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Opes Acquisitions Corp. Announces Non-Binding LOI with BurgerFi

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This morning, we had another "teaser" ahead of an extension vote. This time, it was for Opes Acquisition Corp. (OPES), which announced that it has signed a non-binding Letter of Intent with BurgerFi International, a fast-casual "better burger" concept with nearly 125 corporate-owned and franchise locations across 23 states domestically and two countries internationally.

Essentially, BurgerFi's "concept" is to appeal to a consumer base that is focused on high-quality food (read: no antibiotics, steroids, chemicals and additives) but in a fast-casual setting with eco-friendly packaging. Basically, it's Shake Shack if Shake Shack were franchised and slightly more "woke". Additionally, while Shake Shack does not offer a plant-based version of their burger, BurgerFi does offer a "Beyond Burger" as well as a veggie burger and even a vegan burger.

There is only one BurgerFi in New York City (on the Upper East Side) and one in Brooklyn, but there are many locations throughout the Southeast and mid-Atlantic. However, it's clear their intention is to grow this business into other geographic areas.

The real question is, how does Covid-19 affect BurgerFi's business plan? Also, how about beef prices due to Covid-19 plant closures? Since we've only received a "teaser" press release, we don't have access to any detailed information, but the presumption is that BurgerFi's business has been affected by Covid in some capacity. How much is unclear. However, since BurgerFi's geographic footprint appears to be located in the south, and many of them "Red States", social distancing and lock-downs aren't as much of an issue there as they are in New York City. Plus, like Shake Shack, BurgerFi has, "significantly optimized its takeout and delivery platforms for superior performance and profitability." However, again, without the details on that kind of information, we can only take that statement at face value.

But, if you read Shake Shack's most recent 10-Q, it says the following: "*Despite the challenges, some positive signs have begun to emerge. Since the low point during the last week of the quarter, we have experienced steady increases in domestic sales driven by growth in our own digital channels and the expansion of our integrated delivery partnerships.*"

And further to that, if we look at Shake Shack's share price (SHAK), we see it was trading at a 2020 high of $76.05 in mid-February. Then Covid hit in full force and the share then traded as low as $30.01 by the end of March/early April. However, since then it has bounced back and is now trading around $61 to $62 dollars. That's a nice snap-back. So while initially, an acquisition of a fast-casual dining business during a pandemic sounds a little scary, it appears that Shake Shack at least, is "shaking" it off.

Hopefully Opes can get this deal to the definitive agreement stage so we can get a look at how this transaction is structured, and hopefully it has a nice discount. But in the meantime, Opes has an extension vote scheduled for June 18th, where they team will be asking for three more months without a contribution to trust. That's always a little risky, but let's see what happens. They can always drop in a contribution if it looks like they need to.

UPDATE: I just tried the BurgerFi Cheeseburger for lunch, along with their Red Velvet Shake, and I have to say….pretty darn good! In fact, it's just as good as Shake Shack, or if you live in NYC, it's similar to Black Tap Burger. But the Red Velvet Shake was hands down amazing. Now I just to figure out a way to get my hands on an insulin shot and some Lipitor.