

# Blackstone strikes \$8-billion deal for sandwich chain Jersey Mike's Subs

By Anirban Sen and Abigail Summerville

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Signage is seen outside The Blackstone Group headquarters in Manhattan, New York, U.S., November 12, 2021. REUTERS/Andrew Kelly/File Photo [Purchase Licensing Rights](#)

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Deal marks Blackstone's latest investment in food franchises

Jersey Mike's CEO to continue leading business

Deal valued at around \$8 billion including debt, source says

Private-equity firm Roark last year struck over \$9.5-billion deal for Subway

Nov 19 (Reuters) - Blackstone ([BX.N](#)).



has agreed to buy Jersey Mike's Subs, the sandwich chain said on Tuesday, in a deal that a source said valued the company at around \$8 billion including debt.

Reuters had reported on Monday, citing a person familiar with the matter, that Blackstone was nearing a deal for Jersey Mike's.

The deal, which is expected to close in early 2025, underscores private-equity firms' increasing interest in franchise operators.

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Last year, PE firm Roark Capital agreed to buy Subway, Jersey Mike's bigger rival, in a deal valued at up to \$9.55 billion.

Jersey Mike's, known for its submarine sandwiches, traces its roots to 1956 when Peter Cancro started working at the company's Point Pleasant, New Jersey location, which was founded as Mike's Subs.

Cancro, now the founder and CEO of Jersey Mike's, acquired the location in 1975 and began franchising units in 1987. Since then, Jersey Mike's has grown into one of the biggest fast-casual restaurant chains in America with over 3,000 locations nationwide open and in development.

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Blackstone held on-and-off talks with Jersey Mike's for nearly three years, a person familiar with the matter said. The buyout firm will help the sandwich chain expand both domestically and internationally.

The deal includes a so-called earn-out agreement, in which the full deal price will be paid after Jersey Mike's opens its 4,000th store, the source said.

Earn-out structures help reconcile price differences and have increased in frequency over the past year due to a challenging market for mergers and acquisitions. Wary buyers have started to link a portion of deal payouts directly to the future performance of companies they acquire.

That wasn't enough to boost the Dow which finished down nearly three tenths of one percent while the S&P 500 advanced four tenths and the tech-heavy Nasdaq gained one percent.

Roark's deal to acquire Subway last year also included an earn-out structure.

"We believe we are still in the early innings of Jersey Mike's growth story and that Blackstone is the right partner to help us reach even greater heights," Cancro said.

Cancro will maintain an equity stake in Jersey Mike's and continue to lead the business.

"Blackstone has helped drive the success of some of the most iconic franchise businesses globally and we look forward to working with them to help make significant new investments going forward," Cancro said.

Blackstone, the world's largest alternative asset manager with more than \$1.1 trillion in assets under management, has been on an investing spree in food franchises this year.

In February, Blackstone announced an equity investment in 7 Brew Coffee to boost the expansion of the drive-thru beverage business.

In April, Blackstone agreed to buy Tropical Smoothie Cafe, a franchiser of fast-casual restaurants, from PE firm Levine Leichtman Capital Partners.

"Blackstone has deep experience helping accelerate the expansion of high-growth franchise businesses and this area is one of our highest-conviction investment themes," said Peter Wallace, Blackstone senior managing

director.

Blackstone's previous franchise deals include the 2007 acquisition of Hilton Hotels and its investment in Servpro, a franchise in the cleanup and emergency restoration industry.

Jersey Mike's plans to roll over its existing debt structure and then raise more debt from lenders, the source said.

Guggenheim Securities, Morgan Stanley, and White & Case were the advisers to Jersey Mike's. Barclays, Bank of America, and Simpson Thacher & Bartlett advised Blackstone on the deal.

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