

## Insights

# FROM TABLES TO TERM SHEETS

## WHAT EVERY BUYER NEEDS TO KNOW ABOUT RESTAURANT M&A

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The restaurant sector continues to attract significant M&A activity, albeit with trends varying markedly across geographies. For instance, deal count almost doubled in the UK from 2024 to 2025, whereas the increase in US deal numbers was less pronounced, but with the US having a far stronger start to 2026 than the UK<sup>[1]</sup>. Activity in this sector is in part driven by ongoing market consolidation, evolving consumer trends and, for financial sponsors, the appeal of established brands with scalable operations.

However, acquiring or investing in a restaurant business presents a distinct set of commercial and legal considerations that differ from those typically encountered in other sectors. Below, we set out some of the key areas that a prospective buyer would usually want to carefully consider before proceeding with an acquisition or investment in this space, whatever the jurisdiction or transaction size.

## OPERATING STRUCTURE

Before anything else, it is essential to understand precisely how the business operates. Restaurant businesses can take a variety of forms, including wholly-owned or leased customer-facing stores (which may also utilise third party delivery platforms), “dark kitchens” (in England, now accounting for approximately 15% of food retailers on the three major delivery platforms<sup>[2]</sup>), franchise models or a mix of all or some of those models. Each structure carries its own commercial and legal implications (some of which we consider below).

## STORE PORTFOLIO AND LEASE CONSIDERATIONS

For businesses operating from wholly-owned or leased premises, including dark kitchens, the property portfolio is often one of the most significant assets (and potential liabilities) in the transaction. In respect of any leased stores, key considerations include:

- **Lease term and renewal** - given the significant capex requirements to fit-out a restaurant, the remaining lease term and whether there is a statutory right to renew the lease term can have

material cost implications.

- **Current rent and rent reviews** - a buyer should understand the timing and basis for any upcoming rent reviews and, if rent is calculated on a turnover basis, what this calculation includes, e.g., sales through delivery platforms.
- **Restrictions on transfer and break rights** - can the operator transfer or break the lease prior to expiry? Any such rights (or restrictions on them) may allow (or prevent) an operator from rationalising its store portfolio to address market volatility and underperformance.
- **Dilapidations liability** - is there potential exposure under any reinstatement and repair obligations? Again, given a restaurant's capex-intensive fit-out requirements, reinstatement costs can be significant and any desktop diligence should be supplemented with on-site inspections to properly understand potential liabilities.

## BRAND AND IP

For many restaurant businesses, the brand is the most valuable asset. It is therefore vital to verify that the business owns, has the right to use and adequately protects all material intellectual property, including any trademarks (not least the brand name!) and recipes. Given their potentially unique value to the business, it is important to understand how recipes are protected in practice, for example, they might be stored in a digital-only format with restricted access, and whether appropriate confidentiality obligations are in place with employees and third parties who might have access to them.

There is also a more commercial complexity where the restaurant's brand is tied to or closely connected with a particular location or chef. If closely connected to a location, there is end-of-lease risk or, if closely connected to a particular chef, key person risk, if either you are unable to reincarnate the restaurant in a new location or you lose (for whatever reason) the chef. Also, if there are any commercial partnerships (e.g. a food range or series of cookery books) which utilise the restaurant's brand, it is important to check that these have been produced under licence with the business and, similarly, if a particular chef is the face of any such partnership, a buyer should understand the reputational risk exposure for the wider business.

## FOOD SAFETY AND REGULATORY COMPLIANCE

The restaurant sector is subject to extensive food safety and regulatory requirements, and non-compliance can give rise to significant legal, financial and reputational risk. For instance:

- **Permits** - in the UK, each site should be registered locally as a food business and, if alcohol sales are being made (or hot food is being sold after 11pm), then a premises licence will be required. Similar food, public health and liquor licensing requirements also apply in the US at

the state and local levels, and, depending on the jurisdiction and activities being undertaken from the premises (e.g. live music), it may be that additional licences are also required.

- **Food safety compliance** - it is important to check the business's inspection history, food hygiene ratings and any recent investigations or enforcement action by local authorities or, in the UK, the Food Standards Agency. Similarly, compliance with the detailed rules relating to the storage, handling and preparation of foods should be verified, and also compliance with labelling requirements, including allergen information, nutritional declarations and origin labelling rules. This is an area of increasing regulatory scrutiny, and non-compliance can carry serious consequences (including criminal liability, fines and significant reputational harm).
- **Packaging** - in the US, heightened state-level requirements for packaging sustainability, including extended producer responsibility and source reduction requirements, are beginning to impose significant regulatory compliance and enforcement costs on restaurant and food businesses.

## SUPPLY CHAIN AND ESG

With countless supply-side pressures in this sector over the last five years (the COVID pandemic and rising energy prices, rents, business rates and employment costs, to name just a few), a restaurant business is only as resilient as its supply chain and the terms on which it contracts with those suppliers. Due diligence on supply chain matters should, at a minimum, cover a review of material supply contracts, first identifying the key supplier agreements (which can be the biggest challenge!) and then reviewing their terms, including pricing, exclusivity, minimum volumes, duration and termination rights (including any change of control).

On top of the more 'traditional' topics mentioned above, supply chain environmental, social and governance (ESG) considerations are increasingly important to regulators and consumers alike. Buyers should assess whether the target business has adequate policies and procedures in place to ensure ethical sourcing practices (including in relation to modern slavery). If the target is a Certified B Corporation<sup>[3]</sup> (which, at least in the UK, we are seeing more regularly), then social and environmental considerations should already be factored into its decision-making.

## EMPLOYEES

A restaurant business is powered by its people. In addition to the standard terms and conditions of any employees, and a deeper dive into management terms, any use of agency workers, overseas workers and/or zero-hours contracts should be assessed and any risks (e.g., status misclassification, miscalculation of holiday pay and national minimum wage and immigration law non-compliance) understood and dealt with (including through contractual protection in the purchase agreement). The potential impact in the UK of the Employment Rights Act 2025, which will (when the relevant provisions enter into force) entitle zero- and low-hour workers and agency

workers the right to request fixed-term contracts in certain circumstances, must also be considered if the business relies on a high proportion of casual workers.

Further, where the target business operates a tronc scheme (i.e. a formal arrangement for the allocation of tips amongst staff), the tronc's compliance with applicable tax rules and employment legislation (including, in the UK, the relatively recent Employment (Allocation of Tips) Act 2023) should be carefully scrutinised, with potential for significant tax and other employment-related liabilities in respect of any non-compliance.

## HOW CAN BCLP HELP?

Whilst M&A transactions in the restaurant sector offer real opportunities, they also present sector-specific challenges and require careful due diligence. From complex store portfolios and operating structures through to food safety compliance and supply chain ESG, the issues are broad and the stakes are high. At BCLP we have a real breadth of expertise relating to these issues and transactions in this sector, both in the UK and across the US and EMEA. That allows our clients to manage risk and successfully execute restaurant M&A.

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[1] Mergermarket, 2026

[2] Nield L, Burgoine T, Lake A, et al. What are 'dark kitchens'? A consensus definition from public, local authority, business and academic stakeholders in the United Kingdom. Perspectives in Public Health. 2025;0(0). doi:10.1177/17579139251371997

[3] <https://bcorporation.uk/>

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