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Alex Behring's Strategic Blueprint: How 3G Capital Engineered Burger King's $20 Billion Profit Surge

By **Sameer**

After stints at Brazilian private equity firm GP Investimentos and América Latina Logistica ("ALL"), a portfolio company that owned Brazil's largest rail network, Alex Behring decided to pursue a somewhat different career path — striking out on his own with several other business professionals to form a new investment firm. Partnering with Carlos Alberto Sicupira, Marcel Herrmann Telles and Jorge Paulo Lemann, colleagues at Brazilian investment bank Banco Garantia, Behring moved to New York in 2004 to coordinate the launch of their firm, 3G Capital.

He viewed the company as a way for the team to make investments outside of Brazil, where they'd been based — with plans to focus on one opportunity at a time, providing the necessary funding, insight and other resources to help businesses thrive.

Since its start, 3G Capital — which in 2023 sported $14 billion in under-management assets, according to a recent *Forbes* article — has invested in a limited number of companies, with the firm's partners providing much of the capital.

"We are fortunate to be differentiated in this sense, as we are not moved by some of the short-term pressures typically felt by other groups," Behring told the *Financial Times* in 2017. "We want to own these companies forever. This gives us the luxury of maintaining a very disciplined approach to each one of our businesses, as we are able to identify and own companies only once we are entirely satisfied that they are well-positioned for profitable, long-term growth and successful brand building."

Taking a Bite Out of Fast Food Business

In the past two decades, 3G Capital has worked with a number of well-known businesses — including Burger King, a chain Alex Behring had a particular affinity for; as a child, he spent summers visiting his aunt in Miami, where on one trip, he ate lunch at the restaurant every day, according to Forbes.

When 3G Capital acquired Burger King in 2010, the company was the second-largest fast food burger chain in the world, according to CBS News; yet it was struggling internally.

Amidst management changes that included being helmed by nearly 20 CEOs within a 25-year span and disjointed marketing, operations and product development efforts, Burger King hadn't been able to maintain a cohesive strategy. Its branding, communication and other aspects were notably inconsistent.

The leadership team at 3G Capital immersed themselves in the company's operations so they'd be able to understand how Burger King worked — and what could be improved.

Behring became the company's executive chairman, and 3G's co-managing partner Daniel Schwartz took on the CFO role. After establishing an extensive travel schedule, which included roughly monthly visits to China, to determine what changes were needed, the executives found the Burger King brand had been most successful in countries where high-quality local operators had master franchise rights.

The investment firm felt selling company-owned restaurants to franchisees would provide beneficial royalty streams and possibly encourage unit growth; it began implementing ways to review results and share business objectives throughout the organization and allow corporate employees to reinvest money they'd made as public shareholders into the company's equity, with 3G matching the investments.

To encourage global growth, 3G Capital established aggressive development targets with committed capital from franchisees and shared equity for the company — and enacted a joint venture franchising program in Brazil involving strong local operators, which has helped the number of Burger King locations in the country expand from fewer than 100 in 2010 to more than 900 today. The program has since grown to also encompass China, France and other nations.

Its dedication to creating an ownership culture paid off. Burger King's North American same store sales were up by early 2011; the company's stock doubled in the 18 months following the chain going public in 2012, according to *Forbes*, and within three years of the acquisition, net restaurant growth was four times higher, with the brand operating in approximately 100 countries. Nearly 50% of its restaurants, in fact, were located outside of the U.S.

Today, more than 11 million guests visit a Burger King location each day for its famed Whopper and other menu items. In total, the ROI for the Burger King deal, *Forbes* says, equaled $20 billion.

Following the success of its efforts with Burger King, 3G Capital continued to expand its presence in the foodservice industry with the acquisition of quick service restaurant company Tim Hortons through a $11.4 billion deal in 2014 — which according to *Forbes* involved $3 billion in financing from prominent investment figure Warren Buffett's holding company, Berkshire Hathaway.

"By bringing together our two iconic companies under common ownership, we are creating a global QSR powerhouse," Behring said in a press release announcing the purchase. "Our combined size, international footprint and industry-leading growth trajectory will deliver superb value and opportunity for both Burger King and Tim Hortons shareholders, our dedicated employees, strong franchisees, and partners. We have great respect for the Tim Hortons team and look forward to working together to realize the full potential of these two extraordinary businesses."

3G Capital also established quick service restaurant company Restaurant Brands International in 2014. Burger King and Tim Hortons have continued to operate independently as part of RBI, which allows them to benefit from global scale and shared best practice opportunities.

Some of 3G Capital's other noteworthy deals include its acquisition of fast food fried chicken chain Popeyes in 2017; adding Firehouse Subs to its roster, which the firm announced in late 2021, and obtaining a 75% stake in window coverings manufacturer and retailer Hunter Douglas in 2022.

Going forward, the leadership at 3G Capital, Alex Behring told *Forbes*, plans to maintain having a laser focus on a small pool of investments.

"I don't think we'll deviate from the approach that we have employed over these years," Behring told *Forbes*. "Find a great business, try to build an ownership team and culture, improve efficiencies in the short-term, generate organic growth in the medium-term and grow through M&A more in the medium- to long-term."