

How to Secure Private Equity Funds for your Franchise

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Webinar Sponsor



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Speakers



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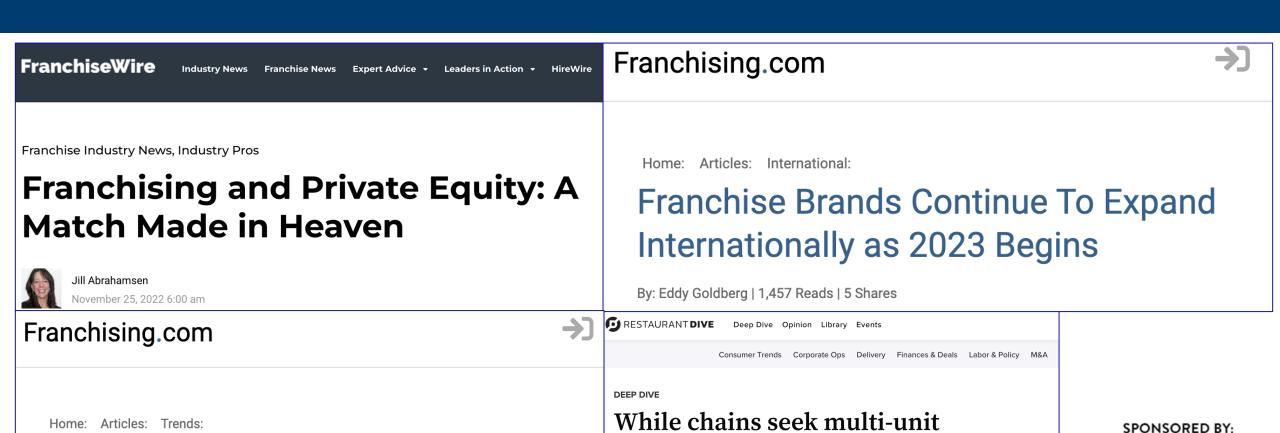
John Goldasich Managing Director, Lazard



Nick Friedman
President & Co-Founder
College Hunks Hauling Junk



State of the Franchise Marketplace



franchisees, small operators have

Franchisees will continue to push franchisors to boost store-level profitability as many

room to grow in 2023

brace for high development and operating costs.

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2023 Begins

Service Brands Continue To Expand as

Today's Agenda

- Private equity basics
- Why PE firms are attracted to franchising
- The items PE Firms are looking for in a brand
- Red Flags
- The types of deals (Non-Control vs Control)
- Valuation
- The Process
- Q & A





About Nick & College Hunks





College Hunks Hauling Junk is the largest and fastest growing U.S.-based hauling and moving company, providing collegiate teams to move home and business.

- Founded in 2005
- 2008 opened franchise
- 2009 appeared on Shark Tank
- Today, College H.U.N.K.S has over 200 franchises and over 3,000 employees nationwide.





About John

John Goldasich – Managing Director, Lazard Freres & Co.

- Email address: john.goldasich@lazard.com
- 20 years of corporate finance and investment banking experience
- Lazard is a global investment bank, advising clients on mergers, acquisitions and raising capital
- John leads Lazard's franchising, multi-unit retail restaurant and consumer services practice
- Notable former clients for John and Lazard include ServiceMaster, College Hunks Hauling Junk & Moving, MySalon Suite, Camp Bow Wow, Burger King, Pure Barre Fitness, Milan Laser, C2 Education, Velvet Taco, Newk's Eatery, Moe's Southwest Grill, Anthony's Coal Fired Pizza







The Basics With John Goldasich



What is private equity?





Why Are Franchise Companies In Such High Demand With Private Equity Firms?

- High margin cash flow that can be leveraged or securitized
- Scalable without too much capital expenditure
- Recurring cash flow-constancy of recurring revenue from royalty income
- History and established brand
- Encourages entrepreneurship and ownership of the brand and mutual support and growth





What Do Private Equity Firms Look For In Franchises?

Important Deal Metrics to Consider

- a Number of Units How big do you need to be?
- Size revenue and profitability
- C) Underlying success and profitability of franchisee base (Unit Economics)
- d) History
- Legal history
- f) Control





Red Flags



When PE firms are evaluating a brand what would cause red flags?





Transaction Alternatives

Non-Control	
Private Debt	Higher priced debt, cheaper priced than equity. Private debt fund provides high-leverage loan, typically with warrant coverage
Growth Equity	Non-control private equity investment, typically in a high-growth company. Founder/Selling shareholders retain governance and operational control with support and board participation from PE investor
Royalty Funds	Ability to monetize a significant portion of the business in exchange for future royalty payments to the royalty fund, seller remains in control of the business
Strategic Investment	Non-control investment in a company by a strategic company. Typically, strategic investments have a path to control for the strategic investor

Control	
Private Equity Recap	Private Equity investment of more than 50% of the company's equity. PE firm gains control of the board. Structure typically requires significant rollover investment from the selling shareholders/founder/management team.
Strategic Sale	Sale of company to a larger company, typically 100% buyout or significant majority with rollover interests in combined business.





Valuation

- What is a business valuation?
- What are the most important factors to consider when valuing a business?
- What should a franchisor know when discussing their brand's valuation with a PE firm?
- Does it vary by type of business?Example Pet Brand vs Home Service







The Process

Private Equity Process

Franchisor





Transaction

- √ Where to Start
- ✓ Average Timeline
- √ What To Expect





Closing Comments



Matt Gourgeot Head of Franchising, Thryv



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Q&A





Thank you for attending!



