THE RESURGENCE OF M&A DEALS IN THE RESTAURANT INDUSTRY IN 2026

By Darren Gange, Managing Director | *January 2026*

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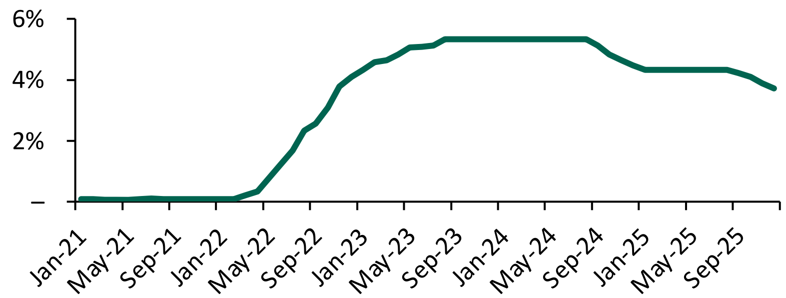
After a prolonged period of subdued deal activity, the restaurant sector is showing clear signs of renewed momentum heading into 2026. Transaction volume began to accelerate in the second half of 2025, supported by improving financing conditions and a growing appetite among private equity firms and strategic acquirers to deploy capital. Recent M&A activity and compelling valuations have been centered around asset-light franchisors, high-performing franchisees, scalable platforms and differentiated brand concepts with strong unit economics and long-term growth potential. With operators increasingly focused on growing market share, enhancing operational efficiency and adapting to evolving consumer preferences, 2026 is shaping up to be a promising year for investment across the industry. This paper examines the key drivers behind the anticipated rebound, highlights notable recent transactions and identifies the segments and brands best positioned to lead the next wave of restaurant M&A.

Improving Macroeconomic Conditions and Record Investment Capital Availability

Federal Funds Rate

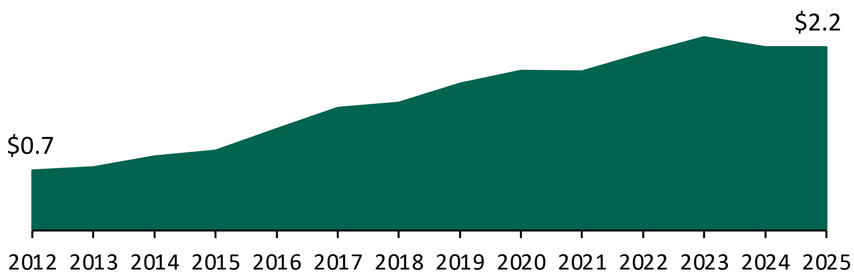
Recent rate movements indicate the tightening cycle has perhaps peaked, creating a more supportive environment for deal financing



Source: Federal Reserve Bank of St. Louis

Private Equity Dry Powder

With ample levels of dry powder on hand, sponsors are well-positioned to pursue opportunities as market conditions improve



Source: S&P Capital IQ
Note: Dollars are in trillions; Data compiled as of December 8, 2025; 2025 figure represents year to date through March 31, 2025.

Following an extended period of volatility, macroeconomic conditions are now aligning to support a more constructive environment for restaurant M&A heading into 2026. The Federal Reserve's decision to begin cutting interest rates in late 2025, with additional potential reductions in early 2026, has brought much-needed stability to capital markets. This shift is translating into improved financing conditions, enabling greater confidence in underwriting deals. At the same time, private equity firms remain under pressure to deploy elevated levels of dry powder, which now approximate $2.2 trillion globally. With capital costs easing and abundant liquidity, the macroeconomic backdrop is increasingly favorable for both platform investments and add-on acquisitions. These conditions are particularly supportive of middle-market transactions, where access to debt and valuation clarity had previously been limiting factors. As macro uncertainty recedes, the stage is set for a more active and competitive deal environment across the restaurant sector in 2026.

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Emerging Momentum in Restaurant M&A

While overall transaction volume in the restaurant sector has remained modest, several recent high-profile acquisitions suggest growing momentum and renewed interest from both private equity and strategic buyers. Notable deals such as Blackstone's acquisition of Jersey Mike's Subs (~$8bn), Roark Capital's purchase of Dave's Hot Chicken (~$1bn) and Bain Capital's investment in Sizzling Platter (~$1bn) demonstrate a clear appetite for scalable, differentiated concepts with strong unit economics.

These transactions may serve as catalysts for broader market activity, setting valuation benchmarks and increasing confidence among sponsors and operators. With foundational deals recently closed, the sector is well positioned for a trickle-down effect in deal volume, particularly among mid-sized and emerging brands. As financing conditions continue to improve and dry powder begins to be deployed, 2026 is shaping up to be a promising year for restaurant M&A.

Target	Acquiror
Denny's	Triartisan Capital Advisors, Yadav Enterprises, Treville Capital Group
Del Taco	Yadav Enterprises
Freddy's	RHÔNE
Potbelly	RaceTrac
Shipley Do-Nuts	Levine Leichtman Capital Partners
Sizzling Platter	BainCapital
Dave's Hot Chicken	ROARK
Jersey Mike's Subs	Blackstone

Rumored Deals in Market

Groupe MTY Group | Bojangles | Nothing Bundt Cakes | Pizza Hut

Market Drivers for Increased M&A

Availability of Capital

Private equity firms hold approximately $2.2 trillion in dry powder, and recent rate cuts have improved access to debt financing, creating favorable conditions for deal activity.

Strategic Buyer Consolidation

Cost pressures across the P&L are driving buyers to seek scale benefits in purchasing power, back-office synergies, advanced technology and robust marketing strategy.

High Performing Brands Seeking Growth Capital

Operators of high growth brands, both company-operated and franchised, require capital to meet aggressive development goals and effectively compete against other brands for market share.

Franchisee Rebalancing

Franchisees are now giving more serious consideration broadening beyond legacy brands into higher-growth concepts with more efficient capital structures (i.e., lower build costs, faster payback periods) such as 7 Brew, Dave's Hot Chicken, Wingstop, Jersey Mike's and Nothing Bundt Cakes, for example.

Portfolio Age Pressure in Private Equity

According to PitchBook, more than 30% of private equity-backed companies have been held for at least five years. In the restaurant industry, the average hold period for investments is more than six years. Many private equity firms are considering exiting from their 2020 and 2021 investments and are also seeking to redeploy capital following these exits.

Carveouts and Go-Private Transactions

Companies are focusing on core brand growth and divesting non-core assets. Smaller chains increasingly view private ownership as preferable to public markets.

Preference for Asset-Light Business Models

Franchise-heavy models remain attractive for their low capex, stable cash flows and insulation from unit-level margin compression.

Turnaround Momentum Creating New Strategic Opportunities

The restaurant industry is entering a period of meaningful transition characterized by two distinct trends: the emergence of successful turnaround stories and the growing prevalence of distressed brands seeking new ownership. A significant number of chains have executed disciplined strategies to stabilize operations and return to growth, reshaping competitive dynamics and attracting investor interest. These initiatives have included focus on cost control, menu innovation, digital modernization and pruning under-performing locations with restaurant closures, resulting in stronger margins and enhanced brand relevance across both casual dining and quick-service segments, and in certain examples, improved guest count.

Examples such as Chili's and Red Lobster demonstrate how legacy brands can reposition themselves through targeted brand refreshes, enhanced value offerings and operational improvements. Citizens M&A Advisory has observed this trend across numerous franchised platforms and regional chains, where operators have modernized store formats, enhanced unit-level economics and re-engaged core customer bases. These efforts have translated into measurable improvements in profitability and competitive positioning. For investors, revitalized brands represent attractive acquisition targets, offering proven concepts with scalable infrastructure and clear paths to growth.

At the same time, a substantial number of concepts have not yet implemented effective turnaround strategies and continue to face margin compression, declining traffic and outdated operating systems. These brands remain vulnerable in a market that increasingly rewards operational excellence and adaptability. As a result, we expect a significant increase in ownership transitions among challenged and distressed businesses in 2026. These situations are likely to attract turnaround-oriented private equity investors and highly experienced multi-unit franchise operators who bring clear vision for a brand turnaround and possess strong management teams, disciplined operating practices and scalable systems.

Distressed assets often present compelling entry points at discounted valuations, creating opportunities for investors willing to commit resources to restructuring and modernization. For operators, these acquisitions provide a pathway to expand market share and leverage existing infrastructure to drive efficiencies. In many cases, the upside potential is considerable. By implementing cost restructuring, menu innovation and digital engagement strategies, buyers can unlock value and reposition these brands for sustainable growth.

This dynamic is expected to accelerate as capital availability improves, and strategic buyers seek growth through opportunistic acquisitions. With private equity firms holding record levels of dry powder and financing conditions becoming more favorable, both revitalized brands and distressed concepts are poised to become central themes in the next wave of restaurant M&A. Turnarounds are no longer a niche story; they have become a defining feature of the evolving landscape, complemented by a growing pipeline of underperforming brands that require new ownership and operational expertise. In 2026, this convergence of turnaround momentum and distress-driven opportunities will fuel a more diverse and competitive deal environment, attracting investors and operators who can deliver disciplined execution and sustainable value creation.

Source: Pitchbook

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Category Standouts: Chicken, Mexican Food & Beverage

Several restaurant segments continue to show resilience and outsized growth, offering strategic opportunities for operators and investors. Chicken concepts are projected to grow sales by nearly 7% in 2025, reflecting sustained consumer enthusiasm for bold flavors and high-protein meals. Brands like Dave's Hot Chicken and Raising Cane's are expanding rapidly, leveraging simple menus, strong branding and efficient operations to scale across markets. Their success highlights the category's ability to deliver both craveability and strong unit economics.

Mexican cuisine remains another bright spot, with expected growth above 6% in 2025. The segment benefits from its versatility, perceived value and broad demographic appeal. Taco Bell remains the category leader in innovation, and QDOBA has continued to perform well, supported by its customizable offerings and operational consistency. Across the category, regional fast-casual players are gaining traction by blending authenticity with convenience, positioning Mexican cuisine as a reliable growth engine in various markets.

Additionally, coffee and beverage concepts are forecasted to accelerate year-over-year, with growth climbing to 4.4%. This reflects the segment's unique ability to drive habitual visits and premium spending. Brands like Dutch Bros. and 7 Brew are leading this momentum, offering drive-thru convenience, energetic branding and strong community engagement. Their rapid expansion and young customer base underscores the potential for beverage-led concepts to thrive even in uncertain economic conditions.

Together, these categories represent the most dynamic areas of the restaurant landscape heading into 2026, with substantial white space for growth. Their continued growth signals a shift in consumer preferences toward differentiated, experience-driven and lifestyle-oriented dining occasions.

Source: National Restaurant News

Segment	2025E Sales Growth Rate	Representative Brands
Chicken	6.9%	Chick-fil-A, KFC, Popeyes, Raising Cane's, Wingstop, Dave's Hot Chicken, huey magoo's, Pollo Tropical, Slim Chickens, Zaxby's
Mexican	6.2%	Chipotle, QDOBA, Taco Bell, Condado Tacos & Tequila, Torchy's Tacos, Velvet Taco, Rosa Mexicano
Coffee / Beverage	4.4%	Seven Brew, Dunkin', Starbucks, Tropical Smoothie Cafe, Better Buzz Coffee Roasters, Caribou Coffee, Dutch Bros Coffee, Scooter's Coffee, Swig

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State of the Consumer

The evolving consumer landscape is unlocking new opportunities for restaurant operators and investors. While lower-income households are tightening spending, higher-income consumers, now a greater percentage of total households, continue to drive food-away-from-home demand, making them central to restaurant performance and investment strategy.

Operators are responding with agility, introducing value-oriented offerings like bundled meals, streamlined menus and targeted promotions. These initiatives appeal across income levels while preserving margins and boosting traffic, a key metric for buyers and lenders. Brands demonstrating consistent traffic and engagement are becoming more attractive acquisition targets.

Consumers remain focused on convenience, quality and value. Restaurants that strike this balance are seeing stronger engagement across demographics, with higher-income households providing a stable foundation for growth.

As we approach 2026, the alignment between consumer behavior and operator strategy is creating a favorable environment for M&A. Brands that deliver value, scale efficiently and maintain broad relevance are well-positioned to lead the next wave of consolidation and investment.

Key Considerations

Looking ahead to 2026, optimism around restaurant M&A is building. A more favorable macro environment, marked by improving financing conditions and easing interest rates, is expected to support deal activity. Private equity firms continue to hold record levels of dry powder, and many are actively seeking scalable, category-leading concepts / platforms. With strong consumer demand in key segments, a more constructive capital landscape and a narrowing gap between buyer and seller expectations, the stage is set for a rebound in transactions across the industry. Citizens M&A Advisory maintains strong connectivity across the restaurant dealmaking landscape, offering clients deep sector insight and access to a broad network of strategic and financial buyers.

About the Author

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Darren Gange is a seasoned investment banker with over 25 years of investment banking and private equity experience. He currently serves as Managing Director at Citizens M&A Advisory. Mr. Gange's extensive experience spans mergers and acquisitions, capital raising and strategic advisory, providing invaluable guidance to restaurant and multi-unit consumer companies. Prior to Citizens, Mr. Gange was a managing director at DC Advisory in their Consumer, Leisure & Retail group.

Mr. Gange earned his BS from the Stern School of Business at New York University.

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Recent Citizens M&A Advisory and Financing Transactions

Arby's
A Subsidiary Of
INSPIRE
Has Sold 115 Corporate-Owned Units To
AES
Financial Advisor to the Seller
DECEMBER 2025

Hot North Chicken LLC
A Franchisee Of
Dave's Hot Chicken
Has Been Acquired By
A Confidential Party
Financial Advisor to the Seller
DECEMBER 2025

Motley Brew 7B
A Portfolio Company Of
ORANGEWOOD
$100,000,000
Senior Credit Facilities
Left Lead Arranger, Joint Bookrunner, and Administrative Agent
OCTOBER 2025

Ruby Slipper
A Portfolio Company Of
Bregal Investments
Has Completed a Refinancing
Financial Advisor to the Borrower
JUNE 2025

A Franchisee Of
Panera BREAD
Has Completed a Refinancing
Financial Advisor to the Borrower
JUNE 2025

MOSAIC RED HAT
A Franchisee Of
Arby's
Has Been Acquired By
AES
Financial Advisor to the Seller
MAY 2025

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