

Johnny Carino's Italian Grill



By David V. Tran

Johnny Carino's Grill is a fast growing franchised, casual dining restaurant with about 170 locations in 30 states in the US, Bahrain, Kuwait, Egypt, and United Arab Emirates as of 2008. It is a full-serviced restaurant and serves Southern Italy cuisine with pizza, pasta, shrimp, beef, chicken, and pork dishes. Most of the dishes are less than \$20. The brand and restaurant concept are owned by Fired Up, Inc. founded in 1997, and headquartered in Austin, TX. Fired Up owns about 50% of the restaurants and the rest is owned by franchisees. In 2007, Fired Up changed the name from Johnny Carino's Country Italian to Johnny Carino's Italian Grill to highlight its open kitchens and open-flame grills. The official website is www.carinos.com. Johnny Carino's is expanding very rapidly in California with 15 locations now. It currently has development agreement with 15 franchise partners to expand the restaurant chain to more than 490 locations worldwide.

Property & Location

A typical new Johnny Carino's restaurant is a custom-built, tile-roof, free standing, and distinctly-designed Tuscan farmhouse building with a few different models, each about 6500 SF on 1.5 acres lot. You will normally find Johnny Carino's in the suburb or new & growing

area but not in down town area or established area with no developable land. The restaurant is often in highly-visible prime location with heavy traffic: on a main artery, corner lot, near or in front of a major shopping center or mall. Fired Up works with about 20 developers to build new restaurants. Once the restaurants are in operation for a few years, it then sells the real estate and leases back the property. This way the company can get the capital to expand further.

Johnny Carino's as a tenant

The tenant often signs a 20 years absolute triple-net lease with 10% rent increase for every 5 years. When a property has a lease with corporate guarantee from Fired Up, the rent increase is more conservative, e.g. 1% annually. The revenue per location is in the \$2.5-3M range in the first year which is very decent. The building is often priced between \$2.5-4M and offers 7.25% to 7.5% cap.

Despite the fact the franchise is expanding rapidly, it did close down a few locations recently, e.g. 3 locations in Florida in 2007 and 1 location in Hampton, VA in January 2008. This is not all that unusual in the restaurant business.



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