



Jimmy Micek of Restaurant Technologies removed waste oil from McDonald's in Eagan and delivered fresh cooking oil.

Finding gold in grease

Fast-growing Restaurant Technologies, which provides cooking oil management services, is looking for new owners and perhaps a chance to go public.

By [NEAL ST. ANTHONY](#), Star Tribune

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Restaurant Technologies Inc. has found success in the oil business. Cooking oil, that is.

The Eagan-based company provides a cooking oil delivery-and-recycling service that safely automates the messiest job in the kitchen and converts a problematic waste product into millions of gallons of clean-burning diesel fuel.

CEO Jeff Kiesel, who has spearheaded RTI's growth from \$100 million in revenue to an expected \$260 million this year, said the company is now on the auction block. The plan is to find a new owner who can take the company to the next level and perhaps go public sometime down the road. A pending settlement in a shareholder lawsuit is expected to clear the way for the company's sale.

"We have a good profile for a public company with predictable revenue, consistent growth rate of up to 10 percent annually and solid returns, but we're still a little too small," Kiesel said. "During our sales process we expect new ownership to support us to grow to a size that makes sense in the public market."

Kiesel said Parthenon Capital of Boston, the majority owner that invested in 2001, wants to cash out. ABS Capital of Baltimore, another private equity owner, also may sell some or all of its investment.

Meanwhile RTI, which employs 600, is moving from Eagan to a larger, 60,000-square-foot headquarters and operations center in Mendota Heights in December. The company, which services about 17,000 restaurants and institutional kitchens nationally, has built a dynamic growth business around tackling one of the most dangerous jobs in restaurant kitchens: handling cooking oil.

Rather than pouring oil into fryers from 35-pound plastic containers and dumping tubs of dirty, hot oil into dumpsters, RTI has completely automated the oil-handling process. RTI invests more than \$8,000 to install a couple of 1,400-gallon oil containers. One is for fresh oil and the other for the dirty stuff. An integrated system of hoses, electronics and pumps allows the cooks to drain dirty oil and replenish the fryers with fresh. RTI throws in a \$1,500 filtration system for the fryers that extends the life of the oil.

'Cool, green, hip'

RTI technicians service the system, adding or removing oil from portals outside the restaurant when their trucks are summoned by sensors that trigger a call when oil needs to be added or removed.

"For a restaurant my size, the RTI system may be more expensive," said Joe Kaplan, owner of single-location Joe's Garage on Loring Park, an RTI customer for about five years. "But you're not carrying hot grease across the kitchen. The oil is stored in tanks instead of lining two or three



kitchen shelves with 35-pound plastic bottles in boxes. It makes for a safer, cleaner kitchen. There's a little wand, like a gas pump, that you can use to 'top off' or when oil is needed on the grill, such as potato pancakes in the pan. It's also very cool, green and hip."

Kaplan said RTI "teaches you how to be more efficient, get longevity out of your oil, and they offer different oils."

Kaplan estimates that he spends about \$800 per month for oil and \$140 monthly to rent RTI-owned equipment.

The average RTI-serviced restaurant spends \$10,000 to \$15,000 a year for an RTI system and oil. Oil-related costs usually amount to up to 3 percent of a restaurant's food costs. RTI's competition includes food-service companies such as Sysco and rendering plants, or other oil recyclers.

Kiesel said he can prove to customers that his system is more economical because it cuts kitchen labor and cleaning, and sometimes workers' compensation insurance costs. The average restaurant wastes some oil, usually by leaving up to 3 percent in the bottle or spilling, Kiesel said. How does he know that?

"We've proven that by dumpster diving," said Kiesel. "Our sales-and-service guys teach them how to handle oil better. They'll save 5 to 20 percent of what would be their oil cost. And it's just cleaner and safer."

RTI started in 1998 as a unit of Minnesota Valley Engineering (MVE), a manufacturer of bulk containers and handling equipment for everything from liquid gases for industrial purposes to carbon dioxide and Coca Cola syrup for restaurants. RTI founder Paul Plooster, a former MVE executive, determined that restaurants handled five times more cooking oil than they did carbon dioxide and Coke syrup.

Plooster decided that RTI should own, install and service the equipment on its own dime. In return, restaurant owners would sign long-term contracts to buy fresh cooking oil from RTI at a price that justified the company's investment. It also was a cash-hungry, capital-intensive approach.

Shareholder suit

RTI was spun out of MVE in 1999, and capital was raised from management and more than 200 individual investors.

Annual revenue shot from \$3.9 million in 1999 to \$100 million in 2005, the year Kiesel was hired by the majority, institutional investors to succeed Plooster.

Kiesel, 49, has hired management from GE, Deluxe and Honeywell.

The two private equity firms that own most of the privately held company have hired Chicago investment banker William Blair & Co. to start prospecting for buyers, pending final approval as early as next week of a \$5.5 million settlement in favor of original and minority shareholders who charged that they were shorted during a 2009 recapitalization of the company.

The preliminary settlement in the class-action lawsuit, which involved 260 individual shareholders who invested early in the company's 12-year life, was reached in October. It requires RTI's majority owners to compensate the former shareholders and may include additional payments when the company is sold.

RTI is a full-service shop where workers take containers and assemble them with electronics and tubing, repair equipment and provide sales and service from 36 depots around the country. About 80 work at headquarters and operations in the Twin Cities.

Earlier this year, RTI entered into a long-term contract to sell most of the nearly 150 million pounds of used cooking oil it collects, or "yellow grease" as it is known in the trade, to Iowa-based Renewable Energy Group, one of the nation's largest refiners of biodiesel fuel from waste oils and other feedstocks. That results in about a \$30 million annual revenue stream to RTI, depending upon waste oil prices that have ranged from 11 cents to 40 cents over the past three years.

Institutional kitchens generate hundreds of billions of pounds of yellow grease annually.

"We thrive on innovation, service and long-term contracts," Kiesel said. "Our customer retention rate is [about] 98 percent. The ones who leave are mostly going out of business.

"Our plan is to operate the company as well as we can and grow it. Our management group has the ability to run a \$1 billion company within eight years. We hope the sale results in a new owner with the capital to help get us there."