

Company Profile

Shrimp Boat John, Inc.

Sample Report

Background

In 1992 H. Lewis Samuels opened a small family restaurant on the outskirts of Nashville, Tennessee. He named it Shrimp Boat John. The instant popularity of his restaurant led to the opening of a second, more elegant unit on the Memphis waterfront in 1994. The new company's success continued, and by 1998, there were eight. Today, Shrimp Boat John, Inc. owns and operates 48 similar restaurants in five states – Tennessee, Virginia, North Carolina, South Carolina, and Georgia with total annual revenues of more than \$75 million.



Over the years Shrimp Boat John has adjusted to the up and down population and prices of shrimp by adding other delicious offerings to its reasonably priced menu. These additions feature fish and other seafood, particularly lobster and crabs. The restaurant's popular Signature Combination entree is already the talk of the South.

Over the years the firm has made a concerted effort to modernize and to stay relevant. Its Nashville computer facility, opened in 1996, currently services every unit in its system with timely data collection, cost analysis, and weekly budget reviews. Also, the John & Margaret Samuels Training Center, an advanced facility located in South Carolina, was completed in 1998. And the company has just completed a three-year program to upgrade its kitchens with efficient, energy-saving speed-cook ovens in every unit.

Shrimp Boat John, Inc. (SBJI), now a publicly held corporation listed on NASDAQ, has plans to expand to other states, particularly throughout the South, and to begin franchising its shrimp and seafood concept in various sections of the western time zone the years ahead.

Company History



When H. Lewis Samuels, an experienced restaurateur in his own right, opened his first restaurant in Nashville in 1992 he was already a crustacean expert. For more than 25 years his father, John, was a shrimp boat captain in South Carolina, and his mother, Margaret, created some of the most unique shrimp recipes in all of South Carolina. It was his father for whom the new enterprise was named. The company's first restaurant, later relocated to a more upscale Nashville location, was modest by all standards...

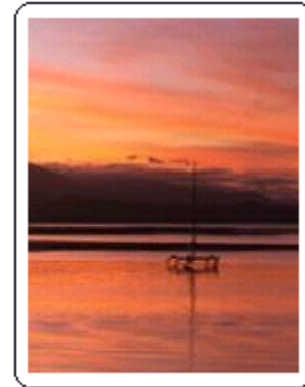


The first Shrimp Boat John restaurant
Nashville, Tennessee - 1992

By late 2000 Shrimp Boat John owned and operated 13 restaurants in Tennessee and South Carolina when it acquired the Fishing Pier Restaurant chain of Wilmington, North Carolina. With that acquisition of ten restaurants, all located in Virginia and the Carolinas, the Shrimp Boat John family grew to 21 restaurants in four states (two Fishing Pier units, along with that name, were sold at the time). By 2003, the conversion to the more upscale Shrimp Boat John format was completed and the first Georgia unit was opened in Savannah. By the end of that year, the company owned and operated 32 units in five states.

When hurricane Maude hit the North Carolina coast in September 2005, the firm endured considerable damage to two of its facilities. Both were closed. In 2006, one of the two was re-opened in a location nearby. This setback and the interruption of its expansion plans in that region were major causes for the sharp decline in company profits in 2005.

Ever since Shrimp Boat John opened its doors for the first time in 1992, the company has strived to provide its customers with the highest food quality and superior service within a relaxed atmosphere – and all at reasonable prices. Also, since then, their restaurants have been offering the same excellent fare but in more elegant settings...



Shrimp Boat John view
Savannah, Georgia

In early 2008 management publicly announced its longer-term expansion goals. Since year end 2001, (excluding 2005) the company has shown an average unit gain of 14% and management has stated their belief that a 13-15% unit expansion rate can be attained over the next five years – that is, excluding any incremental gains due to franchising.

Employee Training

The John & Margaret Samuels Training Center was opened in Charleston, South Carolina in 1998. Its agenda includes an extensive two-week training program for new Managers, Assistant Managers, and Operations people. A well-equipped cooking school is also located on the premises. Every Shrimp Boat John head chef is required to participate in the menu and food preparation program for four days every year.

Particular emphasis is placed on customer service and the Managers and Assistant Managers are expected to pass on the lessons from the training sessions to the staff through a series of monthly conferences held at each restaurant. Moreover, each head chef is given the responsibility of overseeing the firm's food preparation quality standard for each unit. In addition to unit results, bonuses are based largely on these accomplishments.

Markets, Competition, and System Development

In 2007, the National Casual Dining Counsel estimated annual revenue growth for its \$1.35 billion U.S. Fish and Seafood category to grow at a 3.8% annual clip in the 2006-2011 timeframe. Newport Research believes this projection could prove to be conservative.

While the fish and seafood market segment of the casual restaurant industry is large and growing steadily, overall competition for the consumer dollar is considerable. In most cases, within 25 miles of each of its 48 units, there are no fewer than twenty other casual restaurants ready and willing to serve the same consumer. In addition, while the food offerings are not comparable, the company faces competition for consumer attention from many types of fast food and take-out restaurants.

At least thirty units of the company's total count are located in proximity to important highway intersections, or major hotel complexes, or both. The remainder serves high traffic locations – mostly tourist attractions.



Of the 48 units within its five-state territory, the company has 14 in South Carolina, 12 in Tennessee, 9 in Virginia, 7 in North Carolina, and 6 in Georgia. In the coming year, the company intends to enter the state of Florida.

Shrimp Boat John has a 5-person System Development & Planning team led by a Vice President of System Development. This planning group is responsible for the company's demographic studies, site selection, and new store openings and reports directly to the firm's president.

Shrimp Boat John management has also stated publicly that they intend to establish franchise units in every state within the western time zone except for California, Arizona, and Washington. These states will be developed by building company-owned facilities.

The Menu

The Shrimp Boat John menu has evolved over the years, beginning with basic recipes from Margaret Samuels' kitchen. The menu shown on the following page presents many of today's most popular recipes. But it is just for illustration. It is not a complete listing.

In 2003 the company tested its first "take-out" operation (but entrees only). Due to the unexpected popularity of the service – especially among the locals – the stores have been gradually converted to include this feature whenever practical. This program is continuing today, and roughly half of their restaurants now offer this service.

Appetizers

Shrimp Cocktail Tender chilled shrimp shaken with cilantro, tomatoes, onion, avocado served with homemade chips for dipping.

John's Favorite Shrimp steamed in beer to tender perfection and served with a choice of our aromatic garlic spice or secret recipe Cajun spice.

Cajun Style Shrimp that is sautéed in hot and spicy Cajun butter sauce, eaten with garlic bread.

Sandwiches and Salads

John's Fish Sandwich Choose Southern fried or charbroiled fish sandwich with Special Sauce and pepper jack cheese.

Shrimp Tasty Created with John's famous beer batter shrimp!

Caesar Salad with crisp romaine tossed with a classic dressing with grated parmesan and croutons.

Tossed Cobb Salad includes grilled chicken tossed with fresh spring mix... Roma tomatoes, gorgonzola cheese, hard boiled eggs, bacon, avocado and red wine vinaigrette.

Chicken with chilled mixed greens tossed with grilled chicken, pecans, basil, Gorgonzola cheese, and balsamic vinaigrette.

Entrees

Fried Shrimp Needless to say, we bread our own!

Stuffed Shrimp Large shrimp stuffed with crab, baked in garlic butter and topped with Monterey Jack Cheese – served with Jasmine Rice.

Signature Combination The best shrimp, lobster, and crab legs combination found anywhere.

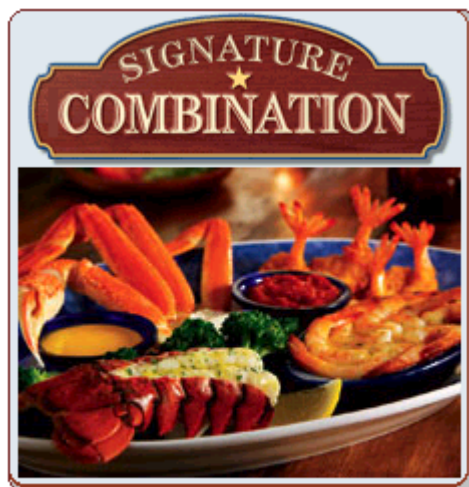
Off the Boat Deep fried shrimp, slipper lobster, and mahi mahi dusted with Cajun spices and served with golden fries.

Margaret's Shrimp An authentic spicy recipe from Margaret's kitchen featuring lots of shrimp sautéed in butter, garlic, and spices with jasmine rice.

Fish and Chips A homemade beer batter coats mahi mahi perfectly to create the best fish and chips this side of jolly old England.

Cajun Mahi Mahi Charbroiled with bourbon sauce and shrimp served over mashed potatoes.

Introduced in 1998, Shrimp Boat John's popular Signature Combination of shrimp, lobster, and crab legs has been one of the restaurant's most popular entrees, particularly among its take-out customers.



Plus bisuits, fresh garden or Caesar salad,
and a choice of seasonal vegetables

Unit Growth, Costs, and Profitability

The table below illustrates the growth of the Shrimp Boat John system since 2002.

	2004	2005	2006	2007	2008
Units – Year End	32	33	37	42	48
Added	4	1	4	5	6
Average Units	30	32	35	39	46
Unit Rev. (\$mm)	1.52	1.45	1.50	1.59	1.65
Same Store %	+7.0%	-4.6%	+3.4%	+6.1%	+3.8%

In 2008, the average restaurant unit in the system was returning 14.8% on its investment. Management has stated publicly that their objective is 20% within the next five years.

One important cost item for the company is the price of its shrimp. While, over the years, the firm has purchased most of its supplies from local sources, the company is still subject to price fluctuations that occur due to unexpected external events.

Almost 90% of the 1.2 billion pounds of shrimp imported into the U.S. each year is from six countries – and mostly from Southeast Asia. Events such as the earthquake in late 2004, or severe weather, can spike prices. Shrimp varieties, whether white, pink, or brown, typically range in price between \$3.50 and \$9.00/lb. wholesale.

Financial Information

For the calendar years ended December 31:

(\$mm)	2004	2005	2006	2007	2008	'07-'08 Growth
Revenues	\$45.61	\$46.43	\$52.52	\$62.71	\$75.97	21.2%
Cost of Sales	30.88	34.54	37.60	37.88	44.02	
Gross Profit	14.73	11.89	14.92	24.83	31.95	35.7%
Margin %	32.3%	25.6%	28.4%	39.6%	42.1%	
SG&A Exp.	9.42	7.62	8.13	15.20	19.53	
Other	2.00	2.13	2.41	3.08	4.11	
Pretax	3.31	2.14	4.38	6.55	8.31	26.9%
Net %	7.3%	4.6%	8.3%	10.4%	10.9%	
Net Income	2.15	1.39	2.85	4.26	5.40	26.8%
Shares (000)	7,423	7,687	7,780	7,983	8,101	- - -
EPS	\$0.29	\$0.18	\$0.37	\$0.53	\$0.67	26.4%

EPS adjusted for 2-for-1 split 10/8/04

As the data on this page suggests, the company's Return on Equity was about 10% in 2007.

The dramatic decline in profits in 2005 and the disappointing results that continued into 2006 largely reflect two events late that year. In September, hurricane Maude demolished two of the company's North Carolina stores and also delayed all expansion plans in that region. Then, in late December, the tsunami disaster in Southeast Asia led to sharply higher shrimp prices in the months that followed.

As of December 31, 2008, Shrimp Boat John showed, among others, the following items on its year-end balance sheet (in millions of dollars):

Cash & Equivalents	\$22.7	
Accounts Receivable	3.9	
Inventory	3.8	
Total Current Assets	\$40.1	
Plant & Equipment	60.3	
Total Asset	\$100.4	
Total Current Liabilities	\$32.9	
Long Term Debt	None	
Shareholders' Equity	54.4	(\$6.67 per share)
Total Liabilities & Equity	\$100.4	

Management

H. Lewis Samuels (57), Chairman of the Board and CEO, founded Shrimp Boat John in 1992.

Mr. Samuels previously served as Group President of KFC and Pizza Hut from August 1987 until March 1992. He was appointed Senior Vice President, Marketing of Pizza Hut in 1983



and was Executive Vice President, National Sales, of Pizza Hut between 1980 and 1983. Between 1977 and 1980, he was Chief Operating Officer of PepsiCo's Seafood Express.

In addition, he has more than 5 years experience growing both established and emerging companies in the seafood industry, Mr. Samuels was founder of the highly successful Seafood Express, which was sold to PepsiCo in 1977. Prior to this startup venture, he was Vice President of the North American Shrimp Company, a shrimp wholesaler, located in Watertown, South Carolina.

Mr. Samuels is member of the Southeastern Fisheries Association and is a 22-year member of the National Shrimp Council located in Charleston, South Carolina.

Mr. Samuels received a B.S. degree from Wharton at the University of Pennsylvania and a Masters Degree from Columbia.

Lewis and Anne Samuels have been married for eighteen years and have three sons, Jack George, and Henry. The Samuels family lives in a suburb of Nashville.

Colin J. Atkins (53), a Board Member since 2002, is presently the company's President. Mr. Atkins joined Shrimp Boat John as a Senior Marketing Executive in 1998, and has held his current post since 2005.

Previously, Mr. Atkins served as Chief Operating Officer between 2000 and 2005. From August 1984 to November 1998, Mr. Atkins served as Board Member and Senior Vice



President Marketing of Calico, the parent company of Gulf Seafood, a large wholesaler chain located in New Orleans, Louisiana.

From August 1977 to August 1984, Mr. Atkins served as Group Vice President Marketing of Red Lobster. Mr. Atkins was Director of Sales and Marketing for Seafood Express between 1974 and 1977.

Mr. Atkins received a BA in Economics from Boston College and a Masters Degree in Marketing from Yale University.

Colin and Janet Atkins reside in Nashville.

William K. Barber, C.P.A. (52), Board Member and Chief Financial Officer since 1999, and he joined Shrimp Boat John as Treasurer in 1994.



Between 1986 and 1994, Mr. Barber served as Chief Financial Officer of Atlantic Fishing Fleet, a dominant fish and seafood importer.

Mr. Barber is an expert in the Asian seafood trade with several years working in the currency division of North American Trading Corporation. Between 1977 and 1980, he was Vice President of the Coin & Currency group at the Southeast Bank of Nova Scotia.

Mr. Barber began his career as a CPA with the accounting firm of G. A. Felton & Co. He received a BA in Accounting from the Pace College and a Masters Degree from Virginia Tech University.

William and Cathy Barber have two daughters and reside in a suburb of Nashville.

Jean S. Clapton (54), Board Member and Vice President of System Development, joined Shrimp Boat John in 1994 as Vice President of Sales. He was appointed to his current post in 2003.

Mr. Clapton has an extensive marketing background. Formerly with Procter and Gamble, he was the Director of Market Development for the East Coast Consumer Division between 1989 and 1994, and the Regional Vice President for the Household Products Group between 1980 and 1989.



Mr. Clapton currently serves on the Board of Directors for the Southeastern Marketing Group (SMG), located in Charleston, and is Chairman of the Franchising and Development Section of that organization.

Jean and Mary Clapton have been married twenty years and have a son, a daughter, and one grandchild. The Clapton family lives in South Appleton, Tennessee.

Shrimp Boat John, Inc. currently has two outside Board Members:

Jeremy R. Paul (68) was a Senior Vice President of the Southern Division of Red Lobster Restaurants before retiring in 2006. Mr. Paul joined the Shrimp Boat John board in 2006.

Ms. Barbara T. Evans (48), elected to the board in 2007, is currently President of the Gulf Seafood Counsel of America.

Stock History

Shrimp Boat John common shares are listed on NASDAQ under the symbol SBJI. The company's IPO occurred in February 2002 when 2 million shares were sold to the public at \$8.50. In October 2004, the stock was split 2-for-1.

As of December 31, 2008 a total of 6 institutions owned 1.1 million shares, or 13.5% of the current 8.15 million of the outstanding shares.

A weekly chart of SBJI appears below:



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Visit the company's website at ... <http://ShrimpBoatJohn.com>
The PRESS RELEASES section of the website features recent SBJI news items.
Investor Relations Contact: Karen Smithers - (800) 317-8700

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DIRECTOR OF RESEARCH – Jeffrey B. Little

Jeff Little's Wall Street career began in 1964 as an institutional analyst with the brokerage firm, Dean Witter (now Morgan Stanley). He was also a Senior Analyst and Vice President of T. Rowe Price Associates, a successful mutual fund and investment counsel firm in Baltimore, and a Senior Analyst at Capital Growth Financial, a small brokerage firm in Boca Raton, FL. Mr. Little is the founder of Newport Research Associates, an independent Wall Street research organization and a division of Liberty Publishing Company, Inc., first established in 1976. Mr. Little is the author of *Understanding Wall Street*, McGraw-Hill's best-selling text, now in its 4th Edition with 1 million copies in print, and he is the author of the specialty market-timing software, *The Wall Street Trader*. Mr. Little is a Registered FINRA Investment Analyst – Series 7, Series 86, and Series 87.

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Jeffrey B. Little

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