

## Whopper to go

BURGER KING confirmed on September 2nd that 3G Capital, a New York-based private-equity firm, was offering to buy it, at a price valuing the company at around \$4 billion. BK's management have accepted the bid. Something needed to be (well) done at the fast-food firm. Despite its slogan, "Have It Your Way", BK has not been having it its own way in the long-running "burger wars". The jury may still be out on whether BK or McDonald's serves up the best fries, but when it comes to popularity with stockmarket investors, the maker of the Big Mac has supersized its lead in the past two years.

Recession has favoured **McDonald's** over BK, whose share price has halved since the economy was flame-grilled in the summer of 2008. The happy meals have been enjoyed by investors in McDonald's, whose share price has risen during this period, reaching an all-time high in August. Same-store sales at BK have fallen for five successive quarters. Why has McDonald's been eating its lunch? Among other things, BK has always had a higher proportion of sales to younger men, who have been hit especially hard by the recession, while McDonald's has been broadening its appeal for several years with initiatives like serving relatively healthy salads and decent coffee. BK has struggled to follow suit, while having to contend with shareholders' anger as the rising cost of beef and other ingredients hit profits. It may also have cannibalised its existing sales by offering value meals that were a bit too irresistible.

BK has got used to changes in ownership. For much of the time it struggled as it went from being part of Pillsbury, a food company, to Grand Metropolitan, a British conglomerate, then to Diageo, a drinks giant. In 2002 it was sold to a consortium of private-equity investors: TPG, Bain Capital and Goldman Sachs. They did a decent job, improving sales with better marketing, including reviving the "Have It Your Way" slogan. They also helped to turn around the most troubled of the franchisees who operate the vast majority of the 12,000-plus Burger King restaurants in 73 countries. The firm's bosses may now hope that returning BK to private ownership will protect it from the short-term pressures of the stockmarket while it figures out and invests in a new strategy to beat Mickey D.

### Flipping burgers

Assuming things go to plan and Burger King does go private, it will be part of a trend for the private-equity industry—now that some of the bigger firms have rediscovered their appetite for deals—to gobble up companies that had been taken public during the bubble years but which are now trading cheaply. TPG, Bain Capital and Goldman Sachs still own a sizeable stake in BK, despite listing it on the New York Stock Exchange in 2006, so they might have considered buying back the remaining shares themselves. Instead, they have decided to sell out to another private-equity outfit. Burger King servers may or may not appreciate the irony, but the act of passing a company from one private-equity firm to another is known in the business as "flipping".

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