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Burger King Agrees to 3G Capital Offer

By GINA CHON And ANUPREETA DAS

Burger King Holdings Inc. agreed to be acquired by New York-based private-investment firm 3G Capital Management Inc. for \$24 a share.



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Burger King Holdings agreed to be acquired by 3G Capital Management for \$24 a share.

The total deal, including both equity and debt, is around \$4 billion and is expected to closed before the end of the year. Burger King said it may solicit better offers through mid-October.

Banks are expected to finance about \$2.8 billion of that sum. Burger King shares closed at \$16.45 on Aug. 31, the day before The Wall Street Journal first reported that Burger King was up for sale.

Under the terms of the deal with 3G, Burger King's Chairman and CEO John Chidsey will become co-chairman of the board. 3G Managing Partner Alex Behring will be the other co-chairman.

3G and its backers are business operators looking at Burger King as a long-term investment, a person familiar with the matter said. One of their main focuses will be to assess how Burger King should change its strategy to improve lagging performance.

Burger King has struggled in recent years with both the recession and **McDonald's Corp.**, its biggest rival. Franchisees and analysts blame the chain's problems on scant menu development, flawed pricing and an overworked strategy of focusing on so-called super fans, people aged 18 to 34 years old who account for half of all visits to Burger King outlets but have been disproportionately hurt by the economic slump.

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Franchisees say McDonald's expansive menu—it offers everything from high-priced salads and cheap snack wraps to cappuccinos and smoothies—appeals to a broader swath of consumers. In its latest quarter, McDonald's revenue rose 5% and its net income was up 12%, while Burger King's latest quarterly revenue fell 1% and its profit was down almost 17%.

In the past decade, the company has gone from publicly held to private to public again. In 2002, a group led by TPG Capital LLC,

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Bain Capital LLC and Goldman Sachs Capital Partners bought the burger chain from [Diageo PLC](#). Burger King then went public in 2006, though the private-equity consortium retains about 32%.

If a deal goes through, Burger King would be the first acquisition for 3G, a company backed by prominent Brazilian businessmen, including Brazillian billionaire Jorge Paulo Lemann, a director at Anheuser-Busch InBev.

Mr. Behring, also a Brazilian, is involved in the Burger King bid. He was a leader of America Latina Logistica SA, a Brazil-based holding company for railroad logistical services. He joined 3G in 2005 after spending 10 years at [GP Investments](#), a Latin American private-equity firm.

In 2008, 3G, along with Britain's Children's Investment Management Fund LLC, launched a proxy fight against railroad company [CSX Corp.](#), and Mr. Behring got a board seat.

According to SEC filings for the quarter ended June 30, 3G Capital, through its 3G Capital Partners Ltd. hedge fund, has its biggest investment in CSX. Those shares are valued at \$855.3 million and account for 83.2% of 3G's portfolio, according to an SEC filing for the quarter ending June 30.

The fund's second-largest investment is in [Coca-Cola Enterprises](#). The bottler and distributor represents about 5.5% of 3G's portfolio, with shares valued at \$56.3 million. The fund's total assets were valued at about \$1.03 billion as of the June 30 filing

3G recently sold the more than \$18 million of shares it held in fast-food chains [Wendy's International Inc.](#) and [Jack In the Box Inc.](#), leaving it with no investments in those companies.

Several restaurant chains have gone private this year, perhaps due to relatively low valuations that have attracted buyers. Rubio's Restaurants was recently taken private by Mill Road Capital; CKE Restaurants, owner of Hardee's and Carl's Jr., was sold to Columbia Lake Acquisition Holdings, an affiliate of Apollo Management VII LP; and earlier this week, Logan's Roadhouse, a casual-dining chain, announced it would be sold to Kelso & Co.

Lazard Ltd., J.P. Morgan Chase & Co and Barclays Capital are financial advisers to 3G Capital, while Kirkland & Ellis LLP is 3G's legal counsel. Morgan Stanley and Goldman Sachs Group are advising Burger King. Skadden, Arps, Slate, Meagher & Flom LLP and Holland & Knight LLP are the company's legal advisers.

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