

Pizza investors seek share of the pie

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Maria Shriver has a thing for pizza - or at least investing in a chain that sells it.

Shriver and other cheesy-pie aficionados, including Boston Red Sox co-owner Tom Werner, Panda Express founder Andrew Cherng and "Alien vs. Predator" producer John Davis, have dropped \$3 million into what they think will be the next great fast-casual dining brand: Blaze Pizza.

"We love pizza," Shriver, California's former first lady, said in an e-mail. "My son and I are really excited to be in the pizza business. We love this concept."

Investors are looking at chains like Blaze as Millennials flock to fast-casual eating places with prices under \$10, fare that's sometimes viewed as healthier than fast food, speedy service and sleek stores.

While this segment is the fastest-growing among restaurants, few chains are publicly traded for investors to put money into. Everyone is looking for the next Chipotle Mexican Grill, which has recently outperformed the dining category and is trading at the third-highest price-to-earnings ratio of all U.S. restaurants with a market capitalization of at least \$150 million, according to data compiled by Bloomberg. Chipotle's price-to-earnings multiple is 35, compared with an average of 24 for all U.S. restaurants, the data show.

Restaurants last year began going public again after a dearth following the recession that ended in June 2009. While many fast-casual chains are still too small for an initial public offering, there may be more of these types of restaurants, including Potbelly Sandwich Works, going public as they expand. Blaze is already talking about a possible IPO in three or four years as it opens locations across the U.S., according to co-founder Rick Wetzel.

Sales gains

"The idea of being able to go to a restaurant and decide how to make your individual pizza and have it taste good in less than two minutes - that sounded like a good idea," the Red Sox's Werner said.

Wetzel - who co-founded Blaze along with his wife, Elise - wooed the baseball-team owner at a dinner party at his home last year by serving him some pizza, which Werner called "outstanding."

Sales at the top 500 U.S. fast-casual restaurants chains, where customers usually order at a counter, increased 8.6 percent, while fast-food revenue rose 3.1 percent, in 2011, the most recent year for which data is available, according to Chicago-based researcher Technomic. Sales at sit-down restaurants, including fine dining, were up 2.8 percent in the same time, the data show.

'Fast-casual's' assets

"There continues to be strength in the fast-casual segment," said Todd Hooper, a strategist at consultant Kurt Salmon in San Francisco. "You're getting good food in a nice environment, but you don't have to tip."

Still, there has been a dearth of limited-service chains going public. While four U.S. restaurant companies completed initial public offerings last year, the most since 2006, when Chipotle began trading, all four chains were sit-down eating places, according to data compiled by Bloomberg.

Institutional investors need to see that the restaurant's food can be replicated and that it resonates with customers in different areas of the U.S., said Janna Sampson, who helps manage about \$3.2 billion, including McDonald's and Panera Bread shares, at Oakbrook Investments in Lisle, Ill.

"You'd really need to see something that makes it different than any other pizza," Sampson said. "Pizza seems like a tough one because it is done and done."

Wetzel said Blaze Pizza, which has just two locations in California - in Irvine and Pasadena - will grow enough to attract more investors. The chain is franchising rapidly and will have 15 stores in cities including New York and Chicago by the end of this year, he said.

Similar to Chipotle restaurants, customers at Blaze move along a service line and dress their 11-inch pizzas with toppings including fresh arugula, gorgonzola cheese and grilled chicken. The trick to adhering to the "fast" in fast-casual - and cooking pizza faster than Yum! Brands' Pizza Hut and Domino's Pizza stores - is the 800-degree oven, which bakes the pies in about 120 seconds, Wetzel said.

"It's Chipotle for pizza," he said.

Market data provided by Bloomberg News Leslie Patton is a Bloomberg writer. E-mail: lpatton5@bloomberg.net

The Death of the PC

The days of paying for costly software upgrades are numbered. The PC will soon be obsolete. And BusinessWeek reports 70% of Americans are already using the technology that will replace it. Merrill Lynch calls it "a \$160 billion tsunami." Computing giants including IBM, Yahoo!, and Amazon are racing to be the first to cash in on this PC-killing revolution. Yet, a small group of little-known companies have a huge head start. Get the full details on these companies, and the technology that is destroying the PC, in a free video from The Motley Fool. Enter your email address below to view this stunning video.

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