UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2019

DIVERSIFIED RESTAURANT HOLDINGS, INC.

(Name of registrant in its charter)

Nevada	000-53577	03-0606420
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5750 New King Drive, Suite 320
Troy, MI 48098
(Address of principal executive offices)

Registrant's telephone number: (833) 374-7282

no change
(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.0001 par value	SAUC	The NASDAQ Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

Earnings Release

On August 14, 2019 , Diversified Restaurant Holdings, Inc. (NASDAQ: SAUC) (the "Company") issued a press release announcing earnings and other financial results for the quarter ended June 30, 2019 . A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated here by reference.

Item 7.01. Regulation FD Disclosure

The Company has prepared presentation materials (the "Investor Presentation") that management intends to use during its previously announced Second Quarter 2019 Conference call on Thursday, August 15, 2019 at 10:00 am Eastern Time, and from time to time thereafter in presentations about the Company's operations and performance. The Company may use the Investor Presentation, possibly with modifications, in presentations to current and potential investors, analysts, lenders, business partners, acquisition candidates, customers, employees and others with an interest in the Company and its business.

A copy of the Investor Presentation is furnished as Exhibit 99.2 to this Current Report on Form 8-K and is available on the Company's website at http://www.diversifiedrestaurantholdings.com/investors/events-and-presentations/default.aspx. Materials on the Company's website are not part of or incorporated by reference into this Form 8-K.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statement and Exhibits
(d) Exhibits

Exhibit No.	**Description**
99.1	Press Release of Diversified Restaurant Holdings, Inc. reporting financial results and earnings for the quarter ended June 30, 2019
99.2	Diversified Restaurant Holdings, Inc. Investor Presentation dated August 15, 2019

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

DIVERSIFIED RESTAURANT HOLDINGS, INC.

Dated: August 14, 2019

By: /s/ Toni Werner
Name: Toni Werner
Title: Acting Chief Financial Officer (Principal Financial and Accounting Officer)

DRH diversifiedrestaurantholdingsinc.

NEWS RELEASE

5750 New King Drive, Suite 320 ♦ Troy, Michigan 48098

FOR IMMEDIATE RELEASE

Diversified Restaurant Holdings Reports 5.8% Increase in Same-Store Sales for Second Quarter 2019

TROY, MI, August 14, 2019 -- Diversified Restaurant Holdings, Inc. (Nasdaq: SAUC) ("DRH" or the "Company"), one of the largest franchisees for Buffalo Wild Wings ® ("BWW") with 64 stores across five states, today announced results for its second quarter ended June 30, 2019 .

Second Quarter and Year to Date Information *(compared with prior-year period unless otherwise noted)*

- Revenue totaled $38.9 million , up 5.1% despite one fewer restaurant
- Same-store sales increased 5.8% with both traffic and average ticket up
- Net loss significantly reduced to $0.5 million
- Restaurant-level EBITDA [(1)] was $5.7 million or 14.6% of sales
- Adjusted EBITDA [(1)] was $3.9 million or 9.9% of sales
- Total debt of $96.6 million was down $5.9 million for the year-to-date period

(1) See attached table for a reconciliation of GAAP net loss to Restaurant-level EBITDA and Adjusted EBITDA

“We achieved same-store sales growth for the third consecutive quarter, driven by our continued focus on the delivery channel, a favorable sports impact in our core markets and the improvements being made to the brand," commented Michael Ansley, Executive Chairman of the Board, President and Interim CEO. “While we continue to face headwinds around chicken wing prices, labor costs and delivery fees, we have rationalized our operations and overhead and, as a result, expect to better leverage our sales growth with improved earnings as we move forward. We removed $1.5 million in annualized costs and have identified another $0.5 million in additional savings as we have optimized our local marketing spend to more efficiently leverage our franchisor’s national advertising campaigns.”

“Buffalo Wild Wings is getting back to its roots with the fall advertising push and brand relaunch that are underway. There will be increased national advertising focused on football and the introduction this month of significant elements in support of the brand relaunch with the rollout of enhanced chicken products. The new hand-breaded chicken tenders, two new hand-breaded chicken sandwiches and new improved boneless wings are truly a step-change in quality and product offering, and we believe will drive additional traffic. We are also excited about the relaunch of BOGO Wing Tuesday, a long-time staple of BWW customers and an

important component of our value proposition. By continuing to focus on delivering quality and value to our customers, we believe we are positioning BWW and DRH for long-term success."

Mr. Ansley added, "We continue to work with our advisors on our previously disclosed evaluation of strategic alternatives for the business and to restructure our debt." DRH does not intend to discuss or disclose developments with respect to this process until the Board has approved a definitive course of action.

Second Quarter Results

(Unaudited, $ in thousands)	Q2 2019	Q2 2018	Change	% Change
Revenue	$ 38,920.2	$ 37,039.1	$ 1,881.1	5.1 %
Operating profit	$ 1,040.0	$ 262.8	$ 777.2	295.8 %
Operating margin	*2.7%*	*0.7 %*		
Net loss	$ (469.3)	$ (1,172.2)	$ 702.9	(60.0)%
Diluted net loss per share	$ (0.01)	$ (0.04)	$ 0.03	(75.0)%
Same-store sales	*5.8%*	*(6.4)%*		
Restaurant-level EBITDA [1]	$ 5,664.1	$ 5,540.2	$ 123.9	2.2 %
Restaurant-level EBITDA margin	*14.6%*	*15.0 %*		
Adjusted EBITDA [2]	$ 3,858.1	$ 3,641.2	$ 216.9	6.0 %
Adjusted EBITDA margin	*9.9%*	*9.8 %*		

Year-to-date Results

(Unaudited, $ in thousands)	YTD 2019	YTD 2018	Change	% Change
Revenue	$ 79,488.3	$ 76,572.0	$ 2,916.3	3.8 %
Operating profit	$ 2,577.5	$ 1,734.6	$ 842.9	48.7 %
Operating margin	*3.2%*	*2.3 %*		
Net loss	$ (413.8)	$ (1,012.3)	$ 598.5	(59.1)%
Diluted net loss per share	$ (0.01)	$ (0.04)	$ 0.03	(75.0)%
Same-store sales [1]	*5.0%*	*(7.5)%*		
Restaurant-level EBITDA [2]	$ 12,043.0	$ 12,438.3	$ (395.3)	(3.2)%
Restaurant-level EBITDA margin	*15.2%*	*16.2 %*		
Adjusted EBITDA [2]	$ 8,355.6	$ 8,712.9	$ (357.3)	(4.1)%
Adjusted EBITDA margin	*10.5%*	*11.4 %*		

[1] Please see attached table for a reconciliation of GAAP net loss to Restaurant-level EBITDA and Adjusted EBITDA

The increase in revenue reflects higher delivery sales and a number of favorable major sporting events in the Company's core markets, partially offset by the impact of the Easter holiday where the DRH restaurants are closed. Easter fell within the first quarter of 2018 versus the second quarter of 2019.

General and administrative ("G&A") expenses as a percentage of sales decreased 100 basis points to 4.9% due to lower corporate overhead and other efficiency initiatives, partially offset by higher incentive accruals. For the full year of fiscal 2019, the Company is targeting G&A expenses below 5% of sales, excluding non-recurring items.

Food, beverage, and packaging costs as a percentage of sales increased 80 basis points to 29.3% primarily due to higher traditional chicken wing costs. Average cost per pound for traditional bone-in chicken wings, DRH's most significant input cost, increased to $2.10 in the second quarter of 2019 compared with $1.66 in the prior-year period.

Higher average wages due to a tight labor market resulted in compensation costs as a percent of sales increasing 10 basis points to 27.6% .

Other operating costs as a percentage of sales decreased 60 basis points to 20.9% , which reflects the Company's ongoing focus on lessening the impact of third party delivery fees and IT cost saving initiatives.

Balance Sheet Highlights

Cash and cash equivalents were $3.3 million at June 30, 2019 , compared with $5.4 million at the end of 2018 . Capital expenditures were $1.2 million during the first six months of 2019 and were for minor facility upgrades and general maintenance-type investments, but also included approximately $0.2 million invested in the plate ware upgrades introduced in March. DRH does not expect to build any new restaurants or complete any major remodels in 2019. As a result, the Company anticipates its capital expenditures will approximate $2.0 million in fiscal 2019.

Total debt was $96.6 million at the end of the quarter, down $5.9 million since 2018 year-end.

Webcast, Conference Call and Presentation

DRH will host a conference call and live webcast on Thursday, August 15, 2019 at 10:00 A.M. Eastern Time, during which management will review the financial and operating results for the second quarter, and discuss its corporate strategies and outlook. A question-and-answer session will follow.

The teleconference can be accessed by calling (201) 389-0879. The webcast can be monitored at www.diversifiedrestaurantholdings.com . A presentation that will be referenced during the conference call is also available on the website.

A telephonic replay will be available from 1:00 P.M. ET on the day of the call through Thursday, August 22, 2019. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13692782, or access the webcast replay at http://www.diversifiedrestaurantholdings.com , where a transcript will also be posted once available.

About Diversified Restaurant Holdings, Inc.

Diversified Restaurant Holdings, Inc. is one of the largest franchisees for Buffalo Wild Wings with 64 franchised restaurants in key markets in Florida, Illinois, Indiana, Michigan and Missouri. DRH's strategy is to generate cash, reduce debt and leverage its strong franchise operating capabilities for future growth. The Company routinely posts news and other important information on its website at http://www.diversifiedrestaurantholdings.com .

Safe Harbor Statement

The information made available in this news release and the Company's August 15, 2019 earnings conference call contain forward-looking statements which reflect DRH's current view of future events, results of operations, cash flows, performance, business prospects and opportunities. Wherever used, the words "anticipate," "believe," "expect," "intend," "plan," "project," "will continue," "will likely result," "may," and similar expressions identify forward-looking statements as such term is defined in the Securities Exchange Act of 1934. Any such forward-looking statements are subject to risks and uncertainties, actual growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities could differ materially from historical results or current expectations. Some of these risks include, without limitation, the franchisor waiving its right of first refusal, our ability to obtain financing for the acquisition, the success of initiatives aimed at improving the Buffalo Wild Wings brand, the impact of economic and industry conditions, competition, food safety issues, store expansion and remodeling, labor relations issues, costs of providing employee benefits, regulatory matters, legal and administrative proceedings, information technology, security, severe weather, natural disasters, accounting matters, other risk factors relating to business or industry and other risks detailed from time to time in the Securities and Exchange Commission filings of DRH. Forward-looking statements contained herein speak only as of the date made and, thus, DRH undertakes no obligation to update or publicly announce the revision of any of the forward-looking statements contained herein to reflect new information, future events, developments or changed circumstances or for any other reason.

Investor and Media Contact:
Deborah K. Pawlowski
Kei Advisors LLC
716.843.3908
dpawlowski@keiadvisors.com

FINANCIAL TABLES FOLLOW

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	**July 1, 2018**	**June 30, 2019**	**July 1, 2018**
Revenue	$ 38,920,245	$ 37,039,073	$ 79,488,329	$ 76,572,030
Operating expenses				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Food, beverage, and packaging costs	11,410,718	10,563,039	23,095,113	21,695,416
Compensation costs	10,746,736	10,167,398	21,653,029	20,332,053
Occupancy costs	3,002,484	2,806,370	5,940,538	5,750,210
Other operating costs	8,138,118	7,962,070	16,826,279	16,356,025
General and administrative expenses	1,923,022	2,169,732	4,162,969	4,423,660
Depreciation and amortization	2,643,959	3,100,745	5,209,329	6,267,245
Loss on asset disposal	15,191	6,946	23,576	12,797
Total operating expenses	**37,880,228**	**36,776,300**	**76,910,833**	**74,837,406**
Operating profit	**1,040,017**	**262,773**	**2,577,496**	**1,734,624**
Interest expense	(1,477,397)	(1,609,987)	(2,982,732)	(3,256,031)
Other income, net	17,185	20,576	57,239	53,216
Loss before income taxes	**(420,195)**	**(1,326,638)**	**(347,997)**	**(1,468,191)**
Income tax benefit (expense)	(49,062)	154,468	(65,819)	455,891
Net loss	**$ (469,257)**	**$ (1,172,170)**	**$ (413,816)**	**$ (1,012,300)**
Basic and diluted loss per share	$ (0.01)	$ (0.04)	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding:				
Basic and diluted	32,081,710	26,474,297	32,003,616	26,664,010

As a result of the Company's adoption of the new lease standard (ASU 2016-02), certain prior year amounts have been reclassified for consistency with the current year presentation.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS	June 30, 2019	December 30, 2018
Current assets:		
Cash and cash equivalents	$ 3,305,200	$ 5,364,014
Accounts receivable	408,445	654,322
Inventory	1,419,142	1,526,779
Prepaid and other assets	599,201	556,480
Total current assets	**5,731,988**	**8,101,595**
Property and equipment, net	30,536,736	34,423,345
Operating lease right-of-use assets	49,863,338	52,303,764
Intangible assets, net	2,065,205	2,106,489
Goodwill	50,097,081	50,097,081
Other long-term assets	242,363	408,761
Total assets	**$ 138,536,711**	**$ 147,441,035**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,787,837	$ 4,273,133
Accrued compensation	1,583,311	1,830,415
Other accrued liabilities	3,489,788	2,821,235
Current portion of long-term debt	96,644,175	11,515,093
Current portion of operating lease liabilities	6,303,830	6,670,227
Total current liabilities	**111,808,941**	**27,110,103**
Operating lease liabilities, less current portion	46,879,840	48,956,491
Deferred income taxes	1,305,711	1,220,087
Other long-term liabilities	316,369	343,075
Long-term debt, less current portion	—	90,907,537
Total liabilities	**160,310,861**	**168,537,293**
Stockholders' deficit :		
Common stock - $0.0001 par value; 100,000,000 shares authorized; 33,274,180 and 33,200,708, respectively, issued and outstanding	3,204	3,182
Preferred stock - $0.0001 par value; 10,000,000 shares authorized; zero shares issued and outstanding	—	—
Additional paid-in capital	27,330,358	27,021,517
Accumulated other comprehensive (loss) income	(273,430)	355,293
Accumulated deficit	(48,834,282)	(48,476,250)
Total stockholders' deficit	**(21,774,150)**	**(21,096,258)**
Total liabilities and stockholders' deficit	**$ 138,536,711**	**$ 147,441,035**

As a result of the Company's adoption of the new lease standard (ASU 2016-02), certain prior year amounts have been reclassified for consistency with the current year presentation.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended	
	June 30, 2019	**July 1, 2018**
Cash flows from operating activities		
Net loss	$ (413,816)	$ (1,012,300)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,209,329	6,267,245
Amortization of operating lease assets	3,081,552	3,112,476
Amortization of debt discount and loan fees	128,167	144,717
Loss on asset disposals	23,576	12,797
Share-based compensation	320,908	387,785
Deferred income taxes	41,411	(456,087)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	245,877	374,226
Inventory	107,637	135,680
Prepaid and other assets	(196,421)	(212,605)
Intangible assets	—	(20,000)
Other long-term assets	(59,028)	(19,504)
Accounts payable	(605,487)	(1,021,198)
Operating lease liabilities	(3,084,174)	(2,936,762)
Accrued liabilities	245,143	79,595
Net cash provided by operating activities	**5,044,674**	**4,836,065**
Cash flows from investing activities		
Purchases of property and equipment	(1,184,821)	(920,762)
Net cash used in investing activities	**(1,184,821)**	**(920,762)**
Cash flows from financing activities		
Proceeds from issuance of long-term debt		
Repayments of long-term debt	(5,906,622)	(5,758,311)
Proceeds from employee stock purchase plan	43,801	41,950
Tax withholdings for restricted stock	(55,846)	(50,006)
Net cash used in financing activities	**(5,918,667)**	**(5,766,367)**
Net decrease in cash and cash equivalents	(2,058,814)	(1,851,064)
Cash and cash equivalents, beginning of period	5,364,014	4,371,159
Cash and cash equivalents, end of period	**$ 3,305,200**	**$ 2,520,095**

As a result of the Company's adoption of the new lease standard (ASU 2016-02), certain prior year amounts have been reclassified for consistency with the current year presentation.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES

Reconciliation between Net loss and Adjusted EBITDA and Adjusted Restaurant-Level EBITDA

	Three Months Ended (Unaudited)		Six Months Ended (Unaudited)	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Net loss	**$ (469,257)**	**$ (1,172,170)**	**$ (413,816)**	**$ (1,012,300)**
+ Income tax (benefi t) expense	49,062	(154,468)	65,819	(455,891)
+ Interest expense	1,477,397	1,609,987	2,982,732	3,256,031
+ Other income, net	(17,185)	(20,576)	(57,239)	(53,216)
+ Loss on asset disposal	15,191	6,946	23,576	12,797
+ Depreciation and amortization	2,643,959	3,100,745	5,209,329	6,267,245
EBITDA	**$ 3,699,167**	**$ 3,370,464**	**$ 7,810,401**	**$ 8,014,666**
+ Non-recurring expenses (Restaurant-level)	41,944	—	69,615	—
+ Non-recurring expenses (Corporate-level)	116,987	270,693	475,585	698,218
Adjusted EBITDA	**$ 3,858,098**	**$ 3,641,157**	**$ 8,355,601**	**$ 8,712,884**
Adjusted EBITDA margin (%)	*9.9%*	*9.8%*	*10.5%*	*11.4%*
+ General and administrative	1,923,022	2,169,732	4,162,969	4,423,660
+ Non-recurring expenses (Corporate-level)	(116,987)	(270,693)	(475,585)	(698,218)
Restaurant–Level EBITDA	**$ 5,664,133**	**$ 5,540,196**	**$ 12,042,985**	**$ 12,438,326**
Restaurant–Level EBITDA margin (%)	*14.6%*	*15.0%*	*15.2%*	*16.2%*

As a result of the Company's adoption of the new lease standard (ASU 2016-02), certain prior year amounts have been reclassified for consistency with the current year presentation.

Restaurant-Level EBITDA represents net loss plus the sum of non-restaurant specific general and administrative expenses, loss on property and equipment disposals, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring expenses. Adjusted EBITDA represents net loss plus the sum of loss on property and equipment disposals, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring expenses. We are presenting Restaurant-Level EBITDA and Adjusted EBITDA, which are not presented in accordance with GAAP, because we believe they provide additional metrics by which to evaluate our operations. When considered together with our GAAP results and the reconciliation to our net loss , we believe they provide a more complete understanding of our business than could be obtained absent this disclosure. We use Restaurant-Level EBITDA and Adjusted EBITDA together with financial measures prepared in accordance with GAAP, such as revenue, income from operations, net income, and cash flows from operations, to assess our historical and prospective operating performance and to enhance the understanding of our core operating performance. Restaurant-Level EBITDA and Adjusted EBITDA are presented because: (i) we believe they are useful measures for investors to assess the operating performance of our business without the effect of non-cash depreciation and amortization expenses; (ii) we believe investors will find these measures useful in assessing our ability to service or incur indebtedness; and (iii) they are used internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors.

Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses and restaurant pre-opening costs, which is non-recurring. The use of Restaurant-Level EBITDA thereby enables us and our investors to compare our operating performance between periods and to compare our operating performance to the performance of our competitors. The measure is also widely used within the restaurant industry to evaluate restaurant level productivity, efficiency, and performance. The use of Restaurant-Level EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based on GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. Companies within our industry exhibit significant variations with respect to capital structure and cost of capital (which affect interest expense and tax rates) and differences in book depreciation of property and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. Our management team believes that Restaurant-Level EBITDA and Adjusted EBITDA facilitate company-to-company comparisons within our industry by eliminating some of the foregoing variations.

Restaurant-Level EBITDA and Adjusted EBITDA are not determined in accordance with GAAP and should not be considered in isolation or as an alternative to net income, income from operations, net cash provided by operating, investing, or financing activities, or other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Neither Restaurant-Level EBITDA nor Adjusted EBITDA should be considered as a measure of discretionary cash available to us to invest in the growth of our business. Restaurant-Level EBITDA and Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies and our presentation of Restaurant-Level EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual items. Our management recognizes that Restaurant-Level EBITDA and Adjusted EBITDA have limitations as analytical financial measures.

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DRH diversifiedrestaurantholdingsinc.

Q2 2019
Financial Results
August 15, 2019

BUFFALO WILD WINGS

Safe Harbor

DRH diversified restaurant holdings inc.

Some of the statements contained in this presentation and the Company's August 15, 2019 earnings conference call may constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. These statements reflect the current views of our senior management team with respect to future events, including our financial performance, business and industry in general. Statements that include the words "expect," "intend," "plan," "believe," "project," "forecast," "estimate," "may," "should," "anticipate," and variations of such words and similar statements of a future or forward-looking nature are intended to identify such forward-looking statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions.

Forward-looking statements involve known and unknown risks and uncertainties and are not assurances of future performance. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements, including, among others, the risks and uncertainties disclosed in our annual reports on Form 10-K, quarterly reports on Form 10-Q and other filings made with the Securities and Exchange Commission. Any forward-looking statements you read in this news release reflect our views as of the date of this news release with respect to future events and are subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. You should carefully consider all of the factors identified in this news release that could cause actual results to differ.

Second Quarter Key Information

DRH diversified restaurant holdings inc.

Sales	**Sales of $38.9M, up $1.9M** Delivery growth and an increase in traffic due to the St. Louis Blues and additional NBA championship games; partially offset by the Easter shift
S-S-S	**Same Store Sales up 5.8%** Traffic up 2.6% and average check up 3.2%; Easter shift unfavorable 1 pt.
EBITDA	**Adjusted EBITDA of $3.9M, 9.9% of sales** Margin up 10 bps despite higher commodity cost and labor headwinds
Margins	**Restaurant-level EBITDA of $5.7M, 14.6% of sales** Margin down 40 bps as a result of cost of sales and labor headwinds
Cashflow	**LTM unlevered free cash flow of $14.2M**

BUFFALO WILD WINGS

DRH Continues to Improve its Operations

(Q2 2019 vs Q2 2018)

DRH diversified restaurant holdings inc.

Guest Loyalty Index

91.0% vs 89.0%

+2.0 pts

Likely to Recommend

93.1% vs 90.7%

+2.4 pts

Same-Store Sales

+5.8% vs (6.5%)

Review Tracker[1]

4.2 stars vs 3.9

+0.3 pts

COS Waste Variance

0.4% vs 0.6%

- 0.2 pts

Takeout Execution

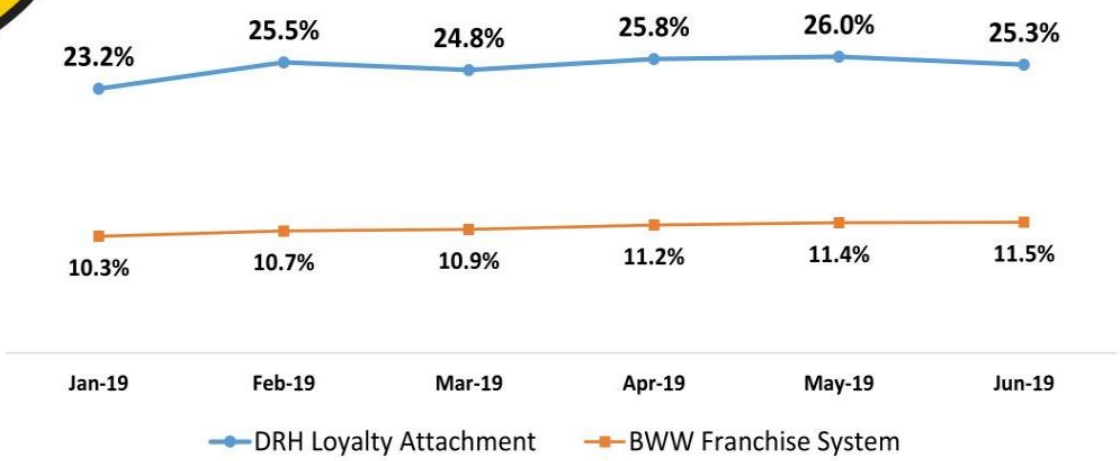
94.9% vs 91.0%

+3.9 pts

BUFFALO WILD WINGS

[1]Consolidated customer ratings from the following sources: Google, Yelp, TripAdvisor, YP, Zomato, Facebook, Foursquare, Insider Pages, and Seamless

Blazin' Rewards Loyalty Attachment Rates



- Our goal is to reach 30% loyalty attachment in 2019
- Multiple data sources suggest that a 35% attachment rate is the point at which the restaurant obtains maximum benefits through higher frequency visits from less regular guests

Source: internal company data

Average Check and Traffic Trends

DRH diversified restaurant holdings inc.

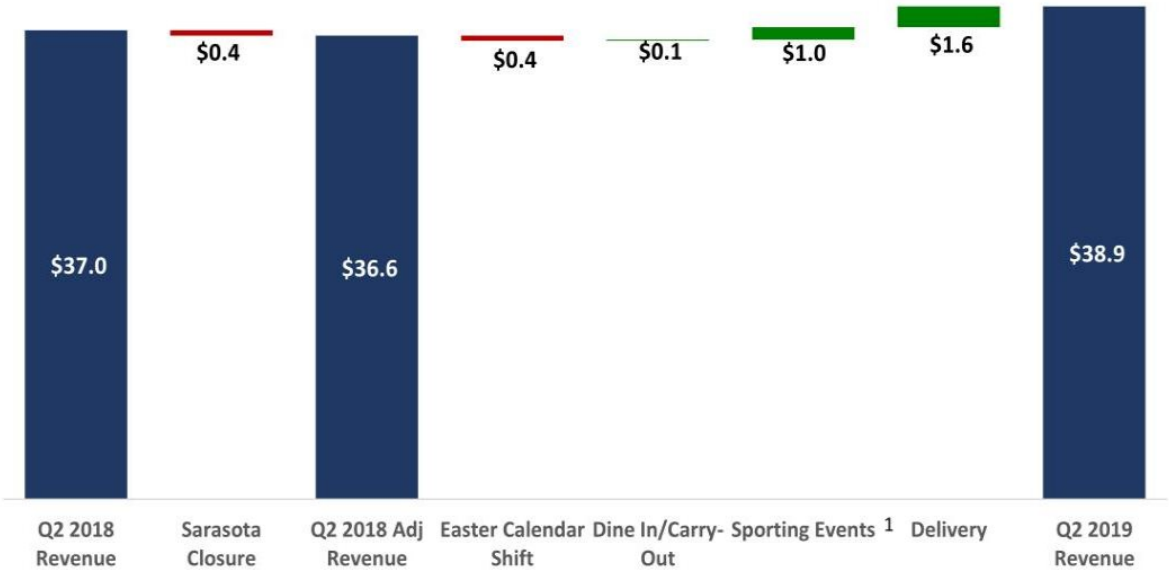
Three consecutive positive quarters of SSS; average check turned positive in Q2 with a reduction of promotional activity coupled with menu price increases

BUFFALO WILD WINGS

NOTE: Average check is predominantly driven by price, but is also influenced by product mix and, to a lesser extent, average guests per check.
1 – Ramping up of Tuesday Promotion and the Bogo Blitz offering in 2016 drove 170 bp of the 12.3% traffic decline in Q4 2017.

Q2 Sales Bridge ($M)

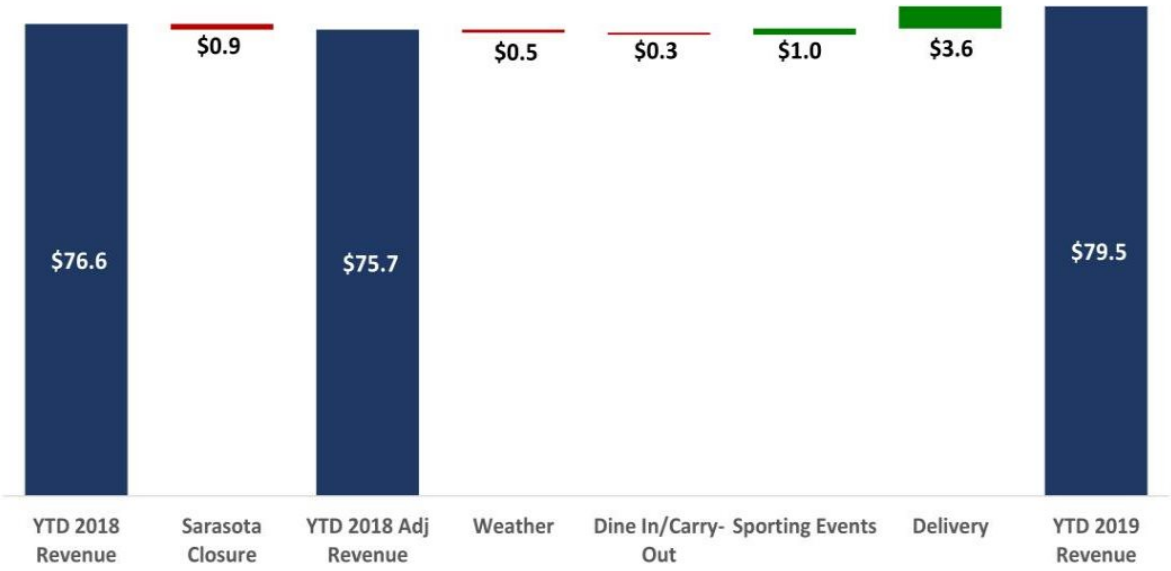
Revenue growth driven by strong increase in delivery sales and favorable sporting events in our core markets, partially offset by the Easter calendar shift



1 – St. Louis Blues Stanley Cup Championship games and two additional NBA playoff games

YTD Sales Bridge ($M)

Year-to-date revenue growth driven primarily by higher delivery sales

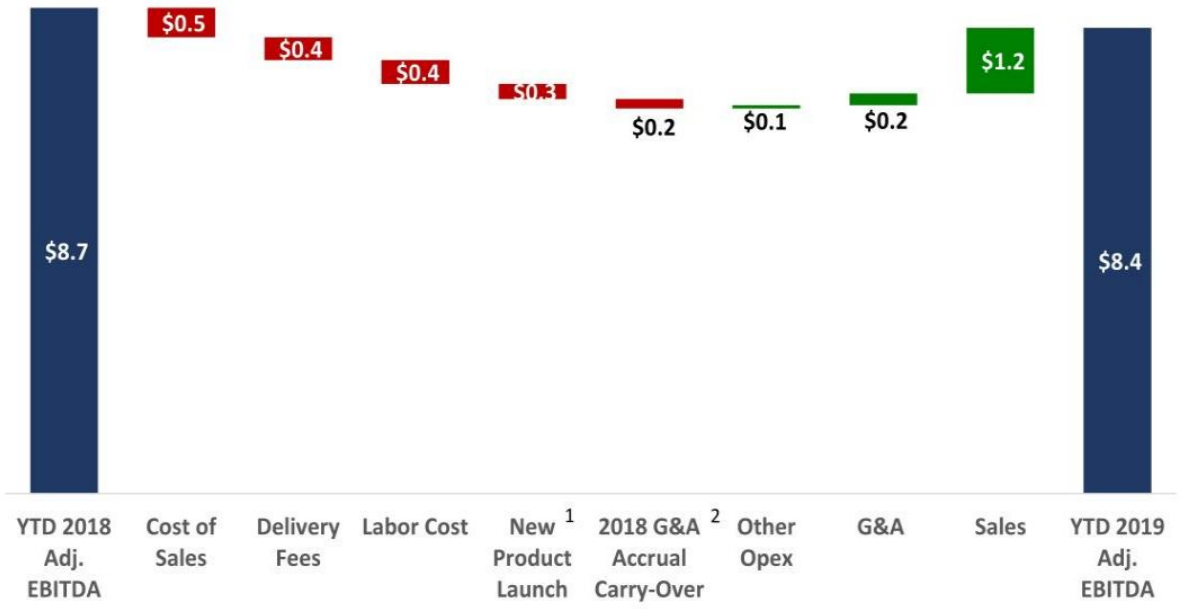


Q2 Adjusted EBITDA Bridge ($M)

Sales growth was partially offset by labor and cost of sales headwinds

YTD Adjusted EBITDA Bridge ($M)

Labor, cost of sales and delivery fees have been a drag on EBITDA, partially offset by sales growth

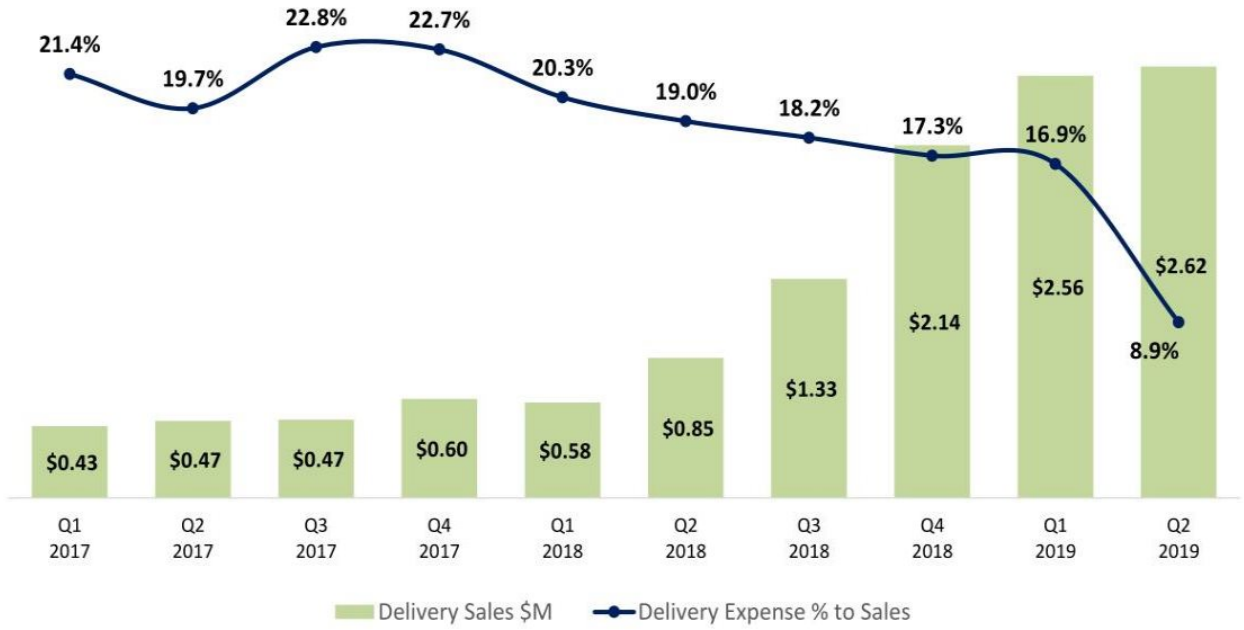


1 – Includes Training, food testing and obsolete inventory related to new burger and other new menu items
2 – Incentive accruals in 2017 carried into 2018 for payments ultimately not made ($200K)

Delivery Expense Headwinds are Abating

DRH diversified restaurant holdings inc.

Net delivery expense is on a downward trajectory and we expect further meaningful improvements in the coming quarters as price and contract negotiations are working in our favor as volumes increase



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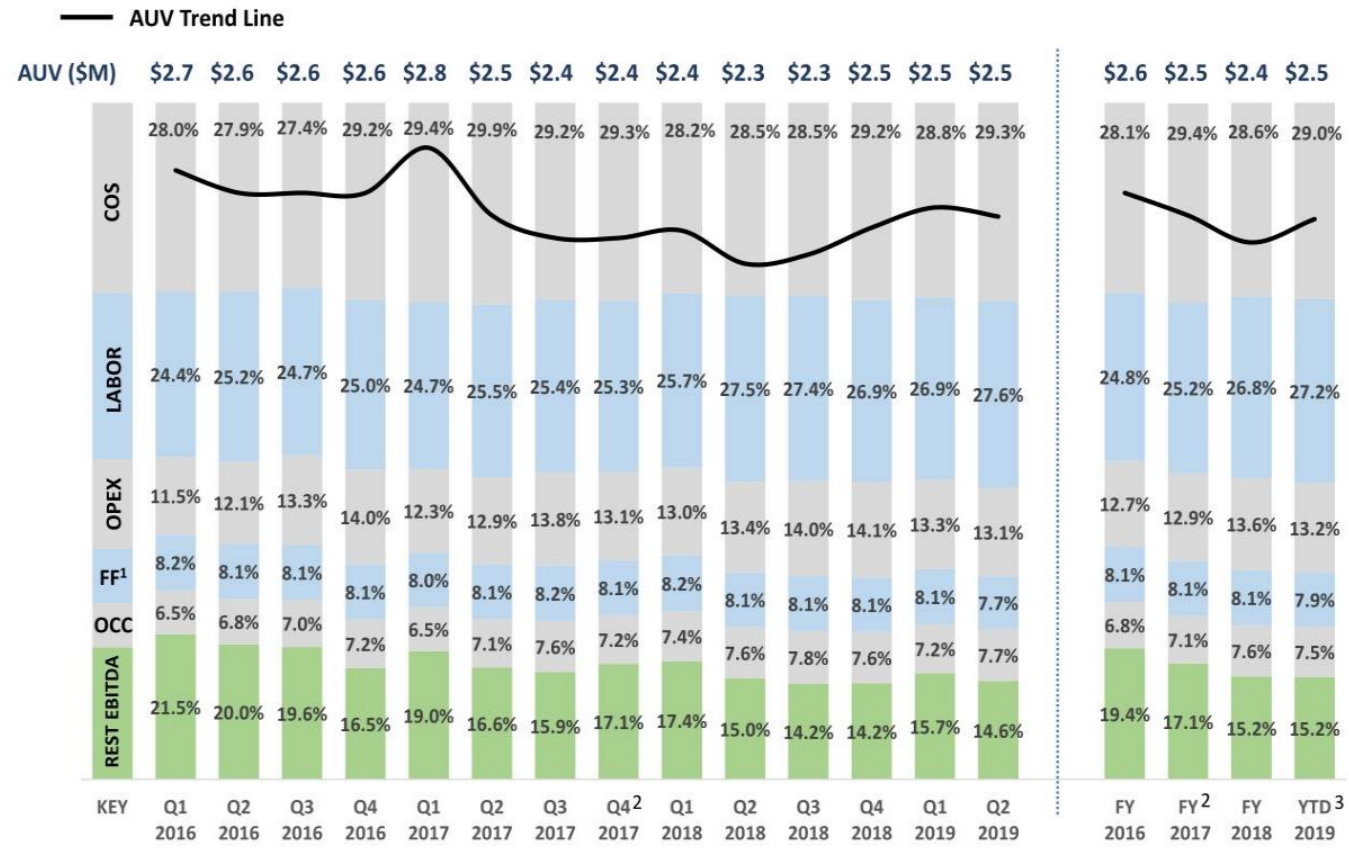
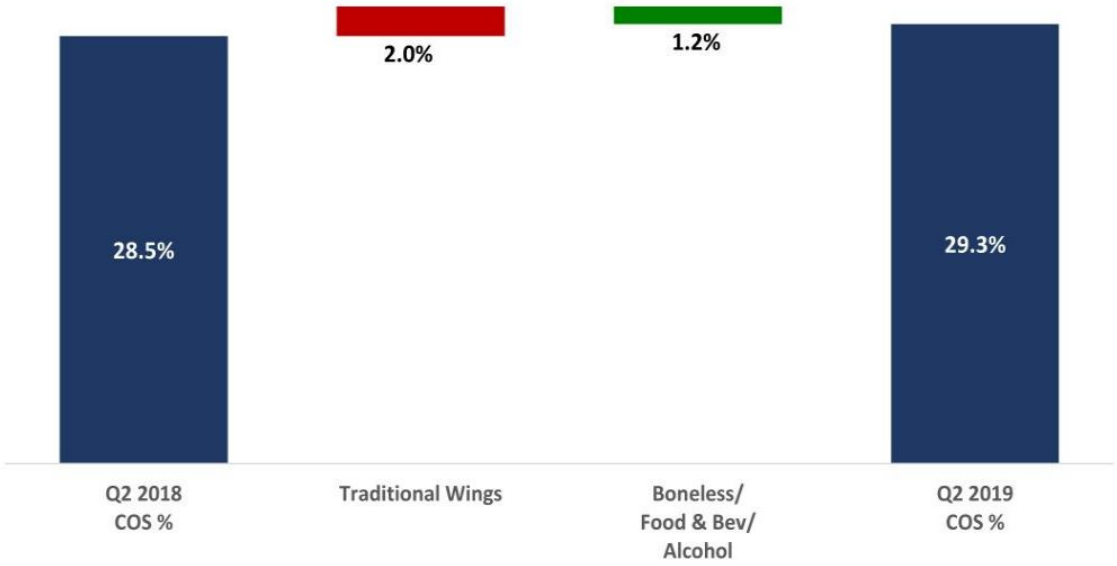
Quarterly Restaurant EBITDA Trend



1 – FF = Franchise-related fees which includes 5.0% royalty and 3.0 – 3.15% NAF (national advertising fund)
2 – Q4 2017 included a 14th week; 2017 included a 53rd week
3 – Q2 2019 YTD COS excludes one time adjustments for new product launch

Q2 Cost of Sales Bridge (% of Net Sales)

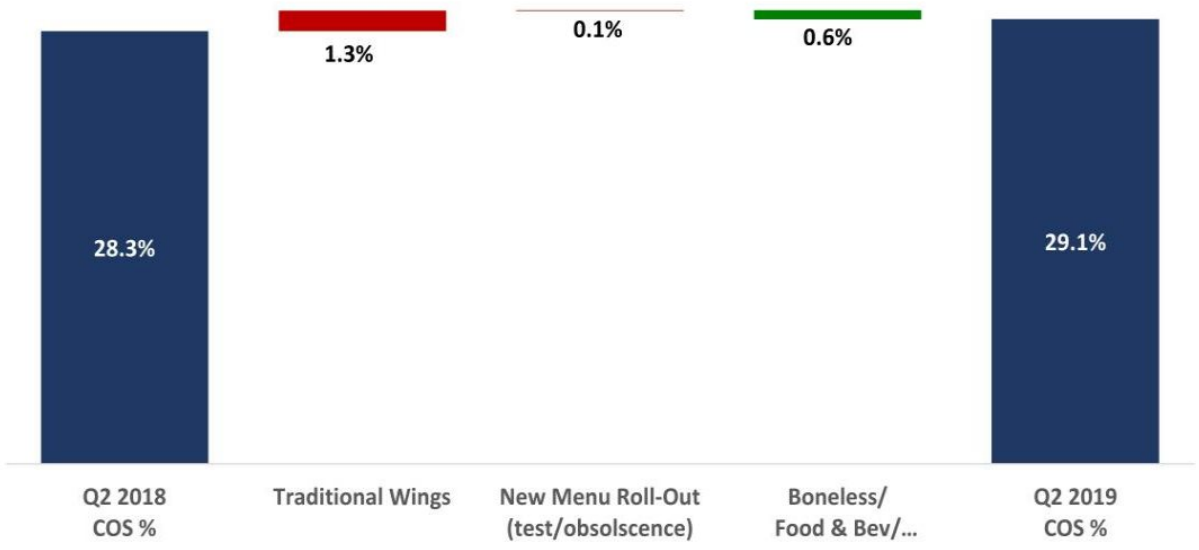
Higher traditional wing costs were partially offset by lower costs for boneless wings and other products



YTD Cost of Sales Bridge (% of Net Sales)

DRH diversified restaurant holdings inc.

Higher traditional wing costs and expenses associated with the new menu roll out were partially offset by lower costs for boneless wings and other products



BUFFALO WILD WINGS

COS Trends and Wing Impact

DRH diversified restaurant holdings inc.

Traditional wing costs were elevated again in Q2 2019; approaching peak levels from second half of 2017

Implemented an off-cycle price increase of ~100 bps to address (effective June 1, 2019)

BUFFALO WILD WINGS

NOTE: Wing prices shown are the average price paid per pound of fresh, jumbo chicken wings – including distribution costs of approximately $0.34 per pound in Q3 2018 (2015 – Q2 2018 $0.29 per pound)

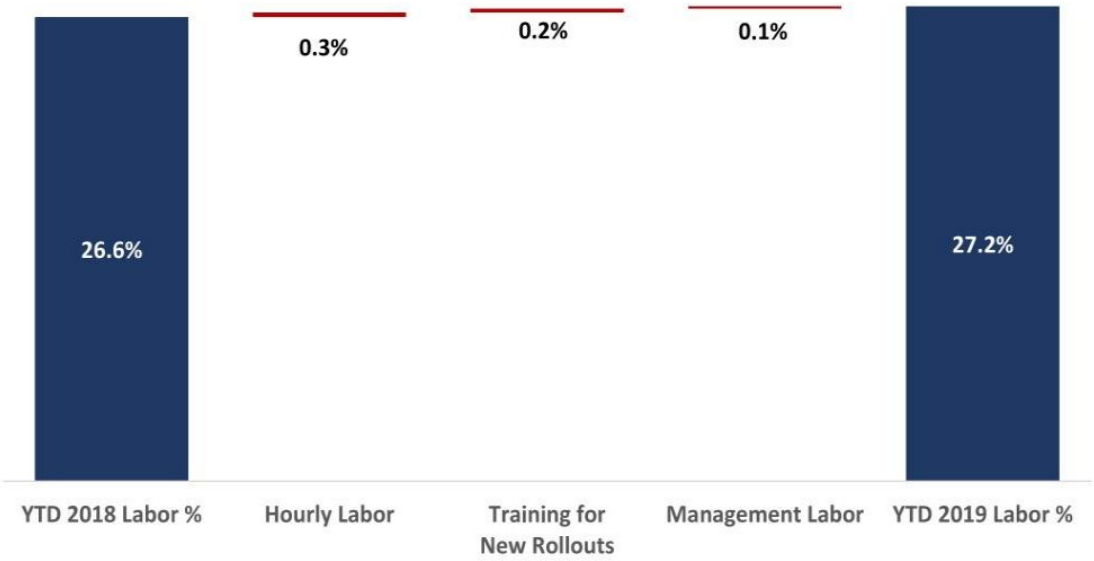
1 – Q3 actual reported COS was 29.2% which included $323K in cover charges for the Mayweather/McGregor fight that had no cost associated with it

Q2 Labor Bridge (% of Net Sales)

Labor cost headwinds had a 10 bp negative impact on margins in Q2

YTD Labor Bridge (% of Net Sales)

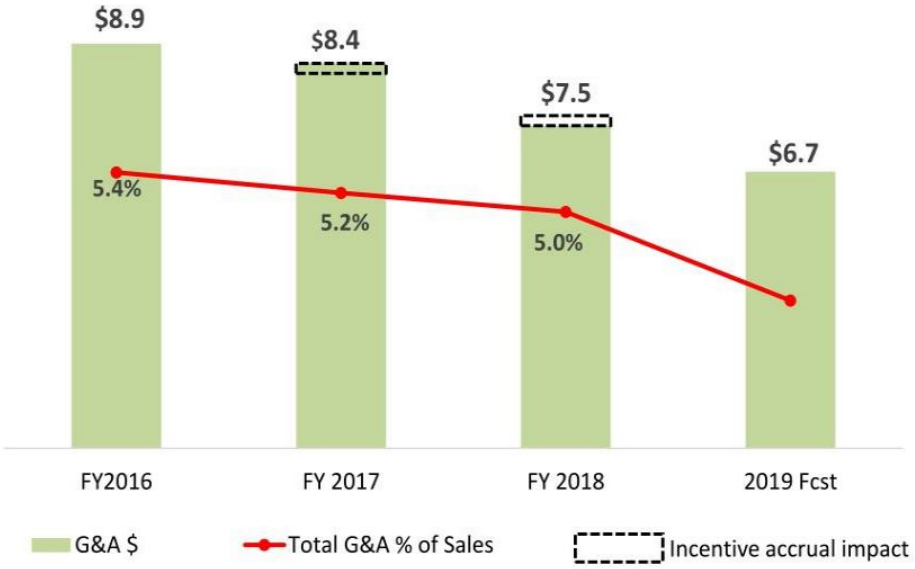
Labor cost headwinds and training had a 60 bp negative impact on margins year-to-date



Lower G&A Run Rate ($M)

DRH diversified restaurant holdings inc.

G&A expenses are projected below 5.0% of net sales after run rate cost savings initiatives of ~$1.5M that were executed at the end of Q2 2019



Note: G&A expenses are shown net of non-recurring expenses; 2017 % of sales excludes week 53
Note: 2017 higher and 2018 lower by approx. $0.2M incentive accrual carryover

BUFFALO WILD WINGS

Free Cash Flow and Net Debt ($M)

DRH diversified restaurant holdings inc.

Unlevered free cash flow of $14.2M LTM Q2 2019; net debt reduced to $93.3 million

Current debt maturity June 2020 with debt amortization of ~$1M/month; Interest rate: LIBOR + 3.50%

	($ millions)			
	2016	2017	2018	Q2 2019 LTM
Total net sales	$ 166.5	$ 165.5	$ 153.1	$ 156.1
Restaurant Level EBITDA	32.3	28.3	23.3	22.9
Adjusted EBITDA	23.3	19.9	15.8	15.4
Capital Expenditures	(12.5)	(4.7)	(1.6)	(1.9)
Changes in net working capital	-	-	0.3	0.7
Taxes	-	-	-	-
Unlevered free cash flow	**$ 10.8**	**$ 15.2**	**$ 14.5**	**$ 14.2**
Mandatory debt amortization	$ (10.0)	$ (11.5)	$ (11.6)	(11.7)
Interest	(5.8)	(6.6)	(6.4)	(6.1)
Levered free cash flow	**$ (5.0)**	**$ (2.9)**	**$ (3.5)**	**$ (3.6)**
Cash	4.0	4.4	5.4	3.3
Debt	121.2	113.9	102.4	96.6
Net debt	$ 117.2	$ 109.5	$ 97.0	$ 93.3
Net debt / LTM EBITDA	**5.0X**	**5.5X**	**6.1X**	**6.1X**

BUFFALO WILD WINGS

Brand Relaunch and Returning to Our Roots

DRH diversifiedrestaurantholdingsinc.

- ✓ Relaunch of ***BOGO Wing Tuesday*** – *July*
- ✓ **Brand relaunch** with focus on football and new products – *August*
- ✓ New ***Hand-Breaded Chicken Tenders*** – *August*
- ✓ New ***Hand-Breaded Chicken Sandwiches*** – *August*
- ✓ New ***Boneless Wings*** with less breading – *November*

BUFFALO WILD WINGS

Fall Advertising

DRH diversified restaurant holdings inc.

- ✓ Focus on new products and value
- ✓ ***Increased national advertising***; expanded emphasis on social media

BUFFALO WILD WINGS

Value Creation – Going Forward

DRH diversified restaurant holdings inc.

- ✓ Best in class operations
- ✓ Efficiencies and significant, sustainable reductions in overhead costs to drive earnings power; EBITDA growth is achievable
- ✓ Renewed energy and excitement behind the brand
  - *Traction from media and promotional changes*
  - *New franchisor ownership with demonstrated track record*
- ✓ Achieving higher average unit volumes
- ✓ Successful delivery channel expansion and enhanced margin performance *(contribution margin on par with dine-in)*
- ✓ Strong cash flow targeted at debt reduction converts to equity value

BUFFALO WILD WINGS

Exhibits

Historical Wing Prices

Volatile fresh wing spot prices have remained relatively high coming out of the March Madness period – forecasts suggest possible wing cost headwinds again in 2019

$ / lb. Fresh Jumbo Northeast Chicken Wing Spot Prices

Source: Urner Barry Comtell™ UB Chicken – Northeast Jumbo Wings as of November 5, 2018
NOTE: Logistics cost to restaurants is now $0.37 / lb. over the spot price

EBITDA Reconciliation

DRH diversifiedrestaurantholdingsinc.

DIVERSIFIED RESTAURANT HOLDINGS, INC. AND SUBSIDIARIES
Reconciliation between Net loss and Adjusted EBITDA and Adjusted Restaurant-Level EBITDA

	Three Months Ended (Unaudited)		Six Months Ended (Unaudited)	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Net loss	**$ (469,257)**	**$ (1,172,170)**	**$ (413,816)**	**$ (1,012,300)**
+ Income tax (benefit) expense	49,062	(154,468)	65,819	(455,891)
+ Interest expense	1,477,397	1,609,987	2,982,732	3,256,031
+ Other income, net	(17,185)	(20,576)	(57,239)	(53,216)
+ Loss on asset disposal	15,191	6,946	23,576	12,797
+ Depreciation and amortization	2,643,959	3,100,745	5,209,329	6,267,245
EBITDA	**$ 3,699,167**	**$ 3,370,464**	**$ 7,810,401**	**$ 8,014,666**
+ Non-recurring expenses (Restaurant-level)	41,944	—	69,615	—
+ Non-recurring expenses (Corporate-level)	116,987	270,693	475,585	698,218
Adjusted EBITDA	**$ 3,858,098**	**$ 3,641,157**	**$ 8,355,601**	**$ 8,712,884**
Adjusted EBITDA margin (%)	*9.9%*	*9.8%*	*10.5%*	*11.4%*
+ General and administrative	1,923,022	2,169,732	4,162,969	4,423,660
+ Non-recurring expenses (Corporate-level)	(116,987)	(270,693)	(475,585)	(698,218)
Restaurant–Level EBITDA	**$ 5,664,133**	**$ 5,540,196**	**$ 12,042,985**	**$ 12,438,326**
Restaurant–Level EBITDA margin (%)	*14.6%*	*15.0%*	*15.2%*	*16.2%*

As a result of the Company's adoption of the new lease standard (ASU 2016-02), certain prior year amounts have been reclassified for consistency with the current year presentation.

BUFFALO WILD WINGS

EBITDA Reconciliation cont.

DRH diversified restaurant holdings inc.

Restaurant-Level EBITDA represents net income (loss) plus the sum of non-restaurant specific general and administrative expenses, restaurant pre-opening costs, impairment and loss on property and equipment disposals, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring expenses related to acquisitions, equity offerings or other non-recurring expenses. Adjusted EBITDA represents net income (loss) plus the sum of restaurant pre-opening costs, impairment and loss on property and equipment disposals, depreciation and amortization, other income and expenses, interest, taxes, and non-recurring expenses. We are presenting Restaurant-Level EBITDA and Adjusted EBITDA, which are not presented in accordance with GAAP, because we believe they provide an additional metric by which to evaluate our operations. When considered together with our GAAP results and the reconciliation to our net income, we believe they provide a more complete understanding of our business than could be obtained absent this disclosure. We use Restaurant-Level EBITDA and Adjusted EBITDA together with financial measures prepared in accordance with GAAP, such as revenue, income from operations, net income, and cash flows from operations, to assess our historical and prospective operating performance and to enhance the understanding of our core operating performance. Restaurant-Level EBITDA and Adjusted EBITDA are presented because: (i) we believe they are useful measures for investors to assess the operating performance of our business without the effect of non-cash depreciation and amortization expenses; (ii) we believe investors will find these measures useful in assessing our ability to service or incur indebtedness; and (iii) they are used internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors.

Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses and restaurant pre-opening costs, which is non-recurring. The use of Restaurant-Level EBITDA thereby enables us and our investors to compare our operating performance between periods and to compare our operating performance to the performance of our competitors. The measure is also widely used within the restaurant industry to evaluate restaurant level productivity, efficiency, and performance. The use of Restaurant-Level EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based on GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. Companies within our industry exhibit significant variations with respect to capital structure and cost of capital (which affect interest expense and tax rates) and differences in book depreciation of property and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. Our management team believes that Restaurant-Level EBITDA and Adjusted EBITDA facilitate company-to-company comparisons within our industry by eliminating some of the foregoing variations.

Restaurant-Level EBITDA and Adjusted EBITDA are not determined in accordance with GAAP and should not be considered in isolation or as an alternative to net income, income from operations, net cash provided by operating, investing, or financing activities, or other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Neither Restaurant-Level EBITDA nor Adjusted EBITDA should be considered as a measure of discretionary cash available to us to invest in the growth of our business. Restaurant-Level EBITDA and Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies and our presentation of Restaurant-Level EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual items. Our management recognizes that Restaurant-Level EBITDA and Adjusted EBITDA have limitations as analytical financial measures.