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The New Economy

Burger King goes private. More deals cooking?

Burger King buyout for $3.3 billion fuels speculation. Will more restaurants follow Burger King's lead?

Burger King signs are seen at a restaurant in Annandale, Va., last week. Burger King Holdings, the world's No. 2 fast-food chain, agreed to sell itself to investment firm 3G Capital for about $3.3 billion. More restaurant deals could be on the way.
(Kevin Lamarque/Reuters/Files)

By Laurent Belsie

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Now that Burger King is getting acquired, expectations are growing that other restaurant chains will change hands.

"I definitely expect more deals – whether private to private, public to private, or private to public," writes Steve West, a St. Louis-based analyst for Stifel, Nicolaus & Co., in an e-mail. "Probably all three."

On Thursday, Burger King announced it would be bought by private equity firm 3G Capital for $24 a share or $3.3 billion. At midday, the stock was selling at $23.42, up nearly $7 a share above Tuesday's close.

CLOSER LOOK: What might Burger King look like under private management?

The deal follows the private equity buyout of CKE Restaurants earlier this year. The company, owner of Carl's Jr. and Hardee's fast-food chains, agreed to be bought for $694 million by an affiliate of Apollo Management.

After a slow 2009, dealmaking has picked up in the food business. Mergers and acquisitions rose nearly 30 percent in the first half of 2010 over the previous year, reported the Food Institute, a nonprofit information organization based in Elmwood Park, N.J.

One takeover target could be Jack in the Box, Mr. West says. The San Diego-based company operates not only the Jack in the Box fast-food chain but also more than 500 Qdoba Mexican Grill restaurants in the United States.

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