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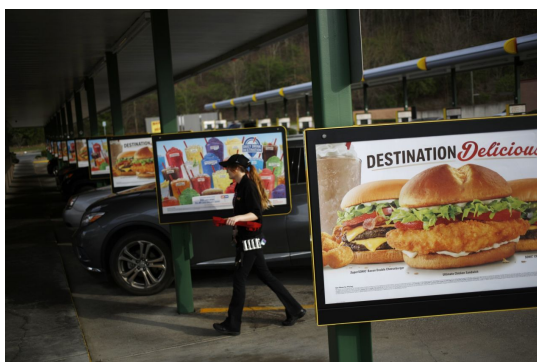
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BUSINESS

Arby's Parent to Buy Sonic for \$2.3 Billion

Inspire Brands's latest deal will broaden its scope into burgers



A carhop walks through the parking lot at a Sonic drive-in restaurant in Knoxville, Tenn. PHOTO: LUKE SHARRETT/BLOOMBERG NEWS

By Julie Jargon

Updated Sept. 25, 2018 2:18 p.m. ET

Arby's owner Inspire Brands Inc. said it is buying burger chain Sonic Corp. [SONC -0.01% ▼](#) for \$2.3 billion including debt, part of its strategy to guard against restaurant-business fads and downturns by covering the dining spectrum from takeout to sit-down.

Inspire was created in February from the merger of Arby's Restaurant Group and Buffalo Wild Wings. The private company also owns a small chain called Rusty Taco.

Chief Executive Paul Brown has said he hopes to entice customers of one Inspire chain to visit others in the portfolio. He has said he wants to buy about 10 chains, each with annual sales of up to \$4.5 billion.

Sonic, with \$477 million in annual sales last year, is an "ideal fit" for that strategy, Mr. Brown said in a statement Tuesday.

The carhop-style burger chain opened in 1953 as a root-beer stand in Shawnee, Okla., and now is the country's largest drive-in chain, with 3,500 restaurants in 44 states.

Two other privately held food companies, JAB Holding Co. and Focus Brands, also are broadening their portfolios to include brands with sometimes little in common. Focus Brands owns Cinnabon, McAlister's Deli and Jamba Juice, among other chains. JAB owns sandwich chain Pret A Manger, Panera Bread, Krispy Kreme donuts and coffee chains including Peet's and Caribou.

"Just when you think you've figured out their strategy, they go and buy something you wouldn't have thought of," William Blair analyst Sharon Zackfia said of JAB and Focus.

That's a contrast with the approach of competitors such as Yum Brands Inc. and Darden Restaurants Inc., which have focused on a single type of restaurant chain. Yum owns fast-food brands including Taco Bell and Pizza Hut, while Darden's casual-dining chains include Olive Garden and LongHorn Steakhouse.

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Restaurants have benefited recently from rising incomes and retail spending. U.S. consumer confidence rose in September to the highest point in 18 years, the Conference Board, a private research

group, said Tuesday.

Darden on Thursday reported better-than-expected earnings and sales for its fiscal first quarter and sent its shares to an all-time high. "People are feeling good," Darden CEO Gene Lee told investors last week.

Yum Brands reported a 1% gain in global same-store sales for its latest quarter, showing some restaurants haven't benefited as much as others in a strong economy. Closely held Inspire doesn't break out quarterly sales.

Independent equity analyst Mark Kalinowski said other chains that could be targets for Inspire Brands, based on their size and uniqueness, include Cheesecake Factory Inc., Cracker Barrel Old Country Store Inc., Five Guys Enterprises, Papa John's International Inc. and Chipotle Mexican Grill Inc. —although the burrito maker's recent stock runup may make it less attractive. A spokesman for Inspire Brands didn't immediately comment on future acquisition targets.

Inspire said it will buy Sonic for \$43.50 a share in cash, a 19% premium to the stock's closing price Monday.

Andrew Boord, portfolio manager at Fenimore Asset Management, which owns stakes in Sonic and Yum, said, "What we like about fast food is it never seems to go out of style. People are always going to be in a hurry."

Inspire and Sonic said they expect the deal, which includes the assumption of Sonic's debt, to close by year-end.

Write to Julie Jargon at julie.jargon@wsj.com

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