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OUTLOOK

A Talk with Nick Cole of MUFG

During 2020 and the height of the pandemic, when some of us were learning how to make sourdough bread or thinking about our bathroom remodel, Nick Cole was taking stock in his career.

"This last year was a great opportunity for reflection," he says. "I spent a fair amount of time thinking about what I am good at and what I wanted to be doing. Where could I go to get interesting challenges?"

That reflection brought him to move to MUFG Restaurant Finance from Wells Fargo to head up their restaurant efforts a couple of months ago. "MUFG already had a team going, and now we are turning up the pressure on growth," Cole says. The group has about 15 bankers and other dedicated staff, and are still building.

When he joined, "The first thing I did was put in a 90-day plan; 75 to 100 items we needed to get solved, fixed, put in place, learned," he says. "I always find it interesting: I've changed companies a couple of times, and we're all doing the same thing, but we do it differently."

Outlook for restaurant borrowers

As he looks forward after a sometimes tumultuous, sometimes positive 18 months for the restaurant industry, Cole sees a couple of things for restaurant operators.

"Capital is available," he says. "It's not like any other time I have seen in the restaurant industry. Borrowers and banks are figuring out how to underwrite to predict what will happen in the future, when there is no blueprint."

He feels the short-term outlook is turbulent, while the long term is positive. Sales are bouncing back for QSR, "but there is downward pressure on profits due to labor shortages and staffing difficulties."

The long-term outlook is exciting, says Cole. "Companies operating today are smarter than they have ever been about providing convenience and value to their customers. They have seen off premise and take out go to a new level they never thought possible. They have opened the door to a whole new set of customers…I think it is going to lead to stickiness of that profitability from those opportunities."

Before the pandemic, operators were struggling to figure out how to make money from delivery, and for casual dining concepts, "they have the most to gain in that leap forward in off-premise dining," he says.

For banks, there are challenges ahead, Cole predicts. "There's an abundant supply of capital relative to demand." That means banks will have a lower investment return.

MUFG, he says, is dealing with the challenges by focusing on growth to garner extra returns, rather than cutting costs. "One of the benefits I see at MUFG is that is has great debt capital markets and syndication experience, significant coverage of financial sponsors, PE relationships—all the ingredients and capabilities of a forward-looking bank."

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