

“Garden Fresh on block; may fetch 200M-plus”

by David Carey and Soma Biswas

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PRIVATE EQUITY Little more than a year after acquiring San Diego-based **Garden Fresh Restaurant Corp.** for \$134 million, Centre Partners Management LLC is looking to cash out for a health return.

Garden Fresh is on the block, and Centre Partners, based in New York, appears to be aiming at a price of more than \$200 million – possible much more.

The soup-and-salad restaurant chain recently hired Piper Jaffray & Co. to find a buyer. Offering books are being mailed to prospective bidders “as we speak,” said Centre managing director Robert Bergmann, though a first-round bidding deadline has not yet been set.

“We’re going to market with Garden Fresh,” Bergmann said.

Since March 2004, when Centre and a minority co-investor, **Fairmont Capital, Inc.**, took Garden Fresh private, the chain’s sales and EBITDA each have climbed more than 10%, Bergmann said. The company has retired “a substantial” amount of debt, he said, thanks partly to a sale-leaseback of 19 restaurants.

Meanwhile, mergers and acquisitions activity in the sector has heated up, as have valuations. In brief, Bergmann remarked, the time is right to sell.

Garden Fresh operates 97 buffet-style eateries in 15 Western and Southeastern states under the Souplantation and Sweet Tomatoes banners. Each restaurant has two 55-foot-long salad bars stocked with fresh salads, soups, pastas and muffins. The average check: just \$8.

“The company has always been well run,” he said. “It’s had almost a decade of ‘comp’ store sale increases. We have dramatically accelerated that.”

A particular boon, he said, was the shift from public to private ownership. Once Garden Fresh was freed from the “shackles of public ownership,” management could stop obsessing about quarterly profits and focus on strengthening operations.

We invested some dollars in marketing and food,” Bergmann said. “That has really begun to pay off.”

New varieties of soup and a chicken pot pie introduced last winter proved especially popular, he said.

The menu additions and aggressive promotion have pushed companywide annual sales to about \$250 million and EBITDA to about \$30 million, he said.

In the upcoming sale, Centre believes it can capitalize on a more favorable reception from sponsors than it got in the public market.

Bergmann said Centre was able to buy Garden Fresh on the cheap, for under 5 times EBITDA, because the public market prized growth over consistency.

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Note: Fairmont Capital, Inc. and its co-investors acquired Garden Fresh Restaurant Corp. in March 2004.