

## MANAGING

# Vicorp's growth still lukewarm



The Denver Post / Lew Sherman

Vicorp has 106 company-owned Village Inns and 115 Village Inn franchise stores. This Village Inn is located in Westminster.

## Parent company of Village Inn and Bakers Square examines options

By Robert Schwab  
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The lunch crowd wasn't exactly rocking last week at the Village Inn in Cherry Creek.

Nearly all the restaurant's seats were filled, but the demographic was decidedly middle-aged to elderly, blue-collar rather than chic.

Service was good and the food fresh, but lunch was not the flashy experience offered at other eateries in the neighborhood, one of Denver's most sleek.

The restaurant is a reflection of its parent company, Vicorp Restaurants Inc., a 40-year-old Denver institution whose growth has been steady but not stellar.

For fiscal 1999, the company reported \$11.9 million in profits, \$2 million more than the year before, and last month, second-quarter profits for 2000 came in \$1 million higher than the same period in '99.

Yet on the same day Vicorp reported those latest results, the company also said it was hiring investment banker Salomon Smith Barney to help it explore "strategic alternatives" for its future.

Usually that means the company will be put up for sale. Earlier this year, two of Vicorp's largest stockholders suggested that might well be the case.

For Vicorp, with 11,880 employees and 370 restaurants operating across the Midwest, the Rocky Mountain region, California, Arizona and Florida, that meant the new year was going to be another marked by uncertainty.

Uncertainty may well be the reason Vicorp's largest shareholders have lost patience with management's long-term inability to put more buzz in those Village Inn

dining rooms.

The latest chapter in Vicorp's story began in February when its largest shareholder, Memphis-based Southeastern Asset Management Inc., disclosed in filings with the U.S. Securities and Exchange Commission that it was willing to talk to parties outside the company about deals involving Vicorp.

Southeastern was joined by another large shareholder, California-based Franklin Resources Inc., a mutual-fund company that owns more than 7 percent of Vicorp. In another filing, Southeastern said it might work with other shareholders to make changes in Vicorp's operation.

Vicorp won't comment on those public disclosures beyond its announcement that it had hired Salomon Smith Barney, said Stanley Ereckson, a company vice president. Ereckson said he couldn't comment on whether an offer has been made for the company, and he said there was no related item on Vicorp's agenda for a board meeting held in Denver on Thursday.

Offer or not, Vicorp has recovered from its downturns.

Started by two brothers-in-law, Merton Anderson and Jim Mola, in 1959, Village Inn Pancake House Inc. was sold to a group of investors led by the company's longtime attorney, Charles "Buck" Frederickson, in 1977.

Those investors took the company public, and in 1983 Vicorp bought 59 Pop & Fresh Pie restaurants, changing their name to Bakers Square, which still is a unit of Vicorp, like Village Inn. Frederickson has remained Vicorp's longtime chairman and chief executive officer, and only last year gave up the office of president.

Joseph F. "Jay" Trungale, who joined Vicorp in 1997, stepped up to president in November, after serving as president of Bakers Square, which he turned around from a slump that began in the mid-'90s.

Bakers Square — so hot that at one time in the early '90s a single outlet was selling 20,000 of its premium pies per day — grew fast, but then outpriced itself, but new chains invaded its territory.

The expansion of Bakers Square also was helped when Vicorp bought 175 of Sambo's old restaurants in 1985. But observers of Vicorp uniformly said those purchases dragged down the company's performance for years.

Vicorp's stock price, trading above \$30 in the early 90s, hadn't traded above \$20 since early 1994 until this year, after the stock repurchase plan, which cost it \$38 million. Over those same years, the company revamped its Village Inn

image and remodeled most of its stores as it built new ones.

Today, it has 106 company-owned Village Inns, 115 Village Inn franchise stores, and 149 Bakers Square stores. Same-store sales for Vicorp's company-owned stores grew 4.4 percent in 1999, but most of that growth was at Bakers Square outlets, the company said.

It's second-quarter overall sales, reported late last month, were 4 percent higher than the same quarter last year. But Vicorp also said that increase was largely because of openings of 10 new company-owned Village Inns.

Same-store sales, it said, were just 2 percent higher than a year earlier at Village Inns. They were up just 1 percent at Bakers Square.

Those numbers may not be good enough to keep Vicorp's large investors happy. They might, however, already have started a buzz among prospective buyers.