

WHO'S NEWS

TLC Group's Chief Gains Spotlight Overnight With Agreement to Buy Beatrice Cos. Units

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NEW YORK—A month ago, Wall Street had little reason to take Reginald F. Lewis seriously.

The 44-year-old lawyer's investment concern, TLC Group L.P., had just sold McCall Pattern Co. for about \$85 million, and Mr. Lewis indicated that he was prowling for another acquisition.

But no one expected him to tackle such a large deal so quickly. Over the weekend, Mr. Lewis grabbed the spotlight with a vengeance by agreeing to buy Beatrice Cos.' international food businesses in a \$985 million leveraged buy-out. The buy-out would make TLC the U.S.'s largest black-owned business, eclipsing Chicago-based Johnson Publishing Co., which had sales of \$173.5 million last year.

Beatrice's international food operations, which feature products ranging from sausages to ice cream, produced sales of \$2.5 billion in 1986.

A Promising Rookie

Now, almost overnight, Mr. Lewis has become one of the most promising rookies in the corporate-takeover business. "We think Reg is a winner," says Dean Kehler, a managing director of Drexel Burnham Lambert Inc., TLC's investment banker. "Long term, he's a good person to back."

Before selling McCall, TLC was ranked sixth based on revenue by Black Enterprise magazine in a June survey of black-owned businesses.

"After the McCall's (sale), we knew

he was going to do another big deal," said a spokeswoman for Black Enterprise. "We didn't know it was going to be quite *this* large."

Mr. Lewis's reputation as a shrewd and tough negotiator apparently has paid off.

For one thing, Mr. Lewis and his investors garnered more than an 80-to-1 return on their investment in McCall, which they purchased three years ago with only \$1 million cash. Mr. Lewis apparently purchased Beatrice's international food units for a bargain as well: Those operations produced pre-tax profit of \$147 million last year on sales of \$2.5 billion.

"He's just a very strong-willed person," Mr. Kehler said. Added Robert L. Hermann, McCall's president: "Once he makes up his mind to do something, he usually gets it done."

Extensive Legal Experience

While Mr. Lewis is a relatively new player in corporate takeovers, he brings to the table extensive experience in corporate law. A graduate of Harvard Law School, Mr. Lewis worked at the law firm of Paul, Weiss, Rifkind, Wharton & Garrison until 1970, when he helped found the firm of Lewis & Clarkson.

In an interview, Mr. Lewis said he isn't intimidated by the size of the proposed acquisition from Beatrice or by the prospect of entering a business he knows little about.

"Size in today's marketplace isn't the key factor," he explained. "The question is the quality of the assets and the underlying earnings power of those assets. When you

have a good handle on that, then you know what you're capable of financing."

Mr. Lewis added that his style is to leave the day-to-day operations of the companies he purchases to management; "except during a crisis," he gets involved only in strategic planning.

"I don't think we'll get into the food laboratory and develop flavors—that's not our style," Mr. Lewis said, adding that he plans to give officers of his new food concerns a stake in the parent as an inducement to stick with the company and improve its performance.

Mr. Lewis has said he agreed to sell part of the food operations—Beatrice Foods Canada Ltd.—to Toronto-based Onex Corp. for about \$300 million Canadian (U.S.\$225 million) in a leveraged buy-out. The Canadian business had pre-tax profit of U.S.\$27 million on sales of U.S.\$367 million last year. In such a transaction, a company is acquired largely with borrowed funds. The debt then is paid with funds generated by the acquired company's operations or through asset sales.

Mr. Lewis wouldn't comment on plans to sell other units. A source close to Mr. Lewis said, however, he plans to sell Beatrice's Australian and Latin American units, which had combined sales of about \$270 million last year.

That would leave Mr. Lewis with almost a \$2 billion company. But once he completes the acquisition, Mr. Lewis said, Wall Street can expect to hear from him again.

"We're opportunistic," he said. "We will . . . seize the moment."