the $4 million to $6 million includes one new restaurant opening, which will be open in the second quarter, and then two to four remodels. Depending on how the year goes, we'll probably focus on those two until we see how things are coming along and if we're hitting our plan.

So with that, I'm going to hand it back to David.

David Burke: Thanks, Phyllis. As we have to wrap up here, I think it's important to understand the St. Louis acquisition, how we levered up and how we got to this point from a capital structure standpoint. You know we're $122 million in debt. We did a 100% finance deal back in mid-2015 to acquire 18 stores. We bought the entire market of St. Louis. This was an opportunity you really can't pass up. You need to be a franchisee that is set up for sales like that, and you own the market. You control price and promotion with no co-op, no sharing of the marketing, etc. As we started up there, it was at just over a six time multiple, which was reasonable at the time. We had ourselves leveraged six times and I think that made some people uncomfortable. We are comfortable due to the fact that we are a cash flow business.

Buffalo Wild Wings is a very strong brand. You saw the history with us, quarter-over-quarter-over-quarter, hitting those 19% to 20% range restaurant level EBITDAs, throwing off some good cash. We are comfortable with that, knowing full well that we're going to be paying that debt down over the next few years.

This little model here just gives you our LBO model. We were 100 levered, but IRR is effectively infinite in this case. I feel very strongly that we witnessed an incredible opportunity and took advantage of it. Doing 100% financing was what the bank wanted. We were looking at unit charges, we were looking at debt and equity options and at the end of the day our senior lender, who we've been working with for years, came to us and said, "We will do it for you at six times for 3.50%." We hedged about 80% of that debt, so we're at a fixed rate at probably less than 5%.

So, very, very low cost of capital to make stuff like this happen. We're going to see some multiple expansion as a result and, obviously, a conversion to equity, and we should see some increased cash flow, which we will use to pay this debt down.

Going forward, we talked about this best-in-class operation and we're very proud of that. Our founder really instilled in us the culture, our branding, managing labor and managing all of the sales variances. With that, we can achieve some nice margins.

Integration skills: we have had three acquisitions over the years. We feel very comfortable doing these and continuing to execute that process. Strong positive cash flow we talked about. Tax benefit is also a big piece. We did the spin-off. Yes, we had to take on all the debt, but to counter balance that, we have over $50 million in shelter tax. We're not going to pay any cash taxes for quite a while, which will make any type of potential acquisition even more appealing.

The current environment: I think if anyone has been keeping track of Buffalo Wild Wings, there is an active investor who has prompted some discussion with them about refranchising. They've announced that they are looking at refranchising 60 stores, but it remains to be seen where they are. We haven't seen the package yet, but we would definitely be interested in taking a look at that. We're also continuing to look at other franchisees as we've done in the past as well as potential other new franchise concepts. We're good operators. That's what we do best and I think that makes a lot of sense. We have a platform to execute it. And with that, we'll turn it over to some questions.

Q: *[Inaudible question]*

David Burke: Yes, definitely an opportunity. We have all the tablets in-house, so the hardware is there. I think what you are probably referring to is not just the tablets but there is hand held as well in combination. They can take orders from handheld, which is better than having to go back and forth at point of sale. We're very familiar with that from the Bagger Dave's brand, because that's all we use there. I can say that the opportunity there is more in non-wage friendly states where you don't have extra credit, specifically West Coast, California, Oregon, Washington, Minnesota, Alaska, Hawaii and a couple of other states that don't have tip credit on minimum wage. We're paying our servers in all states from $2.50 to $4.50 or maybe up to $5 an hour versus paying them $10 or $11 an hour. That's where you are going get a better opportunity for that.

Q: Given that you expected cash flows and the amount of debt that you have right now, can you talk about whether we could see acquisitions this year and, if so, how would you expect to finance those acquisitions?

David Burke: Sure. I'd say that, given where we are in this year, it's unlikely that we'll see any this year, due to the time it takes for due diligence and going through the process. I suppose I mentioned before, we're targeting a little over four times on net debt to EBITDA ratio by the end of this year. That puts us in a really good position in Q1, Q2, as things come about and opportunities arise.

As we delever, obviously, we anticipate getting some higher evaluation increase in our equity, so that would make us feel better. Using our equity as currency today is not an option given the valuation today. Let me make that clear. We're going to be prudent about it and make sure we're making the right move.

Q: You had a slide where it showed the pricing trends versus the traffic in the same store sales. It doesn't seem like one is causing the other, so can you talk a little bit more about why you think that is?

David Burke: Yes, that's exactly what we concluded with this. We were a little fearful that there was a value issue going into 2016, because we took so much price at the end of 2014 and through 2015 by the time we lapped it with the softer sales and softer traffic that we're seeing. We were hesitant, but hindsight is 2020. We’re looking at this and really following the trends in the market. We don't believe it's the brand losing share and it's not a value issue, so we think it's appropriate to continue on our strategy to always take a little bit of price. Every time you have a new menu rollout, you have to offset the inflation. Chicken wing price is at the highest point at the level it’s at right now. We want to stay ahead of that and the labor equation etc.

Back in 2014, we did a menu tier increase and that's why you see the 7.7% increase. That was a situation we just tested in a couple of stores. The only thing that we saw was that we made more money in those stores. There is no loss in traffic, so we've been leaving money on the table. It's an optimization model, so I would take price over traffic any day. For instance, if it's a two for one. You get a 90% flow through conversion on a price dollar percent increase versus maybe a 40% to 45% conversion when the traffic increased through promotion. Typically, traffic increases are driven by promotions where you are discounting, so maybe even worse than that.

Q: *[Inaudible question]*

David Burke: If I understand correctly, you are asking is there a limit to how many?

Q: *[Inaudible question]*

David Burke: I would think that there would be if I were them, but I don't think we're there yet. We're at 10%. We have a very good relationship with them. I think they would say the same about us. We work very well with them, we text with them and they've given us no indication that they're going to prohibit us from further acquisition. In fact, we've had very open conversation about IRR. Do you think you will be interested if we put these up to sale? And we said, of course there will be interest. I don't see that as being an issue anytime soon, but agreed, they are not going to allow us to own 600 franchises, I can guarantee that.

Q: *[Inaudible question]*

David Burke: I'm going to say that, at between 3 and 3.5 times, we get to a good comfortable position. We'll be there by the end of 2018; I'm pretty confident. I think at that point, if equity stays where it is, it would be disappointing, but, that's definitely right to do the math there. We're way undervalued, so we'd definitely do something like that, or consider it at least.

Q: *[Inaudible question]*

David Burke: Not actively. We're keeping an open mind about that. I think our first priority would be to look at Buffalo Wild Wings. That just makes a lot more sense right now. If that proves to be not enough proof, we'll take a look at some other options out there.

Q: *[Inaudible question]*

David Burke: We would be prohibited from doing any sports themed concept or wing concept, for sure. I guess there are gray areas with other chicken concepts. It depends what it is, but there are, though, some restrictions.

Q: *[Inaudible question]*

David Burke: I agree that it's a tough question. I'm hopeful that we're going to see a plateau this year. Going through two years of this, I look at a ton of correction. I think there will be an end to it. There are a few things that are going to happen. First of all, I think retail traffic is going to have to plateau at some point. Second, unfortunately for a lot of restaurateurs, there is going to be turnover. We're already seeing this in the casual dining space. Certainly, they are going out of business. It's just not sustainable with the amount of places out there, so we'll be taking advantage of that as well.

Analyst at Roth Capital Partners: That's about all the time we have. Thank you very much.