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# An Appetite for Growth

**Steve Richards**, CEO of the PE-backed restaurant company, Casual Dining Group, talks to **Mary-Anne Baldwin** about how he's overhauled the business

**Steve Richards** is a man who works at speed. In the two and half years as CEO of Casual Dining Group he's taken the business through every conceivable milestone, including the divestment of one restaurant chain, the purchase of two others, two re-financings, group and restaurant chain rebranding and international expansion.

He's just as quick at explaining all this to me during a half hour interview, yet he does so with the precise detail and calm momentum that comes with years of experience in transforming large complex businesses.

Steve first started work on the business in 2013 when it was still owned by Blackstone, operated under the name Tragus Group, and consisted of the high street restaurant chains, Strada, Bella Italia and Café Rouge.

The business was acquired by a new consortium of shareholders led by Apollo Global Management where Steve was an operating partner. Having worked on the restaurant business externally for some six months, he became CEO in early 2014, just weeks before embarking on a radical transformation programme.

"It was trading poorly, highly leveraged and, because it had such a large amount of debt on its balance sheet, it hadn't been investing in its brands or people for quite some time," Steve explains. "The business was declining, there was a high turnover of people and low customer feedback scores. Basically the brands were tired and losing customer relevance".

During the months before being appointed CEO, Steve had composed a plan that for the first year alone comprised a mind-blogging set of undertakings – including the sale of Strada within the first seven months.

"We had a clear vision to create an industry leading multi-branded restaurant business, one that was highly scalable and capable of generating sector leading consumer, employee and financial metrics," Steve explains.

"The first thing I did was hire an experienced team of executives who shared the vision and were capable of executing it".

Tragus Group, had 355 restaurant property leases and wanted the best 180, so there needed to be some early 'heavy lifting'. It trimmed down the number through a process of disposals and corporate reorganisation. "It was a bit like peeling back the onion skin," says Steve.

"Having rationalised the property footprint we then right-sized the balance sheet and took the debt EBITDA ratio from double figures to three. We then right-sized the head office and rebranded as Casual Dining Group [CDG]. That was stage one and the first 12 months had flown by."

While the first step was to create a highly profitable and focused business, stage two was about investing in its property, people and products. The group ploughed £70 million into refreshing its existing restaurant brands while creating a pipeline of 25 new sites each year. >

## Timeline

**October 2013**
Steve Richards begins work on Tragus

**March 2014**
Apollo acquires Tragus Group
Steve Richards becomes CEO

**May 2014**
New Management team hired

**June – August 2014**
Group CVA and property reorganisation

**August 2014**
HO reorganised with 30% cost reduction

**Sept 2014**
Sale of Strada
First refinancing

**October 2014**
£70m brand refresh programme begins

**November 2014**
First new site openings

**February 2015**
Company rebrands as Casual Dining Group

**July 2015**
£85m purchase of Las Iguanas
£20m purchase of La Tasca

**December 2015**
Second refinancing with KKR

**March 2016**
Starts international expansion with first restaurant franchise in India

**June 2016**
Creates incubator funds for start-ups

It also bought the Latin American restaurant chain, Las Iguanas, in a keenly fought £85 million deal, as well as paying £20m for the Spanish restaurant chain, La Tasca, just one month later.

"Today CDG is the UK's second largest multi-branded restaurant company. It generates a return on capex of 35 per cent and total growth north of 20 per cent per annum." Steve explains.

## Mapping the Business

Such dramatic changes could easily have destabilised the business further, yet the plans Steve made prior to taking the hot seat allowed him to keep a clear sense of direction and purpose.

"I structured the business in such a way that each restaurant brand operates as a standalone business with its own management board, strategy and KPIs," says Steve. "At group level we agree the strategy with the brands, assess their growth plans, approve capex and resources, and basically support the management teams in delivering their brand plan. The only people who report into me are the brand MDs, property director and group finance director.

"As a group we're able to move very fast in terms of the individual brands and while we were acquiring or turning around one brand it didn't affect the others."

One hurdle still to overcome is recruitment. This year, CDG will have to increase its current crop of 8,500 employees to 14,000 within 24 months. "That creates its own issues and strategies," says Steve. "We put in place specialist recruitment, training and development teams, but at the end of the day finding talent is never easy."

## Scanning the Horizon

As a PE-backed CEO, at some stage a valuable exit is inevitable but this is not Steve's only driver. He sees his role as building a sustainable business that's primed for long-term growth and that only by doing so will he be able to maximise value.

Part of that mission involves the opening of more than 30 new sites this year and next – more than any other UK restaurant brand. It's been bolstered by the business' second debt refinancing, which came from PE-giant KKR in December 2015, and through the support of a consortium of blue-chip US investors, led by Apollo.

"We've also started franchising our brands abroad, opening up our first Café Rouge in Dubai, Bella Italia in India and signing a deal to open 18 restaurants in Saudi Arabia," Steve adds.

Further acquisitions maybe on the cards, although Steve won't be drawn into specifics. For now, CDG is raising a new sidecar 'incubator fund' that focuses on backing start-up entrepreneurs, often with only two or three restaurants but strong growth prospects.

"We want to create a safe harbour for them to grow, provide finance, back-office support, property and purchasing expertise. Basically, we will remove the barriers to early-stage growth, giving the select few a boost and the freedom to deliver their vision. By backing early stage talent we hope to be involved in some of the exciting innovation occurring in the sector and pick some winning scalable brands," Steve explains.

While all of these elements are building to what should be a rewarding exit, Steve is pretty philosophical on when this will happen. "You have to accept that as a CEO you can't totally control the timing of an exit," he says.

"Part of the role is living with uncertainty and being flexible enough to make it work. A CEO in an SME probably has more control over the exit process, which maybe relatively quick and management led. But if you're leading a large scale vehicle you're generally much more focused on your shareholders. ■

These comments were shared on the side lines of Criticaleye's recent Private Equity Retreat, at which Steve Richards was a key speaker.

**Steve Richards**
CEO
Casual Dining Group

Steve is the CEO of Casual Dining Group, the multi-branded restaurant group backed by Apollo Global Management and York Capital, which comprises restaurant brands Cafe Rouge, Bella Italia, Belgo and Las Iguanas.

Steve sold his former business, Novus Leisure, in 2012 to LGV and Hutton Collins for £100 million having formed the company in 2006.

Steve is currently NED for a pan-European budget accommodation business and Chairman of the ALMR, the hospitality's leading trade body, which lobbies Whitehall on behalf of its 220 member companies.

Contact Steve through:
www.criticaleye.com