



Opes Acquisition Corp. Officially Announces Combination with BurgerFi

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This morning, OPES Acquisition Corp. (OPES), which previously announced a non-binding Letter of Intent with BurgerFi International, LLC (“BurgerFi”), made it official this morning by announcing they have entered into a definitive agreement to combine and form BurgerFi International, Inc. at a \$100 million purchase price. The transaction will introduce BurgerFi International, Inc. as a Nasdaq-listed public company with an anticipated initial enterprise value of approximately \$143 million, or 2.4x BurgerFi’s estimated 2021 net company revenues and 13.6x BurgerFi’s estimated 2021 adjusted EBITDA of \$10.5 million.

For those unfamiliar with BurgerFi, it is 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.

Shake Shack (SHAK) is one of the most relevant public company comps to BurgerFi. BurgerFi contends that their higher average check per customer and plant-based protein options give them a significant competitive advantage. BurgerFi’s \$13.01 average check compared to Shake Shack’s value of \$11.07 adds up in a high volume transaction business like fast-casual dining. Also, BurgerFi provides multiple plant-based protein options for customers such as VegeFi® burgers and vegan Beyond Burgers, options that competitors currently do not serve.

Covid-19 and a second wave of infection is obviously something to consider here, especially given that many of BurgerFi’s locations are in the South and Southeast, which are currently seeing a resurgence. The results for various restaurants have been mixed. Some, like buffet concept Garden Fresh, have been destroyed in the pandemic, since the value proposition for a buffet is severely diminished through take-out options. Others, like Domino’s Pizza, have seen double digit growth rates in sales in the same pandemic. Moral of the story here: Don’t own a buffet, and make your offerings a good value for take-out. BurgerFi speaks to this concern through their discussion on the Delivery-Only expansion in a partnership with REEF Kitchens. BurgerFi has already begun operations with the “ghost kitchen” June 15, 2020 in Miami, and many more locations are planned in the future.

As far as the official “details” of this transaction, at the closing, existing BurgerFi shareholders will receive up to approximately 6.6 million newly issued shares of the Company and \$30 million in cash. In addition, existing BurgerFi shareholders will be entitled to receive additional shares after closing based on BurgerFi’s share price hurdles of \$19.00, \$22.00 and \$25.00.

The closing consideration for the Business Combination will be paid as follows:

- A cash payment in the aggregate amount of \$30,000,000 payable to the Members;
- \$20,000,000 payable either in cash or in shares of Purchaser Common Stock valued at \$10.60 per share (the “Stock Portion”), in the sole and absolute discretion of the OPES Board of Directors; and
- The issuance in the aggregate of 4,716,981 shares of Purchaser Common Stock to the Members (the “Closing Payment Shares”)

Quick Take: The fast-casual “better burger” concept is a winning business plan to feed current consumer tastes and preferences. BurgerFi looks like it can recreate the success seen in Shake Shack by catering to this trend as well as differentiating themselves through a more conscious attitude towards ingredients and the environment. The price paid for BurgerFi seems very reasonable since the TEV/Revenue and TEV/Ebitda multiples for BurgerFi are much lower than current trading multiples of Shake Shack. Covid-19 concerns are real, but BurgerFi is in a strong position to capitalize on the restaurant market turmoil through their take-out friendly options and partnership with REEF.