

# CHICAGO PIZZA & BREWERY, *Inc.*



2 0 0 1   A N N U A L   R E P O R T



# C H I C A G O P I Z Z A & B R E W E R Y , I N C .



*BJ'S RESTAURANT & BREWERY*

*BJ'S RESTAURANT & BREWHOUSE*

*BJ'S PIZZA & GRILL*

*PIETRO'S*

*Chicago Pizza & Brewery, Inc. owns and operates a group of casual dining restaurants under the BJ's Restaurant & Brewery, BJ's Restaurant & Brewhouse, BJ's Pizza & Grill and Pietro's brand names. BJ's restaurants offer innovative menus and concept variations which feature our award-winning deep dish pizza complemented by generously portioned salads, soups, pasta, sandwiches, entrees and desserts. Quality, flavor, value, moderate prices and sincere service remain the distinct attributes of the BJ's experience.*

*The Company operates seven microbreweries which produce and distribute BJ's critically acclaimed handcrafted beers throughout the chain: Chandler, Arizona; Boulder, Colorado; Jantzen Beach and Lloyd Center, Oregon; Brea, Woodland Hills and West Covina, California. The Company currently operates its BJ's restaurants in Arizona (1), California (16), Oregon (4), Boulder, Colorado (1). An additional unit is operated under a licensing agreement in Lahaina, Maui, Hawaii. The Company currently operates Pietro's Restaurants in Oregon (4). The common stock of Chicago Pizza & Brewery, Inc. is traded on NASDAQ under the symbol "CHGO".*



## 2 0 0 1   A N N U A L   R E P O R T

## SELECTED FINANCIAL HIGHLIGHTS

(in thousands, except per share)	fiscal year		
	2001	2000	1999
Total Revenues	\$ 64,683	\$ 52,346	\$ 37,393
Income before cumulative change in accounting principle	\$ 3,177	\$ 1,944	\$ 497
Cumulative effect of change in accounting principle	\$ —	\$ —	\$ (106)
Net Income	\$ 3,177	\$ 1,944	\$ 390
Net income per share:			
Basic	\$ .33	\$ 0.25	\$ 0.05
Diluted	\$ .30	\$ 0.25	\$ 0.05
Total Assets	\$ 40,255	\$ 29,992	\$ 19,144
Shareholders' equity	\$ 28,094	\$ 15,043	\$ 13,099

## TO OUR SHAREHOLDERS:

*Since our public offering in 1996, each year has been marked by significant, positive developments. We are pleased to report that 2001 was no exception to this pattern. Some of the year's highlights were:*

*The successful openings of BJ's Restaurant & Brewhouse in Irvine, California and BJ's Restaurant & Brewery in Chandler, Arizona.*

*The sixth straight year of positive same-store sales increases, resulting in average sales at BJ's restaurants of \$500 per square foot.*

*Inclusion in Nation's Restaurant News' listing of 50 Powerhouse Restaurant Chains.*

*An increase in Net Income from \$1,944,000 in 2000 to \$3,177,000 in 2001.*

*An increase in Shareholders' Equity of \$13,051,000 (87%) and an increase in market capitalization of \$37,871,000 (163%).*

As we continue the successful growth of the BJ's chain, the enormous potential of our concept becomes increasingly evident. The openings in Irvine and Chandler were very strong, and both restaurants have continued to perform well after their initial opening periods. We are particularly pleased with the reception the BJ's concept received in Chandler, our first unit in Arizona.

The consistent success of our restaurants in a variety of markets bodes very well for our company's future. While a successful concept is the fundamental element in a restaurant company's ability to grow, there are several other key ingredients, including financial resources, operational resources and the availability of acceptable sites. The progress we have made in each of these areas over the past year has been substantial.





*Left to right: Michael Nahkunst, Paul Motenko,*

*Alexander Puchner, Dean Gerrie, Ramon David,*

*Jerry Hennessy, Bob Lombardo, Salvador Navarro,*

*Douglas Mitchell, Robert DeLiema, Dianne Scott,*

*Alan Rodomsky*

*Financial resources:* In April 2001, the company completed a \$2 million private placement of common stock. An additional \$8 million of equity was raised in August of that year. This additional capital enabled us to proceed with a growth strategy that had previously stalled due to a lack of financial resources. Armed with a significantly strengthened balance sheet, we were able to more aggressively fill the real estate pipeline, which will result in the opening of four to five units during the second half of 2002. Included in this group are our first units in Texas and Northern California.

Significantly, the company received an additional \$36 million in equity from the exercise of over 7 million warrants through April 2002. This additional capital puts the company at an entirely new level, and provides us with a strategic advantage as we compete for prime restaurant sites.

*Operational resources:* With financial resources in place, the recruitment of operational resources became a major focus. Our success in this area went far beyond our expectations. In early 2002, we were fortunate to attract

two key executives to our company: C. Douglas Mitchell as CFO and Michael Nahkunst as COO. Both gentlemen bring substantial restaurant experience to our company, and we anticipate that they will play a significant role in our company's future success.

We continue to strengthen our management training systems and have developed a second store opening team, which will enable us to open a new restaurant every one to two months.

*Site opportunities:* One of our greatest challenges is identifying a sufficient number of great sites to achieve our growth objectives. Our site selection process is very strictly defined and narrowly focused. Our criteria are based upon the density and income levels in a trade area as well as daytime population, family size and spending patterns. Sites are approved only if they meet all of the relevant requirements and we can reasonably project a 35% cash-on-cash annual return on investment. The average return on investment on new sites since our public offering in 1996 has been over 50%. As we attempt to accelerate our rate of growth, we remain committed to maintaining our diligent adherence to strict demographic and economic site selection guidelines.

While we are proud to celebrate revenue growth and increased profitability, we never lose focus on the reality that the success of a restaurant company is built one dining experience at a time. Our true success is reflected in the fanatical attention to guest satisfaction that has become an integral part of the culture of our company.

We welcome our many new shareholders resulting from the warrant exercise. We commit to you, as we renew our commitment to all shareholders, that we will build BJ's into one of the most successful and highly-respected brands in the restaurant industry.

*Paul A. Motenko  
Chairman of the Board  
Co-Chief Executive Officer*

*Jerry J. Hennessy  
Co-Chief Executive Officer  
President*

# WELCOME



We would like to share with our many new shareholders some of our most fundamental thoughts about how we do business. As demanding shareholders ourselves, we are invested for the long term, and we operate accordingly. Our commitment to doing the right thing over the long term is at the core of every decision we make. In planning, we look far into the future for direction in setting our objectives. In executing our plans, we hone in on our objectives with unrelenting persistence, believing that operational excellence leads to long-term success. Finally, in evaluating our efforts, we measure results relative to optimal standards and sustainability.

Whether it is adding a new menu item, implementing a training program or signing a lease on a new site, the criteria and the questions being applied are basic: Will it be great? Are the underlying economics great? Are we passionate about it? If the answers are positive, we move ahead. If any one of the three answers is in doubt, we go back to the drawing board.

You see, we are interested in our company having real success – an enduring, sustainable success. Many restaurant companies have come and gone because they moved

away from the basics. As we grow, we have no intention of abandoning the basics. We remember opening our first restaurant years ago, and the intensity and exhilaration remain the same today.

To our Guests: We believe we are the “*place to be*” because of excellence in our food quality, sincerity in our service, energy in our environments, and compassion in our actions.

To our Employees: We believe we are the “*place to work*” because of a commitment to fairness, a dedication to structure and discipline in the work place, fun and enthusiasm in our attitude and a distinct culture of integrity and intelligence.

To our Shareholders: We believe we are the “*place to invest*” because of prudence in our growth plan, discipline in our use of capital, vision in our pursuit of market share, rigorousness in our control of costs and insistence on achieving optimal results.

We are an organization defined by a set of guiding values. Our objective is to create a culture and environment that is 100% consistent with those values. Our partners in this process are our guests, employees and shareholders. In order to cultivate long-term relationships with these partners, we make commitments to each of them. In leading our company into the future, we measure our actions against these commitments.



# Our CO

---

## To Our Guests:

*We are in business to provide a great experience for our guests, never taking their loyalty for granted.*

*We commit to our guests that:*

*We will provide the highest possible quality of food and handcrafted beers. We will not sacrifice quality for convenience or economics.*

---

## To Our Employees:

*Our employees are our company's most valuable resource.*

*We commit to our employees that:*

*We will treat employees fairly and with respect.*

*We will recognize employees' superior efforts and make them aware of areas for improvement.*

*We will promote based upon talent and dedication, not seniority.*

---

## To Our Shareholders:

*Our shareholders have placed their trust in our abilities and integrity. We commit to our shareholders that:*

*We will demonstrate a company-focused philosophy: The Company does not exist for our benefit – we work for the benefit of the Company.*

*We will always do what we consider to be in the best interest of the long-term growth of our company. We will not sacrifice long-term objectives for short-term gain.*

---



# COMMITMENTS

*We will provide restaurant environments that promote a great experience in a comfortable atmosphere.*

*We will provide service standards that focus on sincere and caring service. We will not just talk about the philosophy of “doing whatever it takes to make the guest happy” – we will live it.*

*We will provide an experience – from the food to the service to the environment – which is a greater value than what we ask our guests to pay.*

*We will give back to the communities we serve.*



*We will compensate employees appropriately for their efforts.*

*We will listen to the concerns and suggestions of our employees.*

*We will utilize our resources to develop those employees who are truly interested in serving our guests and our company.*



*We will act with a level of integrity that demonstrates our appreciation for our shareholders' confidence in us.*

*We will adhere to a set of values that make our shareholders proud to be involved with our company.*

*We will be diligent in the efficient operation of our restaurants. We recognize that our ability to profitably provide superior value to our guests is a key to our company's success.*



*We will be intensely focused on growth, yet prudent in the implementation of our growth strategy and disciplined in the use of capital.*



# SITES

*and Insights*

## *Site Appeal and Flexibility*

*BJ's highly flexible site development strategy and outstanding store economics hold great appeal for developers. The restaurants, almost instantly, bring added-value to a landlord's portfolio and property "mix".*



*Because each BJ's environment is the result of a customized architecture and design process, we are able to evaluate myriad site possibilities – adapting with ease to developer-supplied shells in entertainment centers and shopping malls or executing impressive renovations of existing underutilized real estate.*





### *Size Matters*

*The smaller BJ's Brewhouse and larger BJ's Brewery formats allow us to consider a broad range of building sizes – between 7,000 and 12,000 square feet.*

*The new BJ's Brewhouse and Brewery Prototypes (shown below) combine contemporary massing with vintage factory detailing. Created in 2001, the new restaurant designs have potential for up to two outdoor patios and are designed to fit footprints ranging from 6,800 –10,000 square feet.*





