

"Every single person in your restaurant is trying to steal from you," says a customer of Micros Systems, which makes computers that keep tabs on restaurants' inventories.

# Thou better not steal

By Kate Bohner Lewis

GROWING UP ON a Maryland dairy farm, Louis Brown Jr. couldn't wait to escape. The son and grandson of dairy farmers, Brown remembers being 10 on a hot summer day and dreaming wistfully about an air-conditioned Westinghouse Electric building not far away. "I was standing on our farm looking over at that building full of engineers," Brown recalls, "and I knew I wanted to be in there."

Brown attended Johns Hopkins University on a scholarship and earned an engineering degree in 1966. He put in brief stints at Armco Steel and Hewlett-Packard but could not suppress the entrepreneurial itch. "I knew right out of college that three geeks in a basement with a silicon chip could create some very dangerous products," says Brown with a rapid-fire southern twang. "I don't mind being a geek. It's easier than farming."

In 1970, with \$20,000 in savings, Brown, then 26, hired a couple of his engineering buddies and started a company called Ideas Inc. to design computers for the government.



Photographs by Tom Wurt

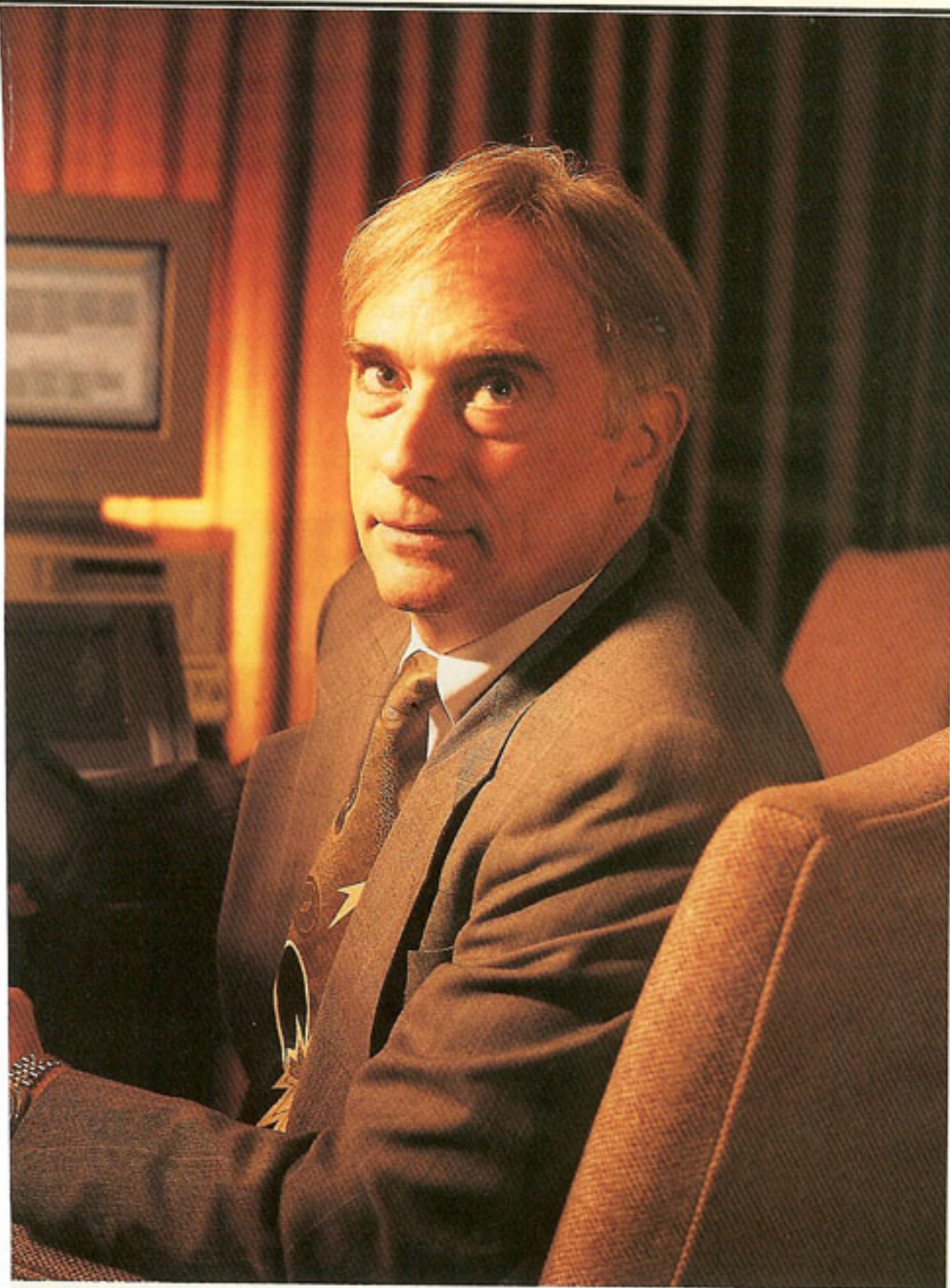
Louis Brown Jr.;  
a Micros terminal  
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done good."**

Along the way, Ideas also did some consulting work for a company that made electronic cash registers. Brown decided to start making smart cash registers, too. But rather than take on NCR Corp. or IBM, Brown decided to specialize in registers for restaurants. He named his new company Micros Systems Inc.

It was a good niche to go for. Based

in Beltsville, Md., Micros Systems now has a 12% share worldwide of the highly fragmented market for restaurant computer systems, making it the largest player by far. "By God's good will, we've done good," beams Brown, a devout Christian.

Micros' machines do many clever things beyond simply handling order entry for waiters and waitresses and



toting up the take at the end of the night. For example, they enable managers to compare profit margins on every item on the menu, showing them which items to promote and which to drop. But experience-hardened restaurateurs say a key Micros function is its ability to track the sale of every item on the menu and cross-check that record against the system's inventory tracking system.

"You must remember one thing," explains Brian McNally, the veteran New York City restaurateur who currently runs the fashionable "44" restaurant in the Royalton Hotel and is a loyal Micros customer. "Every single

person in your restaurant is trying to steal from you. These machines make that nearly impossible. I can't imagine running a restaurant without this [Micros] thing."

In 1981, when Micros' revenues were just \$9 million and profits were \$303,000, Brown decided to take the company public. None of the big underwriters would give such a little company the time of day, leaving Brown at the mercy of the penny-stock operators. Fortunately, he hooked up with a relatively competent one, John Muir & Co., which as lead underwriter sold 36% of Micros to the public for \$4 million. Within

months of the offering, Muir collapsed, but at least Brown had some new capital to work with. He used the money to upgrade Micros' systems and bring in new accounts. In 1986 revenues hit \$21 million, and Westinghouse Electric, on the lookout for investments in small technology companies, snatched up 19% of Micros' shares. This enhanced the little company's credibility. By 1989 Micros began selling its systems to big chains like TGI Friday's and Perkins Family Restaurants.

In fiscal 1994 (ended June 30) Micros Systems, ranked 119th on FORBES' list of the 200 Best Small Companies in America, netted about \$9 million, or \$1.10 a share, on revenues of \$79 million. Micros' earnings are expected to rise 23% this year, to nearly \$11 million (or \$1.35 a share), on revenues of \$106 million. Micros' shares, scheduled to split 2-for-1 in November, have jumped tenfold since 1989, to a recent 29—a steep 23 times this year's expected earnings.

Restaurants aren't Micros' only business. In 1990 Brown diversified into computer systems for hotels; these manage everything from reservations to room service charges to express checkout, and now account for 20% of Micros' revenues. Big customers include Radisson Hotel Corp. and Inter-Continental Hotels Corp. In May 1993 Micros paid \$6 million in cash to acquire a 30% stake in Fidelio Software GmbH of Munich, the world's leading developer of hotel computer information systems; it has an option to acquire the balance.

Micros' market value currently exceeds \$226 million, but Lou Brown owns shares worth just \$640,000. The bulk of his stake, owned through his privately held Ideas Inc. (now a systems integrator), was sold to Westinghouse in 1988—before the big runup in price. Westinghouse, meanwhile, has continued to buy shares and now owns 62%.

But far from feeling badly that he's all but out of Micros, Brown praises a higher authority. "I firmly believe," he says, "that the driving force behind me was the good Lord looking out for me. If I'd been born a generation earlier, I'd have been a farmer. If I'd been born a generation later—who knows?" ■