

Roark Capital: The Buyout of Buffalo Wild Wings

In late November 2017, Roark Capital Group (Roark) must decide on a last, best offer to purchase Buffalo Wild Wings (BWW) in a leveraged buyout (LBO) for \$157 per share. That bid had followed a series of offers that began in August 2017, at \$150 per share, after a protracted proxy fight by activist investor Marcato Capital (Marcato) ended with the resignation of BWW's longtime CEO, Sally Smith. Marcato had accumulated a sizeable stake in BWW and several board seats as part of the proxy contest and had been pushing BWW's board to seek a higher price. Roark must now decide if the returns to its investors merit the \$157 per share offer.

Case Questions:

- What makes BWW an attractive investment for Roark? What makes it a potentially risky acquisition?
- What levers can Roark pull to make this an attractive investment? What could thwart its success? In thinking about this issue, please assess the relative benefits and risks of Marcato's proposal to franchise 90% of BWW.
- What is the proposed structure (capitalization) and sources and uses for the transaction?
- Using the assumptions given in Exhibit 10, please project BWW's free cash flows (FCFs) and cash available to pay down debt for the five years 2018-2022, considering the expected synergies and refranchising program.
- What internal rate of return (IRR) and cash-on-cash return/multiple of invested capital (MOIC) can Roark expect from this investment (assuming a \$157 purchase price and that Roark finances the investment using the debt outlines in case Exhibit 12)? Please justify your chosen exit multiple for your exit analysis.
- What is the value of synergies and cost reductions (as a % of margin impact) that BWW will realize if Roark is able to implement its proposed changes? Do you think these are reasonable?
- Do you believe Roark should offer \$157 per share? Why or why not? Build a sensitivity table of a range of valuations that Roark could offer (hint: vary the IRR to come up with the range of values similar to the in-class example on PMG).

Case Submissions:

The assignment is due at the beginning of class on Thursday, November 21st. Please submit a written memo (two pages maximum) plus appendices that summarizes your findings in PDF format on Blackboard. Include all relevant spreadsheets and tables in the PDF (do not upload your Excel file to Blackboard). Please use the following format:

Date: November 21, 2024
From: Team Member 1, Team Member 2, Team Member 3, Team Member 4 and Team
Member 5
To: Scott Abrams
Re: Roark Capital: The Buyout of Buffalo Wild Wings

**Note: If you inadvertently submit a wrong file to Blackboard, you can resubmit the correct file before the deadline.*