
Pub chain to double size, backed by \$5.6M financing

St. Louis Park-based Granite City Food & Brewery closed this month on \$5.6 million in financing that will help it double its restaurants in 2003.

In January, the casual dining restaurant chain will break ground in West Des Moines, Iowa, on its fourth location. It is also negotiating on two more sites in the Midwest.

Steve Wagenheim, Granite City's president and CEO, said revenue is projected to increase from \$12 million this year to \$30 million in 2004. He said, within three to five years, the company could be a \$100 million chain extending westward from Ohio to South Dakota.

"You've got to start one unit at a time, one market at a time," he said. "Our stores are doing really well. The concept has been really embraced."

Granite City expects to open a few more sites in 2004 than in 2003 before aggressively ramping up expansion in 2005.

Granite City raised the money through a private financing using Minneapolis-based Aethlon Capital as its agent. The new capital will be used to build the next several stores. After that, the company expects further expansion to be funded out of pocket.

"The leaps are going to be pretty significant," said Wagenheim, a former Twin Cities restaurant consultant and licensee of the Champps Americana restaurant chain.

Granite City opened its first restaurant in St. Cloud in 1999. It went public the next year and launched locations in Fargo, N.D., and Sioux Falls, S.D., shortly thereafter. The chain has grown by focusing on second-tier metropolitan areas. At some point, Wagenheim said, the Twin Cities will be on the expansion radar.

"We're filling in the dots and Minneapolis is a part of it," he said.

Restaurant industry observers praised Granite City for expanding cautiously.

"They seem to understand the markets in which they are open," said Scott Hume, managing editor of Des Plaines, Ill.-based Restaurants and Institutions magazine. "They're growing slowly, which would seem wise in this market."

Casual dining restaurants, especially ones that include bars, have done well in spite of difficult times, he added.

Wagenheim acknowledges that the slowdown has affected the speed of Granite City's expansion plans. But he said he's looking forward to the future. "This is just a really fun and interesting time for the company."