



Beyond Borscht

Russians seem to be hungry for Western-style growth companies and American-style grub | By Michael Freedman

THERE IS NO PRECISE RUSSIAN translation for buffalo wings or potato skins. But by serving up this kind of pub grub and other fare, Rostislav Ordovsky-Tanaevsky Blanco, a man with a mouthful of a name himself, has put together a chain, large by Russian standards, of 194 restaurants, operating under such familiar names as T.G.I. Friday's and Benihana. The chain hauled in \$219 million in revenue from 12.5 million meal tabs last year.

Now his Rosinter (as in Ros International) Restaurants is in expansion mode. He aims to open hundreds more eateries

over the next five years and in June floated the company on the Russian exchange, becoming the nation's first publicly listed restaurant chain. The offering raised \$100 million, valuing the company at \$320 million, or 12 times trailing Ebitda. Through a separate business Rostik, as he is known, has also signed a contract with Yum Brands to cobrand restaurants with KFC and bring the Colonel's recipe to hundreds of locations. "The possibility to grow is unlimited," he says.

Not without a few bruises along the way. A descendant of Russians born and raised in Venezuela, Rostik, 48, has been plying various businesses in Moscow since

1984, a year before Mikhail Gorbachev moved into the Kremlin. Rostik's great-grandfather was governor of the Tobolsk region in Siberia, where Tsar Nicholas II and his family were taken during the revolution. Rostik's ancestors saved themselves by heading to Yugoslavia. But his father ultimately landed in Caracas, married a Spaniard there and opened what became the nation's first department store. By the time Rostik was a teenager, he was in business himself, buying and selling books. In his early 20s he and three partners began what he claims was the biggest video studio in Latin America, entering into a 50-50 joint venture with Kodak

Venezuela, with exclusive rights to distribute Disney videos.

In 1984 he visited the Soviet Union for a film festival and ended up buying the rights to a children's cartoon, which he sold back home. The videos did okay. But two things about Russia stuck. The paucity of tourists left the country with no places to buy film. Moreover, in



Taste of Tokyo: a Planet Sushi in Moscow.

Moscow, a city of 10 million, there were very few restaurants, and you had to know a manager to get in. The fare was as dreadful as the service, says Henrik Winther, one of Rostik's top executives. "This was not food that could be digested or even eaten by normal people."

Rostik got to work filling both gaps. In the late 1980s he became Kodak's distributor for the entire Soviet Union. In 1988 he opened Russia's first one-hour photo lab. One problem: The ruble was not convertible, making it difficult to buy supplies and inventory from his American partner. Solution: the restaurant business, where customers, mostly foreign businessmen, paid in dollars and European currencies.

Rostik moved to Moscow, where he still lives, and leased space in a hotel near Red Square. But he couldn't find anyone to build out the interior, because nobody knew how to sign a contract with a foreigner. So in 1989 he spent \$400,000 to have a 2,200-square-foot restaurant built in Venezuela, cut into pieces, shipped in containers to St. Petersburg and trucked overland to Moscow, where it was reconstructed inside the hotel.

Fast food caught on. McDonald's put a unit in Moscow's Pushkin Square to lines literally miles long. Rostik opened

El Rincon Español, "The Spanish Corner," importing seafood from Spain, taking in dollars from business travelers and expats and paying most of his expenses in cheap rubles. Le Chalet, a Swiss-themed restaurant serving things like crêpes suzette and Caesar salads, followed. Given his need to expand—his restaurants had \$6 million to \$7 million in sales by the early 1990s—and swelling competition, Rostik sought help. Parting amicably with Kodak (though he still has some photo shops), he looked for funds, swapping 15% of his business for \$7 million from Baring Vostok Capital Partners, a Russian private equity group. (It sold out for

outgoing waiters they held auditions, requiring applicants to sing a song or perform a short skit. "We had to warm them up a little bit," says Richard Snead, Carlson Restaurants' chief. "There was a reluctance to speak the 'May I help you's?'"

Rostik opened his first Friday's in mid-1997, paying a franchise fee of \$100,000 or so plus 2% to 4% of annual sales. The restaurant did very well at first, selling huge plates of ribs slathered in barbecue sauce and giant burgers with onion rings. Then came the devaluation of the ruble in 1998, nearly devastating the business. Rostik had tens of millions in dollar-denominated debt, including an unsecured loan from Credit Suisse. "Every day you woke up and thought you would end the day having lost the company," he recalls.

Credit Suisse sold his bad debt, and Rostik renegotiated the terms, agreeing to pay a smaller amount, at a discounted rate, in three years. By 2000 he was back on track with 80-odd restaurants, mostly in Moscow, and began to push into Russia and the former Soviet states of Ukraine, Kazakhstan and Belarus. He launched two new chains—Planet Sushi and Il Patio, an Olive Garden-like concept—and in 2003 turned to another well-known brand: Benihana. The restaurant has struggled, since it involves sharing tables with other customers, anathema to people all too accustomed to fighting over scarce resources. "They used to share apartments and houses and everything during communist times," says Rostik. "So here people wanted a lot of privacy."

Rostik himself has to share nowadays with the likes of McDonald's, Sbarro and a planned venture by Church's Chicken, as well as with homegrown chains like Yolki-Palki (loosely, "Fiddlesticks"). But a strong economy should keep all competitors chugging along. Rostik aims to achieve economies of scale by setting up adjoining theme restaurants under one roof to share kitchens, restrooms and food storage areas. This year he plans to open four dozen restaurants, not counting the KFC outlets held outside Rosinter. The stock offering took Rostik's share of his chain from 86% to 61% but left him worth perhaps \$200 million. **F**

By the Numbers

Check, Please!

Russian incomes are up 27% a year, but restaurants are pricey.

\$407 Russia's average monthly per capita income.

1/10 The cost, as a fraction of per capita monthly income, of seafood risotto at a trendy Moscow restaurant.

\$26 to \$36 The average tab at Rosinter.

2% The value of the Russian food-service market versus that of the U.S.

Sources: Rosstat; Vogue Café; Rosinter; Euromonitor.

an undisclosed sum a few years ago.) He was still a novice in business. "Back in 1993 I first heard the word 'Ebitda,'" he recalls. "This was Chinese to me."

His new partners were pure American—T.G.I. Friday's, a unit of the Carlson Cos., the giant restaurant and hotel operator. Among other things Friday's introduced his Russian employees to a foreign concept: customer service. To hire more-