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Boston Market on the block?

By Julie Jargon
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McDonald's Corp. is pondering the future of Boston Market, the comfort-food chain it acquired out of bankruptcy six years ago.

Asked after the company's annual meeting what McDonald's has in store for Boston Market, CEO James A. Skinner said there are no immediate plans but that it's "under advisement."

Mr. Skinner's comment came just as the burger giant was completing the spinoff of Chipotle Mexican Grill, the popular burrito chain it bought for an undisclosed amount in 1998. Chipotle's January initial public offering raised more than \$170 million.

Boston Market, which McDonald's bought for \$173.5 million in 2000, won't likely command that much, whether McDonald's spins it off or tries to sell it. A company spokeswoman says the chain is profitable, although McDonald's doesn't disclose any of Boston Market's financials. She says McDonald's spends little time and no capital on the 630-store chain.



If Boston Market does make money, now could be the time for a public offering; the spate of recent restaurant IPOs, including Tim Hortons and Burger King, shows that Wall Street has an appetite for fast food.

"I don't know how long the market will be receptive to fast-food companies," says Jeffrey Malcom, portfolio manager at Maryland-based Horan Capital Management LLC, which holds about 160,000 McDonald's shares.

Regardless of Boston Market's profitability, McDonald's might be able to sell it for its real estate. But neither stock analysts, shareholders nor private-equity firms could guess at its value, since they haven't seen its results — which in itself seems to be a source of frustration.

"McDonald's needs to start breaking out its Boston Market financials and then make a decision about whether to expand it, sell it or spin it off," says Scott Rothbort, president of New Jersey-based LakeView Asset Management LLC, which holds McDonald's shares. "Maybe it's cheaper to run Boston Market than to close it down. The issue is, we don't know."

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