Nation's Restaurant News

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Buffalo Wild Wings acquires 41 franchised restaurants

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Company exercises right of first refusal to purchase locations in New Mexico, Texas and Hawaii

Buffalo Wild Wings Inc. plans to buy 41 franchised units in Texas, New Mexico and Hawaii from Alamowing Development LLC, for $160 million, the company said Thursday.

The Minneapolis-based casual-dining operator is doing so by exercising its right of first refusal, a contractual right most franchisors have that enables them to buy locations from franchisees that are put up for sale.

"We believe that the acquisition of these Buffalo Wild Wing locations will provide our shareholders with additional long-term net earnings growth," Buffalo Wild Wings CEO Sally Smith said in a statement. She noted that it would cost the company $5 million in one-time expenses to transition the locations. "We are excited to acquire these well-run locations."

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The deal will give Buffalo Wild Wings more than 500 of the system's 1,080 locations, and is expected to close at the end of the third quarter, the company said in a statement.

Buffalo Wild Wings will buy 38 existing locations in Texas, New Mexico and Hawaii, as well as three units that are under development. The restaurants are owned by entities under several different names, including B III Wing LLC, RioWing Development LLC, AlamoWing NM Partners LLC, Southeast Wings LLC and AlamoWing NM Partners II LLC.

Buffalo Wild Wings has been acquiring franchised units in recent years when they become available, often by exercising its purchase rights as a franchisor. For instance, in April, the company acquired nine franchised restaurants in Idaho.

But last month, Buffalo Wild Wings waived its purchase right, enabling franchisee Diversified Restaurant Holdings to buy 18 units in St. Louis.

By acquiring franchised locations, Buffalo Wild Wings is somewhat unique among publicly traded restaurants, many of which are selling company-owned units to franchisees.

Companies that buy restaurants from franchisees typically have higher restaurant margins than franchise systems that refranchise. Therefore, buying those restaurants makes financial sense.

"The strong company operators, if they can get their units back, it makes a lot of sense to do that," said John Gordon, a San Diego-based restaurant consultant.

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