



March 12, 2015

## **El Pollo Loco Holdings, Inc. Announces Fourth Quarter and Fiscal Year 2014 Financial Results**

COSTA MESA, Calif., March 12, 2015 (GLOBE NEWSWIRE) -- El Pollo Loco Holdings, Inc. (Nasdaq:LOCO) today announced financial results for the 14-week and 53-week periods ended December 31, 2014.

### **Highlights for the 14-week fourth quarter ended December 31, 2014, compared to the 13-week fourth quarter ended December 25, 2013 were as follows:**

- Total revenue was \$90.0 million compared to \$76.2 million. On a comparable 13-week basis, total revenue increased 11.9%.
- System-wide comparable restaurant sales grew 7.6%, including a 6.4% increase for company-operated restaurants, and an 8.6% increase for franchised restaurants.
- Net income was \$4.6 million, or \$0.12 per diluted share, compared to a net loss of \$18.1 million, or (\$0.63) per diluted share.
- Pro forma net income<sup>(1)</sup> increased 60.6% to \$5.5 million, or \$0.14 per diluted share, compared to \$3.4 million, or \$0.09 per diluted share. Fourth quarter 2014 results included an estimated \$0.01 per share positive impact due to the extra week in the quarter.
- Adjusted EBITDA<sup>(1)</sup> increased 29.4% to \$16.3 million. Adjusted EBITDA in the fourth quarter of 2014 included an estimated \$1.0 million benefit from the extra week in the quarter.

### **Highlights for the 53-week fiscal year ended December 31, 2014, compared to the 52-week fiscal year ended December 25, 2013 were as follows:**

- Total revenue was \$344.9 million compared to \$314.7 million. On a comparable 52-week basis, total revenue increased 8.1%.
- System-wide comparable restaurant sales grew 7.0%, including a 5.8% increase for company-operated restaurants, and an 8.0% increase for franchised restaurants.
- Net income was \$42.5 million, or \$1.24 per diluted share, compared to a net loss of \$16.9 million, or (\$0.59) per diluted share.
- Pro forma net income<sup>(1)</sup> increased 24.4% to \$21.5 million, or \$0.55 per diluted share, compared to \$17.3 million, or \$0.45 per diluted share. Fiscal year 2014 results included an estimated \$0.01 per share positive impact due to the extra week in the fourth quarter.
- Adjusted EBITDA<sup>(1)</sup> increased 15.2% to \$62.9 million. Fiscal year 2014 adjusted EBITDA included an estimated \$1.0 million benefit from the extra week in the year.

<sup>(1)</sup> Pro forma net income and adjusted EBITDA are non-GAAP measures. A reconciliation of GAAP net income to each of these measures is included in the accompanying financial data. See also "Non-GAAP Financial Measures."

Steve Sather, President and Chief Executive Officer of El Pollo Loco Holdings, Inc., stated, "We are pleased to have closed out fiscal 2014 with another strong quarter of sales and earnings growth. Our system-wide comparable restaurant sales growth of 7.6% marked our 14th consecutive quarter of positive comparable restaurant sales growth, as our unique 'QSR-plus' positioning, compelling value proposition, and broad menu offerings anchored by our signature fire-grilled chicken, continue to resonate with customers."

Sather added, "As we look ahead to 2015, we're excited about the opportunity to expand in both new and existing markets, bringing our fresh, hand-crafted Mexican inspired cuisine to customers across the country. Our initial expansion into Texas has gone extremely well and we expect to open 27 new El Pollo Loco restaurants in 2015, including an additional six to eight restaurants in the Houston area. We believe that our differentiated 'faster fast casual' concept and strong operations position us well for sustainable long term growth and further value creation on behalf of our shareholders."

## Fourth Quarter 2014 Financial Results

Company-operated restaurant revenue in the fourth quarter of 2014 increased 18.0% to \$84.1 million, from \$71.3 million in the same period last year. The Company's fourth quarter of 2014 included 14 weeks compared to 13 weeks in the fourth quarter of 2013. Company-operated restaurant revenue in the fourth quarter of 2014 attributed to the extra week totaled approximately \$4.6 million.

Comparable company-operated restaurant sales in the fourth quarter increased 6.4%, driven by a 3.3% increase in average check and a 3.1% increase in traffic.

Franchise revenue in the fourth quarter of 2014 increased 18.5% to \$5.9 million, from \$5.0 million in the fourth quarter of 2013. Franchised comparable restaurant sales increased 8.6% during the quarter.

Restaurant contribution increased 29.3% to \$18.8 million, from \$14.5 million in the fourth quarter of 2013. As a percent of company-operated restaurant revenue, restaurant contribution margin improved 195 basis points to 22.3%. The improvement in restaurant contribution margin was driven by leverage of comparable company-operated restaurant sales growth in addition to 40 basis points from operating leverage obtained from the extra operating week in the fourth quarter of 2014.

Net income for the fourth quarter of 2014 was \$4.6 million, or \$0.12 per diluted share, compared to a net loss of \$18.1 million, or \$(0.63) per diluted share in the fourth quarter of 2013.

Pro forma net income increased 60.6% to \$5.5 million, or \$0.14 per diluted share during the fourth quarter of 2014, compared to \$3.4 million, or \$0.09 per diluted share during the fourth quarter of 2013. Fourth quarter 2014 results included an estimated \$0.01 per share positive impact due to the extra week in the quarter. A reconciliation between GAAP net income and pro forma net income is included in the accompanying financial data.

## 2015 Outlook

The Company expects 2015 pro forma diluted net income per share ranging from \$0.67 to \$0.71. This compares to pro forma diluted net income per share of \$0.55 in 2014. Pro forma net income guidance for fiscal year 2015 is based, in part, on the following annual assumptions:

- System-wide comparable restaurant sales growth of approximately 3.0% to 5.0%;
- The opening of 16 new company-owned restaurants and 11 new franchised restaurants;
- Restaurant contribution margin of 21.7% to 22.0%;
- Pro forma income tax rate of 40.5%.
- G&A expenses of between 8.2% and 8.4% of total revenue
- Adjusted EBITDA of between \$66.5 and \$69.2 million

## The following definitions apply to these terms as used in this release:

**Comparable restaurant sales** reflect the change in year-over-year sales for the comparable company, franchised and total system restaurant base. The comparable restaurant base is defined to include those restaurants open for 15 months or longer. At December 31, 2014, there were 160 restaurants, in our comparable company-operated restaurant base.

**Restaurant contribution** and **restaurant contribution margin** are neither required by, nor presented in accordance with, GAAP. Restaurant contribution is defined as company-operated restaurant revenue less company restaurant expenses, which are food and paper costs, labor and related expenses and occupancy and other operating expenses. Restaurant contribution margin is defined as restaurant contribution as a percentage of net company-operated restaurant revenue. See also "Non-GAAP Financial Measures."

**EBITDA and adjusted EBITDA** are neither required by, nor presented in accordance with, GAAP. EBITDA represents net income before interest expense, provision for income taxes, depreciation, and amortization, and adjusted EBITDA represents EBITDA before items that we do not consider representative of our ongoing operating performance, as identified in the GAAP reconciliation in the accompanying financial data. See also "Non-GAAP Financial Measures."

**Pro forma net income** is neither required by, nor presented in accordance with, GAAP. Pro forma net income reflects (i) the net decrease in interest expense resulting from the repayment of our second lien term loan facility with the proceeds from our IPO and the reduction in interest resulting from the refinancing of our debt facilities in 2013, as if these events occurred on December 27, 2012 (ii) the elimination of fees payable under the management agreement between us and affiliates of our sponsors (iii) providing for an estimate of recurring incremental legal, accounting, insurance and other compliance costs we expect to incur as a public company for those periods where they had not yet been incurred and the add-back of one-time costs incurred as a result of the IPO, the secondary offering completed on November 25, 2014 and the refinancing of \$188.6

million of debt completed on December 11, 2014 (iv) costs related to loss on disposal of assets and asset impairment and closed store costs (v) amortization expense incurred on the Tax Receivable Agreement ("TRA") completed at the time of the IPO and (vi) provision for income taxes at a normalized tax rate of 40.5%, which reflects our estimated long-term effective tax rate, including both federal and state income taxes. See the GAAP reconciliation in the accompanying financial data and "Non-GAAP Financial Measures."

**Pro forma weighted-average share and per share data** reflects the 8,214,286 additional shares of common stock issued in the IPO as if they had been issued on December 27, 2012. See also "Non-GAAP Financial Measures."

### **Conference Call**

The Company will host a conference call to discuss financial results for the fourth quarter of 2014 today at 5:00 PM Eastern Time. Steve Sather, President and Chief Executive Officer, Larry Roberts, Chief Financial Officer, and Ed Valle, Chief Marketing Officer will host the call.

The conference call can be accessed live over the phone by dialing 877-407-3982 or for international callers by dialing 201-493-6780. A replay will be available after the call and can be accessed by dialing 877-870-5176 or for international callers by dialing 858-384-5517; the passcode is 13599457. The replay will be available until Thursday, March 26, 2015. The conference call will also be webcast live from the Company's corporate website at [investor.elpolloloco.com](http://investor.elpolloloco.com) under the "Events & Presentations" page. An archive of the webcast will be available at the same location on the corporate website shortly after the call has concluded.

### **About El Pollo Loco**

El Pollo Loco is a differentiated and growing restaurant concept that specializes in fire-grilling citrus-marinated chicken in front of its customers. El Pollo Loco opened its first location on Alvarado Street in Los Angeles, California in 1980 and has grown to more than 400 company-owned and franchised restaurants in Arizona, California, Nevada, Texas and Utah. The Company's distinctive menu features its signature product - citrus-marinated fire-grilled chicken - and a variety of Mexican-inspired entrees that the Company and its franchisees create from that chicken.

### **Forward-Looking Statements**

This press release contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this press release are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements because they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this press release in the context of the risks and uncertainties disclosed in our final prospectus dated July 24, 2014, including the sections thereof captioned "Special Note Regarding Forward-Looking Statements" and "Risk Factors." These filings and future filings are available online at [www.sec.gov](http://www.sec.gov), [www.elpolloloco.com](http://www.elpolloloco.com) or upon request from El Pollo Loco.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the ways that we expect. The forward-looking statements included in this press release are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

### **Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use non-GAAP financial measures including those indicated above. These measures are not intended to be considered in isolation or as substitutes for, or superior to, financial measures prepared and presented in accordance with GAAP. We use non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information about operating results, enhance understanding of past performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. The non-GAAP measures used in this press release may be different from the measures used by other companies.

**EL POLLO LOCO HOLDINGS, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)

	Fourteen Weeks Ended		Thirteen Weeks Ended		Fifty-Three Weeks Ended		Fifty-Two Weeks Ended	
	December 31, 2014		December 25, 2013		December 31, 2014		December 25, 2013	
	\$	%	\$	%	\$	%	\$	%
<b>Revenue:</b>								
Restaurant revenue	\$ 84,084	93.5%	\$ 71,268	93.5%	\$ 322,516	93.5%	\$ 294,327	93.5%
Franchise revenue	5,889	6.5%	4,970	6.5%	22,345	6.5%	20,400	6.5%
<b>Total revenue</b>	<b>89,973</b>	<b>100.0%</b>	<b>76,238</b>	<b>100.0%</b>	<b>344,861</b>	<b>100.0%</b>	<b>314,727</b>	<b>100.0%</b>
<b>Costs of operations:</b>								
Food and paper cost (1)	26,777	31.8%	22,981	32.2%	102,611	31.8%	93,589	31.8%
Labor and related expenses (1)	21,094	25.1%	18,409	25.8%	80,646	25.0%	75,669	25.7%
Occupancy and other operating expenses (1)	17,447	20.7%	15,359	21.6%	68,538	21.3%	63,150	21.5%
<b>Company restaurant expenses (1)</b>	<b>65,318</b>	<b>77.7%</b>	<b>56,749</b>	<b>79.6%</b>	<b>251,795</b>	<b>78.1%</b>	<b>232,408</b>	<b>79.0%</b>
General and administrative expenses	8,545	9.5%	6,752	8.9%	29,519	8.6%	25,506	8.1%
Franchise expenses	877	1.0%	911	1.2%	3,704	1.1%	3,841	1.2%
Depreciation and amortization	3,267	3.6%	2,643	3.5%	11,538	3.3%	10,213	3.2%
Loss on disposal of assets	37	0.0%	134	0.2%	646	0.2%	868	0.3%
Asset impairment and closed store reserves	618	0.7%	(227)	-0.3%	1,033	0.3%	(101)	0.0%
<b>Total expenses</b>	<b>78,662</b>	<b>87.4%</b>	<b>66,962</b>	<b>87.8%</b>	<b>298,235</b>	<b>86.5%</b>	<b>272,735</b>	<b>86.7%</b>
<b>Gain on sale of restaurant</b>	<b>--</b>	<b>0.0%</b>	<b>400</b>	<b>0.5%</b>	<b>2,658</b>	<b>0.8%</b>	<b>400</b>	<b>0.1%</b>
<b>Income from operations</b>	<b>11,311</b>	<b>12.6%</b>	<b>9,676</b>	<b>12.7%</b>	<b>49,284</b>	<b>14.3%</b>	<b>42,392</b>	<b>13.5%</b>
Interest expense, net	2,776	3.1%	6,891	9.0%	18,062	5.2%	36,334	11.5%
Extinguishment of debt	4,636	5.2%	21,530	28.2%	9,718	2.8%	21,530	6.8%
Secondary offering expense	667	0.7%	--	0.0%	667	0.2%	--	0.0%
TRA expense	1,263	1.4%	--	0.0%	41,382	12.0%	--	0.0%
<b>Income before provision for income taxes</b>	<b>1,969</b>	<b>2.2%</b>	<b>(18,745)</b>	<b>-24.6%</b>	<b>(20,545)</b>	<b>-6.0%</b>	<b>(15,472)</b>	<b>-4.9%</b>
Provision for income taxes	(2,606)	-2.9%	(604)	-0.8%	(63,008)	-18.3%	1,401	0.4%
<b>Net Income</b>	<b>\$ 4,575</b>	<b>5.1%</b>	<b>\$ (18,141)</b>	<b>-23.8%</b>	<b>\$ 42,463</b>	<b>12.3%</b>	<b>\$ (16,873)</b>	<b>-5.4%</b>
<b>Net income per share:</b>								
Basic	\$ 0.12		\$ (0.63)		\$ 1.32		\$ (0.59)	
Diluted	\$ 0.12		\$ (0.63)		\$ 1.24		\$ (0.59)	
<b>Weighted average shares used in computing net income per share:</b>								
Basic	37,149,379		28,712,622		32,285,484		28,712,622	
Diluted	39,691,650		28,712,622		34,346,241		28,712,622	

(1) As a percentage of restaurant revenue.

**EL POLLO LOCO HOLDINGS, INC.**  
**UNAUDITED SELECTED BALANCE SHEETS AND SELECTED OPERATING DATA**  
(dollar amounts in thousands)

	As of	
	December 31, 2014	December 25, 2013
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 11,499	\$ 17,015
Total assets	455,306	416,942
Total debt	165,846	289,242
Total liabilities	244,906	368,406
Total stockholder's equity	210,400	48,536

	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	December 31, 2014	December 25, 2013
<b>Selected Operating Data:</b>		
Company-owned restaurants at end of period	172	168
Franchise restaurants at end of period	243	233
Company-owned:		
Comparable restaurant sales	5.8%	5.3%
Units in the comparable base	160	165

**EL POLLO LOCO HOLDINGS, INC.**  
**UNAUDITED RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA**  
(dollar amounts in thousands)

	Fourteen Weeks Ended	Thirteen Weeks Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	December 31, 2014	December 25, 2013	December 31, 2014	December 25, 2013
<b>Adjusted EBITDA:</b>				
Net income (loss), as reported	\$ 4,575	\$ (18,141)	\$ 42,463	\$ (16,873)
Provision for income tax	(2,606)	(604)	(63,008)	1,401
Interest expense, net	2,776	6,891	18,062	36,334
Depreciation and amortization	3,267	2,643	11,538	10,213
EBITDA	8,012	(9,211)	9,055	31,075
Stock-based compensation expense	458	631	1,093	822
Management fees	--	159	343	624
Loss on disposal of assets	37	134	646	868
Impairments and closures	618	(227)	1,033	(101)
Pre-opening costs	542	3	1,215	201
Gain on sale of restaurant	--	(400)	(2,658)	(400)
Secondary offering expense	667	--	667	--
TRA expense	1,263	--	41,382	--

Tax credit expense	99	--	415	--
Extinguishment of debt	<u>4,636</u>	<u>21,530</u>	<u>9,718</u>	<u>21,530</u>
<b>Adjusted EBITDA</b>	<b><u>\$ 16,332</u></b>	<b><u>\$ 12,619</u></b>	<b><u>\$ 62,909</u></b>	<b><u>\$ 54,619</u></b>

**EL POLLO LOCO HOLDINGS, INC.**  
**UNAUDITED RECONCILIATION OF NET INCOME TO PRO FORMA NET INCOME**  
(dollar amounts in thousands, except per share data)

	<u>Fourteen</u> <u>Weeks Ended</u> <u>December 31,</u> <u>2014</u>	<u>Thirteen</u> <u>Weeks Ended</u> <u>December 25,</u> <u>2013</u>	<u>Fifty-Three</u> <u>Weeks Ended</u> <u>December 31,</u> <u>2014</u>	<u>Fifty-Two</u> <u>Weeks Ended</u> <u>December 25,</u> <u>2013</u>
<b>Pro forma net income:</b>				
Net income, as reported	\$ 4,575	\$ (18,141)	\$ 42,463	\$ (16,873)
Provision for taxes, as reported	(2,606)	(604)	(63,008)	1,401
Interest expense, as reported	2,776	6,891	18,062	36,334
Pro forma interest expense	(2,776)	(3,108)	(12,100)	(12,432)
IPO costs	--	--	298	--
Ongoing public company costs	--	(365)	(928)	(1,546)
Extinguishment of debt	4,636	21,530	9,718	21,530
Gain on sale of restaurant	--	(400)	(2,658)	(400)
Secondary offering expense	667	--	667	--
TRA expense	1,263	--	41,382	--
Tax credit costs	99	--	415	--
Management fees	--	75	173	300
Loss on Disposal of Assets	37	134	646	868
Asset Impairment and Closed Store Costs	618	(227)	1,033	(101)
Provision for income taxes	<u>(3,762)</u>	<u>(2,343)</u>	<u>(14,646)</u>	<u>(11,778)</u>
<b>Pro forma net income</b>	<b><u>\$ 5,527</u></b>	<b><u>\$ 3,442</u></b>	<b><u>\$ 21,517</u></b>	<b><u>\$ 17,303</u></b>
<b>Pro forma weighted-average share and per share data:</b>				
Pro forma net income per share				
Basic	<u>\$ 0.15</u>	<u>\$ 0.09</u>	<u>\$ 0.58</u>	<u>\$ 0.47</u>
Diluted	<u>\$ 0.14</u>	<u>\$ 0.09</u>	<u>\$ 0.55</u>	<u>\$ 0.45</u>
Weighted-average shares used in computing pro forma net income per share				
Basic	37,149,379	36,926,908	36,979,362	36,926,908
Diluted	39,691,650	38,415,279	39,040,119	38,415,279

CONTACT: Investor Contact:

Fitzhugh Taylor, ICR

fitzhugh.taylor@icrinc.com

714-599-5200