


Group Bon Appetit PLC

Background

Last year, Group Bon Appetit PLC acquired Innovia Cafes after a bitterly fought takeover battle. Bon Appetit won by offering Innovia's shareholders 20% over the market price for their shares. At the time, Bon Appetit stated: 'Our objective is to double our business within the next five years'.

Shortly after the takeover, the group's share price reached a peak of almost 400 pence. But then it began to decline dramatically to a low of less than 50 pence. Recently it has risen to 80 pence because of strong interest from a powerful predator, the restaurant chain Icarus.

Innovia Cafes



- All income groups, all ages, family-orientated clientele
- Good food and drink at affordable prices
- £5-£10 per person

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Group Bon Appetit: Key facts

Three restaurant chains in London and South East England

■ Bon Appetit	22 restaurants
■ The Seashell	10 restaurants
■ Innovia Cafes	16 cafes

Planning a nationwide expansion

- 10 new restaurants next year
- A further 20 within the next three years

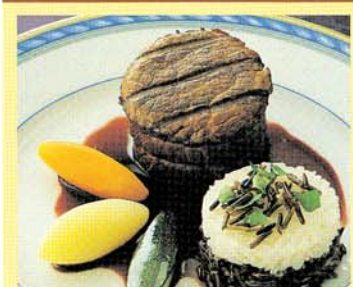
The Seashell



- Middle-income groups, 25-60 year olds, mixed clientele
- Seafood a speciality
- £15-£30 per person

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Bon Appetit



- Higher-income groups, 25-50 year olds, loyal clientele
- Top-class cuisine
- £30-£60 per person

Group Bon Appetit PLC

We are continuing to look for suitable acquisitions in order to create a more diversified group and to widen our customer base. The purchase of Innovia Cafes takes us into a new market segment, the £5-£10 a head market. We expect Innovia Cafes to contribute significantly to our profits in the future.

(Extract from Annual Report - Group Bon Appetit PLC)

Debt ratio*

2 years ago	Last year	This year
30%	55% (includes cost of Innovia acquisition)	70% (includes cost of proposed El Morito acquisition)

(*Debt ratio: a company's debt in relation to the amount of share capital it has.)

Recent developments

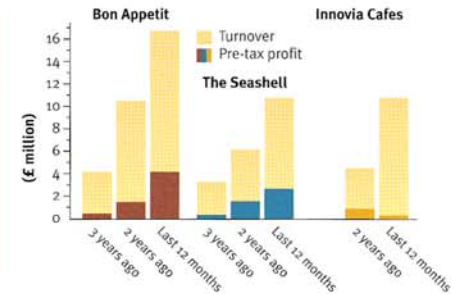
Financial experts in the City of London no longer have confidence in the group's strategy, for the following reasons:

- 1 Innovia Cafes have performed badly. There is strong competition from US chains, such as Starbucks.
- 2 Bon Appetit is closely controlled from head office. Innovia's managers, however, are used to a relaxed management style. Many have left because of the 'bureaucratic' culture.
- 3 Staff turnover among Innovia's other workers is also high and customer service is poor.
- 4 Bon Appetit has agreed to buy the El Morito chain of 12 Mexican-style restaurants for £14m. Experts believe that the group is overstretched and losing focus.
- 5 The powerful national restaurant chain, Icarus, has taken a 10% stake in Bon Appetit and says that Bon Appetit would be an excellent addition to its business.

Writing

Directors of Bon Appetit

Write a report on your company for a financial group who are interested in investing in your business. Your report should give background information as well as information about recent developments. It should present the company in a positive light.



Major shareholdings

• Directors of Bon Appetit	12%
• Weinburg Investments (venture capitalists)	20%
• Restaurant chain, Icarus	10%
• Private shareholders	58%

Task

The directors of the venture capital firm Weinburg Investments, a major shareholder in Bon Appetit, are concerned about the threat of takeover. They have asked the directors of Bon Appetit to attend a meeting to consider:

- 1 What actions must Bon Appetit take to avoid the threatened takeover by Icarus?
- 2 How can Bon Appetit improve the performance of Innovia Cafes?
- 3 Should Bon Appetit reconsider the proposed takeover of El Morito?
- 4 Should Bon Appetit's overall business strategy be revised?

Form two groups:

- a) Directors of Bon Appetit
- b) Directors of Weinburg Investments.

Discuss the questions above. Then hold the meeting.

Directors of Weinburg Investments

Write a report on Bon Appetit. The report should give background information as well as information about recent developments. It should analyse the company's performance and indicate whether Weinburg Investments should sell their stake in Bon Appetit.

➔ Writing file pages 144 and 145