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# Del Taco

## The Story of a Rising Brand

Del Taco first opened its doors back in 1964, when Ed Hackbarth's taco stand and hamburger stand combined to form a business that has served its customers and owners well ever since. By serving freshly prepared, value for the money Mexican and American favorites, Del Taco's unique business model positioned it to grow to over 500 restaurants in 17 states, making it the second largest quick-service restaurant concept in the Mexican category.

### **Becoming a Regional Icon**

Months after the first restaurant opened, a second opened in Corona, California with a significant addition -- a drive-thru window which was to become an enduring feature of the Del Taco brand. On average today, more than 70 percent of the business is drive thru. The 1960s and 1970s saw Del Taco expand across Southern California as it quickly became a cult-like phenomenon with locals and visitors alike. No doubt the brand's locations near the region's colleges, beaches, parks and military bases helped Del Taco become a favorite of the young and hungry. The 50th Del Taco restaurant opened in February 1977, and the 100th restaurant followed just 19 months later. Franchising became part of the company's expansion plans, and its founder Ed Hackbarth, went on to become one of the company's most successful franchisees.

The 1980s saw Del Taco grow by leaps and bounds. By the end of the decade, Del Taco acquired Southern California based rival Naugles. The two concepts combined to become one of the strongest competitors in the fast-food industry.

1990 proved to be a watershed year for Del Taco. With new management and the Naugles-to-Del Taco transition complete, the brand redoubled its efforts to ensure customer value and operator opportunity. Aggressive new programs were implemented in brand marketing and promotions, and the company sought improved efficiencies for better and faster customer service.

### **Setting the National Stage**

As a result of these efforts, by the end of the 1990s, Del Taco achieved the Mexican QSR industry's highest annual unit volume (AUV) of more than \$900,000, exceeding Taco Bell's per unit sales. Within two years, that figure jumped to more than \$1 million, making Del Taco a serious contender in the quick serve industry.

By 2006, the company had nearly doubled in size and was acquired by privately-held Sagittarius Brands. In 2008, Del Taco opened its 500th restaurant, expanded to 16 states and achieved system-wide sales of \$563 million.



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Del Taco continued its expansion with new restaurants in Orlando in 2010 that were later followed by new restaurant openings in Dallas/Ft. Worth, Atlanta and most recently Houston.

In 2010, Del Taco completed a recapitalization transaction with an infusion of equity capital from investors. This enabled Del Taco to continue its growth path and develop a new prototype design with a contemporary look, updated colors and new interiors which convey the freshness “cues” that Del Taco stands by including freshly grated cheddar cheese, lard-free beans made from scratch, marinated chicken grilled throughout the day and hand-made pico de gallo. Company restaurants throughout the system are being reimaged and new franchise locations feature the prototype design.

The development and construction team at Del Taco has also revamped the overall building to reduce costs and improve through-put to meet increased customer traffic. This effort is benefiting new company restaurants as well as new franchise locations.

By the end of 2011, Del Taco had more than 530 locations.

### **Growing Into the Future**

Del Taco has successfully positioned itself for accelerated expansion across the country. The company has signed development agreements that will increase the Del Taco brand by an additional 75 franchised restaurants over the next few years. These new agreements will expand Del Taco’s presence in strategically chosen markets from coast to coast.

In order to support this growth, Del Taco has brought in new leadership that is focused on operations, developing marketing strategies relevant to the 21st century, and designed a fleet of facility types through which Del Taco and its franchisees can expand and succeed. Most importantly, the franchise team is committed to the support infrastructure franchisees need as they pioneer the brand in new markets nationwide.

At the same time, Del Taco is growing its company-owned restaurant presence and continues to operate more than half of the system’s restaurants. This hands-on restaurant commitment continues to give Del Taco both top and bottom line perspective. And because Del Taco has built its business combining value-oriented offerings with premium items, Del Taco has a recipe for thriving no matter the economic climate.

With the tradition of being a family-friendly environment, people of all ages have come to enjoy the flavors of Del Taco, generation after generation. With a solid leadership team in place and a long-term plan for continued growth, Del Taco is poised to combine your entrepreneurial expertise with a brand whose best days have yet to come.