

# High Street Bars and Restaurants

Against the backdrop of a tougher economic climate we will briefly consider:

- major players and brands
- current issues affecting the bar and restaurant sector
- what that means for the corporate sector and current activity
- case study Gondola Group, Novus Leisure and JG Land and Estates
- what the next 12 months hold for the sector

“Is it all doom and gloom?”

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“High Street Bars”

# Major Players

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# Brands – Lots of them!

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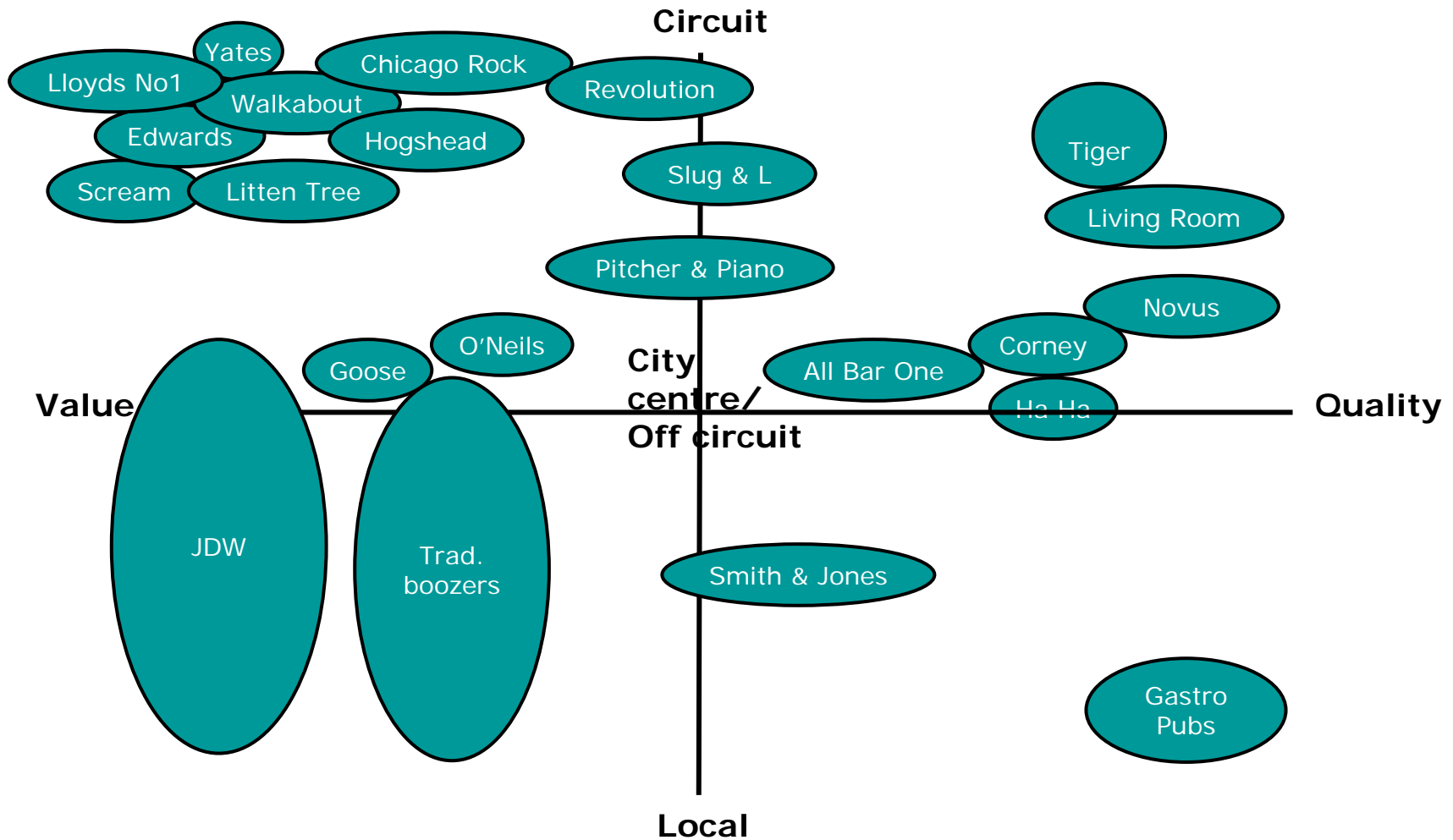
Sports Cafe  
Tiger Tiger  
Smith & Jones  
Las Iguanas  
Ale and Pie  
Blu  
Yates  
Litten Tree  
Balls Bros  
Ha Ha

Lloyds  
Revolution  
Scream  
Barracuda Bar  
Pitcher & Piano  
Old Orleans  
All Bar One  
Jamies  
Bar 38  
Corney & Barrow  
Henry's  
Flares

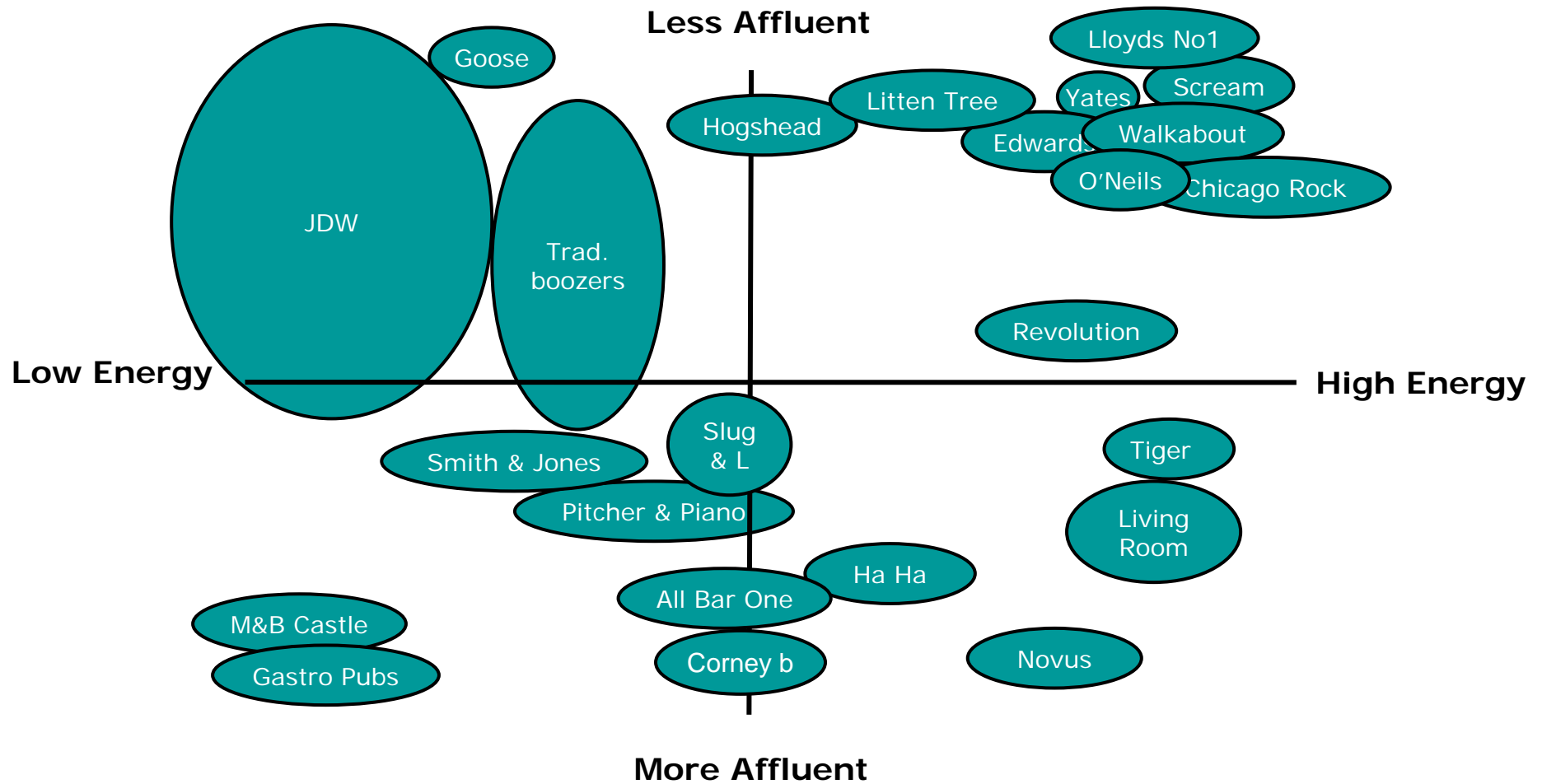
Living Room  
Prohibition  
Fine Line  
Edwards  
Cape  
O'Neills  
Mosaic  
Varsity  
Henry J Beans  
Ivory Lounge

Slug & Lettuce  
Juniper  
Jongleurs  
Walkabout  
Waxy O'Connors  
Chicago Rock  
Goose  
Mortimers  
Jumpin Jaks  
Nicholsons

# Brands – Market Position – by location and price



# Brands – Market Position – by customer occasion



# Current issues affecting the Bar Sector

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- Customers
  - Affordability
  - Confidence
- Rising Operating Costs
  - Input costs
  - Labour costs
  - Regulatory costs
- Declining Turnover/Profit
  - Stock market losses
  - Some brands outdated
  - Increased competition
  - Oversupply/Over-rented property

# Picture of Five Ways

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# Picture of China Red

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# Picture of The Mailbox

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# Current activity in the Corporate Bar Sector

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- Movement from blue collar wet to white collar food and drink.
  - Premium Bar and Restaurant purchase Living Room/Bel and Dragon
  - Laurel forms Bay Restaurant Company
    - includes Slug & Lettuce, Ha Ha Bar and Grill
  - Broadening appeal to office workers/shoppers
    - improved value for money, menus and good service

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- Company Administrations/Restructuring
    - Sports Café, Candu, Soho Clubs and Bars, Massive, Summit Bars
    - Luminar, Laurel
  
  - Whose buying - Companies
    - Vulture Funds – Agilo
    - Private Equity - Bridgehouse Capital
    - Trade Buyer – Novus Leisure, Premium Bar and Restaurants
  
  - Whose buying - Organically
    - Number of trade buyers buying selectively
    - Wetherspoon, Barracuda, Marstons, Inventive, Novus, Premium Bar and Restaurants, Mint, Apres
    - Generally 5,000-10,000 sq ft. Most prefer late licence particularly at weekends.

# JG Land and Estates

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- Private Development Company
  
- Markets
  - Strategic land holdings
  - Student accommodation
  - Mixed use schemes
  - Anything that rewards risk and expertise
  
- Future
  - More cautious
  - Buy to order - prelets, fit operator, requirements
  - Prefer to work up own planning
  - Unconditional/Conditional
  - Selective on tenants/interrogate financials

# Picture of Zizzi's

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# Novus – what are we?

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## “best day and night venues”

- Market
  - White collar
  - 50% Female
  - 25-35 yr olds
- Product
  - Day and night (multi room)
  - Pre-booked sales: 40% of income
  - Two brands; latenightlondon.com & Tiger Tiger
  - One operational template; different venue designs/names/fascia's
- Seasonal – Q4 (Xmas over 35% annual ebitda)
- Key sessions – Day and Night
  - 60% Sales 12pm-10pm Thursday to Saturday
  - 30% Sales Post 11pm Friday & Saturday
- Value creating
  - Profitable & resilient
  - Scalable high returning formats
  - Positioned in attractive markets

# The Future – 3 year headlines

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- Opportunistic acquisitions and rollout
  - Project B; roll out 'day and night' bars in London and the South East
  - Tiger smaller template
  - Pursue target companies
- Trade business via un-invested initiatives
  - Off Peak; private lets & promoter nights
  - Pre-booked sales; corporate & local, web & 'partners'.
  - Service; speed & smile
  - Margin; range & price

# Picture of Novus Leisure The Abbey

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# Novus 08 Highlights

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“is it all doom and gloom?”

➤ Performance

- Sales - 18.2% yoy growth
- Profit - 22% yoy growth
- Margin up 1%
- Uninvested LFL sales plus 3% YTD

➤ Acquisitions

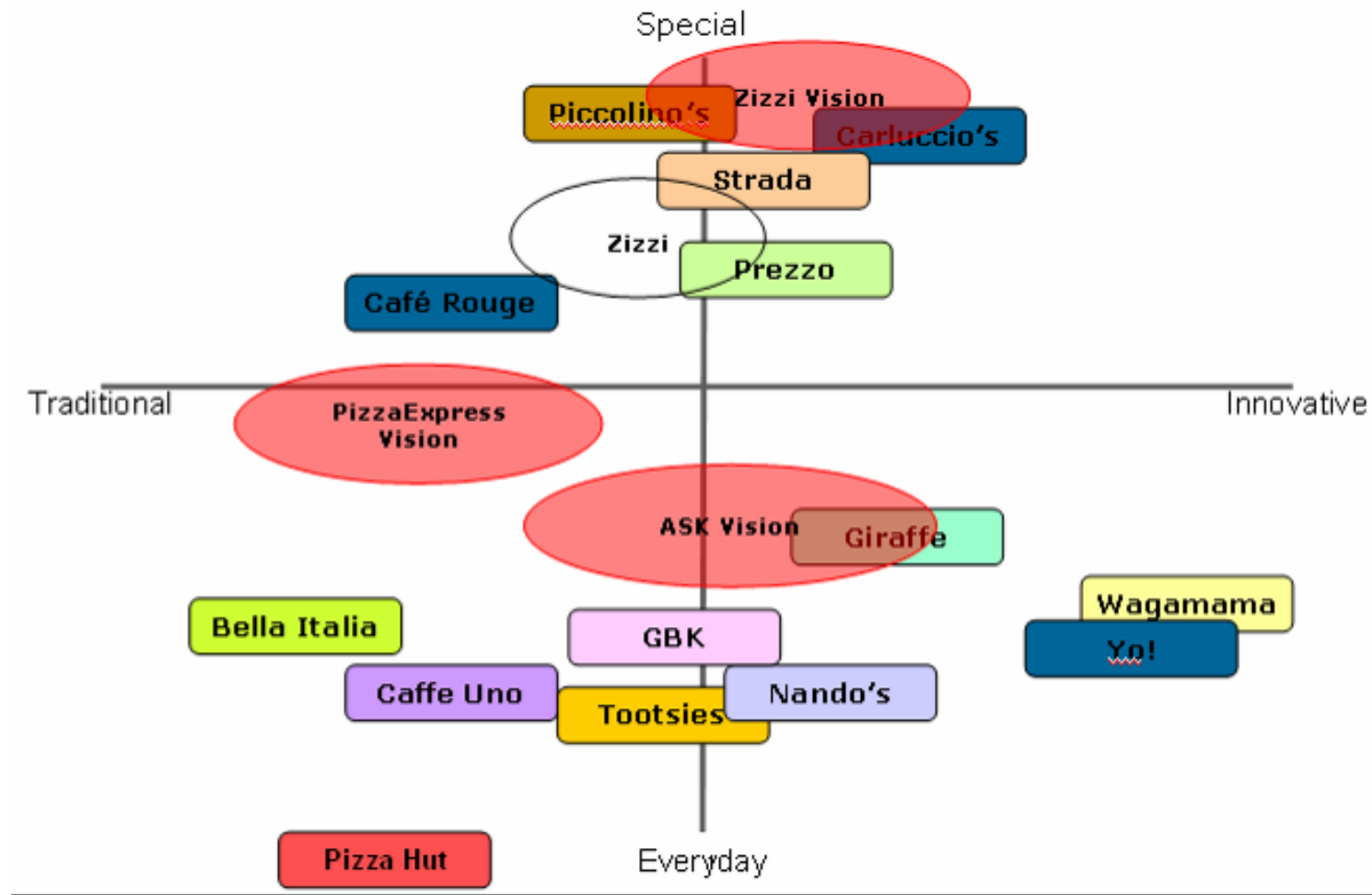
- Project B - Abbey forecast 240% ROI!!
- Soho Clubs and Bars - 25% ROI 08  
43% ROI 09

“Is it all doom and gloom?”

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**“High Street Restaurants”**

# Restaurant Brands - Market positioning



# Current issues affecting the Restaurant Sector

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- Casual dining not immune to a general tightening of belts
- Fewer early week visits to restaurants and greater focus on value for money
- Branded operators tend to prosper at the expense of independent operators
- Food cost inflation continues to hit margins
- How hard do you promote
- Huge investment still required to keep brands relevant whether it be new menus or new sites.

# Current activity in the Corporate Restaurant Sector

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- More restaurant operators chasing the same sites than at any time in the last 10 years
- Good sites in strong schemes and locations will always let and tighter planning and licensing regulations in the likes of the West End have resulted in some of the highest ever premiums being paid.
- Tragus, Nandos and Gondola lead the way in total numbers with their organic acquisition programmes delivering 30+ sites each. ? What Nandos owner, Capricon, will do with their 25% share in Clapham House.
- Wagamama now targeting 15 new sites a year having failed to sell the business at the end of 2007.
- Clapham House are still selectively acquiring for GBK.
- Prezzo have the widest site search criteria than most.
- The so called sexier brands such as Yo Sushi, Carluccio's, Giraffe and Piccolino continue to deliver single digit openings in new schemes and established larger centres .

# Current activity in the Corporate Restaurant Sector

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- No end to the number of new concepts wanting to enter the market place.
  - Ping Pong and Las Iguanas are now well established in the exciting Asian and Latin American sectors respectively.
  - Gourmet hotdog company, Vapiano, Japanese Canteen and Cote are other concepts getting their fair share of coverage.
  - North West based Ego recently acquired by James Horler and will no doubt be rolled out more aggressively.
  
- The roll out plans for the Loch Fyne and La Tasca remain uncertain having been absorbed into the larger pub groups of Greene King and Laurel/Bay Restaurant Group.

# Picture of 'Hooters' advert

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# Picture of 'Hooters' advert 2

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# What are the plans for Gondola Group

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- Forecast to open 35 new sites for the year ending June across the three main brands of PizzaExpress, ASK and Zizzi.
  - 24 open and a further 11 currently fitting out.
- Range of locations including small market towns (PE Northallerton and ASK Leighton Buzzard), city centre (Zizzi Manchester and Sheffield), leisure schemes (Zizzi Brighton Marina), new shopping centres (PizzaExpress Derby and Zizzi High Wycombe) and out of town retail/leisure parks (Pizza Express Teeside Park).
- PizzaExpress openings so far this year delivering 44% ROCI and 3.3 year payback.
- Planned openings for 08/09 is 43 to include the roll out of Byron.
- But not just about new openings. To remain as market leader in casual dining we need to continue with:
  - brand evolution
  - menu development
  - better marketing
  - training our teams
  - new concept development

# What are the plans for Gondola Group

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## **PizzaExpress**

- First restaurant opened on Wardour St in 1963 and despite a few setbacks it will be 350 strong at the end of this financial year.
- Strong brand/cultural following but needs to regain its position in the market place of a trendy, sophisticated high street brand with a bit of an edge
  - reinforce its food credentials as the pizza expert
  - expand the “all day” offer to include its gelato range
  - continued focus on design and the environment

## **ASK**

- Established in 1993 as a direct competitor to PizzaExpress – not much has changed!
- ASK vision is an Italian restaurant that evokes the trattoria experience - an informal restaurant that serves great Italian food with warm and friendly service.
- New look ASK opens tonight in Great Malvern and tomorrow in two refurbished restaurants in Kew and Baker Street – new design, menu and service style.

# What are the plans for Gondola Group

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## **Zizzi**

- Created as a higher end alternative to ASK using wood fired ovens as the lynch pin for the brand. Circa 90 sites by 2007.
- Zizzi Ristorante launched at the end of 2007 to recapture the premium and casual dining market . Special dining experience with more involved menu incorporating fish and carne and more modern and stylish design.
- 9 sites now open including recent openings in High Wycombe, Surbiton, Taunton and South Woodford.

## **Byron**

- New concept based around great hamburgers done “properly”.
- Trading four months in Kensington with a further four to be open by the end of the summer.
- Very simple menu but “the best burger he has ever had” according to Giles Coren in a recent Times review.
- Watch out GBK!

# Picture of Zizzi Ristorante High Wycombe

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# Picture of Zizzi Ristorante Brighton Marina

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# What do the next 12 months hold for the sector

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- Challenging market – more closed bars and restaurant on the high street.
- More Laurel style administration and restructuring
- Less competition/lower rents?
- Market consolidation – current conditions mean fewer sellers and more difficult funding but may also present some opportunities in terms of value

It will be doom and gloom for some but others will thrive.

Winners will be those companies

- who have strong brands in attractive markets
- that invest in their brands and property
- keep their offers fresh and relevant
- that keep standards and service high
- that offer value for money
- grow selectively through acquisition of sites and companies.