



NEWS > CASUAL DINING

Macaroni Grill CEO eyes acquisitions

Nishant Machado says bankruptcy strengthened brand

Ron Ruggless | Jun 07, 2018

Just a few months after emerging from bankruptcy, Romano's Macaroni Grill is ready to make another run at acquiring an additional brand, after being turned down in a bid last month for Bravo Brio, the company's CEO said.

"We are currently looking at two other acquisition targets," said Nishant Machado, CEO of the Denver-based Italian casual-dining company and senior managing

director of the turnaround firm Mackinac Partners, in an interview.

Columbus, Ohio-based Bravo Brio Restaurant Group Inc., parent to the Bravo! Cucina Italiana and Brio Tuscan Grille, rejected Macaroni Grill's unsolicited purchase bid in May and went ahead with an earlier-announced deal with Spice Private Equity Ltd.

Mac Acquisition LLC, the parent to Macaroni Grill that emerged Feb. 22 from Chapter 11 bankruptcy protection, renegotiated lease terms and vendor contracts, and secured \$13.5 million in new capital to fund the restructuring efforts.

"The Bravo Brio deal was very close," Machado said, but the new acquisition targets are "big enough to double our revenue and size, and that's what I'm focused on now."

Mac Acquisition filed for Chapter 11 bankruptcy protection in October 2017 after closing nearly 40 restaurants. Arizona-based RedRock Partners LLC acquired Macaroni Grill from Houston-based Ignite Restaurant Group Inc. in 2015 for \$8 million, and RedRock retains an investment in the company.

The company went into bankruptcy with 93 company-owned domestic locations and emerged in February with 85. The company had five franchised domestic franchised locations before and after the bankruptcy.

Machado talking with restaurant news about Macaroni Grill's restructuring and what is next.

What is a target acquisition for the company?

The beauty of building a platform like we have is that we're not restricted in cuisine or segment. ... For us, the big upside is realizing significant synergies if it's an acquisition of size. The ones we are targeting are more about the size and the brand we would acquire. What's the health of that brand? We spend a lot of time looking at



that. You also want upside opportunity through operational improvement and the potential for liquidity to reinvest in the business.

How did the bankruptcy help the Macaroni Grill business?

The bankruptcy was purely a tool to help execute our larger plan. We got involved in Macaroni Grill in May of last year through Mackinac Partners. We got engaged to come in and help develop a strategic value-creation plan for Macaroni Grill.

Where did you begin?

We evaluated the brand. We evaluated the platform and felt it made sense to go through a bankruptcy to really rid the company of a lot of legacy liabilities that had been accumulated from one ownership structure to the next. No one took the steps to cleanse the company of the legacy liabilities.

What were the first steps?

Working with and advising the board and ownership group, our overall goal and objective was to determine the long-term strategy. That was not only to stabilize and grow Macaroni Grill but to have a platform that we could then leverage to go do acquisitions, as recently evidenced by Bravo Brio.

How did you approach the restructuring?

We came in and worked with the management team to address every level of the business, from same-store sales, from branding, from marketing, from cost-saving initiatives, from HR team development, etc. etc. We've been implementing that all along. The bankruptcy was one step in that process.

Where do you stand now?

Emerging from bankruptcy, I would say about 95 percent of the initiatives we put in place as far as the strategic-value have been implemented. Since then, we've seen tremendous results across the board.

You talk about the new platform including strong people, systems and processes. Where did that start?

Over the last 10 months, we've implemented over 11 different systems that cater to either revenue generation or margin expansion. We completed the implementation of those systems at the end of February and the middle of March this year.

How does that work impact your ability to acquire other brands?

It all comes down to having a very robust and scalable platform, which is the people, systems and process. We've developed a strong team. ... If we do an acquisition, it's very easy to bolt it onto our platform and leverage our infrastructure and the team's expertise. ... We have all the components that make us "acquisition ready," which is why we felt it was good time to dip our toe in the water with Bravo Brio.

What do the closures over the past year or so give Macaroni Grill going forward?

It gives us significant strength, because some of these legacy units might have been in casual-dining "A" locations 10 years ago but the markets changed. Consumers changed. Trends changed. It's very hard to be able to rebuild yourself if you are on the wrong side of town.

How did you approach which restaurants to close?

We were thoughtful. People can get tunnel vision when they look at closures. We don't. We look at all the aspects of that market. If it has sales challenges, we look at

what we've done right and what we've done wrong. We look to see if there is an opportunity to right the wrong to get sales back to where they could be. We negotiate with landlords to get more market-like rates. Additionally, we look at the marketing strategy in each [designated market area].

You've worked in restructuring of other industries besides hospitality. What are the advantages of working in a restaurant brand turnaround?

It's an industry where you are dealing with people on both sides of the table, and there's inherent excitement in that. ... A lot of my background is in hospitality, and that's what some brands have lacked in the last few years.

Contact Ron Ruggless at ronald.ruggless@knect365.com

Follow him on Twitter: [@RonRuggless](https://twitter.com/RonRuggless)

Correction: June 7, 2018 This story has been updated to correct the spelling of Nishant Machado's name.

Source URL: <http://www.nrn.com/casual-dining/macaroni-grill-ceo-eyes-acquisitions>