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**iFA** INTERNATIONAL  
FRANCHISE  
ASSOCIATION

# FRANCHISE FINANCE TRENDS:

What to Watch and What to Do





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# Franchise Finance Trends



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# AGENDA

- The Macro Backdrop: Capital and Consumer Trends
- Franchise Financial Performance: What the data says
- SBA Lending & Policy Shifts
- Moderated Discussion: Capital Through the Franchise Lifecycle



# THE MACRO BACKDROP: CAPITAL AND CONSUMER TRENDS

Sayee Srinivasan – Chief Economist, American Bankers Association

- Banker sentiment and credit availability
- Consumer spending trends
- Implications for small business lending trends



# Sayee Srinivasan

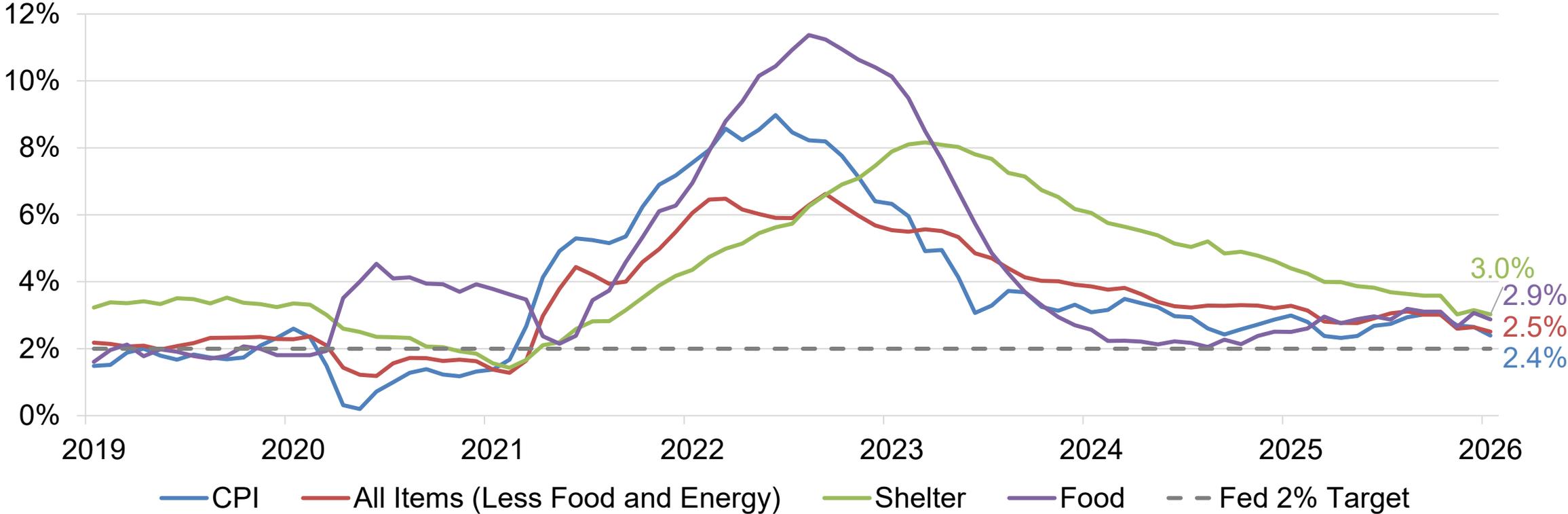
Chief Economist

**American Bankers Association**

**[ssrinivasan@aba.com](mailto:ssrinivasan@aba.com)**

# Inflation remains above Fed Target

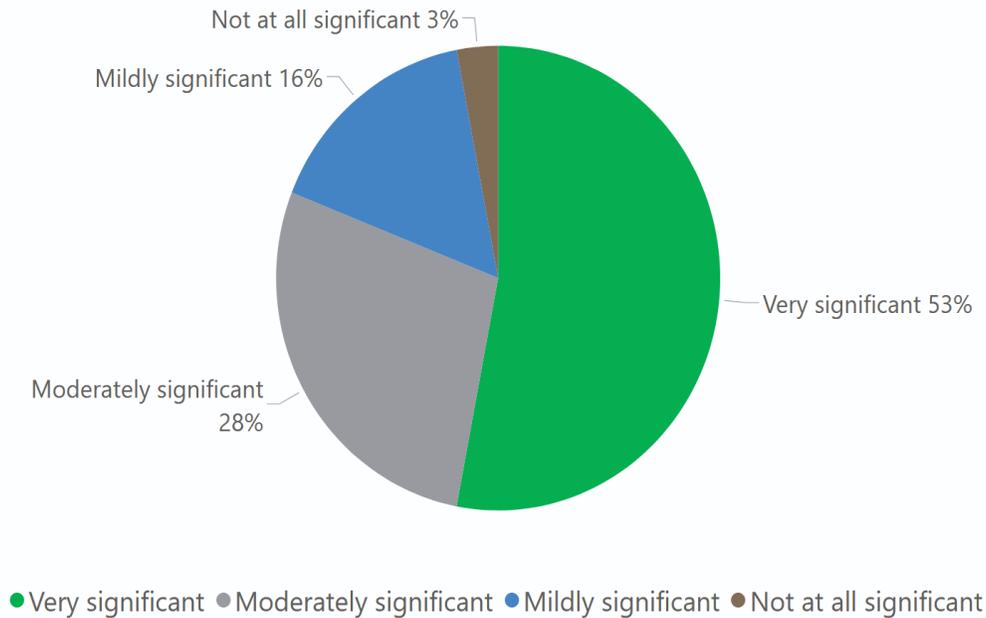
CPI, Year-over-year percent change



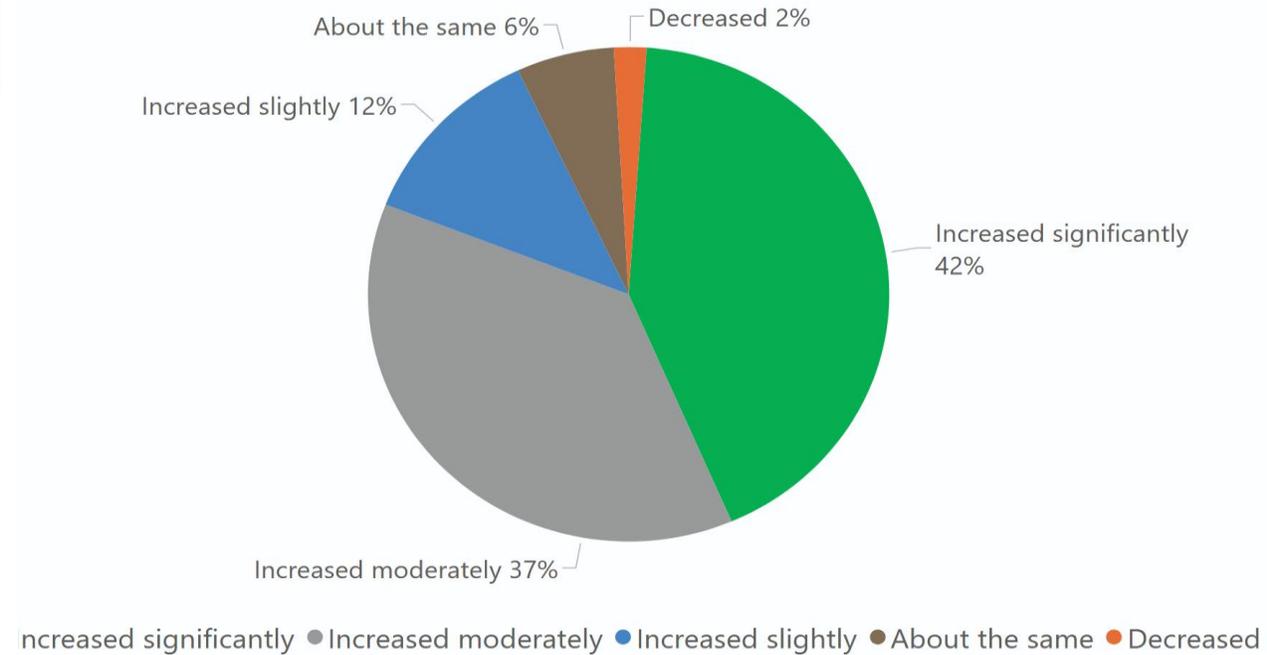
Source: U.S. Bureau of Labor Statistics via FRED®

# Energy costs have become more significant

How significant are energy costs (electricity, natural gas, gasoline, fuel oil, etc.) in operating your business?



How have your energy costs changed over the last three years?

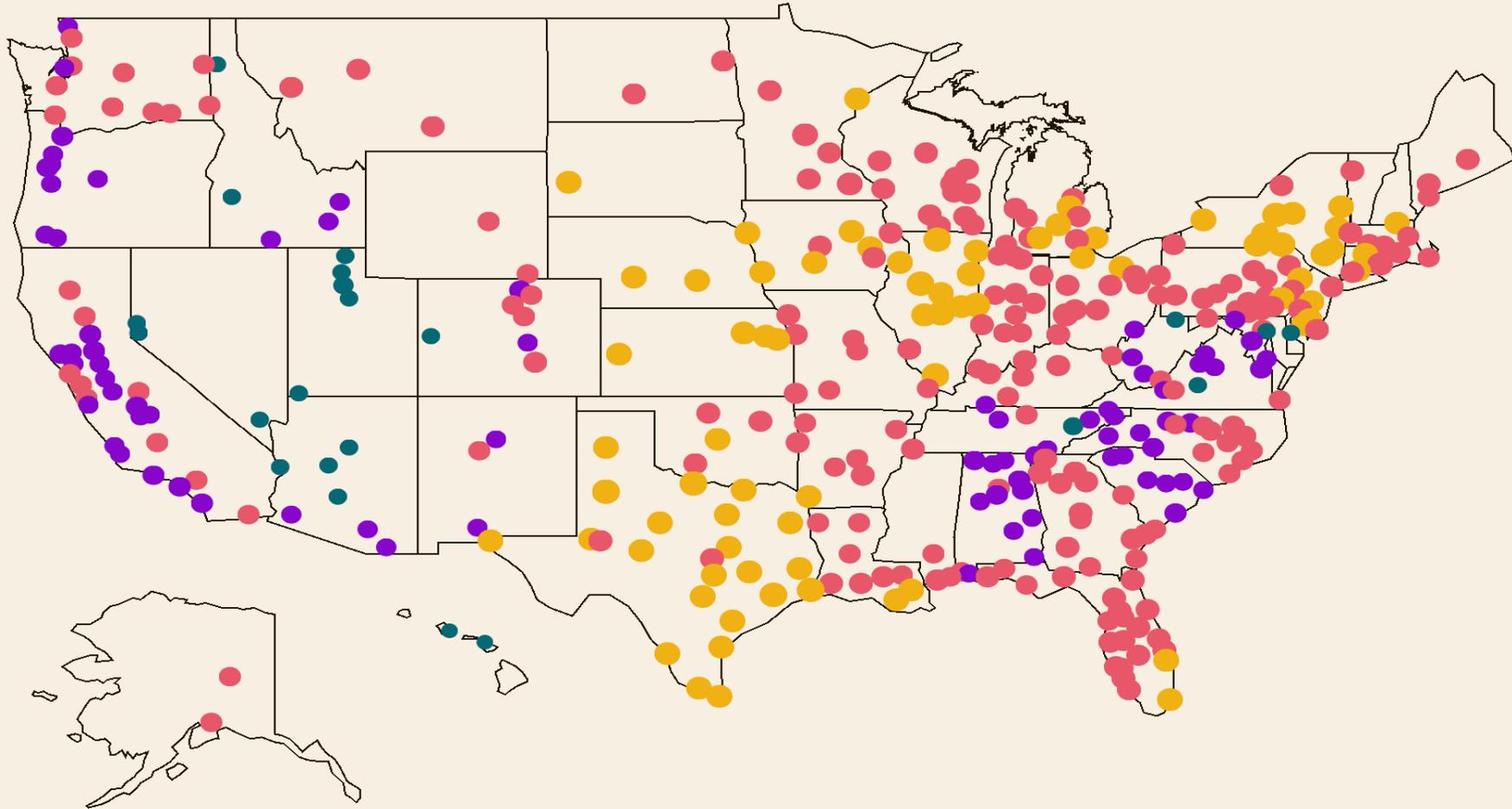


Source: NFIB

# Escrow costs are pushing up shelter costs

## 2025 escrow share by CBSAs

■ Less than 25% ■ 25% - 30% ■ 30.01% - 40% ■ Greater than 40%

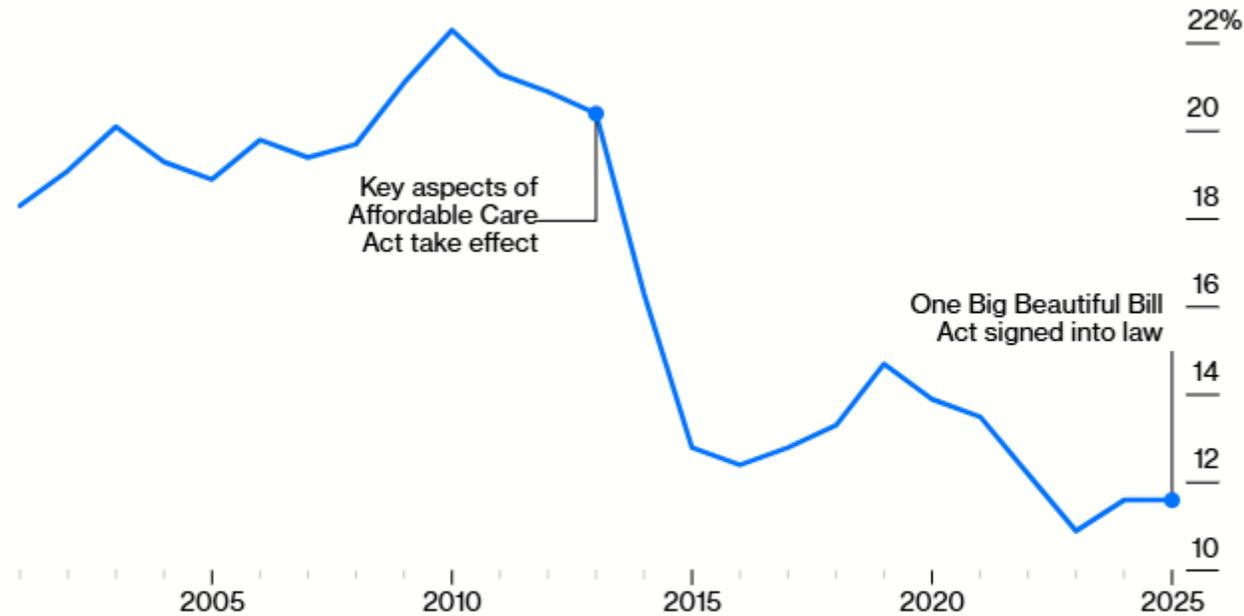


Data source: Cotality, 2025

# CBO predicts 4 million Americans will lose their health insurance

## The Low Uninsured Rate Won't Last Long

Percentage of US adults aged 18-64 without health insurance

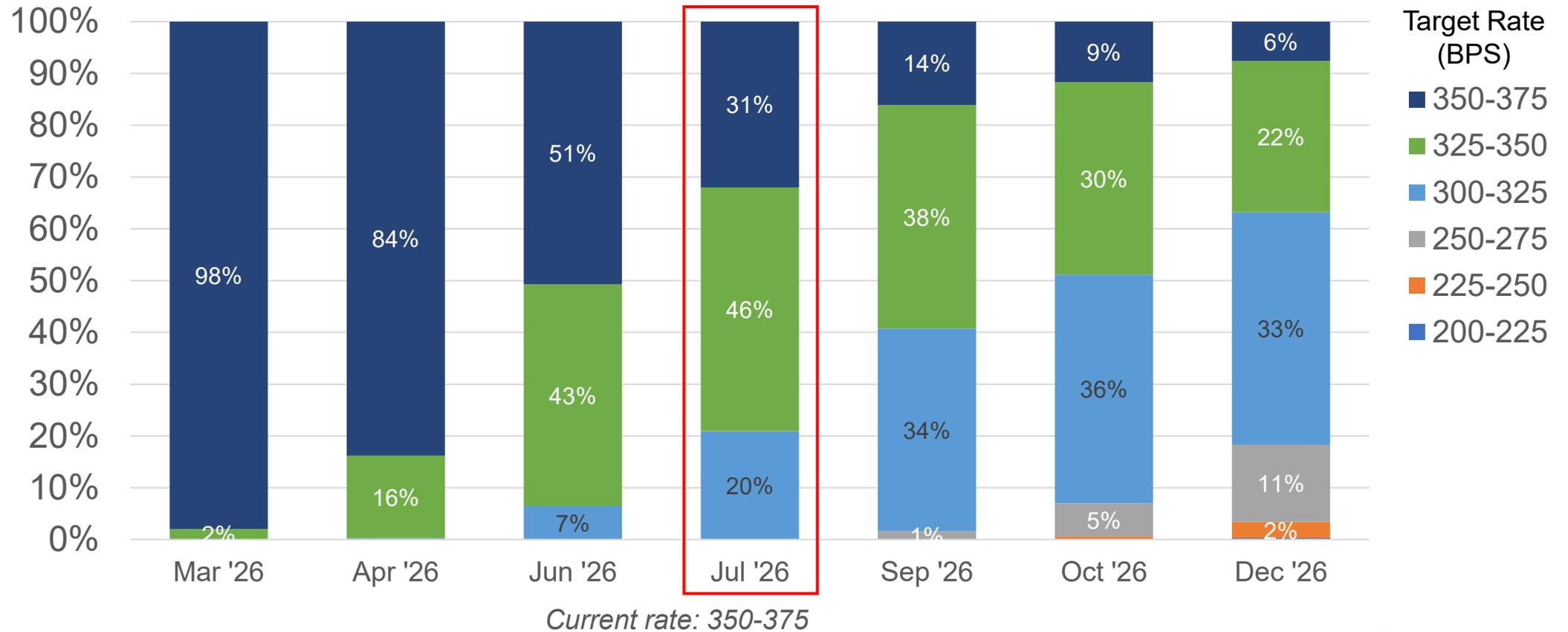


Source: National Health Interview Survey

Note: 2025 data through June, the most recent survey available.

# Fed cut expectations

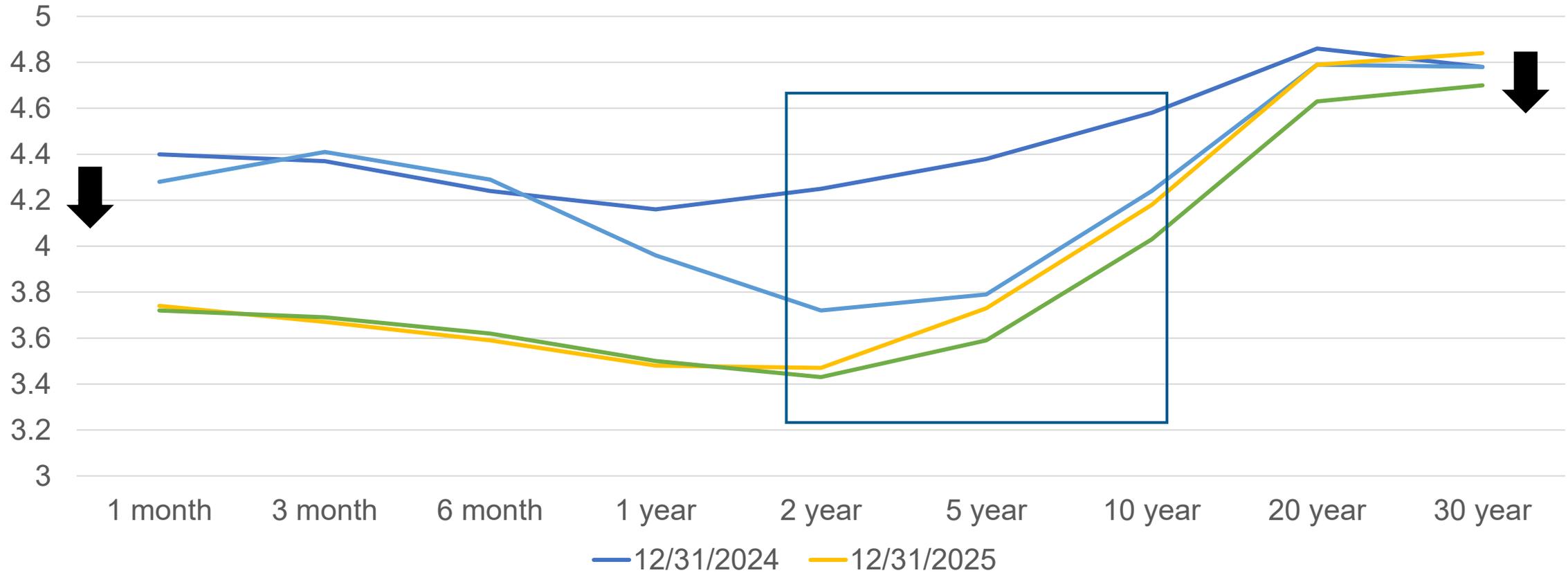
FOMC Fed Funds Target Rate Probabilities



Source: CME Group, as of 1:25 PM (ET) February 24, 2025



# Treasury Yield Curve is Steepening



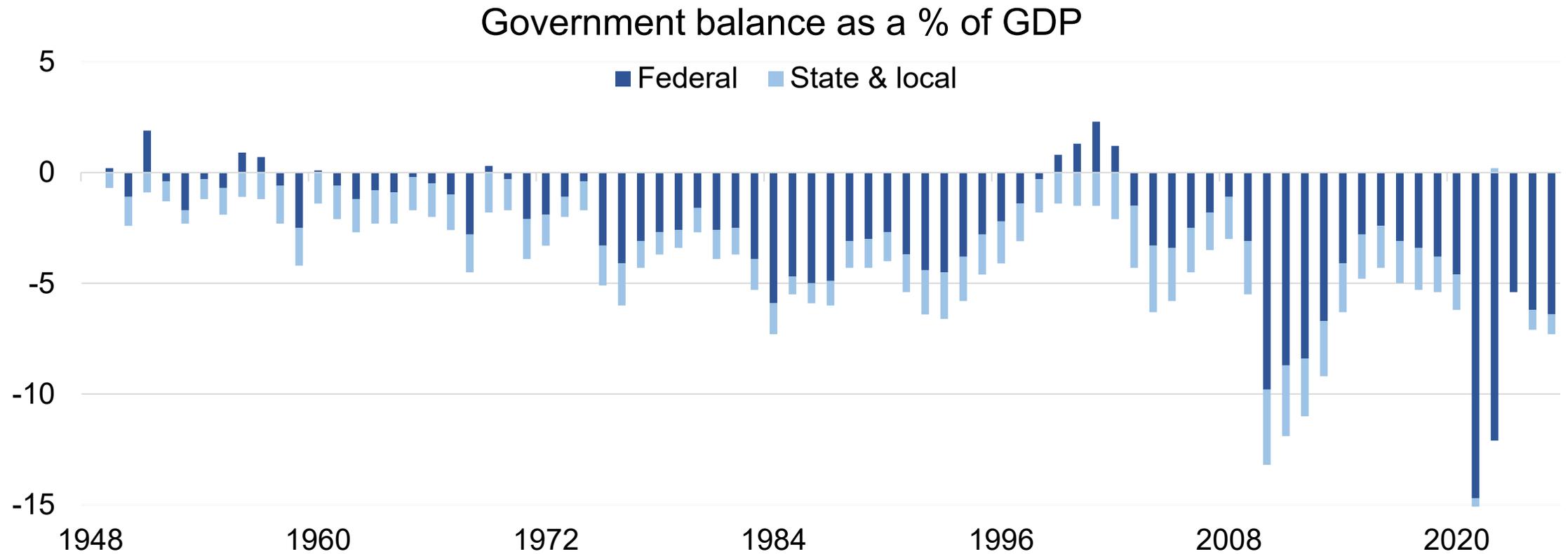
Source: U.S. Treasury

**IFA26**  
**evolve.**



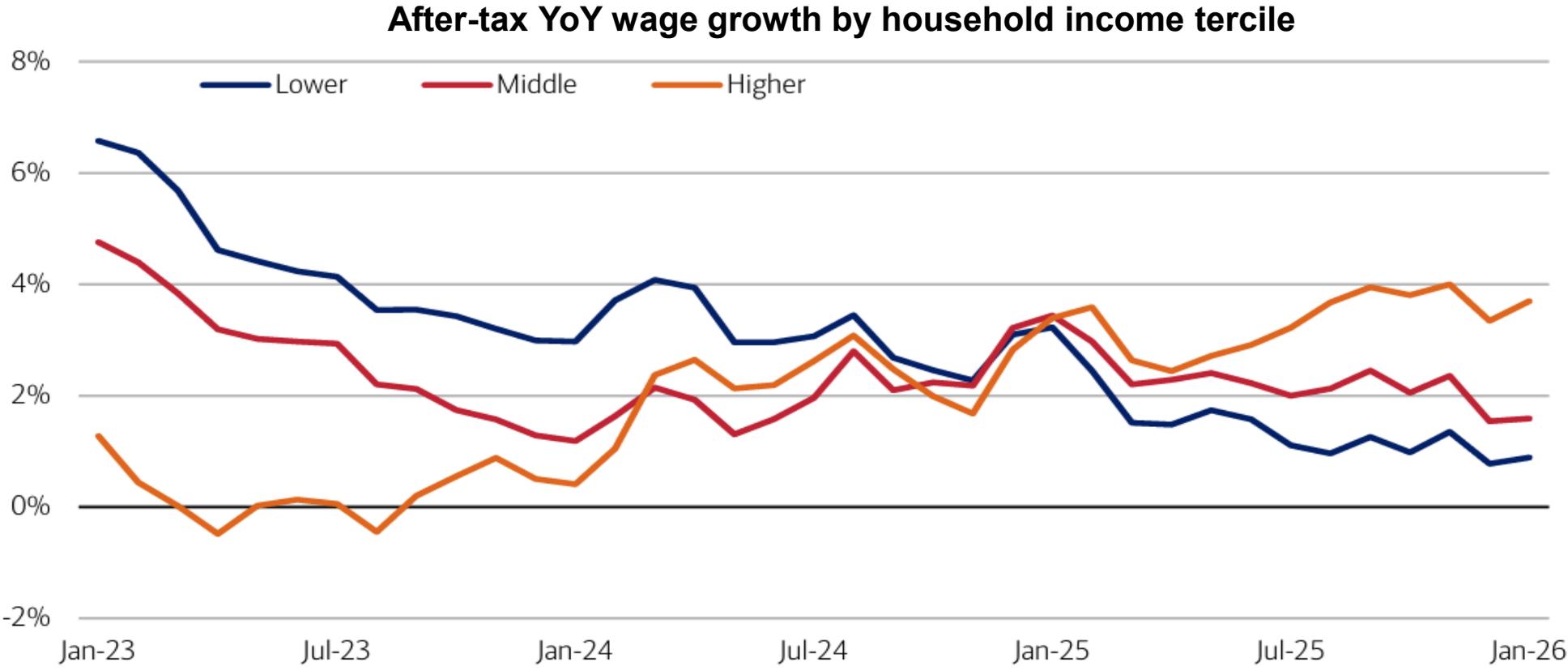
**IFA**

# US federal deficits are still very high as a share of GDP



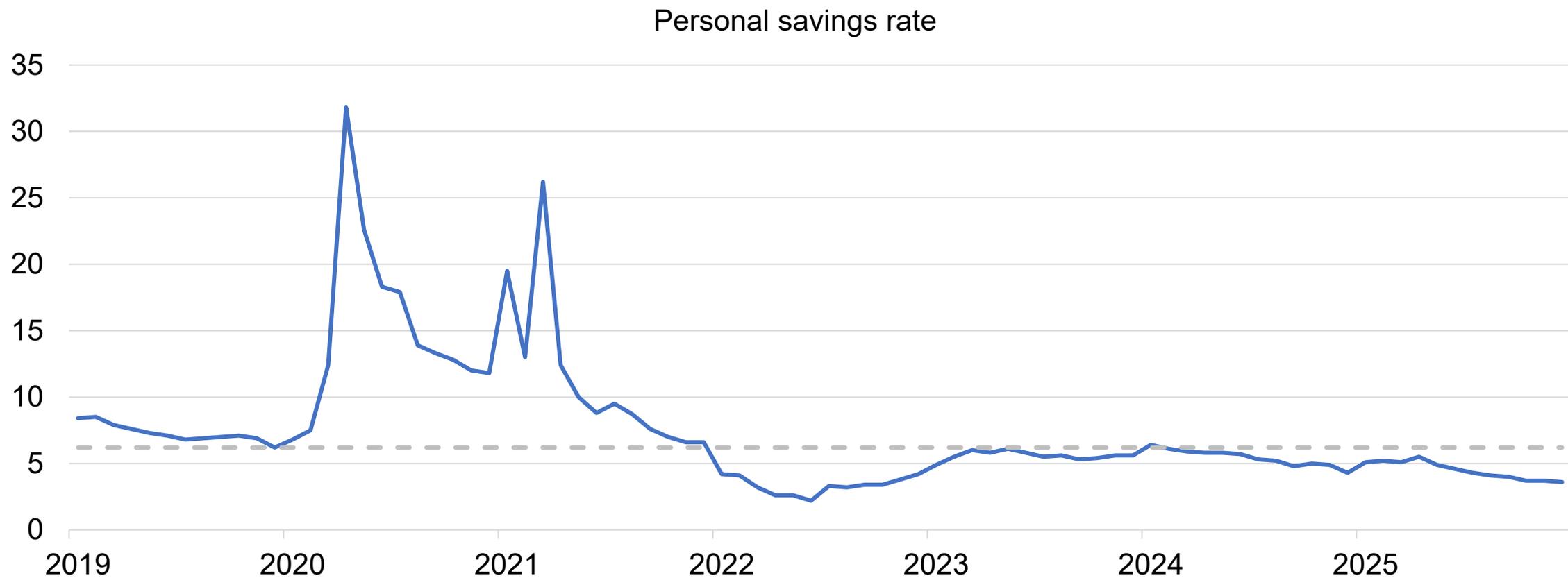
Source: Office of Management and Budget (OMB)

# Bifurcated/K-shaped economy



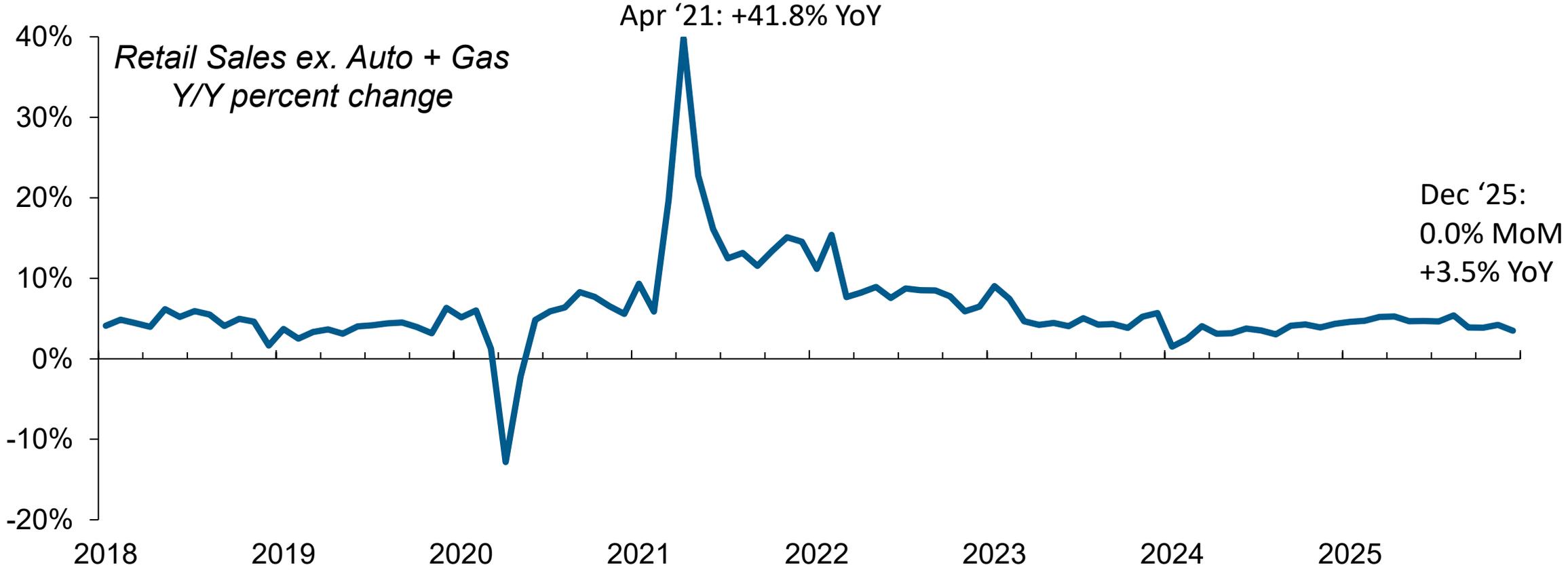
Source: Bank of America internal data

# Personal savings rate below pre-pandemic average



Source: U.S. Bureau of Economic Analysis via FRED®

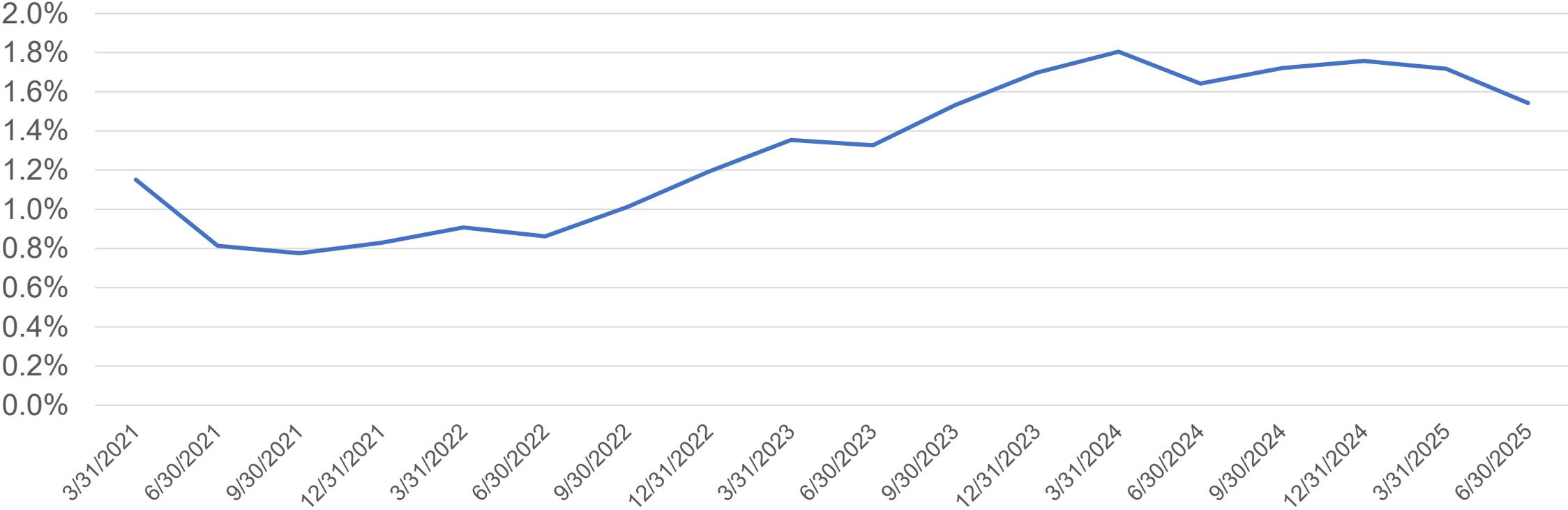
# U.S. consumers continue to spend



Source: U.S. Bureau of Economic Analysis via FRED®

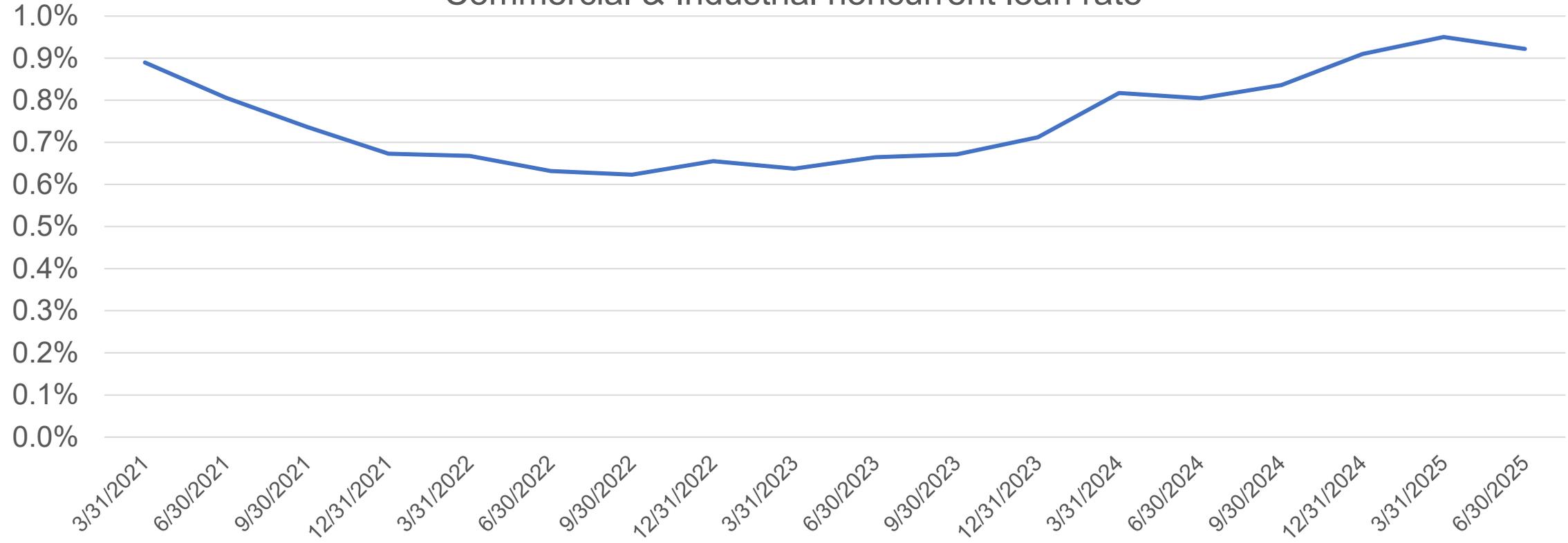
# Credit card delinquencies elevated but declining

Credit card noncurrent loan rate

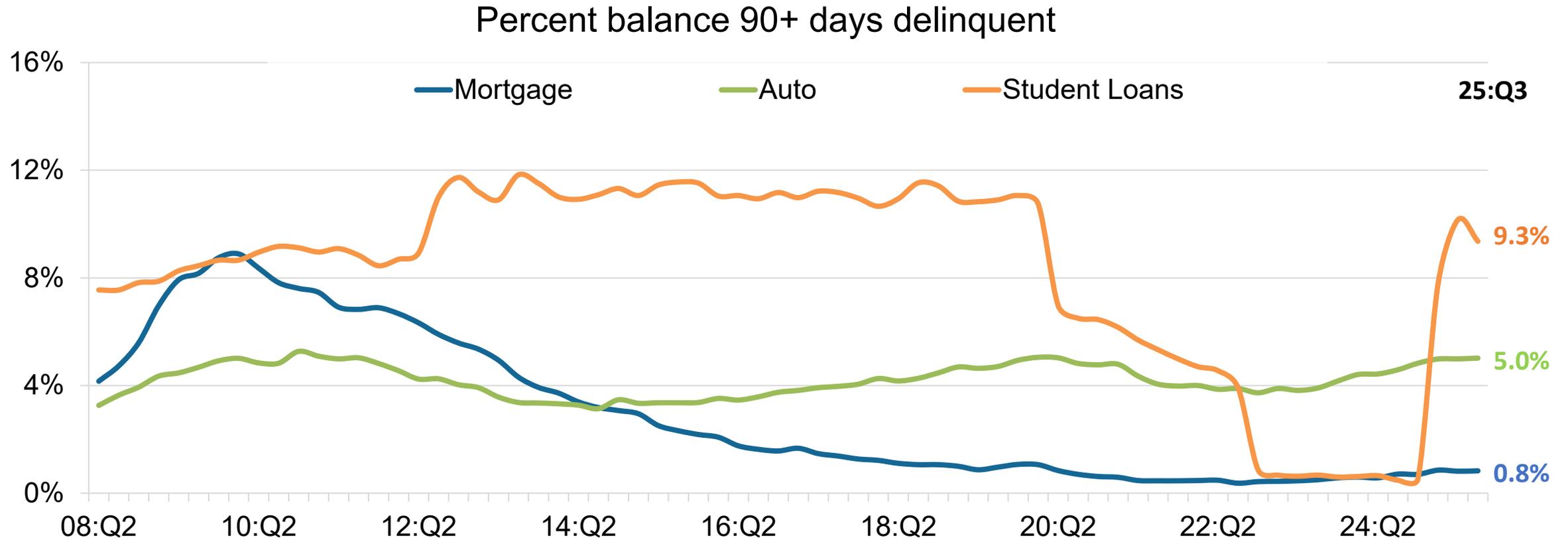


# Business delinquencies stable

Commercial & Industrial noncurrent loan rate

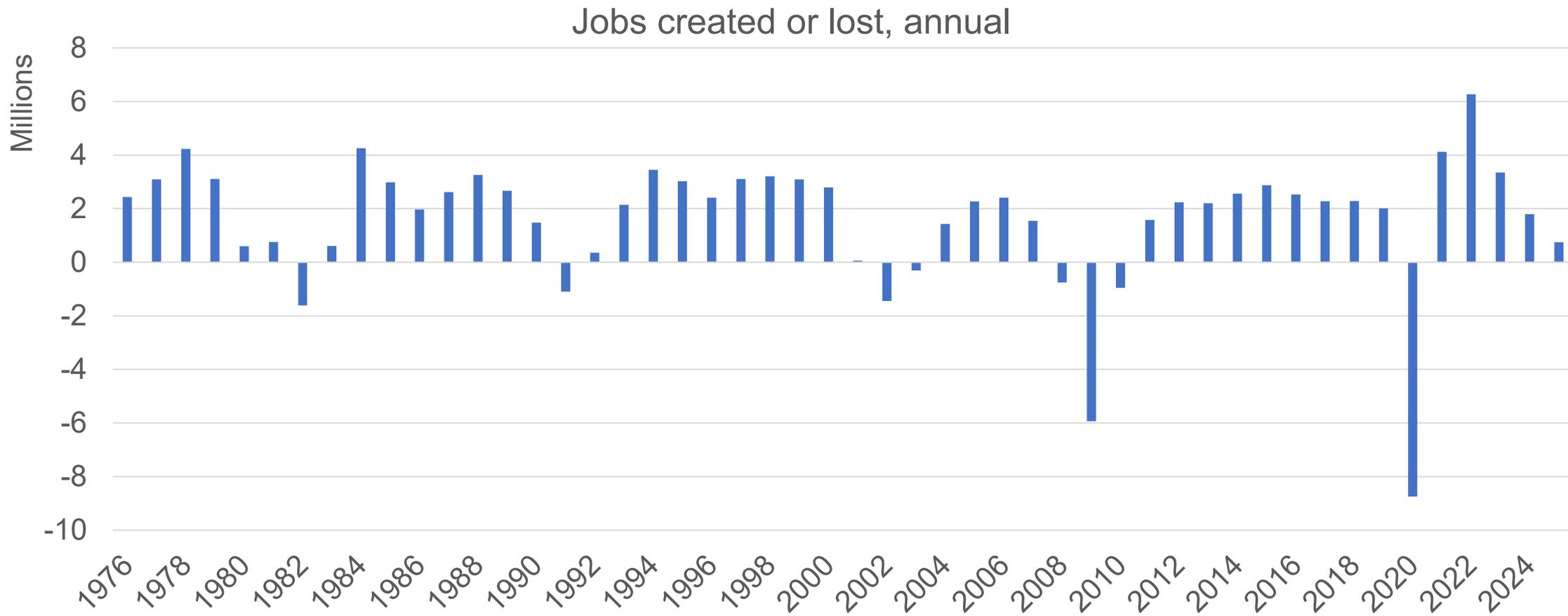


# Some household debt delinquencies on the rise



Source: Federal Reserve Bank of New York

# Job creation weak for economy not in recession

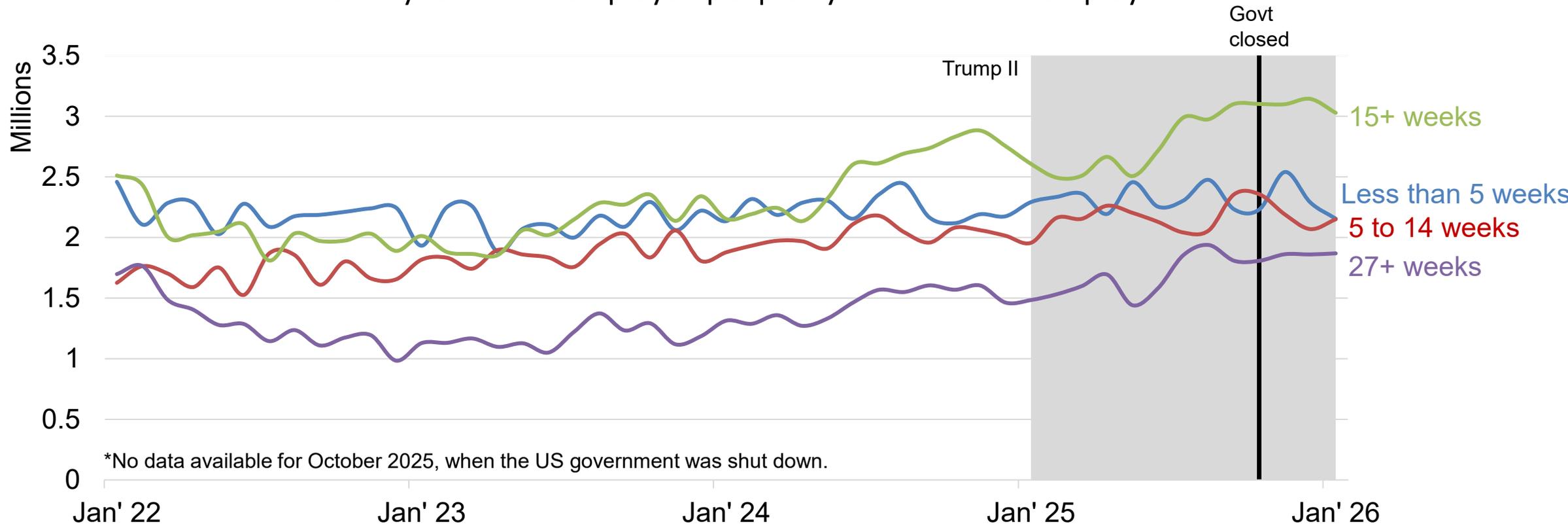


Source: Bureau of Labor Statistics



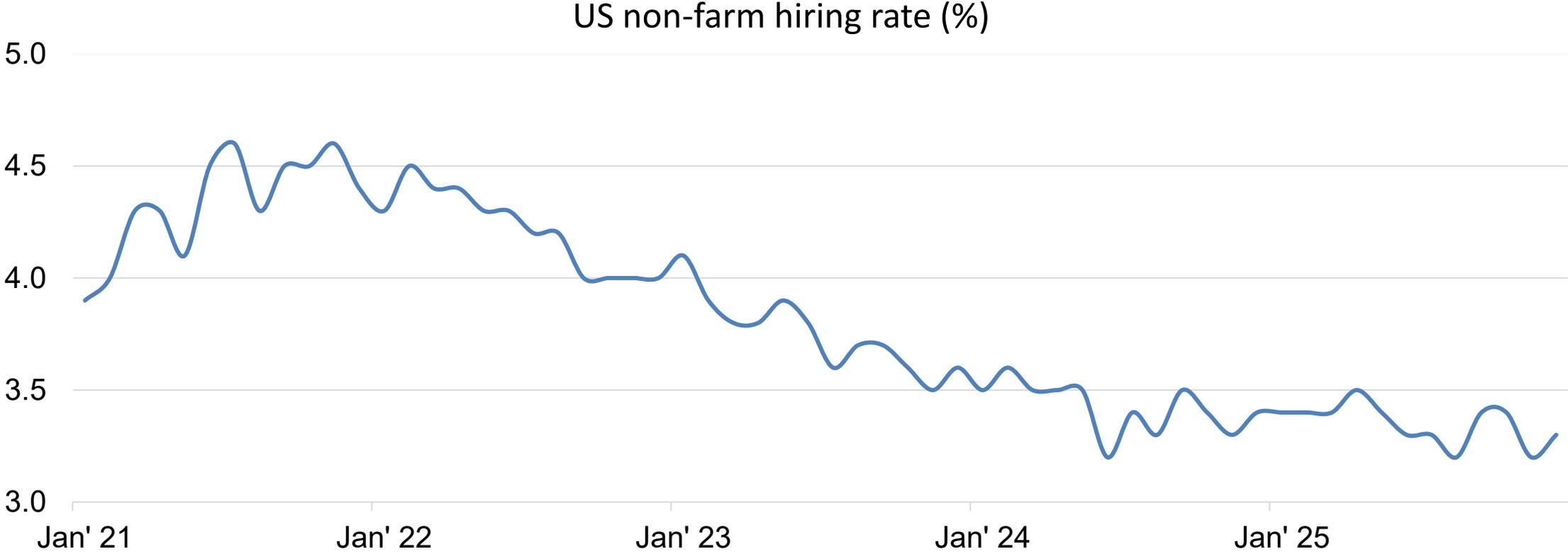
# Long-term unemployment on the rise

Monthly total of unemployed people by duration of unemployment



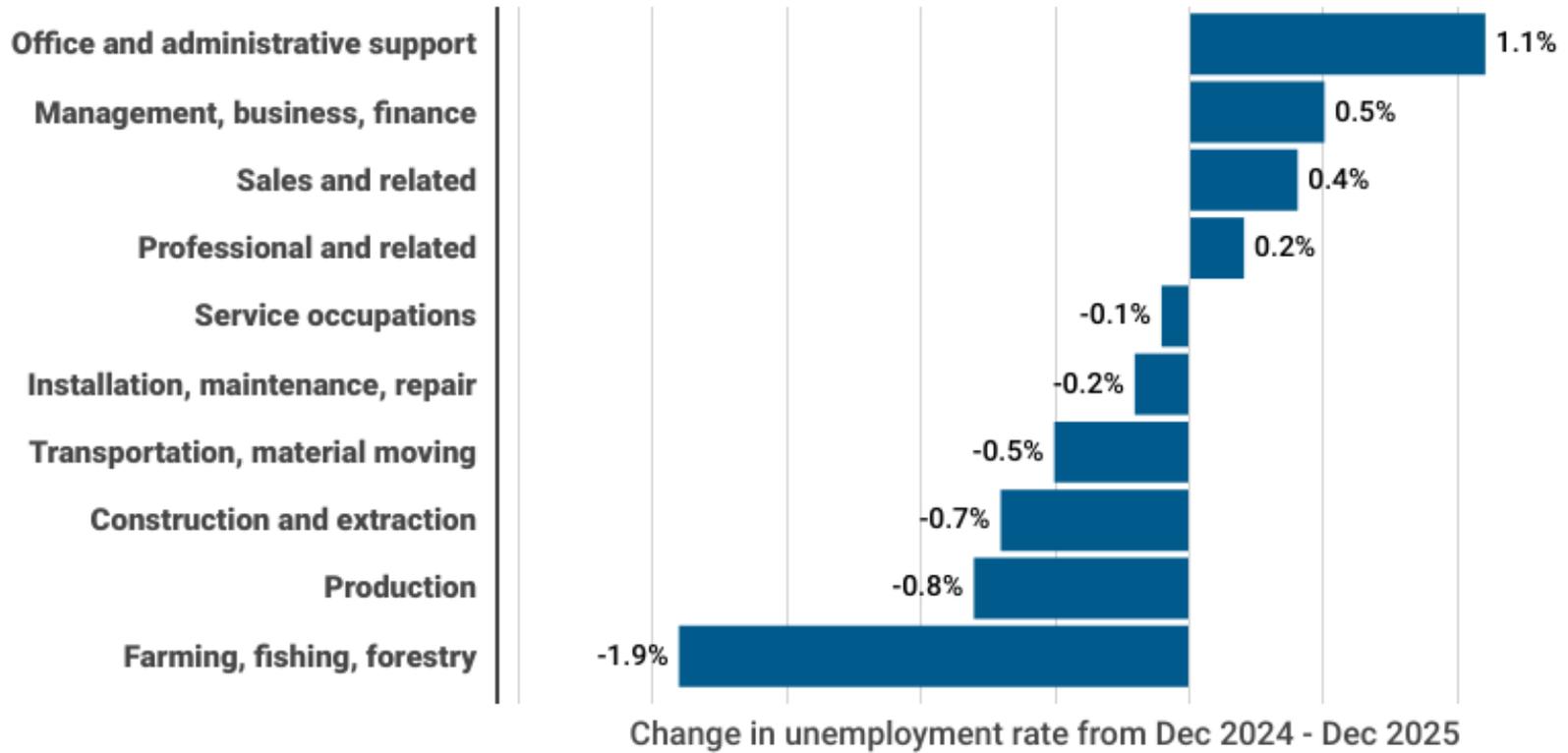
Source: US Bureau of Labor Statistics

# Hiring has fallen sharply



Source: US Bureau of Labor Statistics

# Unemployment rises for white-collar jobs

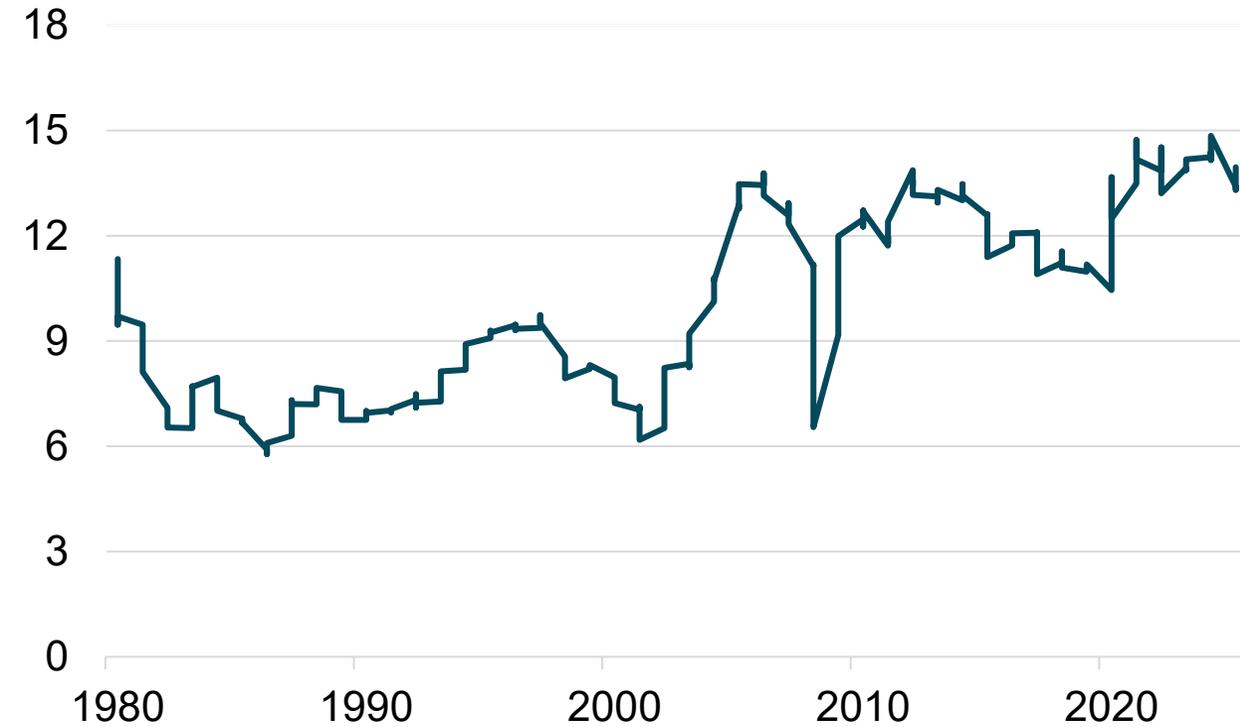


Source: U.S. Bureau of Labor Statistics, Bloomberg

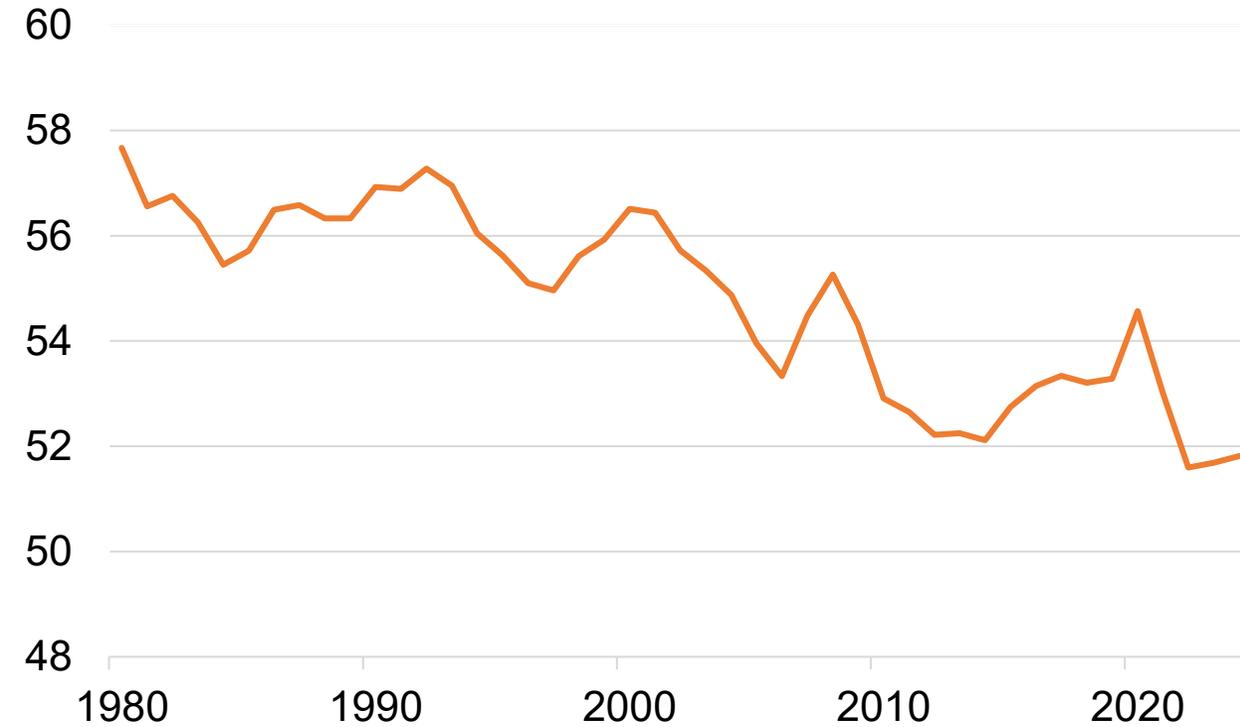
ABA DataBank

# Corporate profits and labor compensation as a percentage of gross domestic income

Corporate profits\*



Labor compensation\*\*

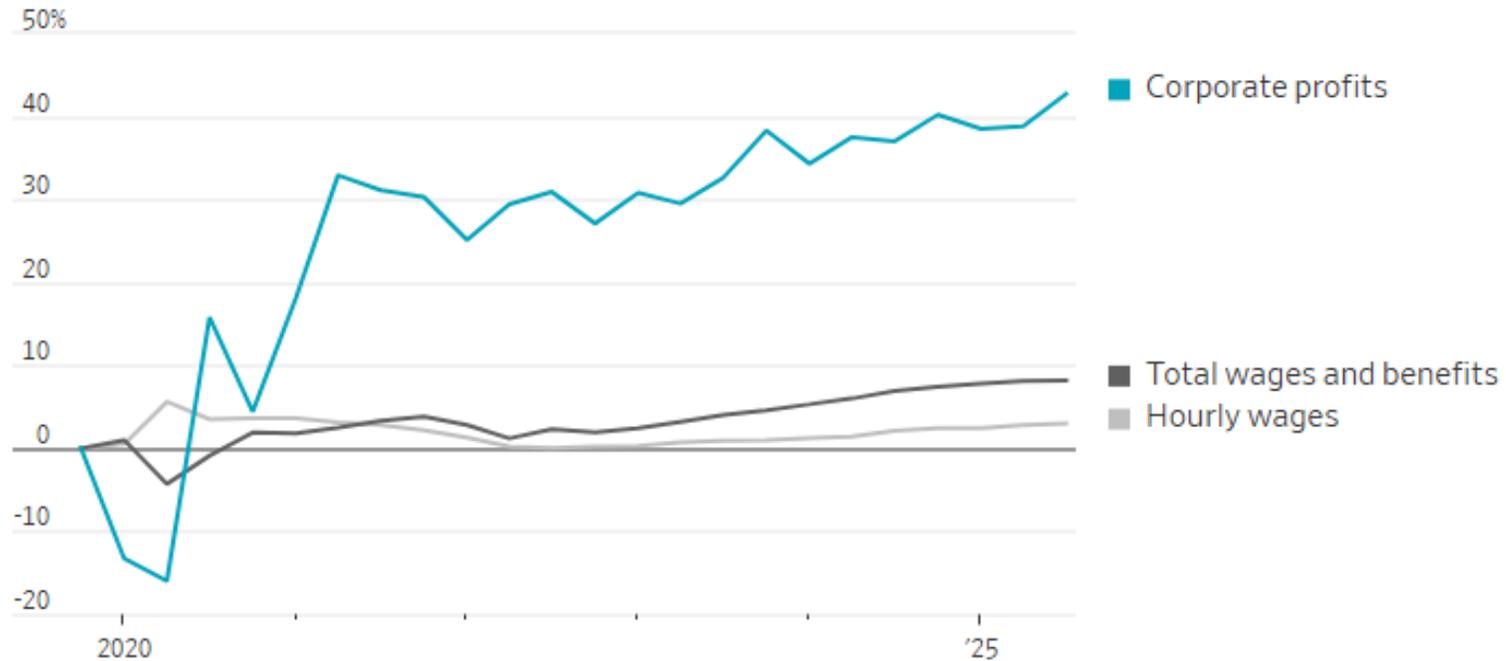


\*Profits are before tax. \*\*Wages and benefits  
Source: Commerce Department

# Corporate profits are up, but wages have not kept up

## Postpandemic Profit Boom

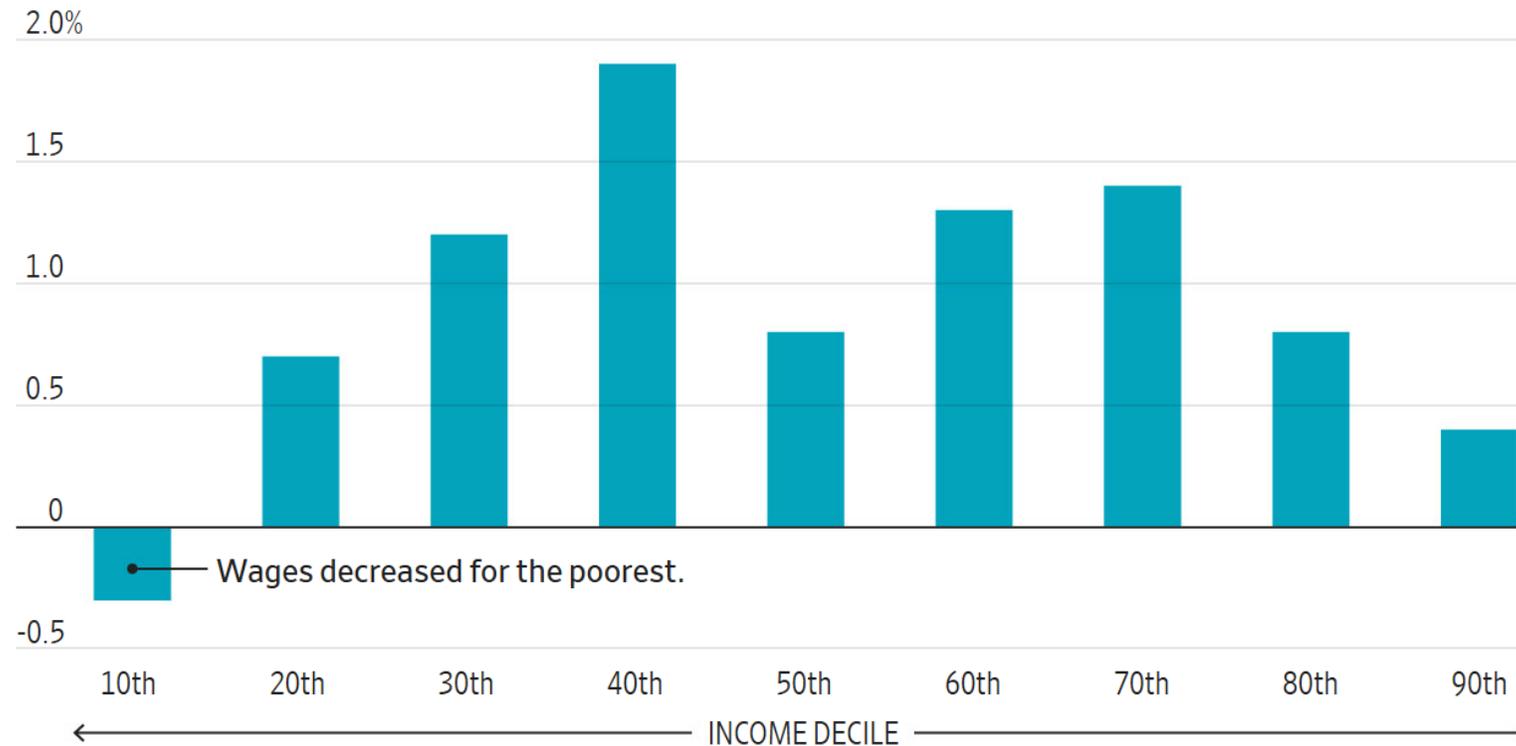
Profits and wages, change since 2019, after inflation



Sources: Commerce Department; Labor Department; WSJ calculations

# Real wages fall for lowest income decile

Annualized real wage growth in 2025, by income brackets



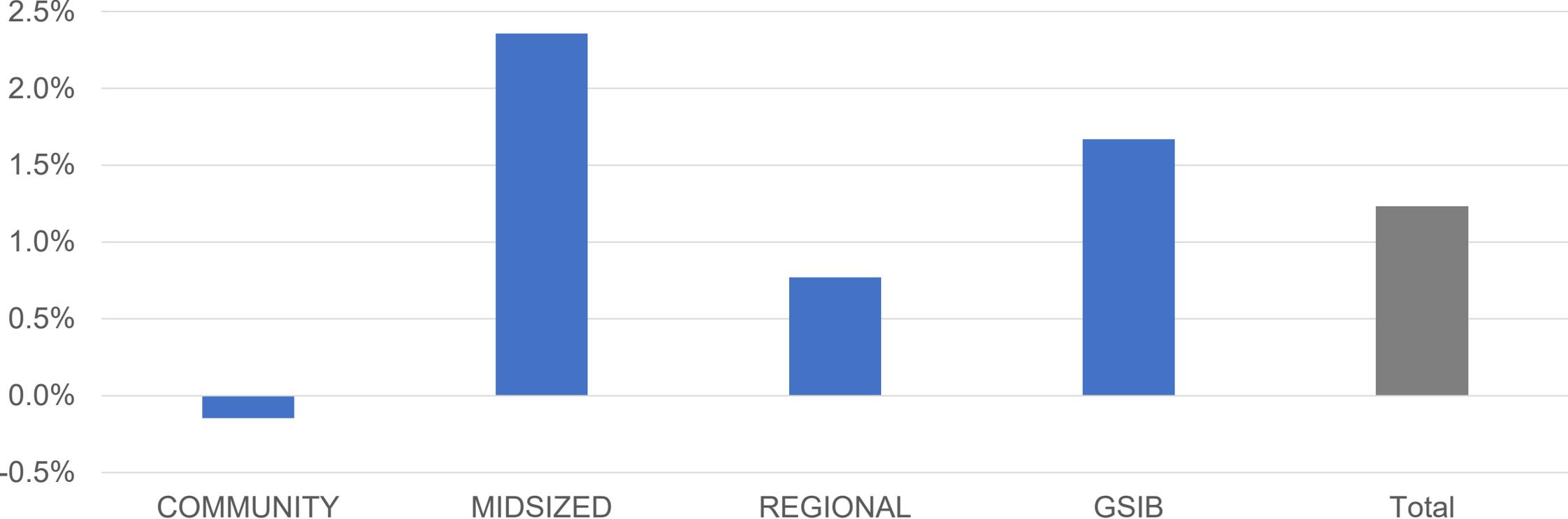
Note: No Current Population Survey data for October 2025 due to federal government shutdown.  
Source: Economic Policy Institute's analysis of Current Population Survey and Labor Department data

# Appendix



# Overall lending remains healthy

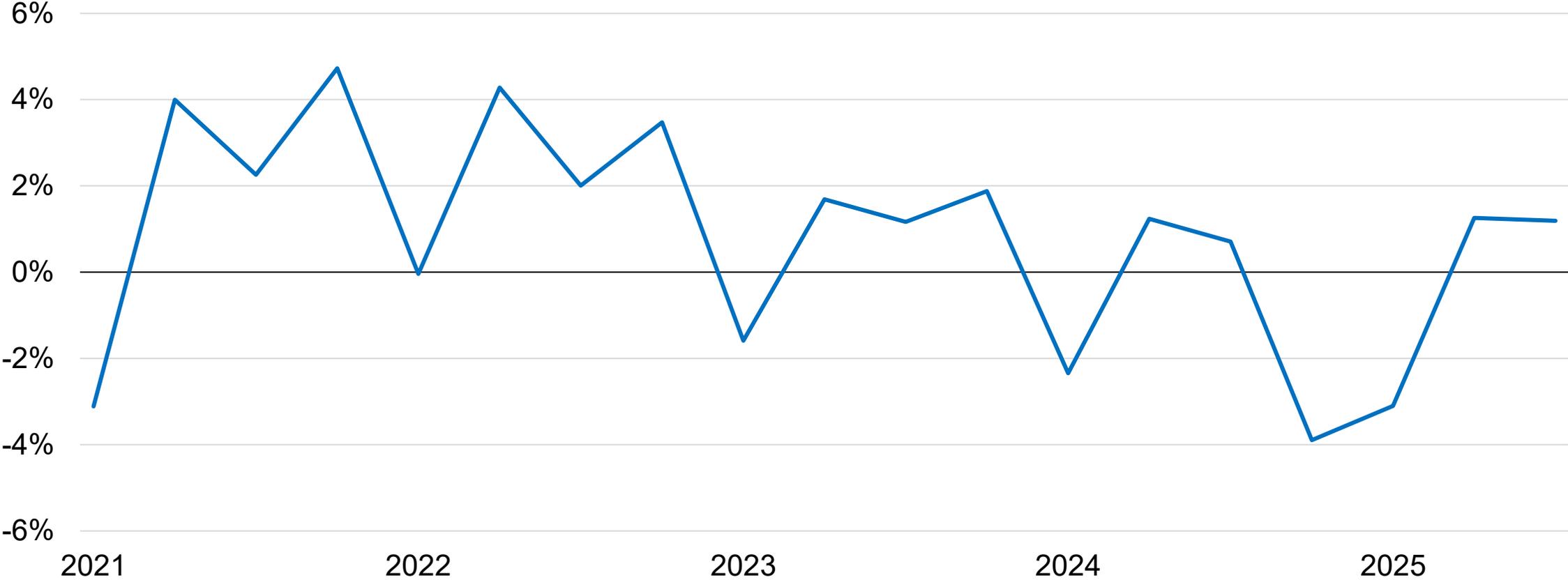
Total Loans % Change by Size Category, QoQ



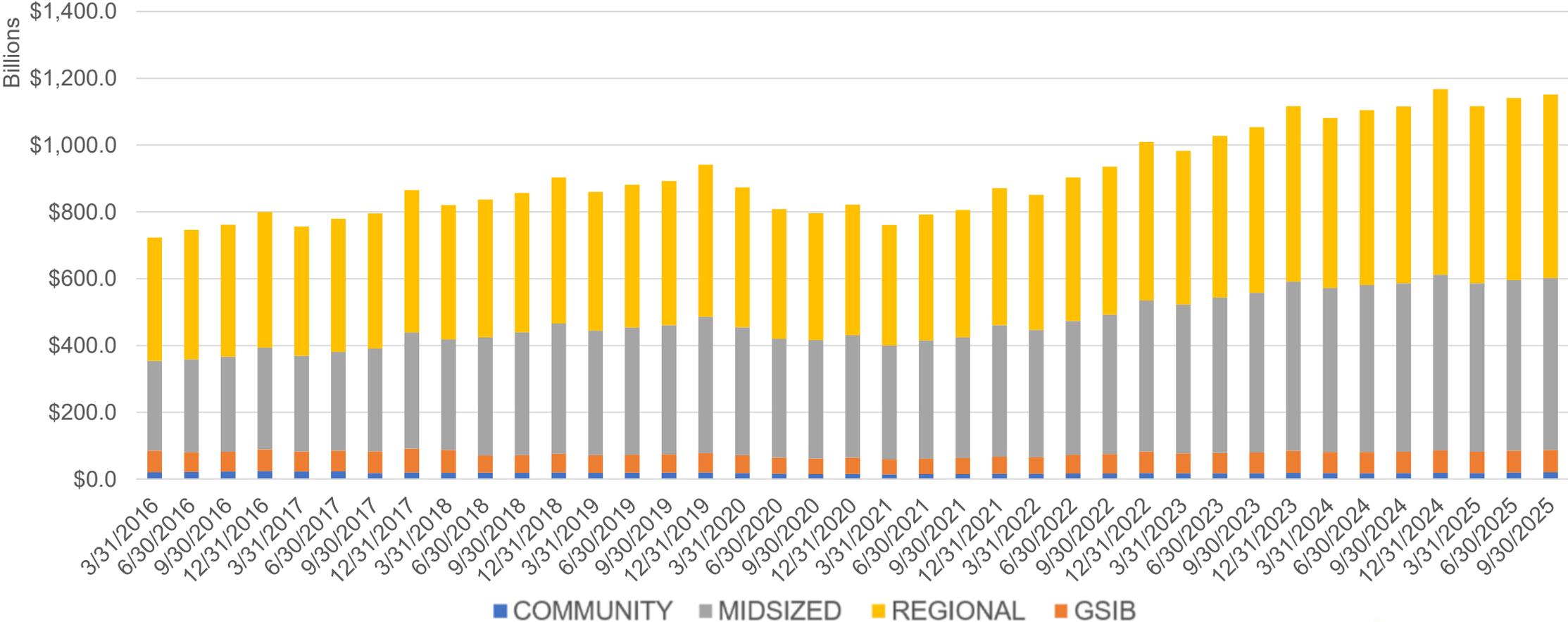
# Consumer loans



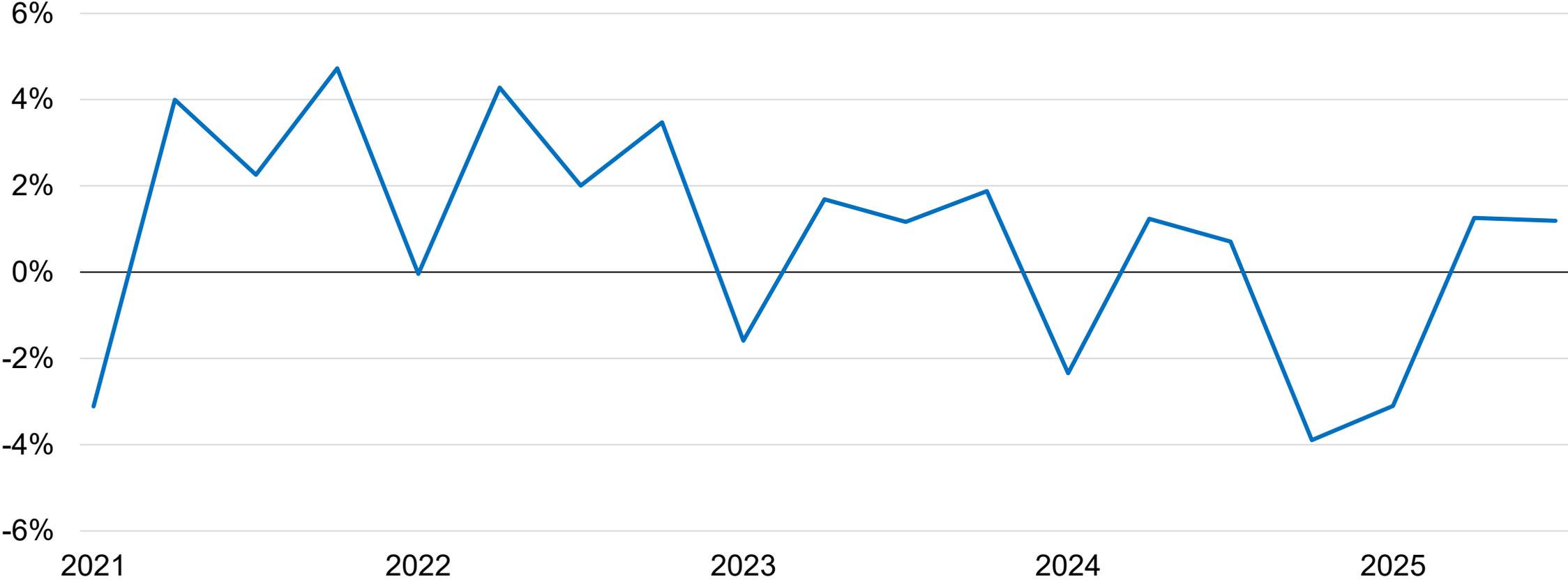
# Consumer loans – QoQ % Change



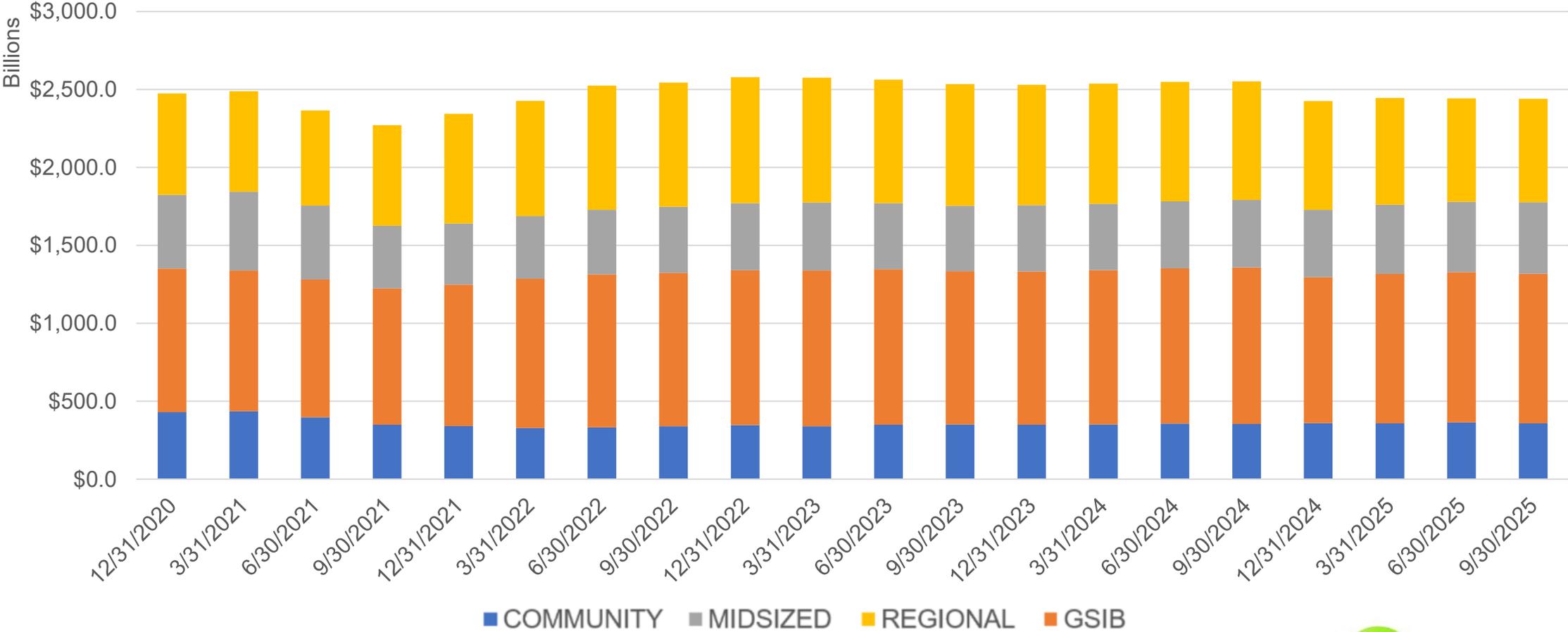
# Credit card loans



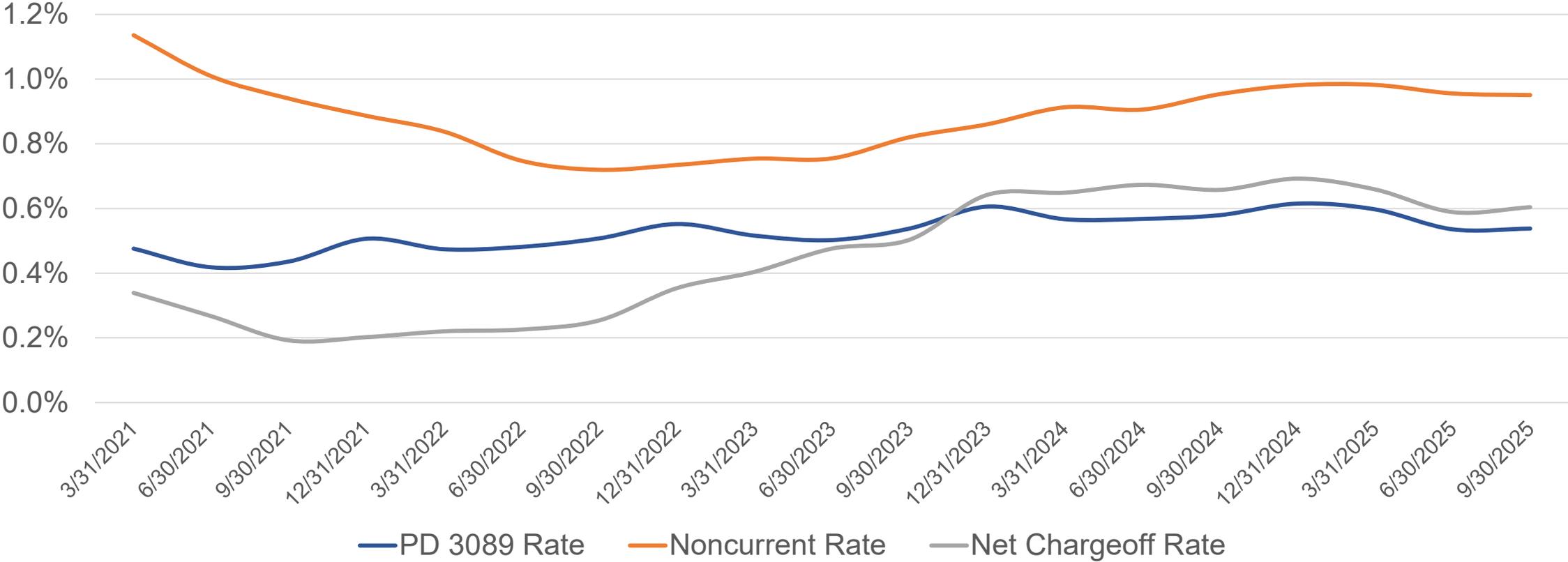
# Consumer loans – QoQ % Change



# C&I Business loans

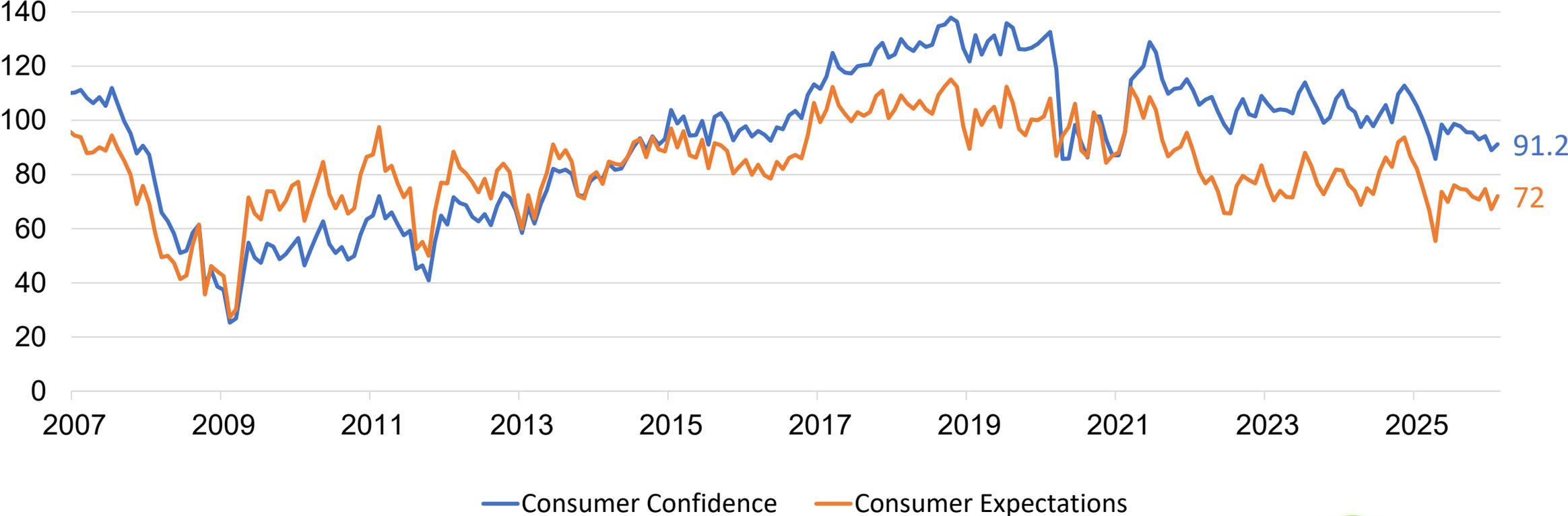


# Overall credit quality remains stable



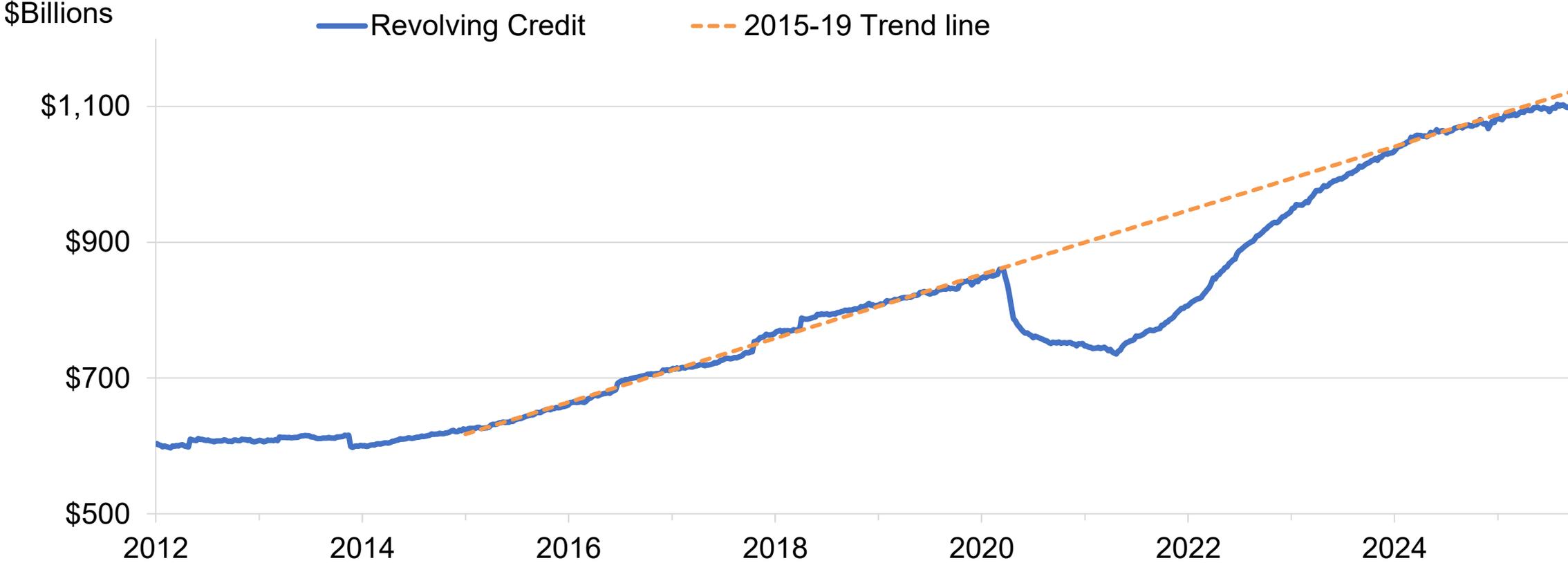
# Consumer confidence declining

Index, 1985 = 100



Source: Conference Board

# Revolving consumer credit

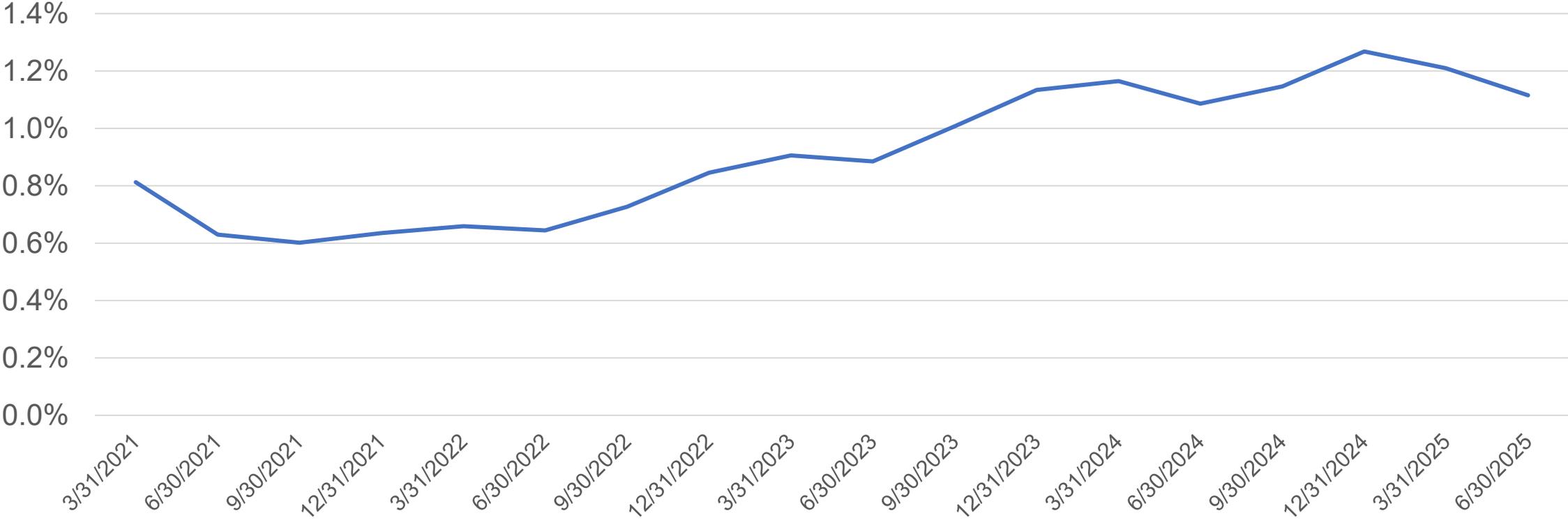


Source: Board of Governors of the Federal Reserve System (US) via FRED®



# Consumer delinquencies stable

Consumer noncurrent loan rate



# FRANCHISE FINANCIAL PERFORMANCE: WHAT THE DATA SAYS

Kyle McEuen, CFE – SVP, Franchise Service - Profitkeeper

- Top-line and bottom-line trends
- Performance by segment
- Variations by region
- How franchisors can use this data

# Anticipating Future Opportunities Based on Historical Trends:

2025 Financial Insights





# Kyle McEuen

SVP, ProfitKeeper

✉ [kyle@profitkeeper.com](mailto:kyle@profitkeeper.com)

# What This Covers

**01** Insights from ~9,000 locations  
From over 100 brands anonymized  
and aggregated over 4 different  
sectors

**02** Q3 2024 – Q3 2025  
Year-over-year  
changes

**03** Regional and industry  
comparisons

**04** Practical  
takeaways from  
P&L's

# The Big Picture



Sales **grew** nationally while margins **compressed**



**Demand** remains strong across sectors



**Strong data and timely coaching** lead to better unit-level performance

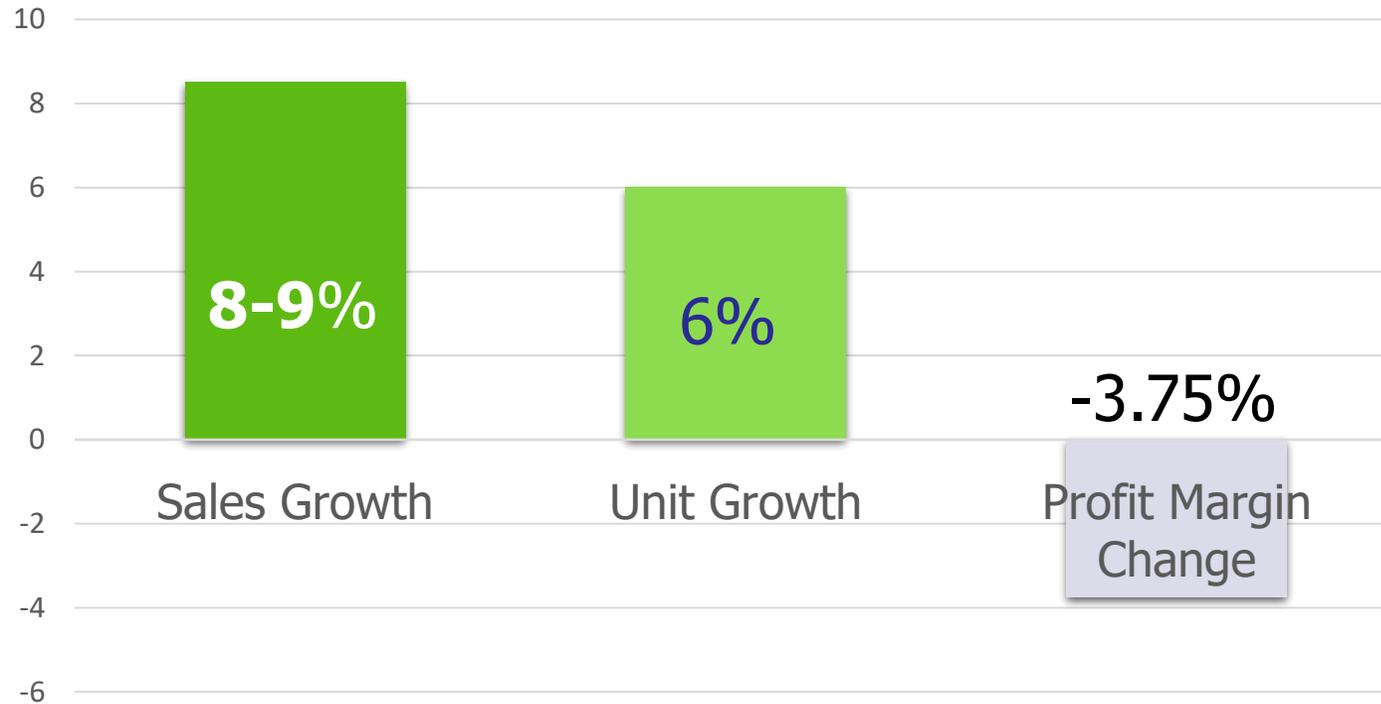


**Positive Outlook:** most units remain profitable despite inflationary pressures



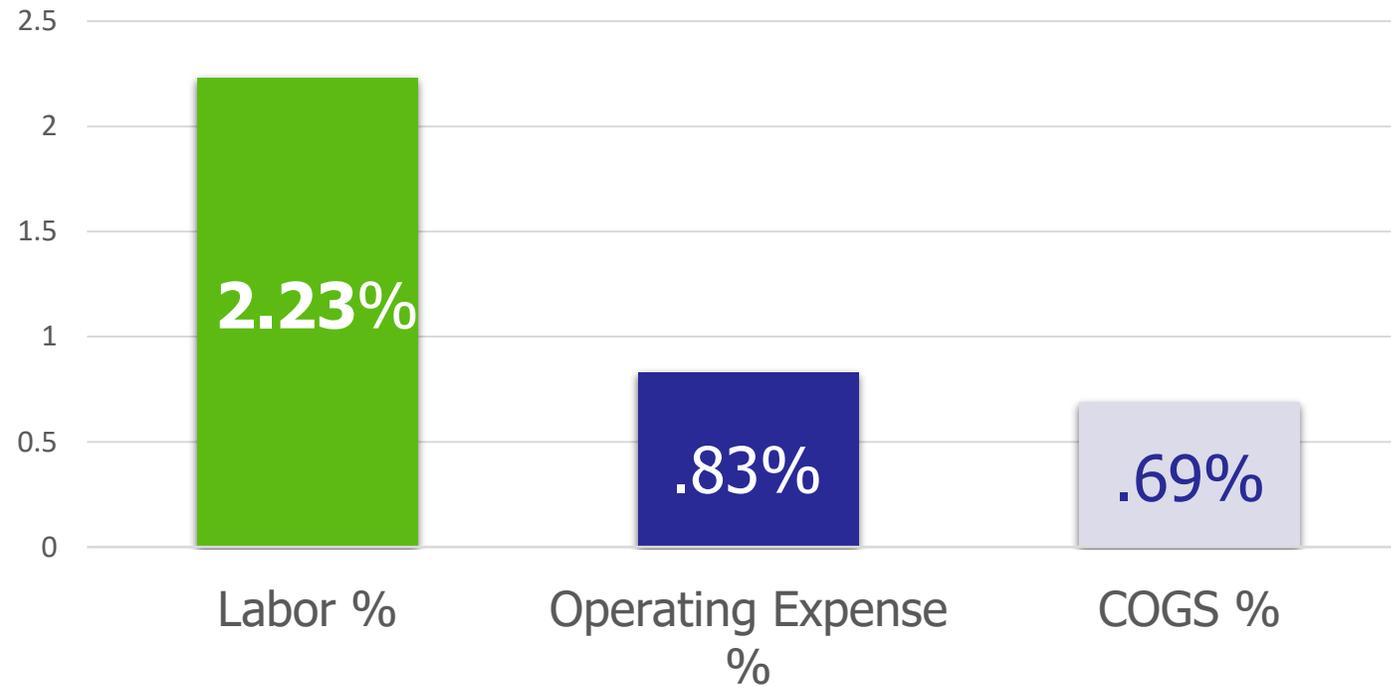
# Year over Year National Change

Same Store Sales FY2024 → FY2025



# Where Margin Pressure is Coming From

Same Store Expenses Year-over-Year Change



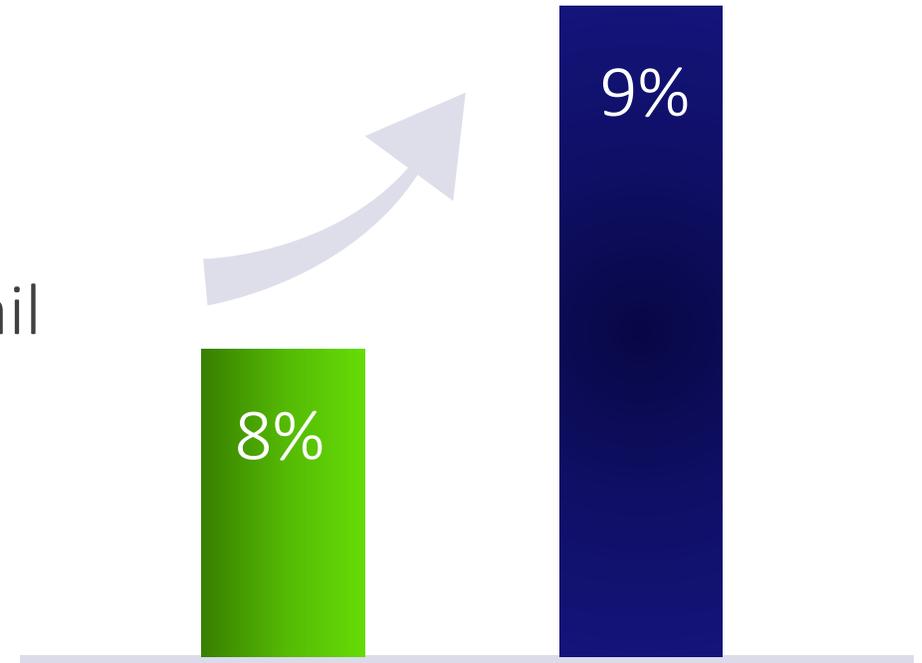
# Key Positive Signals



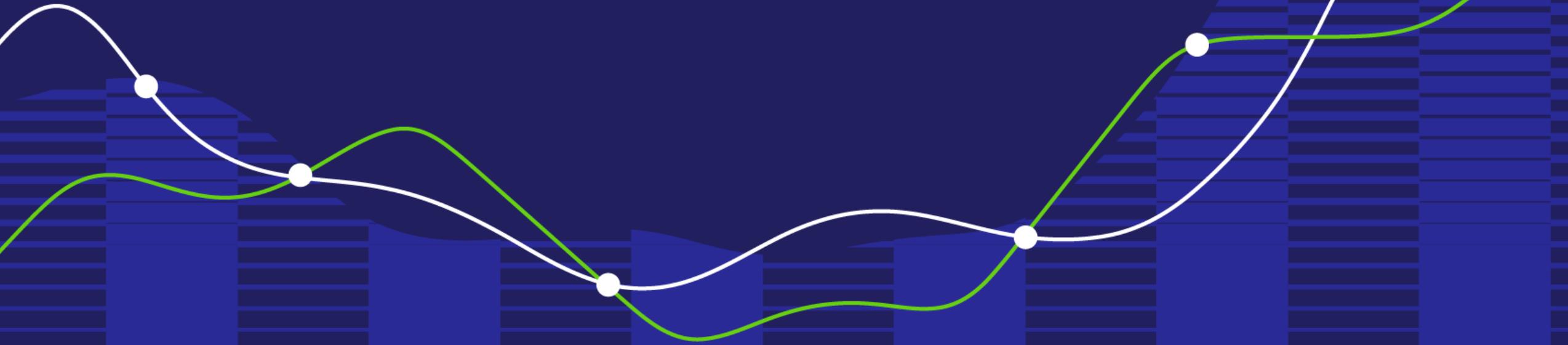
Demand still strong nationally across sectors of Food & Beverage, Health & Fitness, Professional Services, and Retail



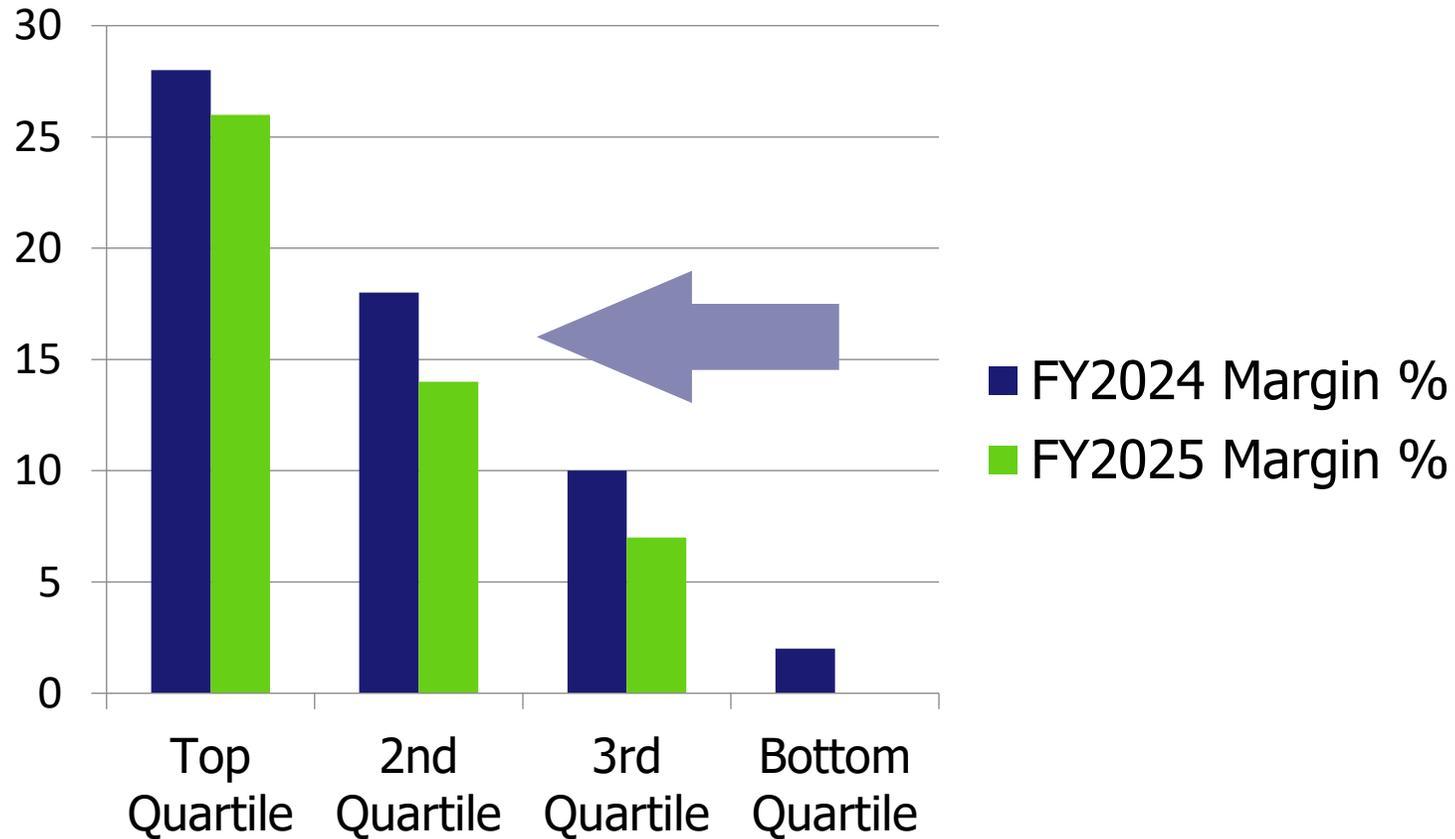
Sales per unit increased nationally 1% (8% to 9%)



# LET'S TALK PROFIT



# Every Quartile Experienced Margin Pressures



# Execution Separates Quartiles

## Top Quartile (Top 25%)

- Maintained **~25%–30%+ margins**
- Margin compression existed
- Impact was **much smaller**

## Top Quartile (2<sup>ND</sup> & 3<sup>RD</sup>)

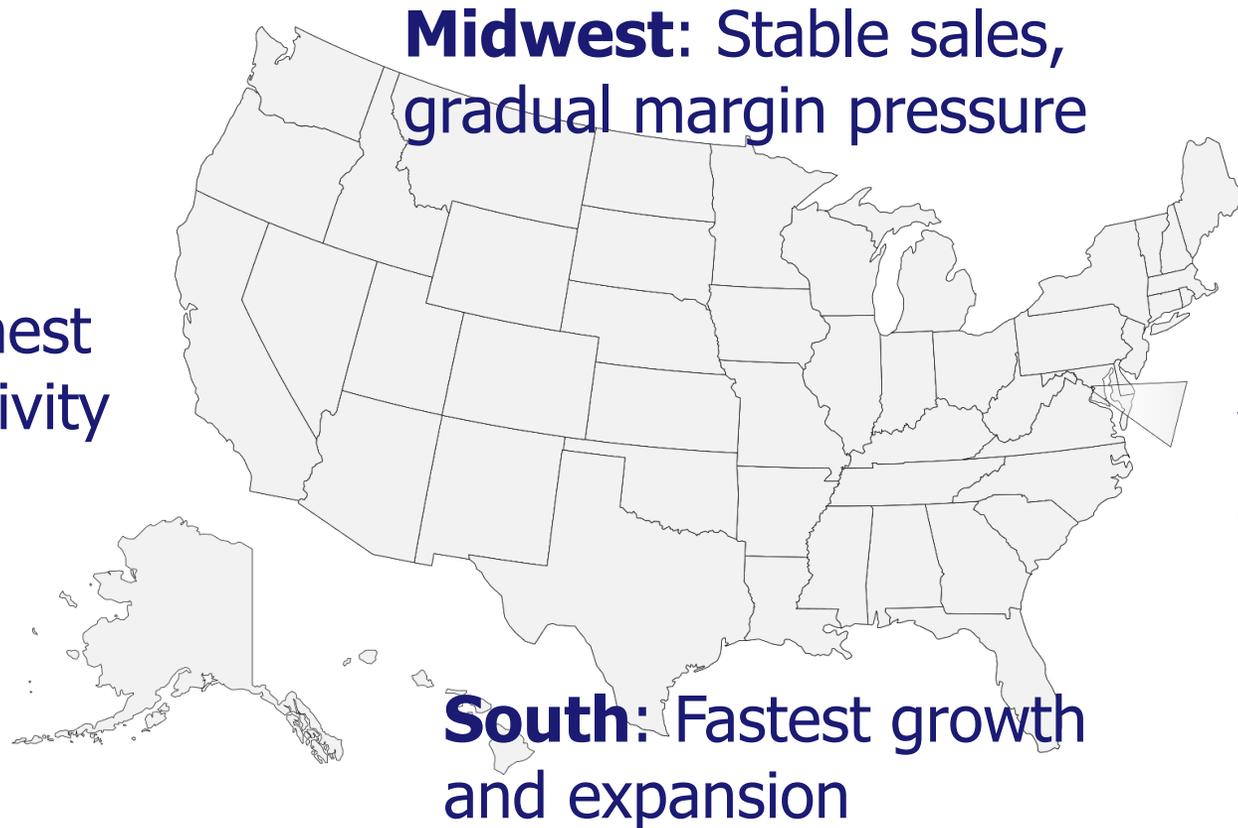
- Experienced the **largest compression**
- Many units moved into **5-15% margin** bands
- “Busy but thin” performance

## Bottom Quartile

- Increased share of **near-zero or negative margins**
- Some sales growth
- Not enough to offset costs

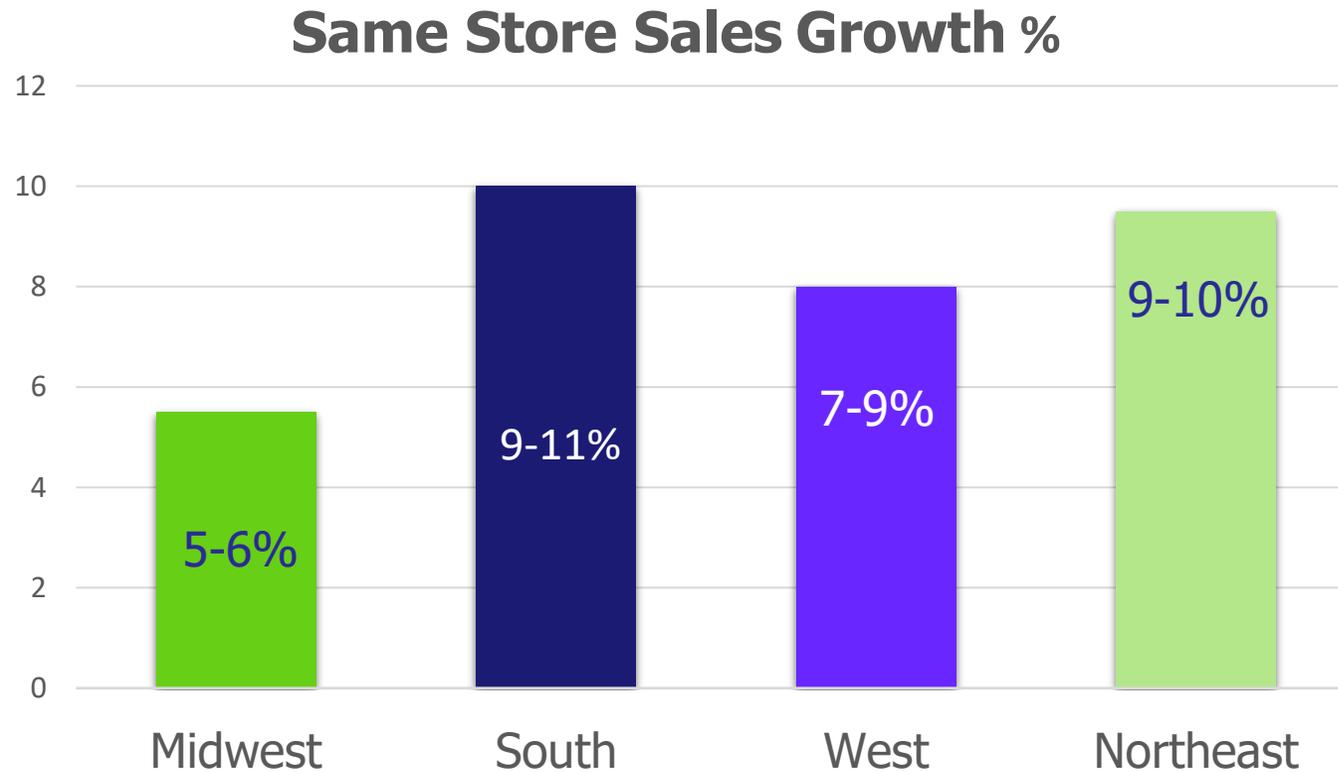
# Regional Overview

**West:** Highest labor sensitivity



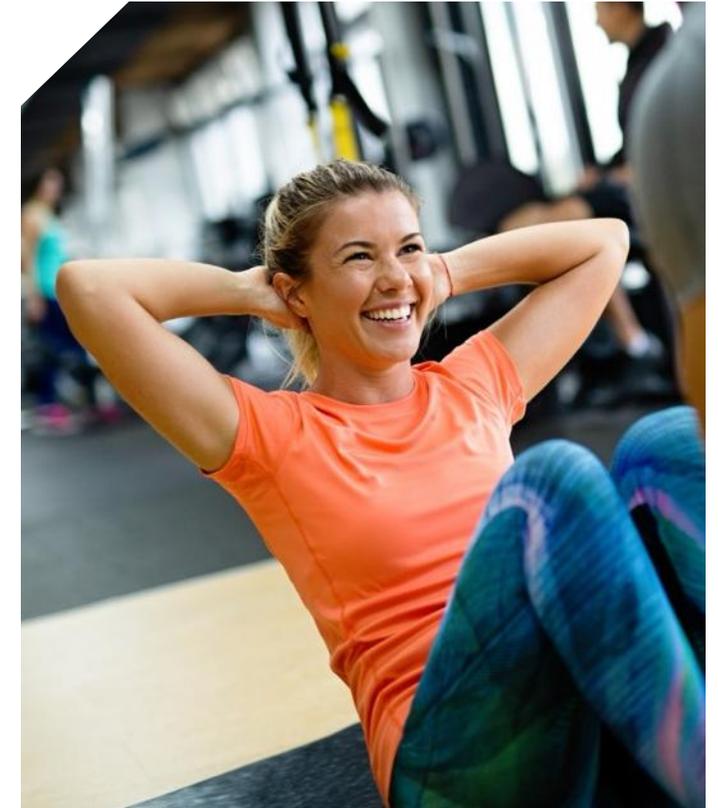
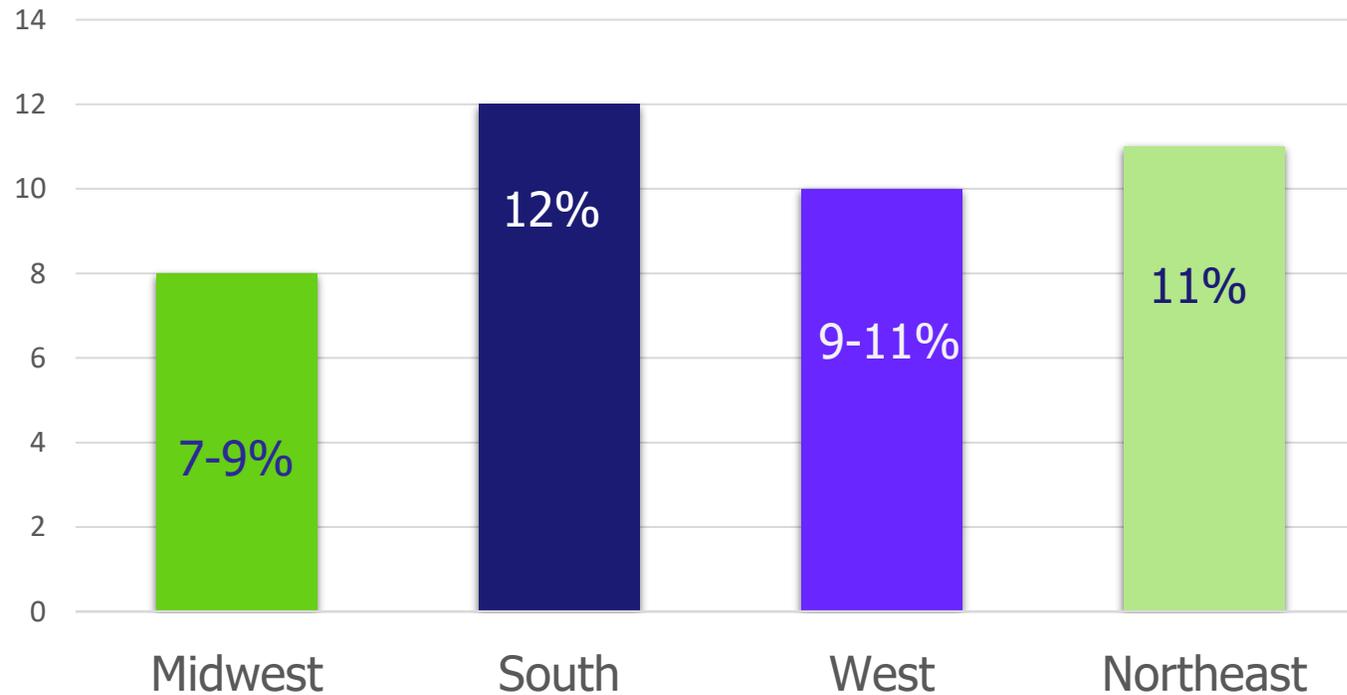
**Northeast:** Strong volume and density advantages

# Food & Beverage Regional Sales Growth



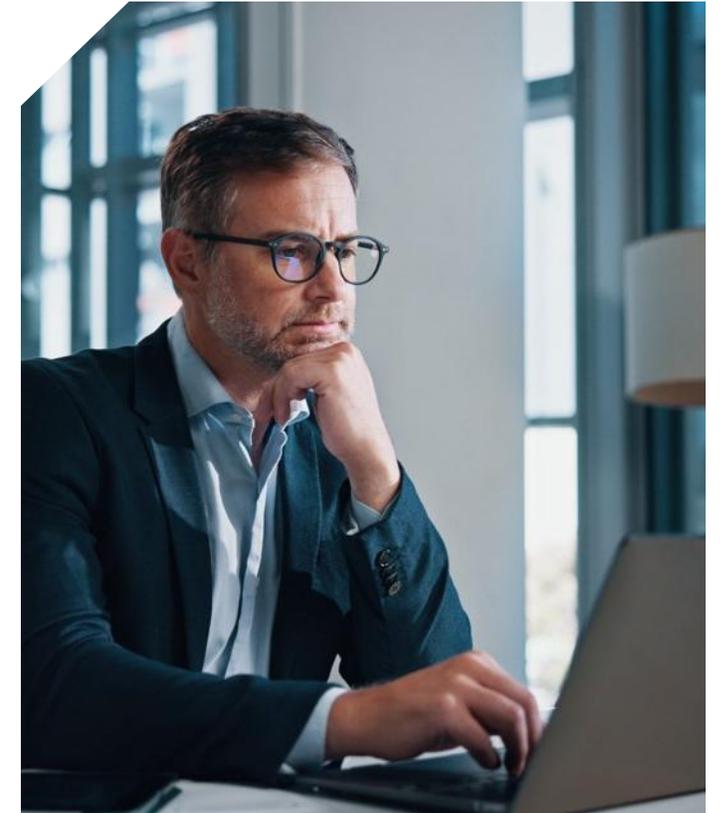
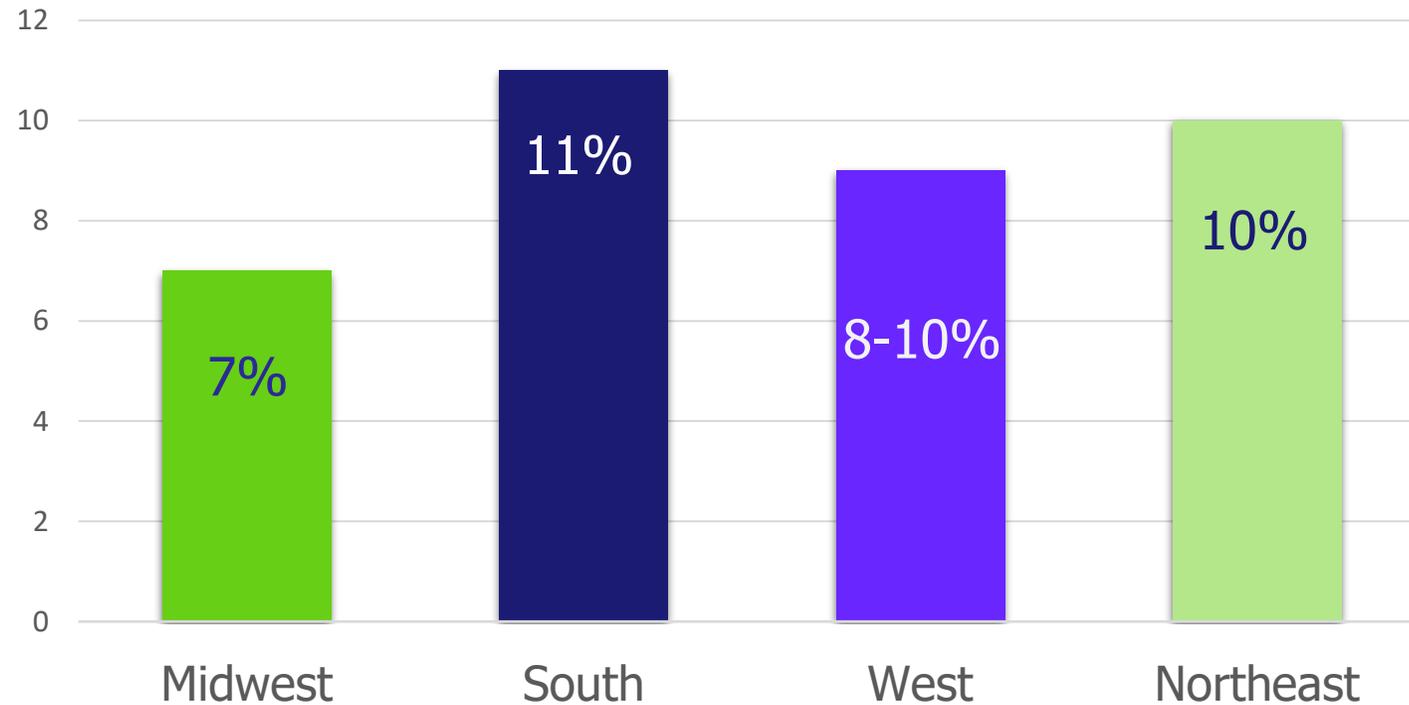
# Health & Fitness Regional Sales Growth

Same Store Sales Growth %



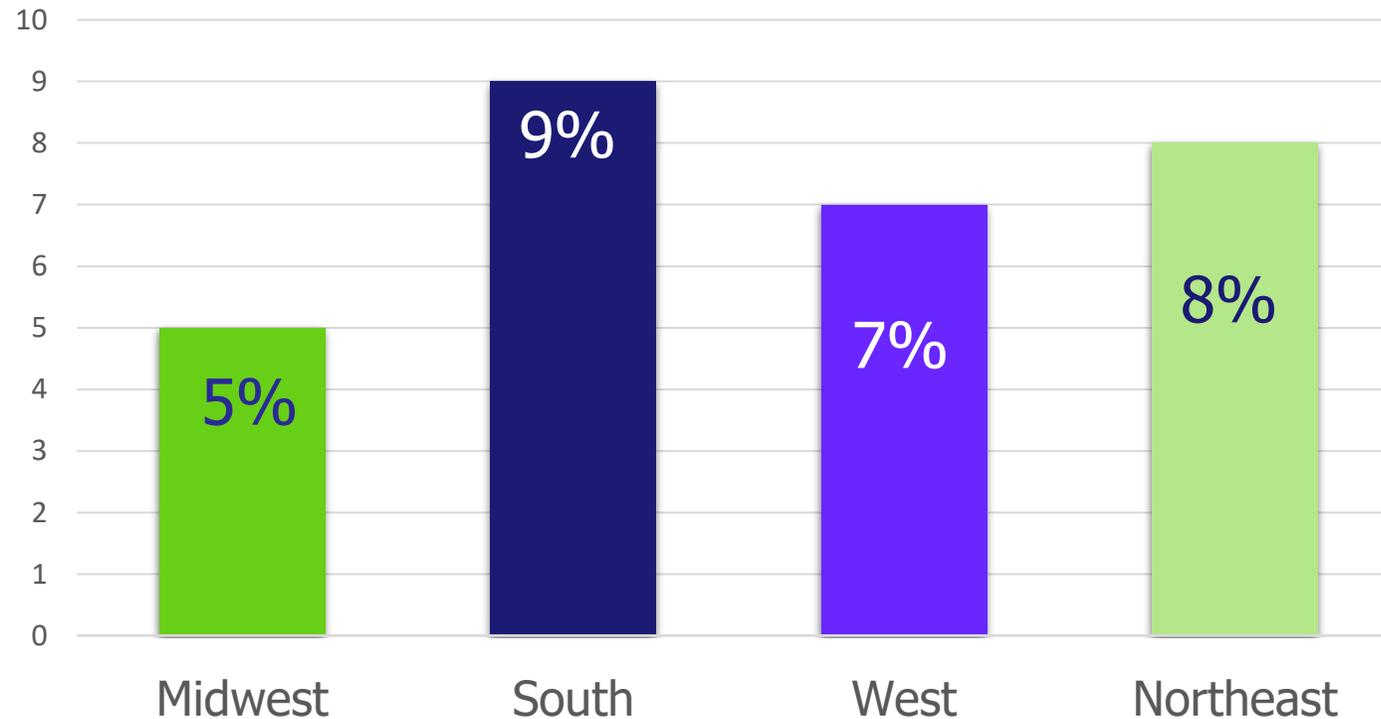
# Professional Services Regional Sales Growth

Same Store Sales Growth %

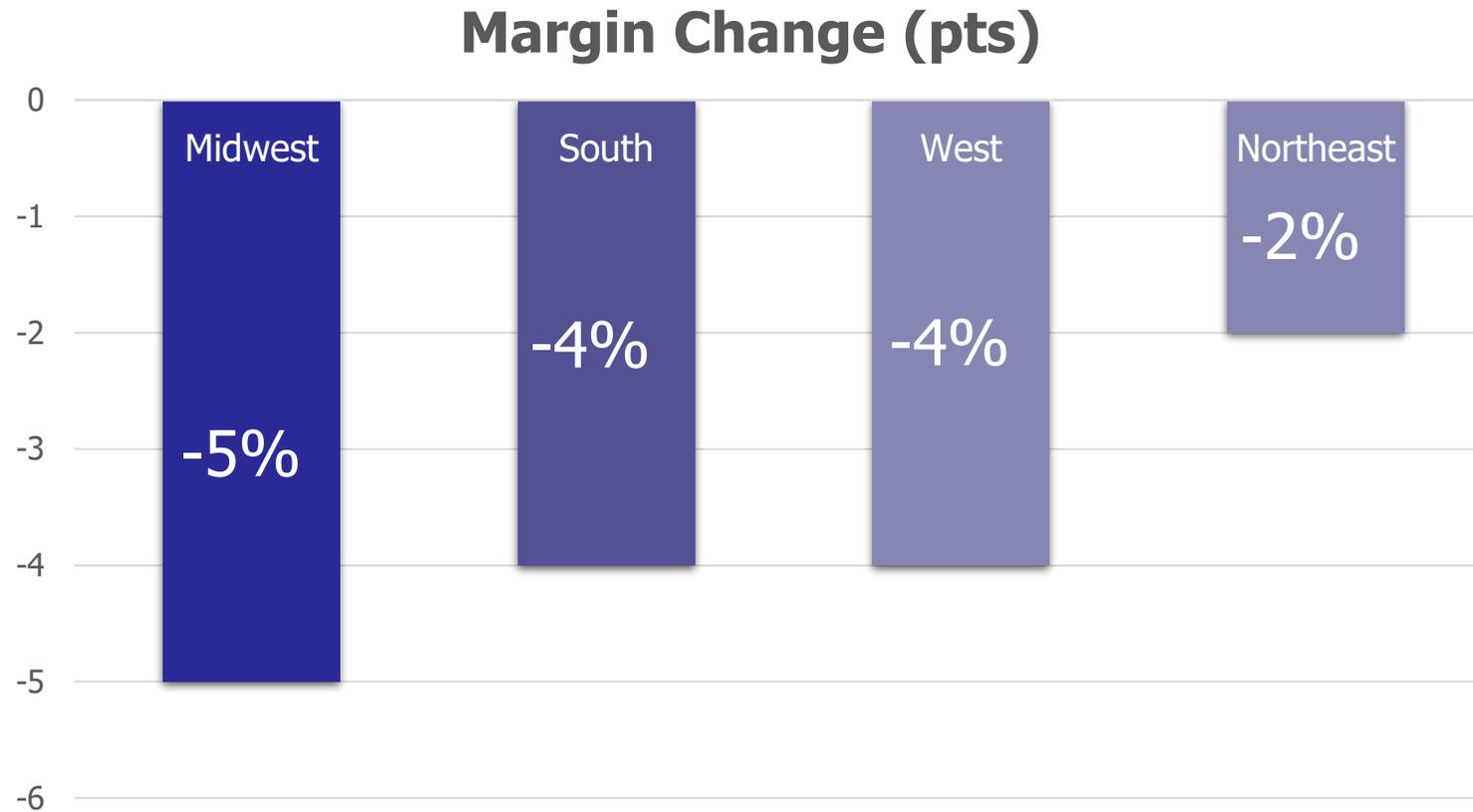


# Retail Services Regional Sales Growth

Same Store Sales Growth %



# Regional Profit Margin Change



# REGIONAL PROFIT MARGIN DRIVERS

## Midwest

**6%**

Sales grew nationally while margins compressed

**-5%**

Profit margin change (largest regional decline)

**2-3%**

Labor % increase



COGS and OpEx also rising together

# REGIONAL PROFIT MARGIN DRIVERS

## South

**10%**

Same Store Sales Growth  
(highest nationally)

**-4%**

Profit margin change

**+2.6%**

Labor % increase



Unit growth  
highest in dataset



# REGIONAL PROFIT MARGIN DRIVERS

## West

**8%** Same Store Sales Growth

**-4%** Profit margin change

 Highest Labor % nationality

 Largest spread between top and bottom operators



# REGIONAL PROFIT MARGIN DRIVERS

## Northeast

**9%** Same Store Sales Growth

**-2%** Profit margin change

**10-12%** Sales per unit growth



Largest spread between top and bottom operators

# REGIONAL PROFIT MARGIN DRIVERS

## Food

**7-9%**

Same Store  
Sales Growth

**-2.5%**

Profit margin change

**10-14%**

Negative margin units  
increased between



# REGIONAL PROFIT MARGIN DRIVERS

## Health & Fitness

**9-11%**

Same Store  
Sales Growth

**3-.5%**

Profit margin change  
(only sector improving)

**2.2%**

Labor % increase



# REGIONAL PROFIT MARGIN DRIVERS

## Professional Services

**8-10%**

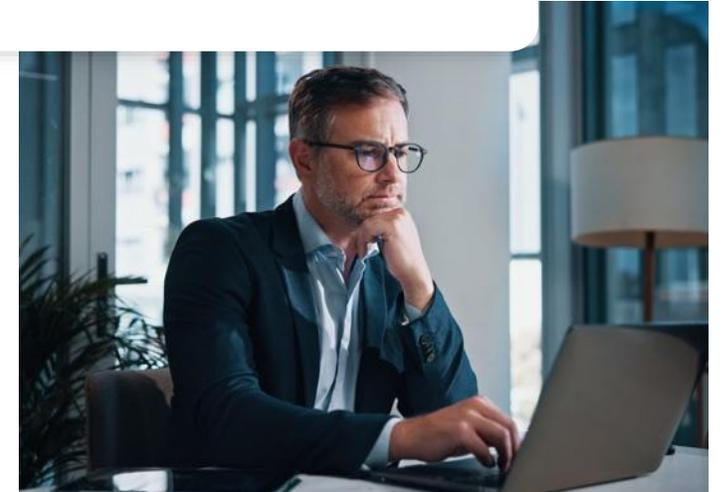
Same Store Sales  
Growth (depending on  
region)

**5%**

Labor % increase



Margin pressure concentrated in  
underutilized units



# Regional Insights – What the Data Says

## MIDWEST

Stable sales environment with broader cost pressure

## SOUTH

Fastest growth nationally, driven by expansion and demand

## WEST

Solid growth but higher labor sensitivity impacting profitability

## NORTHEAST

Strong volume-driven performance with smaller margin declines

# YoY Themes

1 **Sales growth** is broad based across industries

2 **Labor increased** by can be offset with productivity

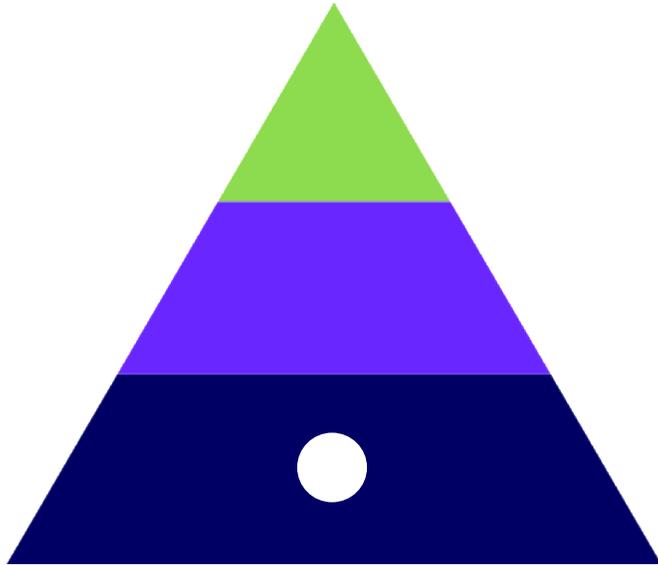
3 **Regional economics** are diverging

4 **Execution** matters to bottom line

# Unexpected Trends

- ! “Busy” units are vulnerable to operation drift and margin
- ! Compression Midwest margins declined more than expected
- ! Fitness outperformed the sectors reviewed/included in this study

# Actionable Takeaways



## Bottom Tier

*(Cost control, sales growth)*

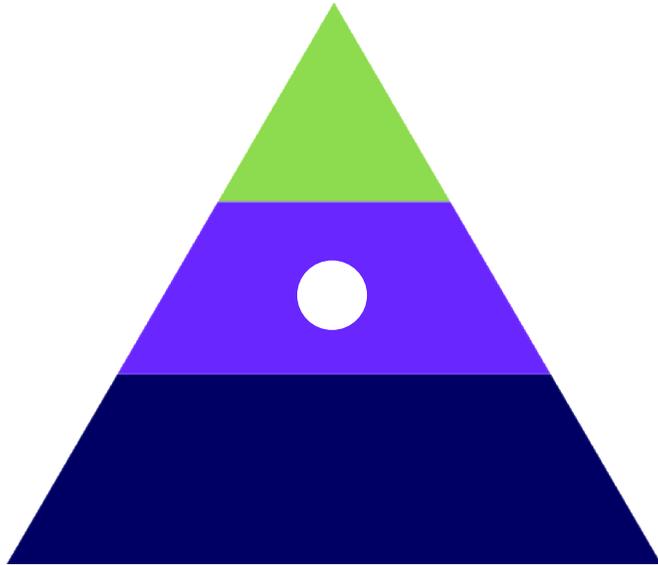
**Focus first on controlling labor costs**

**Goal should be to manage labor costs consistently as % of Sales**

**Review fixed expenses & overtime**

**Do performance incentives grow/shrink according to period sales?**

# Actionable Takeaways



**Middle Tiers**  
*(biggest margin squeeze)*

**Benchmark peers across Labor, COGS & Opex**

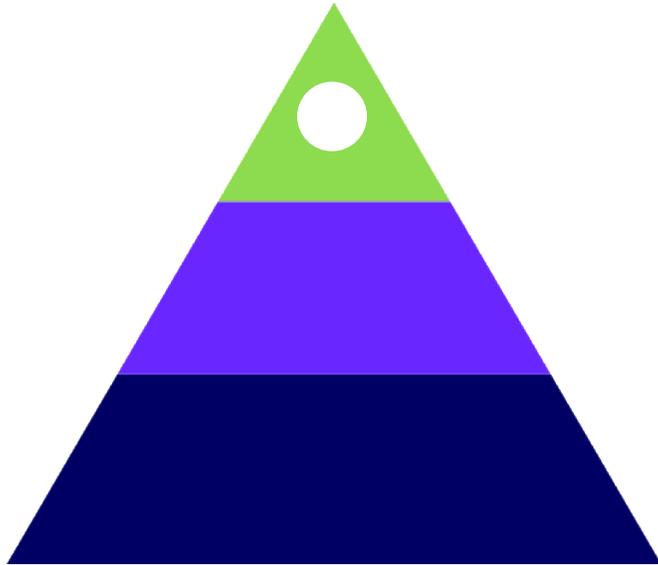
**“Busy is bad” – coach z’s on operational priorities**

**Metric owners develop plans for improvement**

**Metric owners report progress weekly**

**Measure progress & when stuck create cross-functional teams**

# Actionable Takeaways



**Top Tier**  
*(most profitable)*

**Identify top tier performers by metric**

**Celebrate performance & incorporate top tier voices**

**Invite top tier to share best practices**

# Conclusion

- ✓ Data shows growth
- ✓ Profitability remains operational
- ✓ Brands that invest in data collection/analysis and invest in coaching early will help franchisees understand where growth opportunities are

# SBA LENDING & POLICY SHIFTS

Tony Wilkinson, President & CEO - NAGGL, INC

- Recent operational changes – “Do as you do”, SBSS
- Elimination of the fee waiver
- Franchise vs non-franchise performance trends
- SBA lenders’ sentiment on franchise lending



# MODERATED DISCUSSION: CAPITAL THROUGH THE FRANCHISE LIFECYCLE

Moderator: Tricia Petteys, CEO/Co-Founder – Payroll Vault

- Startup funding realities
- Expansion & refinancing strategies
- Resales & transfer risk
- Franchisor-lender collaboration best practices



# KEY TAKEAWAY:

Collaboration Is a Competitive Advantage

Franchisors + Data Providers + Lenders =

**Lower defaults. Faster approvals. Sustainable growth**

