

“New Vicorp CEO Koenig Plans Menu Revamps, Unit Expansion”

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DENVER – The newly appointed chief executive of **Vicorp Restaurants, Inc.** said she plans to ramp up expansion of its Village Inn and Bakers Square chains, refurbish existing restaurants and continue to drive sales through marketing programs and new menu items.

Debra Koenig, a 25-year McDonald's Corp. veteran who was president of its Southeast division, was appointed to the Vicorp CEO post in mid-June following the acquisition of the 371-unit family-dining company by Wind Point Partners, a Chicago-based private equity firm.

Vicorp operates and franchises 233 Village Inn restaurants and 148 Bakers Square units. Wind Point Partners acquired Denver-based Vicorp from an investor group that included BancBoston Capital, Goldner Hawn Johnson & Morrison Inc. and **Fairmont Capital** for roughly \$225.5 million in a leveraged buyout deal. The sellers had purchased Vicorp in May 2001 for \$174 million in a “going private” transaction.

“The structure we used and subsequent performance of the company... resulted in additional growth and pay-down of debt such that the Wind Point transaction made excellent economic sense for everyone involved,” said **Tim Greenleaf**, managing director of Anaheim, California-based Fairmont Capital.

Wind Point Partners' acquisition of Vicorp marks the private equity firm's first foray into the restaurant market. The deal was one of the first investments by Wind Point Partners V, a \$500 million fund, according to a report by U.S. Bancorp Piper Jaffray, which advised on the sale.

“Investing in a healthy, middle-market company like Vicorp was a straightforward decision, especially with a leader like Debra Koenig, whose talent, experience, skill set and vision will elevate Vicorp to the next level,” said Michael Solot, principal at Wind Point Partners. “It was a great asset, and the brands are tried and true and have been around for a long time. It's not trendy,” he added.

Before joining Vicorp, Koenig helped grow market share, operating income and transactions for McDonald's during her five year tenure as its Southeastern president, according to Wind Point Partners. Koenig replaces former Vicorp CEO Joseph F. Trungale, who will continue as the company's president.

Although the family-dining segment continues to struggle with sluggish sales and increasing competition from the casual-dining arena, Vicorp's commitment to customer service, loyal employees and consistent product are helping it remain a leader in same-store sales, Koenig said, declining to give financial specifics.

Vicorp's estimated systemwide sales were relatively flat for fiscal 2002, according to figures from Nation's Restaurant News' latest Top 200 report. The company's Bakers Square chain generated about \$222.9 million in fiscal 2002 systemwide sales, and the Village Inn chain generated about \$308.2 million in systemwide sales.

To help drive sales, the company is working to expand its unit base through “disciplined new-store openings and acquisitions-based growth.” Koenig said.

In fiscal 2002, Vicorp added eight restaurants and is on track to add 14 new restaurants in fiscal 2003. Vicorp said it would rely primarily on company-operated restaurants for future growth and would help its 29 Village Inn franchisees evaluate potential expansion opportunities. The company also would use new prototype designs for both Village Inn and Bakers Square for the majority of new development.

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Vicorp currently has six Bakers Square units sporting the new look and 24 Village Inn restaurants featuring its new design. However, the company also will rely on converting existing restaurant plants in advantageous locations. “There are some wonderful locations in marketplaces that we haven’t penetrated that are for sale by other restaurant organizations,” Koenig said.

With restaurants in 25 states, Vicorp’s Village Inn brand primarily is located in the Rocky Mountain region, the Midwest, Arizona and Florida. Bakers Square outlets are scattered throughout the Midwest and in California.

Vicorp said its new prototypes are helping to drive dinner business, including through their merchandising of signature items, such as Village Inn’s showcasing of pies. During dinner hours that chain’s prototype is performing 30 percent better than older Village Inn outlets, the company reported.

Vicom, Vicorp’s pie division, has three bakery facilities in California, Illinois and Minnesota and produces 12 million pies a year in 34 varieties for the company’s restaurants and J. Horner’s, a line for food service and retail sales.

An ongoing refurbishing and remodeling also is on the agenda for the company’s aging restaurants to increase curbside appeal and give the interior a more contemporary atmosphere. Wind Point Partners’ Solot said Vicorp also will concentrate on increased training programs for its employees, cost management and running procurement processes more efficiently.

In addition, Solot said, “there’s more same-store sales that can be reaped out of the chain through intense focus on the menu and additional marketing programs.”

While many family-dining chains are concentrating on boosting their lunch and dinner dayparts through introductions of new menu items, Vicorp also is relying on the popularity of its breakfast specialties to increase customer traffic. For example, the Village Inn’s various breakfast skillet offerings, such as chicken-fried steak skillet, are popular across all of its dayparts.

“We work hard to make sure we have believable, logical extensions that cross over into the dinner daypart,” said Cheryl S. Ahlbrandt, the company’s vice president of marketing.

Both Village Inn and Bakers Square are using such ingredients as Portobello mushrooms and spinach to enhance new menu items, Ahlbrandt added.

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Note: Fairmont Capital, Inc. and its co-investors acquired VICORP Restaurants, Inc. in May 2001 and sold it in June 2003. Timothy Greenleaf is a principal at Fairmont.