Mergermarket
An Acuris company

BurgerFi to shop for fast casual restaurant concepts after SPAC merger, chairman says

- New leadership at expiring blank-check company lands last-minute deal
- Audit takes longer than expected but exec says acquisition is imminent

BurgerFi, a fast casual restaurant chain, will look to make acquisitions after it completes its reverse merger with Opes Acquisition [NASDAQ:OPES] this month, executive chairman Ophir Sternberg said.

The Palm Beach, Florida-based chain wishes to acquire premium fast casual restaurant brands it can bring under the BurgerFi corporate umbrella, Sternberg said, and it will scout for tired restaurant brands that have not kept up with the times so it can convert them into BurgerFis.

The company has USD 50m in cash on hand and no debt, he said.

The restaurant brand is composed of 25 corporate stores and about 100 franchises, and executives say they would like to increase that count to at least 300 units by 2025. Adding more corporate locations will be a priority, Sternberg noted, as it aims to bring the number of those stores in line with franchises.

"Instead of a 20% corporate to 80% franchise split, we want more of a 50%-50% model," he said.

BurgerFi plans to expand its presence across the US, and in the near-term executives say it will focus on the Southeast, Mid-Atlantic, and Northeast regions where it has established high brand awareness.

The company welcomes approaches from advisors who can bring it M&A opportunities. A wide range of deal sizes will be considered depending on the assets and locations involved, he added.

Founded in 2011, BurgerFi is a "better burger" concept featuring 100% natural angus beef that has never been frozen and is free from hormones, steroids, antibiotics, chemicals and other additives. It also offers a veggie burger made of quinoa and lentils, plant-based Beyond Burgers and free-range chicken, along with fresh cut fries, beer-battered-onion rings, local craft beers, custards and shakes.

The expected closing of BurgerFi's merger with Opes was pushed into October from September because Sternberg said the Public Company Accounting Oversight Board (PCAOB) audit has taken longer than expected.

Once the transaction is consummated, the company will trade on the Nasdaq under the BFI ticker.

The USD 100m purchase price is projected to value BurgerFi at USD 143m, or 2.4x BurgerFi's estimated 2021 net company revenue and 13.6x the chain's estimated 2021 adjusted EBITDA of USD 10.5m.

Opes Acquisition was formed as a Mexico City-based special purpose acquisition company (SPAC) in March 2018. The SPAC, under different management, was unable to complete a merger within the 24-month timeline outlined in its prospectus. With time running out to file for an extension, Sternberg, founder of real estate investment firm Lionheart Capital, decided to take over Opes, move its headquarters to Miami, and find a deal.

As the coronavirus pandemic began to shut down the US economy, Sternberg identified more than 50 potential M&A targets before agreeing to buy BurgerFi – a brand he knew from his work at Lionheart Capital.

“When I took Opes over, it was essentially considered a failed SPAC by the investors,” he said. “The warrants were trading for 3 cents each. In the last few days, the warrants have been averaging around [USD] 3 each.”

Sternberg will remain executive chairman of the company when the deal is complete.

The success Sternberg experienced with Opes gave him confidence to launch a second SPAC in August, Lionheart Acquisition II, which raised USD 230m to target property technology.

“We are already deep into the hunt of looking at a lot of different deals,” Sternberg said of Lionheart Acquisition II. “We are starting to zero in on a couple of companies we really like.”

by Troy Hooper in Los Angeles