Vivian Imerman's plan for
WHYTE & MACKAY

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Vivian Imerman, brought into Whyte & Mackay as a financier to its MBO, is now chief executive and has set out to revive the independent distiller.

Listed by the Sunday Times as Britain's 101st richest man, worth £400m, Vivian Imerman is the South African entrepreneur who is reinventing one of Scotland's most significant independent distillers. The man from Del Monte - he ran the group for seven years until 1999 when he sold most of his interest for £380m - is bidding in a receiver's auction to buy back the canned fruit business after Italian owners Cirio Finanzeria went bust.

He was one of South Africa's leading business lights during the time of change and his friends include Nelson Mandela and President Thabo Mbeki.

But London-based Imerman has pledged a long-term commitment to Glasgow-based Whyte & Mackay, where he is driving a £70m investment programme aimed at revitalising a group with 9 per cent of the global Scotch market but which he sees as having lost its way.

A year ago, the omens did not look good. Whyte & Mackay, which under Michael Lunn in the 1990s took over the listed MBO Invergordon in a bitterly-fought bid, was part of Jim Beam brands until Scotland's biggest ever MBO in October 2001 created Kyndal Spirits. The £208m deal was fixed by the aggressive corporate finance team at WestLB led by Robyn Saunders, using the bank's debt, but promising a bond issue against the value of the group's whisky stocks. For £20m of top-up funding, the bank approached Imerman, and a loan was offered through a private property company.

In May 2002, Imerman, a minority shareholder, became non-executive chairman. In February 2003, buy-out leader Brian Megson unexpectedly quit, amid reports of a rift over strategy. Imerman insisted that Megson "had hit all the targets we set" and that the departure was not sudden. Three months later, questioned about the MBO's debt millstone, he said the business was generating enough cash to cover interest twice. He says now: *"There was a big change in the environment. Instead of the market stabilising, it became more competitive and prices decreased which wasn't something that was expected by the incumbents at the time. It became clear we needed to change the approach to the business."*

By early July 2003, all five of the directors who had led the buy-out had quit or taken reduced roles, and press reports talked of a crisis. Saunders, meanwhile, was moving offstage after some of WestLB's positions turned sour, and her team was revealed to have been granted equity stakes in businesses including Kyndal for nominal sums. WestLB's credibility suffered, and securitisation plans were dropped.

The man first approached as a backer was now chairman and chief executive with 60 per cent of the equity, and had called in international consultants Bain & Co for a strategic review. On the changes, he commented: *"The world has moved on since the MBO."*

At the end of last July, the curtain was lifted on a renamed Whyte & Mackay, signifying a core strategic shift away from tight-margin own- label distilling and towards the group's forgotten flagships, the premium brands.

The chairman promised a £70m investment across the whole business, *"an intense focus on customer and consumer satisfaction"*, and a restructuring which would cut the headcount from 700 to 500.

When CA Magazine met Imerman, 49, and his key financial lieutenant of 20 years, Jacques Fragis, 50, at Harvey Nichols' new rooftop brasserie in Edinburgh, the view was distinctly global, and it quickly became apparent why the wind of change has blown so quickly through the 1SO-year-old distiller.

Imerman says: *"We are not typical investors. Any investment we make that is not strictly financial, we look to have influence in it."*

Had he planned to take control? *"When we invested in the company, we thought we would be able to add value on the board but we were never planning to run it."*

But the market was moving away from the MBO. Merger and consolidation at the premium brand level of the trade convinced Imerman that there was an opportunity for W&M to exploit lower down. As he puts it: *"This was one of the companies that had a reasonable critical mass."*

Own-label, meanwhile, was under pressure from the gradual concentration of retailing power across Europe, tightening the screw on a fragmented supply base.

Fragis adds: *"We came from an environment of highly branded companies in fast moving consumer goods. We have done deals that read like the who's who of the sector. For us it was a no-brainer. Whyte & Mackay had been strong in the past, but the muscles had gone a bit soft, and the company was punching way below its weight. We have one of only seven grain distilleries in the whole of Scotland and the only one in the Highlands. We have the most expensive malt ever bottled - Dalmore - and nobody was taking care of it. The company was ambling along, but if you are able to bring it back into line, you are able to offer the retailer a much bigger offering and become a more important cog in their wheel."*

Imerman sees the previously dominant own-label operation as *"hugely important"* in the business, but wants to reduce it to being *"in equilibrium"* with premium brands. So he is spending £50m re-launching Whyte & Mackay, the single malts (Isle of Jura, the Dalmore), Glayva, and Vladivar vodka.

A further £20m will build a state-of-the-art bottling hall on the company's site at Grangemouth employing 220, and pay for the closure of the Leith bottling plant with a net loss of 140 jobs. According to Fragis: *"Of course top-line growth is hugely important, but in terms of cost saving and payback, the bulk of it comes from hard-core savings you can feel and touch, like two plants into one."* The new team also warns that the white spirit market is competitive and production in Scotland carries no premium - so outsourcing options in Europe are being examined next.

Imerman says: *"The big retailers are taking more and more control of the consumer. Unless you are really on the ball, you are not going to survive."*

Back at WestLB, Saunders has gone and the bank's 40 percent stake, complete with bankers' options, is for sale. Not surprisingly, Imerman is *"a buyer at the right price"*. He has bought the 25 per cent of shares owned by the workforce, at a price which gave them a 25 per cent profit. *"I wanted to be very fair to the people,"* he said. *"I think I erred on the side of being generous."*

Fragis adds: *"The flip-side is that most of the management people who have stayed behind have bought into the whole restructuring, and we have re-incentivised them with proper rewards, to meet budgets and targets and walk away with cash in their pockets."*

Imerman comments: *"One thing about me is that I am unambiguous. I am very clear, very decisive, and very transparent. "*

He stresses that he brings a longer time horizon than a debtpressed buy-out or a board looking over its shoulder at the City. "*We are not venture capitalists, we are industrialists. We have the luxury of being able to take a five-year view. We are looking to invest rather than to get a dividend out of the business."*

Industry-wide, he sees the surviving independent distillers needing to start thinking more co-operatively. *"If certain companies are to survive, they are going to have to stream line their operations or go into joint ventures or strategic alliances. We have been in many of these around the world, very successfully. I foresee that happening in the Scotch industry, which is many, many years behind the rest of the beverage industry. There is some catching up to do."*

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