Teeing up your restaurant concept for a successful capital raise

Restaurants are now the new hot investment, with "fast casual" becoming the darling of the industry. Valuations for fast casual groups have been so frothy (Shake Shack is expected to trade at over 200 times earnings for 2015) that there has been talk of a "fast casual bubble".

So how best to take advantage of the rising tide? Here are some tips on teeing up your concept for maximum valuation:

- **Proof of concept:** What better to provide confidence to investors than currently successful operations and proof that the business model works? The more evidence there is that the concept is profitable, the lower the risk premium investors will place on the enterprise.
- **Concept is scalable:** The concept has systems that can be replicated and help it grow, and is not dependent on a few people or suppliers. For instance operations dependent on skilled chefs, or commissaries may be more difficult to scale than those that can grow without either.
- **Adaptable in different markets:** Is this something that has appeal in one market or region, or does it have potential to work in multiple markets? A concept tested in multiple markets will have more cache then those limited to just one market.
- **Has more than a niche market appeal:** A concept that appeals to a small section of the population (i.e. vegan food) obviously has less potential than one that appeals to the masses (i.e. burgers).
- **The concept expand without changing:**
    - Management is in place: If management capable of growing the concept is in place it reduces uncertainty and risk
    - Processes are in place: If processes are in place, then growth can happen quickly without any needed change and potentially compromising the quality of the experience.
- **Unit economics are strong:** Revenue and cost structure are in line or better than other concepts in the segment. Plus, positive year over year comps can be very appealing to investors.
- **Consistency of product and quality of food:** inconsistent product both within and across locations may be a sign that processes may not be in place and that the concept is not ready for expansion.
- **The concept is self-funding:** If the operations are generating cash flow and the capital provided can be used for funding infrastructure for growth, which is appealing to investors, rather than for keeping operations afloat.
- **Quality of management team:**
    - CEO is the most important part of the team. She should be "relentlessly resilient" and should be able to take the concept to the next level.
    - Strong CFOs and operational personnel should round out the team.

- **Concept is well defined and comparable to others in the market:** If your restaurant concept does not easily fit in a segment and is not comparable to other concepts in the market, investors may have a difficult time assigning a value to the concept. Make is simple to understand and compare.

- **Strong financial systems are in place:** Dependable financial information is key, not only in providing a essential tool for valuing the concept, but also showcases the business maturity of the operator.