

Firm Profile

Built to Own

How 3G Capital, the lean and secretive private equity firm, created some of the world's largest companies

By Dom Cooke

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PHOTOS BY TOMMY AGRIODIMAS

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At two in the morning on September 2, 2010, the 37th floor of 600 Third Avenue was dark except for the boardroom. At one end, 3G Capital's chief financial officer was arranging papers across the conference table. At the other, two junior lawyers checked signatures under the hospital lights.

Burger King's board had agreed to sell the company for \$4.1 billion to 3G Capital, but the firm was obscure enough that the previous day *The Wall Street Journal* had mistaken it for a different company entirely. The deal would be one of the largest buyouts since the financial crisis.

Outside, Manhattan's towers blinked in the late summer heat. Three hours earlier, across the river in Queens, Andy Roddick had been knocked out of the US Open by an unseeded player in the second round. Somewhere in the city, he was probably still awake.

So was Daniel Schwartz, sitting in an airport hotel room in Miami with a phone to his ear. He was 29 years old, a partner at 3G, and he had until the New York Stock Exchange opened in seven hours to secure \$2.4 billion in debt financing. At six in the morning, as planes began flying into the sunrise over Biscayne Bay, the lawyers in New York confirmed the documents were set.

The debt remained a problem, as it had been since 3G began talks with Burger King in March. It was 2010, the scars of the financial crisis were still raw, and in Europe, fresh wounds were opening by the week. Schwartz got married in May, though there was little time to celebrate. Greece needed rescuing by the IMF and EU, which unsettled markets and cast doubt on the eurozone itself. The kind of loan 3G needed to make a deal like this work all but disappeared.

By late summer, JPMorgan agreed to split the financing with Barclays. They would each lend \$1.2 billion. The deal was progressing quietly until Wednesday, September 1, when *The Wall Street Journal* reported that 3i Group, a private equity firm based in London, was buying Burger King. The stock jumped 15%. 3i's spokeswoman jumped higher. "We're not talking to Burger King, we have no interest in the company, and we're not sure where this has come from."

The New York Stock Exchange halted trading and called John Chidsey, Burger King's chairman and CEO. He had until Thursday's opening bell at 9:30am to announce a deal or dismiss the rumors. Which was why, at two in the morning, the lawyers were still at it on the 37th floor. And why Schwartz, who still hadn't slept and still hadn't been on his honeymoon, was trying to get signatures from both banks before the market opened.

Alex Behring, 3G's co-founder and managing partner, had flown to Miami with Schwartz on Wednesday. At 9am on Thursday, he stood with Chidsey in a conference hall at Burger King's headquarters on Blue Lagoon Drive, a burger flip from Miami airport and Schwartz's hotel room. Several hundred employees had gathered to hear an announcement. The market opened in 30 minutes.

Behring called Schwartz.

"Can we go?"

"No," Schwartz replied. "The banks still haven't signed the commitment papers."

Behring and Chidsey stood at the front of the room. A sea of eyes fixed upon them. After 15 eternal minutes, Schwartz called back.

"We can go."

Burger King shares rose 25% to \$23.59. The deal, a take-private acquisition priced at \$24 per share, was a 46% premium to the stock price before rumors began circulating on Tuesday. It did not take long for analysts to weigh in. "The valuation is based on good fundamentals," Reuters noted, "which Burger King does not have."

The deal included a "go shop" provision that allowed Burger King to solicit a better offer from other buyers over the course of the next month. Nobody expected another bid, and none came.

Since Burger King's founders had sold the business in 1967, the company had cycled through four owners and 19 CEOs.

Franchisees were suing the business over a dollar double cheeseburger that cost them money with every sale. Growth and

profitability trailed the industry, and Burger King's shares had underperformed those of McDonald's by 49% since the end of 2008.

Even people on their own side had questions. Paul Fribourg had spent his entire career in food and agriculture. He was CEO of Continental Grain, and served on the boards of Estée Lauder and Loews. He had known 3G's founders for 40 years, and Behring since he arrived in New York to set up the firm in 2004. When Behring called about Burger King, Fribourg cut to it.

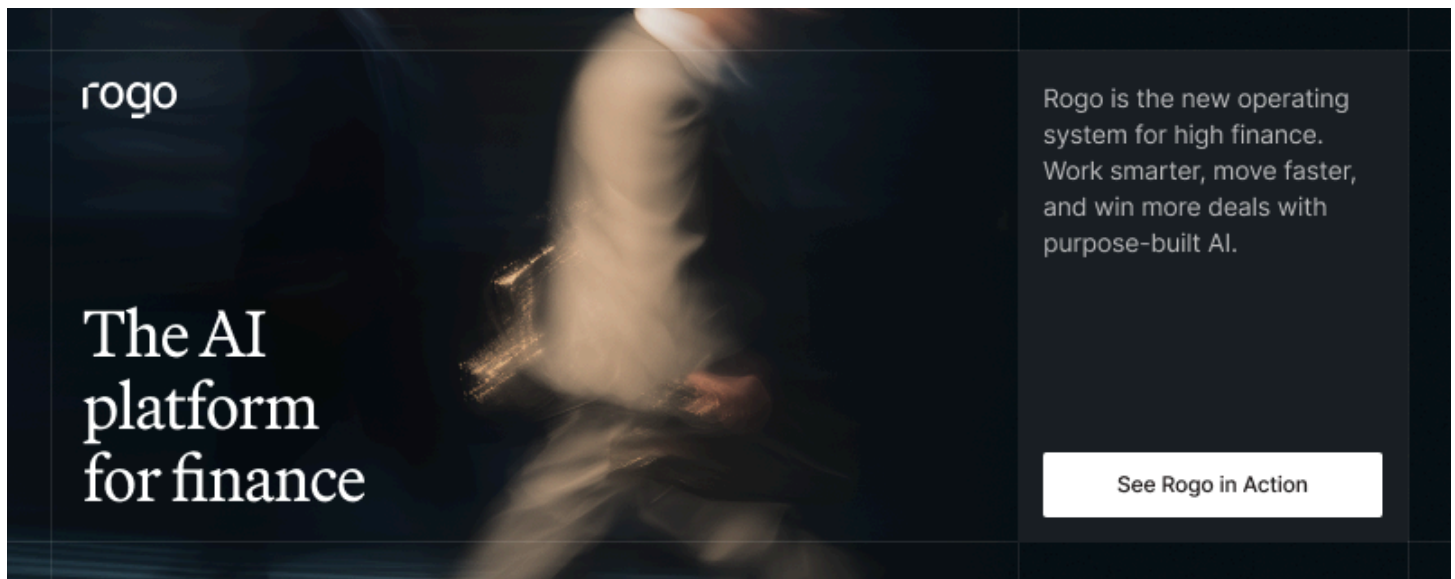
"Come on Alex," he said. "You're Brazilian. You've never worked in the US. You don't know anything about the fast food industry. What are you going to do that these really smart American investors haven't already done?"

The smart Americans were Goldman Sachs, Bain Capital, and TPG. They had acquired Burger King in 2002 from Diageo, taken it public in 2006, and made multiples of their money along the way. In 2007, they began selling down their stake, having—surely—taken all the meat off its bone.

In the carcass everyone assumed Burger King to be, Behring and Schwartz saw a business that would not die. It kept surviving its owners! And not just surviving. It had become the world's second-largest hamburger chain. Schwartz sought outside counsel from his mother and fiancée. He asked them how big Burger King was relative to McDonald's. They each said half the size. The actual number was one-sixtieth. The brand was bigger than the business. If they could fix some obvious problems—like not selling cheeseburgers at a loss—they'd make money. Their model projected they would triple their money in five years.

"I honestly didn't believe they could do what they were saying," Fribourg told me. "But I liked Alex, Daniel, and their partners, so we wanted to give them a shot." He wrote a check.

Fifteen years later, the investment is up nearly 30 times. Burger King is now one piece of a \$45 billion public business Behring and Schwartz have built: Restaurant Brands International (RBI). 3G owns a quarter of it. The annual dividend alone is four-fifths of what they paid for Burger King in 2010. It may be the greatest private equity deal in history, and they have no plans to exit.



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Much has been written about 3G since 2010; most of it notes that Behring and Schwartz did not respond for comment. In the five years after acquiring Burger King, they bought more beloved North American brands. Between 2013 and 2015, they partnered with Warren Buffett to buy Heinz, Tim Hortons, and Kraft. Since then, 3G has been headline news.

The firm became synonymous with zero-based budgeting, where every expense must be justified from scratch. To 3G, it was a principle of ownership: Spend every dollar as if it were your own. The business press fell on it. "Squeezing Heinz." "Chainsaw Capitalism." Here were investors grounding corporate jets, unplugging mini-fridges, making executives print in black and white on both sides of the paper. Layoffs, too. The stories wrote themselves.

Nearly a decade after partnering with 3G on Heinz, Charlie Munger offered his view: “The directors’ table in the Heinz corporation cost \$600,000. *The goddamn directors’ table!* If you get fat like that, somebody like 3G comes along and says, ‘I ought to buy you and get you back to normal.’ The excess just creeps into these places.” He paused. “Of course, it’s possible to overcut.”

The cost discipline is real. They practice it themselves. 3G’s Midtown East office, which I visited recently for rare on-the-record interviews with Behring and Schwartz, is notable mostly for what it lacks. Schwartz was certain they pay less per square foot than anyone else I’ve spoken to in Manhattan for *Colossus*.

The habit is Brazilian. 3G emerged from an economy where inflation hit 2,900% a year, where the best jobs came with chauffeurs, and where directors paid themselves bonuses regardless of profit. Frugality is one piece of a model centered around the simple idea that employees should feel and act like owners. The model has produced the biggest investment bank in Brazil, the world’s largest brewer, the third-largest restaurant company, and turned hundreds of employees into multimillionaires. In 3G Capital, it has also produced a rare kind of investing partnership, one where each fund holds exactly one company, the partners are the largest investors in every fund, they work the businesses themselves, and they have never lost money on a deal.

The 3G that unplugged mini-fridges and counted paper clips is not exactly the 3G of today, however. Behring and Schwartz’s last two deals were family businesses whose founders could have sold to anyone and chose the firm that once terrified corporate America for a reason.

If you ask Behring, Schwartz, and their inner circle, they’ll claim it’s not because of industry-defining deals or billions in savings. They’ll say it’s about a group of investors who circle the globe looking for old people worth learning from and young people worth betting on, who teach the latter to want impossible things, then give them years to make good on the wanting.

It began 50 years ago on a beach in Rio de Janeiro, with a 17-year-old sitting on a surfboard, watching the swells, waiting for the right wave.



Jorge Paulo Lemann was, by his own admission, one of the best surfers in Rio. At 17, he was also the Brazilian junior tennis champion, an undisputed title he credited to his sportsman’s lifestyle of no alcohol, no heavy food, and no late nights. He woke at five in the morning, ran along the white sands of Leblon, then climbed the wall into the Rio Country Club to hit balls before doors opened to members. He only dated girls who did not interfere with his habit of going to bed and getting up early.

His father, a dairy trader from Switzerland, was killed by a tram when Lemann was 14. From that point forward he moved as if there wasn’t a moment to lose. He spent his first year at Harvard bored and homesick. It ended with him setting off fireworks in the main quad. A letter from Harvard followed, recommending he take a year off to mature. The word “recommended” caught his attention. He returned and graduated in three years.

After Harvard, Lemann took an internship at Credit Suisse in Geneva, but found the hierarchy suffocating. He quit and spent the next year and a half playing professional tennis, competing at Wimbledon, Roland Garros, and in the Davis Cup for Switzerland. When it became clear he would never crack the top 10, he quit that too.

Back in Rio, he joined a credit business that failed, then a brokerage that pushed him out. In 1971, Lemann found backers and bought a brokerage called Garantia for \$800,000. It would make more than 300 people decamillionaires. The company had three phones and no air conditioning. Two months later, the stock market crashed. For almost two decades, Lemann and his partners were known as the investors who had paid the highest price for a brokerage permit.

It didn’t matter. He had a dream.

His uncle, an influential cocoa trader, had introduced him to Goldman Sachs years earlier, and Lemann was taken by its meritocratic culture. In New York, there were no shiny signs on the building. Just young people in plain clothes, arriving early,

leaving late, getting rich if they performed. Nothing like it existed in Brazil, where the economy ran on government contracts and state-controlled enterprises. The best jobs were at multinationals like Shell, IBM, and Volkswagen, where executives had drivers, club memberships, and their children's schooling paid for.

Lemann's Garantia offered below market salaries and no perks, but if you beat your targets, you could make four or five times your base pay in bonuses. He staffed his business with what Alan Greenberg, the legendary Bear Stearns CEO, called PSDs—kids who were poor, smart, and had a deep desire to get rich.

He wanted his best people to feel like owners, and not in some motivational-poster sense. He wanted them to have equity. Partners weren't given shares, however. They had to buy them. Seventy percent of a new partner's earnings went toward purchasing their stake, which they typically paid off over three years. It kept them poor enough to stay focused.

The office was a single open room. There were no walls between employees and partners. Lemann sat at a table in the middle, visible to everyone. The dress code was khakis and rolled-up sleeves. The days ran 12 to 14 hours, and often bled into weekends. Anyone who left early was met with sarcastic applause.

Through the Darwinian atmosphere, two men rose faster than anyone else: Marcel Herrmann Telles and Carlos Alberto Sicupira. They came from middle-class backgrounds in Rio. Neither had Lemann's Harvard pedigree. Both had his intensity. By 1980, they were his closest partners. Garantia had grown to 200 employees by then, and Lemann had increased his stake to over 50%, buying out anyone who wasn't pulling their weight. He sold the shares to Telles, Sicupira, and others who'd actually earned them.

Garantia made its money trading government debt. As profits grew, the brokerage moved into investment banking and began taking minority stakes in struggling companies. In the 1970s, it bought 25% of the company that owned Havaianas, the flip-flop brand. But as minority owners, they could only watch as management made decisions they disagreed with. The lesson was obvious. If they were going to fix something, they needed to own it. In 1983, Lemann, Telles, Sicupira, and a few other partners bought their first business outside of the bank—a struggling retailer called Lojas Americanas. Sicupira became CEO and introduced it to the Garantia way.

It may be the greatest private equity deal in history, and they have no plans to exit.

Five years later, Garantia was throwing off cash, and its employees were growing rich. Lemann never liked money sitting idle; it made people soft. He wanted to own another business. In 1989, he announced to his partners that he'd bought Brazil's second-largest brewer, Brahma. The cost was \$60 million.

Not everyone was thrilled. Claudio Haddad, Garantia's chief economist, thought it was reckless. "You're mad," Haddad said. "How are we going to pay?" Brazil was preparing to choose its first directly elected president in almost 30 years. One of the leading candidates was Luiz Inácio Lula da Silva, a former labor unionist who terrified business leaders. If Lula won, Haddad worried, the economy would collapse.

Lemann had done his calculations, however. Who was the richest man in Venezuela? A brewer. The richest in Colombia? A brewer. Argentina? A brewer.

"These guys can't all be geniuses," Lemann said. "It must be the business."

Telles, who had been running Garantia's trading desk, became CEO of Brahma. He was 39. He had never set foot in a factory. He knew nothing about distribution centers, marketing, or labor unions. He had only led a few dozen people at Garantia and, now, he was in charge of 20,000.

Sicupira, still CEO of Lojas Americanas, gave him advice: “You don’t know anything about beer, so for the first three years please don’t do anything dramatic. You’ll be wasting my money.”

In his first 90 days, Telles fired 10% of the workforce, tore down the office’s walls, eliminated reserved parking spaces, closed the executive restaurant, and scrapped the executive-only bathrooms. Directors had been entitled to 45 days of vacation. Not anymore.

Then he went to school. Lemann had built Garantia by studying Goldman Sachs. Sicupira, before taking over Lojas Americanas, had written to 10 of the world’s biggest retailers asking to learn from them. Sam Walton called him back. Now Telles toured Anheuser-Busch, Modelo, and Coors.

Brahma’s machinery was 40 years old, on average, and each plant brewed beer differently. Telles brought in a quality consultant named Vicente Falconi, who tested bottles from every Brahma plant produced on the same day. Each one tasted different. He tested bottles from the same plant produced at different hours on the same day. Those tasted different too. The chief brewer considered himself an artist. Telles considered him a problem.

He closed more than 10 factories and cut the distributor network from over 1,000 to 300. Most of Brahma’s distributors had been friends, relatives, or former employees. Telles ended the arrangement. It was the same rule Lemann had imposed at Garantia, where children and spouses of partners were forbidden from working at the bank.

He applied similar logic to people, borrowing from Jack Welch at GE the principle that the bottom 10% of performers should be cut every year. He began showing up at universities before graduation, searching for talent. In 1990, Brahma launched its first trainee program. The average age of the workforce dropped from 48 to 32.

By 1998, sales were growing but earnings were flat. Magim Rodrigues, Telles’ deputy, went through the accounts line by line. Brahma’s spending on travel, meals, and company cars had run wild again. The Rio de Janeiro office, for example, had a 17-car fleet when it needed five.

Falconi, the quality consultant, returned and introduced the zero-based budget. From then on, every year, every cost in the company would be justified from scratch. To launch the program, Telles summoned his executives to Brazil’s military academy in the hills above Rio. That year, no bonuses were paid. The company had made a profit, but it had missed its goals. Telles and Rodrigues received nothing. Employees who had grown accustomed to earning 18 extra salaries got zero. The rules could not be bent.

In July 1999, Brahma acquired Antarctica, its century-old rival from São Paulo. The companies had competed so bitterly that Brahma employees were forbidden from drinking Antarctica beer, even at home. One executive compared it to merging São Paulo and Corinthians into a single football club.

A decade earlier, the deal would have been unthinkable. Antarctica held a 25% profit margin to Brahma’s 5%, and 60% of consumers preferred its beer. But within two years of Telles taking over, Brahma’s profits had tripled. By the mid-1990s, it had nearly doubled productivity while Antarctica’s costs rose 32%.

When the Real collapsed in 1999, Antarctica, unprepared and overextended, couldn’t survive on its own. The deal closed in three months. It was announced as a merger. It was not. The combined entity, AmBev, became the fifth-largest beverage company in the world.

By then, Garantia—the institution that had started it all—was already behind them. At its peak, it had been the most powerful investment bank in Brazil, but the men who had built its culture were seldom in the building anymore. Lemann, who had suffered a heart attack in 1994, spent most of that year recovering at home; Telles was across town, running Brahma; Sicupira had left Lojas Americanas in 1993 to start GP Investimentos. When the Asian financial crisis shook emerging markets in 1997, Lemann decided to sell. Credit Suisse paid \$675 million for a firm worth less than one million 27 years earlier. Brahma and Lojas Americanas, held outside the bank, remained theirs.

The following March, two gunmen fired 15 rounds at an armored Volkswagen Passat taking Lemann's three youngest children to school in São Paulo. The chauffeur took two bullets but got the kids out. Lemann has not lived in Brazil full-time since.



The scene looked like a war zone. Twenty-seven rail cars lay jackknifed between two cliffs north of Curitiba, twisted metal and diesel fuel scattered across the hillside. Flames licked at the wreckage. Men in overalls scrambled through the debris.

Alex Behring arrived within four hours of the derailment. It was August 1998. He was 31 years old and had been CEO of América Latina Logística (ALL) for exactly one month.

While his COO supervised the construction of a detour, Behring did something that had seemingly never happened in the history of Brazilian railroads. He drove to the homes of the train's operator and his trainee. The driver had barely survived. Behring wanted to see that he was okay, and that his family had what they needed. They didn't know what to make of the visitor. At first, the family thought it was a prank. The man at their door looked too young to run a railroad. Most of the firm's employees who worked in the field had never seen the CEO. Neither had their parents, who had also worked the rails.

Behring had been tested once already, on his very first day, when a mid-level manager demanded the immediate release of \$5 million to repair a bridge he claimed was on the verge of collapse. The company was short of cash but Behring had done the research used to buy the railroad. He knew which bridges were in critical condition. This one wasn't.

"I sensed he was trying to take advantage of an inexperienced manager," Behring recalled.

He told the man the incoming train would pass over the bridge exactly as scheduled, and that he was so confident he would ride along himself. "I'm a big believer in alignment," Behring said, "so I told the manager he would come with me."

These were Behring's first weeks in charge of a railroad he knew nothing about, in an industry he had never worked in, running a company that had been neglected for decades under state ownership. A 1996 government study had found that 50% of the network's bridges needed repair, 20% were on the verge of actual collapse, and the system still operated more than 20 steam-engine trains. The previous management had been political appointees. The company hadn't hired a new person in 13 years.



ALEX BEHRING

Behring grew up in Rio de Janeiro, an only child whose parents had little formal education but firm views on work and self-discipline. An aunt who helped raise him reinforced the message. Each summer, he stayed at her house in Miami, worked small jobs, and developed an addiction to Whoppers. He showed me a letter he wrote at age seven, proudly recording how he ate lunch at the Burger King on 41st Street every day.

He was a computer engineer by training, and a competitor. He played water polo at the national level in Brazil, through the junior leagues and into college. And he spearfished. In 2007, he dove 70 feet on a single breath beneath a set of oil rigs 130 miles off Brazil's southern coast, speared a 62-pound mahi-mahi, and fought it for 45 minutes before bringing it aboard. He held the world record for 15 years.

At 20, he co-founded a technology consulting firm with a partner 30 years his senior, building intranets for Latin American banks. At 25, he sold his stake, bought a car, applied to Harvard Business School and achieved his only financial goal in life: an apartment on the beach in Rio. His section-mate at Harvard, Jo Tango, who later became a lecturer at the business school, remembered Behring as a Baker Scholar—top 5% of the class—with unusually high emotional intelligence.

It was at Harvard that Behring encountered the men who would shape his career. Sicupira and Telles came to Cambridge as guest speakers in an entrepreneurial finance class. They were spearfishermen too. At the time, Sicupira was running GP Investimentos, one of Latin America's first private equity funds, with offices one floor below Garantia in São Paulo. It was the first time the partners raised outside capital to buy and operate companies. After class, Bill Sahlman, an HBS professor who would mentor Behring for decades, introduced him to Sicupira. Behring had spent the previous summer at Goldman Sachs


where he had found the rigid structure frightening. Sicupira offered him a job. The salary was tiny, but he negotiated one benefit. They paid for a shipping container to take his belongings back to Brazil.


He joined GP as an analyst in 1994, just as Brazil was finally stabilizing. The 1980s in Brazil, despite what his bosses had achieved, were known as the “lost decade.” Inflation averaged 700% a year, GDP growth limped along at 1.6% a year, and the country defaulted on its debt twice. In 1994, a new finance minister named Fernando Henrique Cardoso introduced the Real and pegged it to the dollar. Inflation fell to single digits. When Cardoso became president, he began privatizing state assets: steel, telecommunications, banks, and railways.

In 1995, the government announced it would break the rail system into seven regional branches and auction off 30-year concessions. Behring started analyzing the assets and quickly realized the rail network was not hostage to the oscillations of Brazil’s unpredictable economy. Customers desperately wanted to use the rails but couldn’t. Decades of neglect had made the service so unreliable and slow that shippers had turned to trucks instead. In the United States, rail carried more than 80% of freight shipped over 2,000 kilometers. In Brazil, even on long hauls, the share was just 20%.

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None of the GP partners knew anything about railroads, but Sicupira knew Bruce Flohr, the chairman and CEO of RailTex, a successful American short-line operator. Behring flew to San Antonio to meet with RailTex’s management and study the Brazilian assets. They decided to bid for the line that ran through Brazil’s three southernmost states. The auction took place in December 1996. GP’s consortium offered 217 million reais (\$225 million), a 38% premium over the government’s minimum, and won.

The board hired José Paulo Alves as the first CEO, selected specifically for his expertise in downsizing. Nine months later, with the headcount halved, they concluded the company was ready to begin growing revenues in addition to cutting costs. This would require a change in culture. They began searching for a new CEO.

Behring was encouraged to take the job. “Nobody here knows anything about railroads,” Sicupira said. “You’re in the same position as everybody else. It was your idea to buy the company, so go and sort it out.”

He became CEO in July 1998, and spent his first 10 days conducting 15-minute interviews with the top 150 managers. From these conversations, he identified 30 mid-level managers to help lead the transformation. He tore down walls, auctioned off company cars, let go of chauffeurs, and started recruiting students. Then he designed a compensation system in which top management would decide on five key objectives each year, and every manager would have the same number of personal targets linked to those goals. Individual performance was tracked weekly. The results were posted publicly, Behring’s included.

In his first year, Behring certified as a train engineer and spent one week per month in overalls, on the rails, sleeping in crew dormitories. “In a large organization,” he told me, “information gets filtered to you in PowerPoints.” No amount of slides could teach him what the overnight freight train to Paranaguá did.

He was young and athletic, but after eight hours in the train’s cabin, his back was killing him. The chairs were terrible. The cabins were freezing. The crew quarters where staff rested between shifts, often in the middle of nowhere, were damp and cold. The television was usually broken, and the hot water had probably run out.

“We didn’t have the money to buy new locomotives,” he said, “but we could fix those issues.”

By operating the trains, Behring learned that there were many ways to get from point A to point B, and those differences had enormous cost implications. The way an engineer accelerated and braked, the speeds maintained on different segments of track, the decisions made at every switch and crossing—all of it affected how much diesel the train used, and diesel was the single largest cost in the company.

This insight led to onboard computers that tracked every trip. The data fed into a system that ranked drivers by fuel consumption and adherence to safety protocols. They called the competition the Diesel Cup. Top performers earned badges for their uniforms. Famous soccer players presented prizes at award ceremonies. Anyone who violated safety rules was disqualified.

The idea came from Telles, who had used annual competitions to transform Brahma’s chaotic distributors into a disciplined sales force. He’d picked it up from weeks studying Anheuser-Busch. The principle was simple: centralize the what, not the how. Set the goals, define the boundaries, then get out of the way.

The Diesel Cup reduced fuel consumption by 30% and made ALL the safest railway in Brazil.

Warren Buffett once said he had never seen a better management culture than the one Lemann built.

Growing the business would require a similarly creative approach, because ALL had no money. When Behring became CEO, the company generated positive cash flow only during harvest season. While other railway operators negotiated multimillion-dollar contracts with General Electric for new locomotives, ALL bought used engines from Africa. They extended fuel tanks so trains could run longer between stops. They dismantled tracks from abandoned crossings and laid them on the main lines. New rails cost \$400 per ton. These cost nothing.

By 2000, the time for a locomotive to complete a delivery had dropped from 14 days to eight. ALL had nearly doubled its available capacity without significantly increasing its fleet. Shippers began trusting the rails again.

Behring remained CEO through the company’s IPO in 2004. In seven years, margins expanded from 6% to 40%. Behring had taken a railway that couldn’t hire, couldn’t invest, and couldn’t deliver freight on time, and made it 40 times more valuable.

After the IPO, Behring moved his young family to New York. He was 37 and wanted to be an investor again. He also wanted to see what he could achieve by replicating in America what Lemann, Sicupira, and Telles had built in Brazil.

The partners already had a foothold in New York. In 1997, Lemann’s son Paulo Alberto had established a fund of funds called Synergy, which served as their base for capital outside Brazil. They had been founding investors in Lone Pine Capital, having met Steve Mandel in the 1980s when he was Goldman’s top retail analyst, and they had later backed Chris Hohn when he started TCI Fund Management in 2003.

Behring renamed the operation 3G Capital and launched a fund to invest directly in companies. There were five founding partners: Lemann, Telles, Sicupira, Roberto Thompson, and Behring. The first four joined him for a quarterly board meeting to discuss the fund's initiatives. Otherwise, Behring was on his own. "Alex has all of our strengths and none of our flaws," Telles said.

Among Behring's first hires, in 2005, was Daniel Schwartz. Schwartz was 24 and had grown up on Long Island. His father ran a dental practice in Queens. His mother was a lawyer who wrote and graded the New York State bar exam. As a boy, he collected rocks and minerals, and dragged his father to shows so he could look for mispricings between specimens laid out on folding tables.


In high school, Schwartz led a peer-to-peer tutoring program. When it came time to get a paying job, he learned the minimum wage was \$4.75 an hour but he knew teachers charged \$100 or more to tutor. So he got a job at a sneaker store for the explicit purpose of earning enough money to take out an ad in a local circular, then began tutoring kids in the neighboring school district for \$50 an hour.



By 20, he had graduated from Cornell in three years and signed with Donaldson, Lufkin & Jenrette. Credit Suisse acquired the investment bank before he started; he distinguished himself anyway and soon received an offer from a hedge fund. When Behring found him, he said, "Your resume is good, but for your age, it's great." Schwartz took it as a compliment.

When I met Schwartz, two decades later, he arrived carrying a stack of papers and a pen. As we talked, he took notes. Colleagues say this is how he operates. When 3G was weighing an acquisition of Popeyes in 2017, his team spent two weeks producing 300 slides of research. Schwartz not only knew every slide, he had visited more than two dozen Popeyes restaurants himself, plus competitors, and tracked down an out-of-print book the chain's founder had written. He had done more work than his team while running a \$26 billion company.

Those close to him describe something like a photographic memory—for people especially. Names, roles, prior positions, where someone came from and where they might go. Much of the talent now flowing into 3G arrives through his network. "He's very special," David Sonnenberg, executive chairman of Hunter Douglas, told me. Across decades of high-stakes situations, no one I spoke to could recall him raising his voice.

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Overview

Core Architecture

- Library Initialization and Auto Classes
- Model Loading and Hub Integration
- Tokenization and Multi-Modal Processing
- Pipeline API**
- Training System
- Trainer Class and Training Loop
- Training Configuration
- Callbacks and Distributed Training

Generation System

- Generation Configuration and Strategies
- Logits Processing and Stopping Criteria

Pipeline API

How do I get started running inference?

Fast

Together Schwartz and Behring started buying small stakes in companies like Coca-Cola, Wendy's, and McDonald's. The positions were educational. Behring wanted to understand how American companies talked about themselves, how their boards functioned, what their managers measured and what they ignored. They also used the time to network, knocking on every door they could find. "We were very unshy," Schwartz said. "We called everybody."

In late 2006, Lemann introduced Behring to Warren Buffett. The two men had been close since serving together on the Gillette board in the late 1990s—Buffett called him an “outstanding human being” and an “extraordinary manager.” After 150 years of what Buffett described as “frenzied construction, skullduggery, overbuilding, bankruptcies, reorganizations and mergers,” North American railroads had finally become investable. Buffett wanted to understand the business from someone who had operated one.

Lemann brought Behring out to Omaha on a Sunday. Buffett picked them up from Eppley Airfield in his metallic beige Cadillac DTS sedan with matching beige interior. Lemann sat in the front. Behring climbed in the back. As soon as Buffett pulled onto the road, he draped his arm over Lemann’s seat and began speaking to Behring. As they did 45, the Cadillac drifted between lanes. Behring had taken rickety freight trains across dilapidated bridges that swayed over Brazilian canyons. Buffett wanted to hear about all of it. Behring just wanted him to watch the road.

A few months later, Buffett began buying Burlington Northern Santa Fe. Behring and 3G, meanwhile, were buying CSX, which had the most room to improve and raise prices. So was Chris Hohn at the Children’s Investment Fund in London. In 2008, both funds launched a proxy fight for five board seats. CSX took legal action. Behring and Hohn won their seats.

The dispute introduced 3G to the American press for the first time. Behring would have preferred otherwise, but the investment more than doubled while the broader market fell, and importantly, he had gotten what he came for: a view from inside a Fortune 100 company. It confirmed that American businesses had room to improve. And it confirmed a lesson his 3G co-founders had already learned. Minority stakes cannot remake a culture.



In the summer of 2008, while the CSX fight was grinding on, Behring and Schwartz began raising money to do what the proxy battle had made clear they needed to do: buy something outright. That July, InBev announced it was acquiring Anheuser-Busch for \$52 billion. InBev was the company Lemann, Telles, and Sicupira had built out of Brahma. The deal was so large it required 10 banks to finance. In September, Lehman Brothers collapsed, and markets froze.

For months, no one knew if the deal would survive. To help it close, Lemann, Telles, and Sicupira personally guaranteed €1.5 billion. Most of their net worth was tied up in shares, so they took out loans, cut their personal spending, and halved the size of their São Paulo office to reduce rent. The deal closed in November. Behring’s co-founders had become owners of Budweiser—America in a bottle—at the worst possible moment to have taken on \$45 billion in debt.

This did not seem to trouble them. Jim Collins, a management thinker the partners had long consulted, described a board meeting at his lab in Boulder shortly before the deal took place. Sensing his hesitation, Lemann said, “I get the sense you’re a little nervous about this.”

“I am,” Collins admitted. “It’s a \$50 billion transaction. That makes me nervous.”

“Jim, you don’t understand my problem,” Lemann said. “I have too many great young people, and I have to give them big things to do.”

A big dream is as much work as a small dream, Lemann liked to say. So dream big.

Behring would prove it emphatically nine years later. In February 2017, he flew to London and met with Paul Polman, the CEO of Unilever, at the company’s art deco headquarters. Over sandwiches, Behring said that Kraft Heinz, which 3G controlled with Warren Buffett, would like to acquire Unilever for \$143 billion. It would have been the second-largest takeover in history. The bid leaked, became a political firestorm in post-Brexit Britain, and collapsed within nine days.

When I asked Behring about it, he repeated his mentor’s philosophy. The Unilever situation had been made into a bigger deal than it was, he said, by virtue of having become public. “It’s illustrative of the fact that we try big things and won’t be intimidated

by size or complexity.” He added that there were other transactions, ones that never leaked, where they had gotten much closer to the finish line. Others told me 3G came closer to swallowing Unilever than Polman let on.

But for all the deals they have chased and closed and walked away from, the one that defines the firm began with a Bloomberg screen Schwartz ran in the fall of 2009. Burger King had cycled through more leaders than the New York Knicks. It was trading at six and a half times EBITDA, depressed by a franchisee lawsuit and eight consecutive quarters of declining same-store sales. Schwartz and Behring saw a good business being managed badly.

Their model projected they would triple their money in five years. A fine result, but not a big dream. Their partners had just bought Anheuser-Busch—Budweiser!—for \$52 billion. Thirty years earlier Brahma had been a floundering brewery in Rio that Brazilians drank mostly out of desperation. Now Lemann and Telles and Sicupira owned the largest beer company on the planet. *That* was a big dream. And it was Behring and Schwartz’s turn to build their own.

After the deal closed in October 2010, Schwartz packed a small wheeie suitcase and flew to the honeymoon he had twice delayed, then on to Miami. He was 29, the new chief financial officer, and true to form, he had never run anything. Bernardo Hees, who had succeeded Behring at ALL, was the new CEO. Behring became executive chairman. Sicupira and Telles joined the board. “We used to joke,” Paul Fribourg told me, “that Daniel must be really good because he was the first non-Brazilian to hold a senior position in the group.”



Within weeks, every Burger King employee sat through a 15-minute interview with Hees and Schwartz. The administrative assistants included. Each person arrived with one piece of paper, written on one side only, with answers to three questions: what had they done for the brand, what could they tie to financial results, and what ideas did they have. The format was deliberately simple, a way to find people who, as Schwartz put it, “really bought into what we were trying to do.” Then Hees thanked them and they walked out. Over the following months, some were promoted. Others were let go.

Next, the walls came down. Executives had worked along what staff called Mahogany Row, a corridor where senior managers sat behind solid doors in padded silence, their secretaries stationed outside. Contractors demolished it and put up a white grid of industrial tables, one filing cabinet shared among four. The corporate jet found a buyer. The FedEx budget had run into the millions; email would do. Suits disappeared. What survived was jeans and the logo shirts, embroidered for free down in the cafeteria.

This is the uniform at every 3G company, and the partners dress the same way. 3G’s Manhattan office is a large room of wooden desks; Behring and Schwartz sit at an L in the corner. When I visited in late 2025, everyone was walking around in Skechers—the footwear company they had acquired in May for \$9.4 billion, their latest deal, and the largest in the industry’s history. The one indulgence is the view. You step out of the elevator on the 37th floor and there’s the Empire State Building. From the boardroom you can see all the way down to the financial district and across to Brooklyn. In the kitchen, four televisions show live menus from their restaurant brands.

When 3G took over Burger King, the franchisees were suing the company. The dispute centered on a dollar double cheeseburger that headquarters had mandated the year before. The burger drove sales, which drove royalties to Miami. But franchisees lost money on every one they sold. The National Franchisee Association, representing three-quarters of Burger King’s operators, had taken the company to court. Relations had deteriorated so badly that some franchisees no longer spoke to headquarters.

Schwartz invited them all to Miami. He listened. He would later endear himself to franchisees by logging part-time shifts and occasional full days working the restaurants himself, cleaning toilets, learning to assemble a Whopper in 35 seconds, struggling during lunch rushes to keep track of three barbecue sauces and two kinds of onions. But even before buying the business, he had befriended a couple of franchisees, and now Behring and Schwartz recruited one to become president of North America and another to run operations. The dollar double cheeseburger came off the menu, prices went up, and the lawsuits went away. So did, eventually, the extra sauces.

Then Schwartz did something that looked, to analysts, like retreat. Burger King owned roughly 1,300 restaurants. Conventional wisdom held that franchisors should keep around 20% of their stores to maintain operational knowledge and test new products. But those company-owned restaurants generated less than 10% of profits while consuming most of management’s attention. Schwartz and Hees sold them off. Revenues fell 70%. By the end of 2013, Burger King owned just 52 restaurants, all clustered around Miami.

The logic, Schwartz argued, was clear. “Put the physical restaurants in the hands of the best local operators who can run them better, and that’ll allow us to aggressively expand our business.” At the time, no major chain had done this. Within a few years, McDonald’s, Wendy’s, and Yum Brands all announced plans to follow.

Inside headquarters, transparency replaced hierarchy. Managers hung dashboards behind their desks, each objective color-coded red, yellow, or green depending on progress. As Telles had told Behring who told Schwartz: “Measure everything. You can’t manage what you don’t measure.” Over a thousand KPIs cascaded across the organization, all in service of five main objectives. Variable pay was split evenly between the main company-wide target (17% EBITDA growth) and individual metrics. If your personal numbers were less than half complete, you received no bonus at all, even if the business hit its goal.

When they bought Burger King, Behring and Schwartz offered the employees who had bought into their vision the chance to reinvest the proceeds from the take-private into new equity. 3G matched those investments, one or two shares for every share an employee bought. Each year, they encouraged the top few hundred people to swap a portion of their cash bonus for stock, and

again they matched. Employees as a group became the second-largest shareholder. By 2019, senior management's stake was worth more than \$750 million. Over 100 employees had become millionaires.

A big dream is as much work as a small dream. So dream big.

After the first year, with the team in place and costs under control, Schwartz turned his attention to growth. Burger King operated in 75 countries but dominated almost none. They had 3,500 restaurants in Europe and Asia combined; McDonald's had more than 15,000. Schwartz started flying. He quickly noticed that in countries where Burger King was doing best, the story was the same. The restaurants were being run by a local entrepreneur who knew the market and could actually speak the language. So they built a structure around that. An entrepreneur would get exclusive rights to a country and commit to aggressive development targets. Burger King would take an equity stake, keeping a seat at the table without putting up its own capital.

Brazil came first, then China. In 2013, 3G opened a single restaurant at the Marseille airport using the German menu. It did incredibly well. France was McDonald's most profitable international market, and Burger King had abandoned it entirely in the late 1990s. Marseille was proof of concept. In 2014, Schwartz camped out at the airport for a week with Josh Kobza, meeting prospective partners.

When Olivier Bertrand walked in, Schwartz knew he had found the right partner. Bertrand had come up through the beer distribution business and owned a portfolio of restaurants in Paris. Schwartz drove around the city with him. Bertrand could point to every restaurant—who owned it, what was happening inside, sometimes what was happening in the owner's personal life. They structured a joint venture, brought in financing, and gave him the keys to France. A decade later, it was a €2 billion business.

The model repeated across continents. Burger King went from opening 170 new restaurants a year to nearly 1,000. The international business grew to more than half the system.

Everywhere he went, Schwartz recruited. In Hong Kong, the head of Blackstone Asia mentioned offhand that a superstar analyst named Josh Kobza had left for an investment firm in Brazil. Schwartz got his number and called. Kobza was driving through São Paulo when his phone rang. "How'd you get my number?" Kobza asked. "Don't worry about that," Schwartz said, before bringing him to Miami and offering to make him Burger King's head of investor relations. Kobza was 25, earning far more than Burger King could pay. HR told Schwartz not to try. He ignored them and gave Kobza a one-time payment to cover the gap for his first year. After that, he told him, what he earned would depend on what he delivered.

To this day, Schwartz visits Harvard and Wharton and other top business schools every year. Before arriving, he requests the resume book, studies it, and cold-emails the students he wants to meet. No other firm does this, according to Tango. Alex Sloane, an HBS graduate, told me that Schwartz's Burger King event was one of two standing-room-only talks. The other was Joshua Kushner's Thrive presentation. Everyone else sent their HR person.

One of those recruits was Sami Siddiqui. His parents were Indian immigrants who had saved every penny to put their children through the best schools. He went to the University of Virginia, then Blackstone, then Harvard Business School. Kobza mentioned him to Schwartz. Schwartz met him once and offered him a job.

Siddiqui's father went berserk. He called his son home to Washington and explained how he and his mother had spent their lives saving so their children could make something of themselves. Now Siddiqui was going to throw it all away flipping burgers.

Schwartz asked Paul Fribourg to intervene. Fribourg sat on Burger King's board and knew the family. He explained what 3G was. The father remained skeptical. Siddiqui joined anyway. The first deal he worked on was the acquisition of Tim Hortons. When it closed, he was sent to Toronto as executive vice president of finance. Then president. Then to Singapore to run Asia

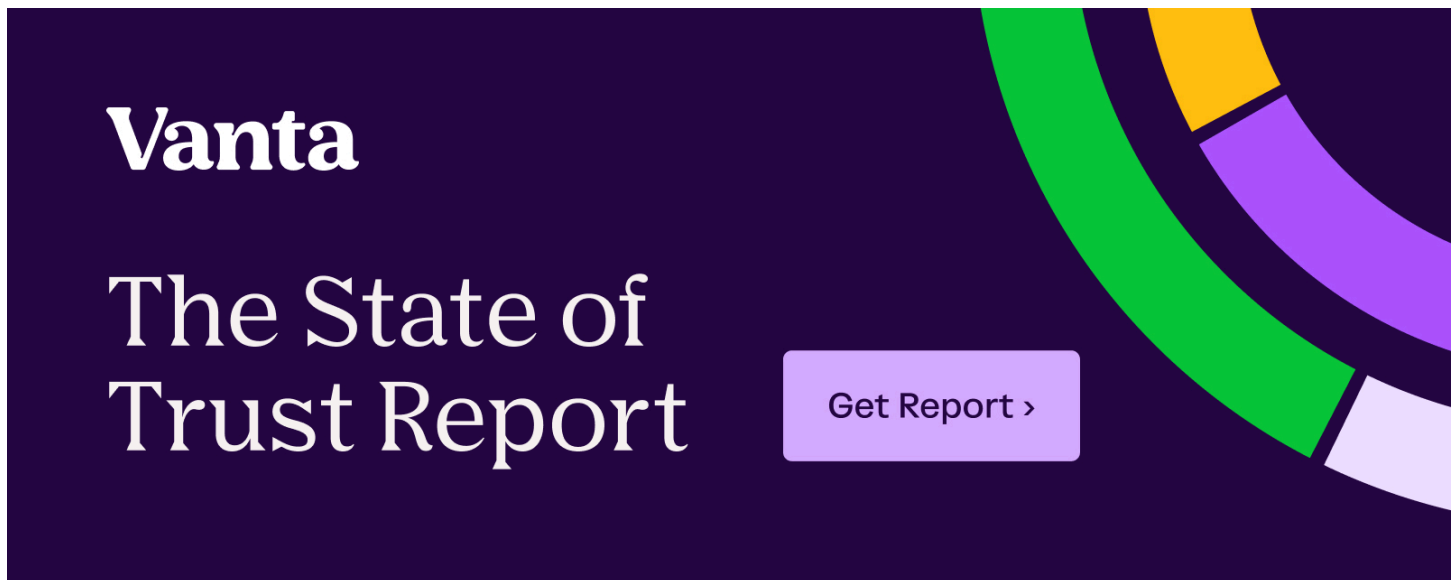
Pacific. Then back to Miami to run Popeyes. Today he is the chief financial officer of Restaurant Brands International, whose enterprise value is \$45 billion.

3G's structure makes this possible. Most private equity funds have 10-year lives. Managers raise capital, charge fees, sell their companies and move on. 3G has no such clock.

The firm has fewer than 30 people, including a dozen partners, nearly half of whom run companies full-time. Capital sits ready. Each fund holds a single company. The partners are the largest investors in every fund. Virtually all of them started as associates. When one is invited to join the partnership, they buy in at book value, the way Goldman Sachs and Blackstone operated before they went public and got rich selling equity to strangers. Ownership in 3G will not pass to the founders' children. It will go to the people doing the work. Tango called 3G "the most unique private equity business model in the landscape today."

The investors match the model: a small group of family partners, many among the wealthiest in the world, who think in decades rather than fund cycles, and who have no interest in seeing their names in print. And, reportedly, Roger Federer.

The goal is to return the original capital, then let compounding run for decades. A traditional fund with a limited time horizon cannot justify planting seeds in France or training a 25-year-old to run a company. 3G can.



In 2012, the chance to return capital came faster than expected.

Fribourg was chairing the annual Harvard Business School dinner in New York. They were honoring Bill Ackman. Halfway through the planning, Fribourg noticed that Ackman hadn't done anything to help raise money for the event. He called to complain.

Ackman brushed him off. Forget the dinner, he said. He had raised a SPAC in London with Nicolas Berggruen and Martin Franklin. Could they do a deal with Burger King to take it public?

The SPAC was called Justice Holdings, a \$1.4 billion vehicle listed on the London Stock Exchange. Because it traded in the UK rather than the US, it required no shareholder vote. Ackman could offer certainty, a rare thing in dealmaking.

Fribourg said it was too early. They'd only owned the company for two years. They had a three-year plan and hadn't finished executing it. Ackman asked to speak to Behring anyway. He did. They convened a quick board meeting. Everyone agreed it made no sense.

Ackman called Behring back. “At what value would you be ready to take Burger King public?” He asked.

Another board meeting. They calculated what the company would be worth at the end of their three-year plan and gave Ackman that number. After some back and forth, Ackman agreed. Fribourg figured he was smart enough to know that 3G set conservative targets and exceeded them. The SPAC sponsor economics took longer, but eventually they got Ackman to match what a regular IPO would have cost. (Ackman’s Pershing Square remains one of the company’s top shareholders, and the investment ranks among its largest contributors to returns.)

In June 2012, 18 months after acquiring the company, 3G took Burger King public at an enterprise value of roughly \$8.1 billion. Behring, Schwartz, and their investors got their \$1.6 billion back, plus another \$400 million from an earlier dividend, and still owned 71% of the company. That stake was worth \$3.9 billion. The deal that analysts had mocked two years earlier had already returned all the money and then some. They basically ended up owning the business for nothing.

In June 2013, Hees departed to run Heinz, the ketchup company 3G had just acquired 50-50 with Buffett in the food industry’s largest ever deal. Schwartz, at 32, became CEO of Burger King. Kobza, at 26, became CFO.



The traffic in Mumbai does not move so much as convulse, and on a morning in July 2014, Schwartz found himself suspended in it, touring restaurants with local franchise partners, when his phone lit up. A colleague from New York had forwarded a Bloomberg story. The headline read: “Burger King Is Run by Children.”

The story detailed their ages, their backgrounds, their lack of experience in food service. It quoted skeptics who called their methods financial engineering and suggested the young executives were primarily interested in siphoning cash out of the business. The timing could not have been worse.

At that moment, Schwartz and Behring were in the final stages of negotiating the acquisition of Tim Hortons, the coffee-and-donut chain that occupied a place in Canadian life somewhere between public utility and national symbol. It had 75% market share, seven times more than its nearest competitor. Tim Hortons’ board already had reservations about selling to a burger company. The last time they had done so, to Wendy’s, the marriage had ended badly.

“I’m reading the article,” Schwartz said, “and I’m thinking, this is the worst thing that could have come out right now.”

While messages of congratulations flooded in from friends and colleagues, Schwartz sat lurching in the Mumbai traffic thinking the whole thing might fall apart. “I was pretty stressed then,” he admitted. “It took a lot of work to get the folks at Tim Hortons excited about us.”

The pursuit of Tim Hortons had begun months earlier with a dinner near Toronto’s airport. A mutual friend made the introduction. Behring flew up to meet Marc Caira, the CEO, and the two men ate and talked, and Behring came away thinking they had connected. Caira seemed amenable. A week later, Behring called Buffett.

He followed up with a 10-page memo summarizing the opportunity. Buffett wouldn’t read more than 10 pages, and the research team at 3G, knowing where it was headed, could barely bring themselves to finalize it.

When Buffett was ready to talk, they got on the phone. It was a Saturday. Buffett always did his calls on Saturdays. The moment he came on the line, he told Behring, “Tim Hortons is an incredible business. Incredible.” He shared some thoughts. Then he said, “I’m good for the three billion you guys want. No problem.”

With the financing arranged, Behring and Schwartz sent their proposal to Caira.

A week passed. Then two. Then three. Then four.

“Alex,” Schwartz asked, having bought only one company in his life, “is this normal?”

Six weeks after the initial proposal, a response arrived. It was half a paragraph, politely wishing them luck in their future endeavors.

Behring called Caira. He asked if he might elaborate.

“No,” Caira said. “I can’t.”

They revised the offer, improved the terms, and sent it back. The response arrived within hours. It was the same half-paragraph.

Behring had taken a railway that couldn’t hire, couldn’t invest, and couldn’t deliver freight on time, and made it 40 times more valuable.

Over the following weeks, through intermediaries and back channels, they learned the shape of the opposition. The board was split. Some directors saw the logic of the combination; others saw Wendy’s all over again. Did they really need to be owned by another burger chain?

Behring and Schwartz addressed their concerns one by one. They promised that the franchisees would thrive. They committed to the brand’s independence. The resistance, gradually, softened.

Then, on a hot Sunday in late August, *The Wall Street Journal* rang. They knew about the deal. They were going live with the story in 30 minutes. For the next 36 hours, Behring and Schwartz worked the phones. Six months of negotiation balanced on whether they could hold the deal together long enough to announce it properly.

On Tuesday morning, August 26, before the market opened, they announced that Burger King would buy Tim Hortons for \$11 billion. The combined company, Restaurant Brands International, became the third-largest fast-food group in the world. It was 51% owned by 3G, headquartered in Canada, and had a market capitalization of around \$18 billion.

To do the deal, Behring and Schwartz had tripled their leverage. They had taken a company that was a home run investment on paper and risked it all.

At the start of the year, before any of this was certain, Schwartz had called Behring. “I really feel strongly we should bet the firm,” he said. “We should bet the business on this.” Most private equity firms, having made their investors seven times their money, would have sold and moved on. Behring agreed to double down.

In 2015, 3G did its third deal with Buffett in three years. They had bought Heinz together in 2013. Margins had been 18%. Eighteen months later they were 26. The industry average was 16. Now they merged this leaner Heinz with Kraft Foods to create a company with \$28 billion in annual sales and a portfolio that stretched across the center aisles of every American supermarket: Oscar Mayer, Planters, Jell-O, Philadelphia, Kool-Aid. The transaction valued the combined entity at \$63 billion.

Executives at food companies around the world began studying what 3G was doing. They adopted zero-based budgeting and started talking about efficiency and accountability and ownership. Even Paul Polman at Unilever, who publicly rejected Behring’s approach with disgust, announced a three-year margin improvement plan. The industry was 3Ging itself.

In February 2017, Kraft Heinz stock hit \$97, an all-time high. 3G owned a quarter of the \$115 billion company. That same month, they added Popeyes to the restaurant empire. Behring and Schwartz’s big dream was coming true.

Four months later, Amazon bought Whole Foods.

For two decades, consumers had been drifting from processed foods toward fresher, cleaner alternatives. The shift was slow, industry-wide, and easy to dismiss quarter by quarter. Amazon made it urgent. Supermarkets, suddenly facing Jeff Bezos in their aisles, pushed their private-label brands harder. Costco's Kirkland line had already reached an estimated \$60 billion in sales. Now everyone wanted their own Kirkland.

Kraft Heinz needed these retailers but, for two years, had acted like it didn't. It cut the money for in-store discounts, cut the funding for displays, and raised prices across the portfolio. "We may have made a mistake in terms of trying to push hard against certain retailers," Buffett said, "and finding out that we weren't as strong as we thought we were."

On February 21, 2019, Kraft Heinz announced a \$15 billion write-down and a 30% dividend cut. The stock fell 27% in a single day. The company also disclosed an SEC subpoena. Procurement employees had been manipulating the timing of supplier agreements to hit their bonus targets. The improperly recognized savings totaled \$208 million, less than 1% of earnings in any given period. The fine, paid in 2021, was \$62 million.

One person close to the situation, speaking on condition of anonymity, summed up the accounting issues: "True meritocracies produce amazing outcomes if they're properly controlled, but they also create incentives for shortcuts. Especially if you're promoting young, hungry people to take on super-aggressive targets and you make their compensation extremely variable."

The write-down raised a question that follows private equity firms like a shadow: Was this all just financial engineering? Did 3G just strip costs and move on, or could it actually build?

Schwartz rejected the premise. At Burger King and RBI, he argued, they had done both. "Within the first five years, we repriced our debt, did a dividend recapitalization, reverse-merged into a SPAC to go public, merged with a Canadian company to form Restaurant Brands, and made an acquisition," he told me. "But the underlying core driver of value was a whole lot of growth. Between 2010 and 2024, we tripled system-wide sales from \$15 billion to \$44 billion."

The issue was, at Kraft, growth never came. Within two years of the merger, 3G had delivered \$1.7 billion in annualized cost savings. But Americans had stopped reaching for Kraft Singles and Oscar Mayer hot dogs. And nothing Kraft developed, before or after 3G's involvement, was replacing them fast enough. The one move that might have changed the arithmetic was Unilever. After that deal collapsed, they were left to optimize a business that was slowly shrinking underneath them.

When asked about Kraft Heinz, Behring drew a line. The Heinz investment, made in 2013, had crystallized in June 2016. That fund—their \$4 billion of invested equity—returned more than three times investors' capital with a gross IRR above 50%, placing it in the top decile for its vintage year. Kraft was a different fund. They brought in new leadership in 2019, managed the business through COVID, and exited in 2022 having preserved capital and returned the money. Not a success, but not a disaster either. The company, at its most challenged point in their ownership, still produced over \$6 billion in EBITDA.

At the 2019 Berkshire Hathaway Annual Meeting, Charlie Munger weighed in. "What I think is interesting about the 3G situation is that it was a long series of transactions that worked very well, and finally there was one transaction at the end that didn't work so well. That is a very normal outcome. It is not a tragedy. If you have a long life of trying things, some things will not work as well as you hope."

Behring and Schwartz concluded that 3G had overpaid for a business more vulnerable to disruption than it understood, then compounded the error by replacing too many executives too quickly. Institutional knowledge had walked out the door before anyone realized it was needed. "We learn from our experiences," Behring said. "The lessons from Kraft made us more disciplined investors and more effective operators."



3G's core principles remained sound but the model needed to evolve. In 2019, Behring invited Schwartz to run the firm alongside him. Behring had been sole managing partner since founding the firm in 2004. Now he was co-managing partner alongside Schwartz. Together, they redesigned 3G's approach using everything they had learned.

The emphasis for new investments shifted from transformation to stewardship. They had been selective; now they became more so. Due diligence would begin with a different question. Not whether a business could be made more efficient, but whether it could last. Could anyone come between this company and its customers? They began following companies for years before acting, building familiarity with management teams and industry dynamics long before capital was deployed. And they resolved to retain business unit heads and key marketing executives. Never again would they staff a portfolio company so heavily with their own people.

At RBI, the changes had already begun. The playbook that defined 3G's first decade had run its course, and in Canada, the evidence was hard to miss. Tim Hortons, which had consistently ranked among the country's most admired companies, no

longer did. Schwartz and Behring had no intention of leaving it that way. In 2019, José Cil became CEO, with Schwartz moving to co-chairman alongside Behring. Cil, Kobza, and Schwartz rewrote the company's vision statement. The old one: "To be the most profitable QSR business." The new one: "Build the most loved restaurant brands in the world."

Compensation changed. Base salaries rose while target bonuses fell. Performance metrics were simplified. Average tenure in a role, once as short as 12 months, began stretching toward three years—employees needed to live with their decisions long enough to see consequences. And the company began hiring outsiders. Tom Curtis came from Domino's to run Burger King US, while Hope Bagozzi arrived from McDonald's to reconnect Tim Hortons with Canadian consumers.

"The things that brought me here—the ownership mindset, giving young people opportunities, and being cost-conscious—those are still very good ideas." Kobza told me. "But we've learned a lot about how you implement them and the extent to which you take them. Alex and Dan have evolved a lot in their thinking, and I have to give them credit for sticking with an investment for 15 years."

Alex Sloane, a former Burger King franchisee, added: "When they make a mistake, they realize it, move on, and they don't lose money. It's one of the things I admire about them. The culture of RBI has changed a lot, and that's hard to do."



Patrick Doyle remembers his first meeting with RBI's leadership team in 2022. He had just agreed to become executive chairman, and as introductions went around the room, six of the 10 people said they had gone to Harvard. Doyle, who had run Domino's between 2010 and 2018 and transformed it into one of the great turnaround stories in American business, who had created more shareholder value than almost any CEO of his generation, laughed.

"We had exactly zero people at Domino's who went to Harvard," he said.

He had known Schwartz and Behring for almost a decade by then, since the day he walked into a hotel restaurant looking for the CFO of Burger King and found a kid in the corner waving at him. It was Schwartz. Three months later Schwartz became CEO.

Behring and Schwartz spent the next decade cultivating the relationship, meeting Doyle periodically, learning from him, looking for an angle to bring him in as a partner. By 2022, Doyle had left Domino's and was exploring opportunities with a private equity firm. When the 3G partners heard he'd moved to Miami, they made their move.

Lemann must have been proud of Doyle's compensation package. No salary. No bonus. But if he doubled the value of the company over a five year period, he stood to make between \$200 and \$300 million. He personally bought \$30 million in stock when he joined and is contracted to hold it for at least five years. Everyone was aligned.

When the appointment was announced, his phone began glowing: he was a growth guy, they were cost cutters, how would that work? But Doyle understood something the questioners did not. He had watched Schwartz and Behring build RBI from a single struggling burger chain into the world's third-largest quick-service restaurant company with 30,000 restaurants across 100 countries, doing \$35 billion in sales. He had seen them turn a billion dollars of equity into something worth nearly 30 times that. He knew that whatever 3G was, cutting costs was only a part of it.

RBI had bought Firehouse Subs for \$1 billion in 2021. The company now operated across the four largest quick-service categories: burgers, chicken, coffee, and sandwiches. Analysts read Doyle's arrival as a turnaround story, but he had done his homework. He knew they were wrong.

Tim Hortons, which generated 44% of RBI's EBITDA, may have needed turning around five years earlier. By the time he arrived, it did not. Same-store sales had recovered and the brand was back as Canada's most loved. The turnaround had already happened. The international business, RBI's second-largest segment, was outperforming nearly all of its peers.

The heavy lift was Burger King in the US. It represented 18% of EBITDA, but because the majority of RBI's shareholders are American, it consumed a disproportionate amount of attention. Curtis, a greybeard in a 3G world who had worked for Doyle at

Domino's, was already in place.

“It was perceived as a turnaround really because of Burger King US,” Doyle said. “The market wasn't convinced about Tim's. Now I think the market gets it.”

In March 2023, Kobza was promoted to CEO of RBI. The following March, Siddiqui became CFO. The meritocracy kept churning. But the man above them, the one who would do for Kobza what Behring had done for Schwartz, had built his legend somewhere else. That was new.

Ownership in 3G will not pass to the founders' children. It will go to the people doing the work.

Back in New York, the deals that followed Kraft Heinz reflected 3G's evolution. Between 2015 and 2022, the firm looked at hundreds of deals and passed on every one. What Behring and Schwartz did instead was tend relationships.

The Sonnenbergs had built Hunter Douglas into the largest window coverings business in the world. Its products were custom-made and sold largely through a loyal network of dealers. Amazon would not disintermediate it, private labels would struggle to undercut it, and it would be relevant as long as the sun kept rising and homes needed windows.

Behring had known Ralph Sonnenberg since the mid-2000s. Ralph was a neighbor of Lemann's in Switzerland. Schwartz had met Ralph's son David in 2007, back when Schwartz was still an analyst and 3G was little known outside of São Paulo. The Sonnenbergs became investors in Burger King. David spent a day in Miami with Schwartz to see how 3G operated. It reminded him of Hunter Douglas on steroids: entrepreneurial, direct, not very corporate. The relationship continued for a decade. 3G followed the business. They admired what they saw. They did nothing.

By 2021, Ralph was in his mid-80s and thinking about succession. One son wanted out. David wanted to stay. But the fourth generation wasn't in the business, and the Sonnenbergs did not believe in stewardship from a boardroom. They had run Hunter Douglas for a century. They wanted a partner who could take it into the next.

In early 2022, 3G paid \$7.1 billion for Hunter Douglas. The Sonnenbergs kept a quarter of the business. David stayed on as executive chairman, working alongside João Castro Neves, a 3G partner who had spent nearly two decades at AB InBev and ultimately became CEO of Anheuser-Busch.

“There are very few people who make and sell stuff,” David told me. “A lot of people make and sell presentations.” Behring and Schwartz were different. They had run companies themselves. Behring had driven trains, Schwartz had worked the deep-fat fryers. “To do the kind of things we're doing, you really need a permanent business mentality. You're often doing moves that only pay off over the longer run.”

In the three years since, Hunter Douglas has pushed into outdoor coverings—screens, pergolas, awnings—and built that business to several hundred million dollars. The company has doubled EBITDA and improved margins by several percent. It operates at record profitability. Sonnenberg called the partnership “business bliss.”

In 2025, Behring and Schwartz bought another family business from people they had known for years. Robert Greenberg had built Skechers into the third-largest sneaker company in the world. Even Schwartz was surprised when he first learned this. Greenberg was 85 and thinking about what came next.

Behring and Schwartz had been studying the footwear industry for nearly a decade. In late 2021, they made their first trip to Manhattan Beach, toured the distribution center, and met Greenberg's son Michael. No transaction was discussed. Each year, Greenberg told them the company planned to add a billion dollars in sales. Each year, it did. In a handful of years, they doubled the size of the business.

In May 2025, 3G announced the acquisition for \$9.4 billion, the largest footwear deal in history. The Greenbergs retained meaningful equity. Robert and Michael stayed in their roles. The headquarters remained where it had been for 30 years. Behring and Schwartz's phones rang off the hook with people volunteering to work by the beach. Paulo Basilio, a long-time 3G partner whom Behring had hired and trained in the railroad business decades earlier, and who had gone on to work at Heinz, Kraft Heinz, and Hunter Douglas, joined the leadership team.

Near the end of our conversation, I asked Schwartz what he hoped 3G would become.

"A great home," he said, "for founder-led and family-controlled businesses."

The man 3G sent to run Hunter Douglas had arrived the same way the Sonnenbergs did, through a relationship that began long before anyone imagined a transaction. Castro Neves had done his MBA at the University of Illinois. He got there on a scholarship from Fundação Estudar, a foundation Lemann started in 1991. So did Carlos Brito, who later ran AB InBev, and nearly a thousand others since. More than half of Brazilians admitted to Ivy League schools now come through Lemann's foundation.

Brazil does not have a philanthropic culture. "Most of the elite are very private about their wealth," Martín Escobari, managing director of General Atlantic, told me. "Displaying it can be dangerous." But this group has given extensively, and always to the young. Behring started his own foundation in 2020, focused on digital education in Brazil. It has already supported dozens of projects, awarded hundreds of scholarships, and directly impacted 5,000 young people across Brazil.

Warren Buffett once said he had never seen a better management culture than the one Lemann built. It, too, is given away, from one generation to the next. Lemann taught Telles and Sicupira. They taught Behring. Behring taught Schwartz. Schwartz taught Kobza. The model evolving with each generation.

"The most fulfilling aspect of what we do," Schwartz told me, "is watching the young people you hired grow. You see the students become the teachers."

Leaving the 37th floor, I passed a small table in the lobby. On it sat two bottles of Heinz ketchup, Buffett's face on one label, Munger's on the other, souvenirs from the 2014 Berkshire Hathaway annual meeting. Next to them was an enormous white Skechers sneaker—so big no one person could fill it.

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