

# PE Hub

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## PE DEALS

# Bain Capital finds unique qualities in consumer sector with Fogo de Chão and 1440 Foods

In late 2023, Bain Capital was quite busy in the consumer sector. In September, the Boston-based firm closed on the acquisition of Brazilian steakhouse Fogo de Chão from private equity firm Rhône Capital. Fogo de Chão is headquartered in Dallas. In December, Bain made an investment in 1440 Foods, a New York-based health-oriented food company that carries brands such as Pure Protein, Met-Rx and Body Fortress.

PE Hub spoke to Bain Capital partner Adam Nebesar about Bain's dealmaking process with 1440 Foods and Fogo de Chão. The conversation also included the firm's future targets in the consumer sector.

Nebesar said Bain has three core principles it is looking for in potential target companies, which can be applied to other sectors. First, it's looking for unique differentiated brands and businesses. Second, the firm is looking for companies with growth potential.

"We're looking for opportunities where there is that potential even when the growth opportunity isn't so apparent," Nebesar said. "We're not afraid of complexity and we like being a bit contrarian." The third factor is finding the right leadership teams to partner with and create value.



Adam Nebesar, Bain Capital

## Flipping the card green on an acquisition

Like many other Brazilian steakhouses, Fogo de Chão offers an all-you-can-eat experience. Patrons can flip a double-sided card. Green means a Gaucho server will add more steak to your plate, while red means stop.

For Fogo de Chão, Bain acquired the restaurant chain through what Nebesar described as a narrow auction process for a deal that was valued at \$1.1 billion according to media reports.

"When we invested there were only 60 units within the US in total," Nebesar said. "Fogo's brand awareness is only 35 percent. That's a huge opportunity. There are a lot of people who aren't near a Fogo

and haven't heard of it. They've been growing units by 15 percent plus per year in recent years."

Nebesar said Fogo can continue to grow 10-15 percent annually for a long time. Since Bain acquired Fogo, the chain has grown by about 10 percent as a result of the company's existing pipeline and growth plans.

## Going the healthy route

Bain Capital's interest in 1440 is driven by two consumer mega trends: The first is consumer focus on protein as part of a healthy and active lifestyle. The second is the long-term popularity of on-the-go snacking, as opposed to meals at home.

Nebesar said that over the last decade-plus, the consumer is snacking more, and cooking from scratch less, and eating fewer full meals. "The place we're playing in is what I call high-protein nutrition, and that's still a tiny sliver of snacking overall, but it's growing because customers are trying to make healthier choices," Nebesar said. "And customers are also recognizing the importance of protein in an active diet."

Healthy snacking has been a growing trend in private equity. In October 2023, Dallas-based PE firm Citation Capital announced the acquisition of healthy snack



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maker Cibo Vita, based in New Jersey. Healthy or “better-for-you” food options have been attractive in the PE space because, among other reasons, they are part of a recession-resistant sector.

Due diligence in the investment included extensive primary research, at both the consumer and retailer level. On the consumer side, Bain held surveys and focus groups and found that 1440’s brands stood out versus other brands in their categories. It saw high customer loyalty and repeat rates, as well as net promoter

scores. There was also great performance on key purchase criteria for customers, including taste, nutrition profile and value.

On the retailer side, Bain Capital saw the brands generate strong velocity and growth. However, there is still room for improvement. Nebesar added brand awareness is still relatively low and there’s an opportunity to expand distribution.

Both the Fogo and 1440 investments came out of Bain’s 13th buyout fund, Bain Capital Fund XIII, which raised \$11.8 billion in 2021.