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Subway Confirms That It Is Seeking Buyers

By Dean Seal

Subway's shareholders are exploring a possible sale of the closely held sandwich chain, confirming an earlier report in The Wall Street Journal.

The company said Tuesday that **JPMorgan Chase** & Co. is serving as an adviser as it looks for potential buyers, although it has no assurance of whether or when a sale might occur.

The announcement follows the Journal's report last month that Subway had retained advisers for a potential sale that could value the company at more than $10 billion.

Known for its foot-long sandwiches and quick-service restaurants, Milford, Conn.-based Subway has been owned by its two founding families for more than five decades.

> The company had about 37,000 sandwich shops globally as of 2021.

The company had about 37,000 sandwich shops worldwide as of 2021. About 21,000 of those were in the U.S. and netted $9.4 billion in sales that year, according to industry research firm Technomic.

Subway is the largest restaurant chain by U.S. locations. Sales have declined over the past decade after peaking at $18 billion in 2012, Technomic said.

The company's interest in a potential sale comes as it pushes for a turnaround. Subway reported a 7.8% increase in same-store sales in 2022 compared with the year before.

Burger King Parent Names CEO

By Heather Haddon

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Restaurant Brands logged quarterly income of 74 cents a share, up from 57 cents a year earlier, from Burger King and its other brands.

Burger King owner **Restaurant Brands International** Inc. named a new chief executive Tuesday, saying the company needs to do more to help its restaurant owners improve their profits.

The Toronto-based fast-food chain operator said Joshua Kobza, the company's chief operating officer, will take over as CEO March 1.

Mr. Kobza previously served as Restaurant Brands' chief financial officer and chief technology officer in his 11 years with the company.

Patrick Doyle, the company's executive chairman, said in an investor call that Mr. Kobza had the experience to help Restaurant Brands further improve its chains and lead an era of growth. José Cil, the CEO since 2019, will remain with RBI for one year as an adviser, the company said.

At 36 years old, Mr. Kobza would be younger than every CEO of a company in the S&P 500 or Fortune 500, according to Crist Kolder Associates, an executive search firm.

Restaurant Brands shares in Toronto closed down 2.82% Tuesday.

The company, which owns Tim Hortons, Popeyes Louisiana Kitchen and Firehouse Subs in addition to Burger King, has been pushing to turn around its cornerstone burger brand since last year.

The company installed new leadership for the chain and dedicated $400 million to boost advertising and update restaurant design and operations.

Burger King was long the second-largest U.S. burger chain by sales behind **McDonald's** Corp., but slipped to third behind **Wendy's** Co. in 2020. Executives have said that overly complex menus, slow operations and outdated restaurants had tarnished Burger King's standing with diners and investors.

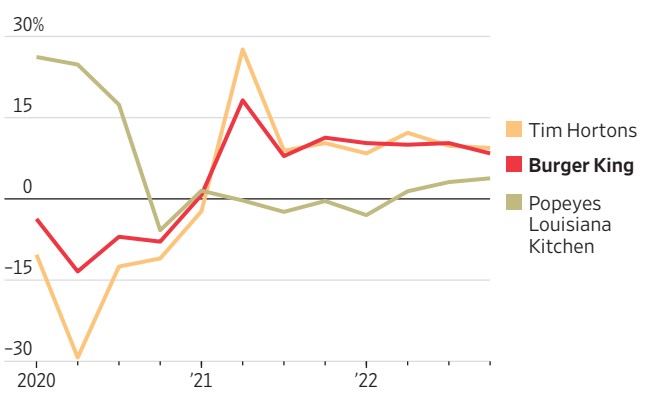
Burger King franchise owners' profits also have become a problem for the company. **Toms King Holdings** LLC, one of the largest U.S. Burger King franchisees, with 90 restaurants in Illinois, Ohio, Pennsylvania and Virginia, declared chapter 11 bankruptcy in early January, citing declining revenue and surging costs for shipping and food. A decrease in the availability of workers also resulted in a number of the company's restaurants no longer making money, the Illinois-based franchisee said in its bankruptcy filing.

A lawyer for Toms King didn't respond to a request to comment.

On Tuesday, Restaurant Brands said that franchise owners' profits in their home markets had fallen since its 2019 update to investors as domestic owners struggled to regain sales and pay for rising food and ingredient costs. Mr. Doyle said that the company shouldn't consider those challenges as excuses, and executives pledged to do more to help its restaurant owners.

"Previously in my career, I saw the powerful change that's possible within a corporate culture when we put franchisee profitability at the center of everything we do," Mr. Doyle said on Tuesday's investor call.

Restaurant Brands International quarterly comparable store sales by brand, change from a year earlier



Note: Excludes Firehouse Subs

Source: the company

Restaurant Brands in November appointed Mr. Doyle—the former chief executive of **Domino's Pizza** Inc.—as its executive chairman in an effort to improve its operations. Mr. Doyle, a former executive partner at investment firm **Carlyle Group** Inc., said at the time that helping Restaurant Brands' franchisees and its operations were his top initial concerns.

Restaurant Brands said Tuesday it would speed up its spending to assist Burger King franchisees in remodeling its restaurants.

Executives said the company also aimed to help U.S. burger-restaurant owners increase sales and lower their costs, and would tie a portion of executive compensation to restaurant-level profit improvements. The company said a new chicken sandwich that is simpler to make than a previous one, for example, was yielding good results so far. Franchisee level profits improved in the fourth quarter, Restaurant Brands said.

For the period ended Dec. 31, Restaurant Brands reported net income of $336 million, or 74 cents a share, up from $262 million, or 57 cents a share, in the year-earlier quarter.

On an adjusted basis, per-share income was 72 cents a share, below the 74 cents projected among analysts polled by FactSet.

The company's total revenue rose to $1.69 billion from $1.55 billion, in line with analysts' expectations. System-wide sales, which represent total sales across franchises and company-owned restaurants, rose to $10.2 billion from $9.32 billion.

Comparable sales were generally lower than a year earlier across its brands. As for its two largest brands, Tim Hortons sales grew at a rate of 9.4%, down from 10.3% in the prior-year period, while Burger King growth was at 8.4%, compared with 11.3%. Meanwhile, Popeyes delivered growth of 3.8%, compared with a decline of 0.4% a year ago.

—Adriano Marchese contributed to this article.

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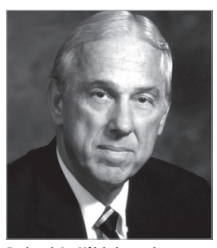
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