



**Next-Gen Franchise  
Investing: How Private  
Equity Is Reimagining Value  
in the Franchise Model**

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# IFFA 26

# LEGAL

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# Authors



Matt Gruenberg  
DLA Piper LLP  
Los Angeles, California



Grant Marcks  
The Riverside Company  
New York, New York



Mark McAndrew  
Unleashed Brands  
Dallas, Texas



Noah Leszcz  
Cassels, Brock & Blackwell  
LLP  
Toronto, Ontario

# Agenda

- 1) History of PE Investment in Franchising
- 2) Riverside's Multi-Brand Franchising Overview
  - PE Involvement in Franchise Investing
- 3) PE Platform Franchisee Investing
  - New Investment in Franchisees
- 4) Royalty Deals: A new Frontier for Franchising

# History of PE Investment in Franchising

- Initially PE transactions focused on acquiring or investing in franchise brands.
  - High Margin, Asset light business model
  - Scalable operations
  - Predictable cash flows
  - Strong ROI
  - Classic Franchising Model – Single unit, single brand owner-operators ("mom and pop franchises")
- More recent shift towards transactions at the Franchisee level
- Recent Study shows 76% of 13,000 top branded franchised outlets are owned by multi-unit franchisees
- MUMBO – Multi Unit Multi Brand Owners



# Strategic Rationale for Platform Models

## **Scalable Growth Model**

Platform models enable scalable and repeatable growth across multiple units and brands, not just one location.

## **Operational Leverage**

Distributing fixed costs like marketing and technology across units improves profitability through operational leverage.

## **Risk Diversification**

Diversified revenue streams reduce risk exposure by spreading investments across multiple brands and markets.

## **Standardized Playbooks**

Standardized acquisition and performance strategies enable efficient, repeatable growth execution.

# Strategic Upside for Franchisors

## **Accelerated Unit Growth**

Platform models enable faster expansion through multi-unit and multi-brand operators, increasing market penetration efficiently.

## **Sophisticated Franchisees**

Attracts capitalized franchisees with expert management teams, improving system performance and reducing operational risks.

## **System-wide Consistency**

Centralized processes and monitoring uphold brand standards, ensuring consistent customer experience across locations.

## **Advanced Infrastructure Access**

Leverages technology, data analytics, and marketing systems to improve efficiency and competitive advantage.

# Practical Advantages in Execution

## **Rapid Market Penetration**

Multi-unit agreements enable faster market entry with less administrative effort and fewer negotiations.

## **Experienced Franchisee Efficiency**

Experienced franchisees require less oversight, allowing franchisors to focus on brand and innovation.

## **Enhanced Bargaining Power**

Increased purchase volumes improve supplier negotiations, reducing costs and boosting margins.

## **Strategic Flexibility and Financing**

Platform models offer flexibility for partnerships and recapitalizations, supported by private equity credibility.

# Key Legal Challenges in Platform Models

## **Multi-Brand Ownership Challenges**

Overlapping market operations cause territorial and exclusivity enforcement issues in multi-brand platforms.

## **Confidential Information Risks**

Shared infrastructure risks unintended exchange of proprietary data, raising trade secret protection concerns.

## **Enforcing Competition Clauses**

Non-compete agreements are harder to enforce when franchisees operate across multiple platform brands.

## **Incentive Alignment Issues**

Diverging goals of franchisors, franchisees, and investors complicate long-term brand strategies.

# Governance and Risk Hotspots

## **Balancing Control and Independence**

Franchisors must enforce brand standards while allowing franchisees enough autonomy to operate effectively.

## **Ownership Change Approvals**

Approval rights for ownership changes add complexity, especially with private equity investments in franchisee groups.

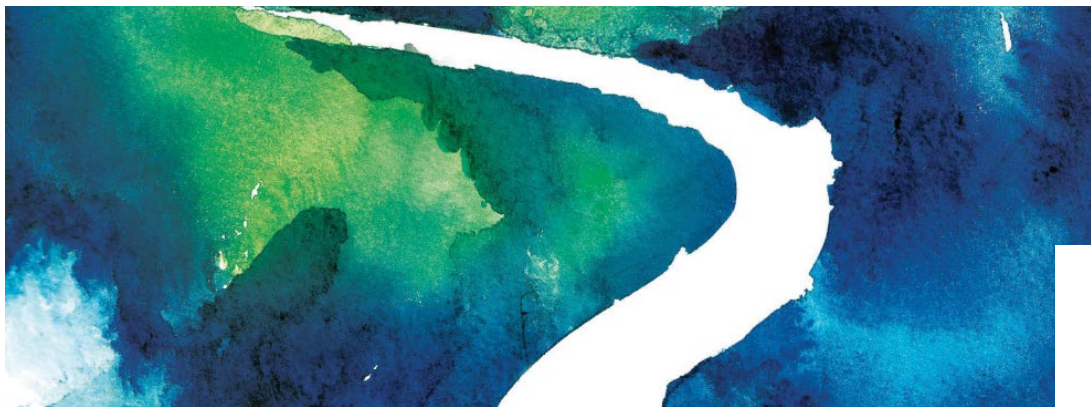
## **Brand Standards Enforcement**

Maintaining consistent brand standards at scale is challenging but critical to protect brand equity and customer trust.

## **Data and Cybersecurity Risks**

Centralized data management increases risks related to ownership, sharing, and cybersecurity breaches.

# Riverside's Multi-Brand Franchising Overview



*Riverside.*

# Neighborhoodly Case Study

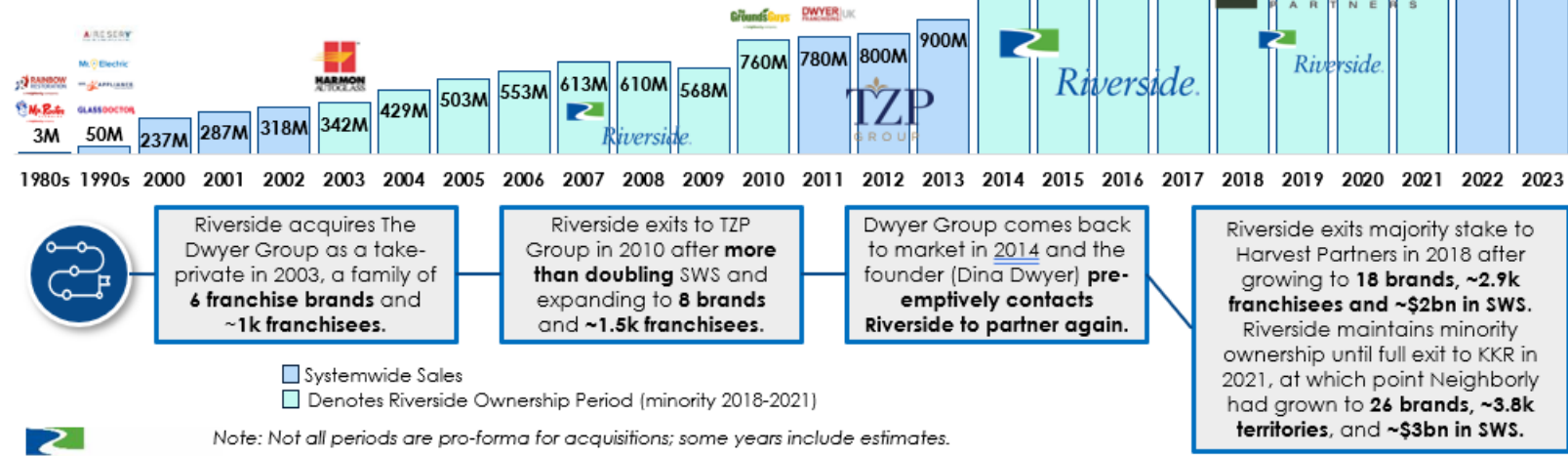
## The Company & Growth Strategy

**Neighborhoodly (f/k/a The Dwyer Group) is a leading multi-brand franchise platform focused on providing trade services in and around the home.**

- ✓ Became the industry's acquirer of choice following excellent track record of culture and growth
- ✓ Developed strategic plan to enhance operations across information and technology, marketing and brand development to bolster franchisee support and drive SSS
- ✓ Accelerated organic new franchise growth (including internationally) through buildout of an industry leading franchise development engine
- ✓ Sourced board advisors with decades of experience leading franchise development, operations, technology and marketing, some of which still serve on Riverside's boards today

## Partnership Outcome

- ✓ Added **20 new franchise brands** (through both add-on acquisitions and organic launch efforts) and **2k+ franchisees** across two hold periods
- ✓ Grew revenue and EBITDA by **>12x**
- ✓ Consistent, long-term **SSS growth of 7%+**
- ✓ Average Internal **NPS of 84** at final exit
- ✓ Expanded to **9 countries**



# Riverside's Multi-Brand Portfolio Overview

60+ Investments, 5 Platforms, 30+ Franchise Brands


**Provider of senior care services (6 brands)**  
 Initial investment Feb-17









**Provider of B2B maintenance services (7 brands)**  
 Initial investment Dec-20










**Provider of residential and senior care services (7 brands)**  
 Initial investment Nov-21










**Provider of residential maintenance services (10 brands)**  
 Initial investment Aug-20









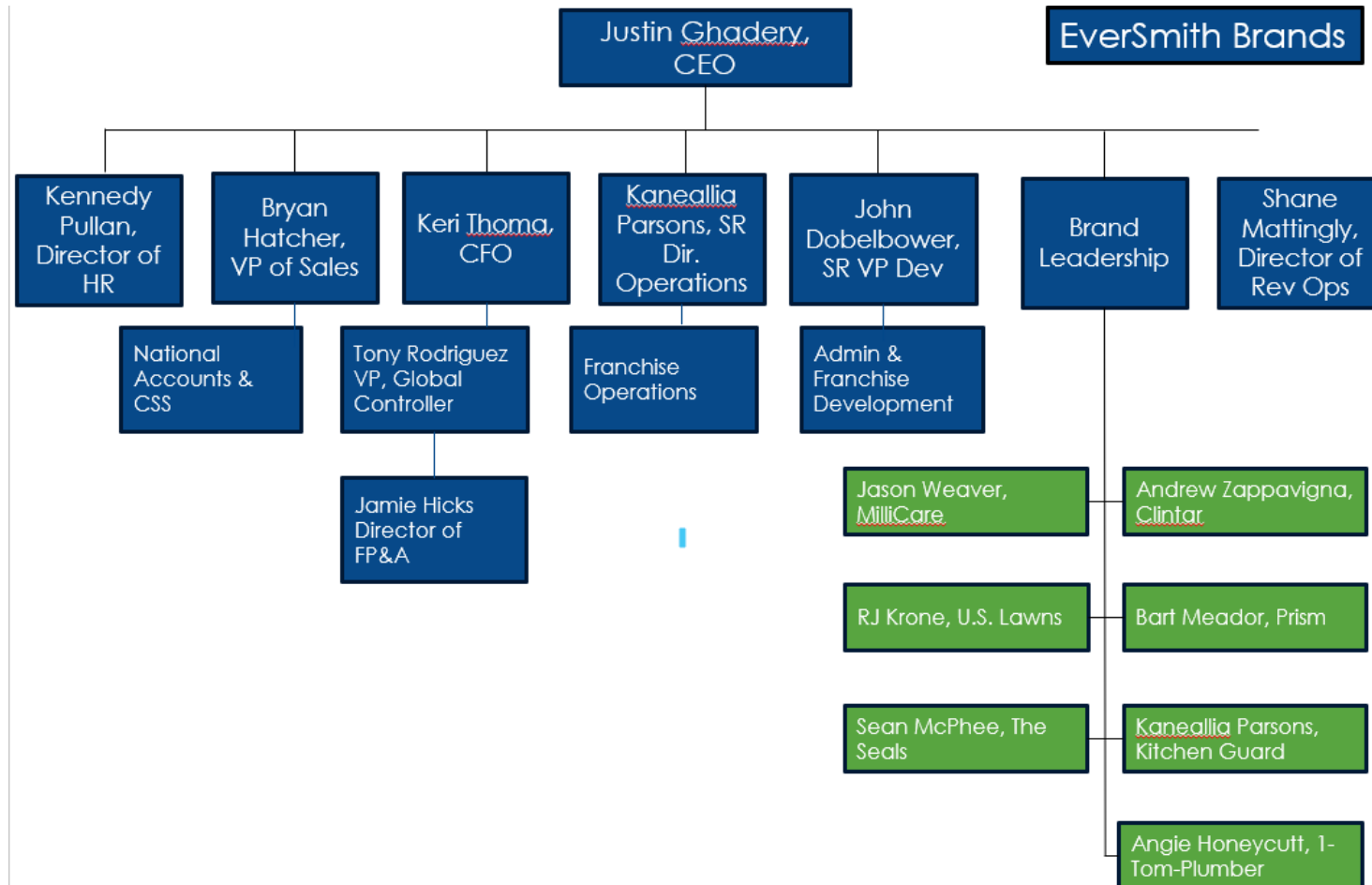


**Provider of beauty and wellness services (4 brands)**  
 Initial investment Apr-23






# Stronger Together: The Multi-Brand Shared Resources Advantage



# Value Creation and Risk Considerations in Multi-Brand Franchising

## Benefits

### Private Equity:

- Centralized support functions (marketing, legal, HR, IT) to enhance EBITDA and overall investment returns through cost savings and elimination of duplicative functions.
- Multiple arbitrage opportunities.
- Portfolio diversification and down-side protection.
- Cross-brand expansion enables experienced operators to move across the brand family.

### Franchisor & Franchisee:

- Access to capital for faster growth.
- Professionalization & governance.
- Systematic growth methods include franchise development and national vendor preferred relationships.
- Multi-brand ownership opportunities attract more experienced and self-sufficient franchisees from other brands within the family.

## Risks

### Private Equity:

- Misalignment between legacy management and PE buyers
- Overestimated synergies.
- Reputational & legal exposure.

### Franchisor & Franchisee:

- Loss of brand autonomy.
- Short term financial pressures.
- Brand equity is threatened by if one brand within the MUMBO contaminants perceptions of others owned by the MUMBO.
- Too many brands lead to smaller brands may getting lost.
- Franchisor/franchisee relationship strain with added PE ownership dynamics.

# PE Platform Franchisee Investing

*and the Rise of Multi-Brand Ecosystems*

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Scale, Governance, and Capital in the New Franchise Economy

# Evolution of the 'Family of Brands' Model

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## From single-brand growth to multi-brand platforms

Platform franchising has replaced single-brand growth strategies with multi-brand operating environments designed for scale and resilience.

### CLASSIC MODEL

Single-unit, single-brand owner-operators ("mom and pop" franchises) with slow, organic expansion.

T O D A Y

~76%

of the ~13,000 top-brand franchised outlets are owned by multi-unit franchisees.

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*Rise of Multi-Unit Multi-Brand Operators (MUMBOs)*

# Multi-Unit Franchising – Definitions & Types

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*A multi-unit franchisee is any franchisee that owns more than one franchised unit.*

**01**

## **Multi-Unit Development**

*(Area Development)*

Right to open and operate multiple unit franchises within a delineated geographic area.

**02**

## **Master Franchising**

*(Subfranchising)*

Right to grant unit franchises to third parties in a territory. Most common strategy in international franchising.

**03**

## **Area Representation**

Right to solicit and recruit third parties to enter unit franchise agreements and/or provide support services.

**KEY BENEFITS** Shared overhead • Advertising, manufacturing & distribution synergies • Economies of scale • Higher returns

# Multi-Brand Operators

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## Two Structures

*I*

Planned association of two or more distinct brands owned by the same franchisor or parent entity (often owned by PE).

*II*

Single franchisee that separately owns and operates franchises of distinct brands owned by the same or different franchisors/parent entities.

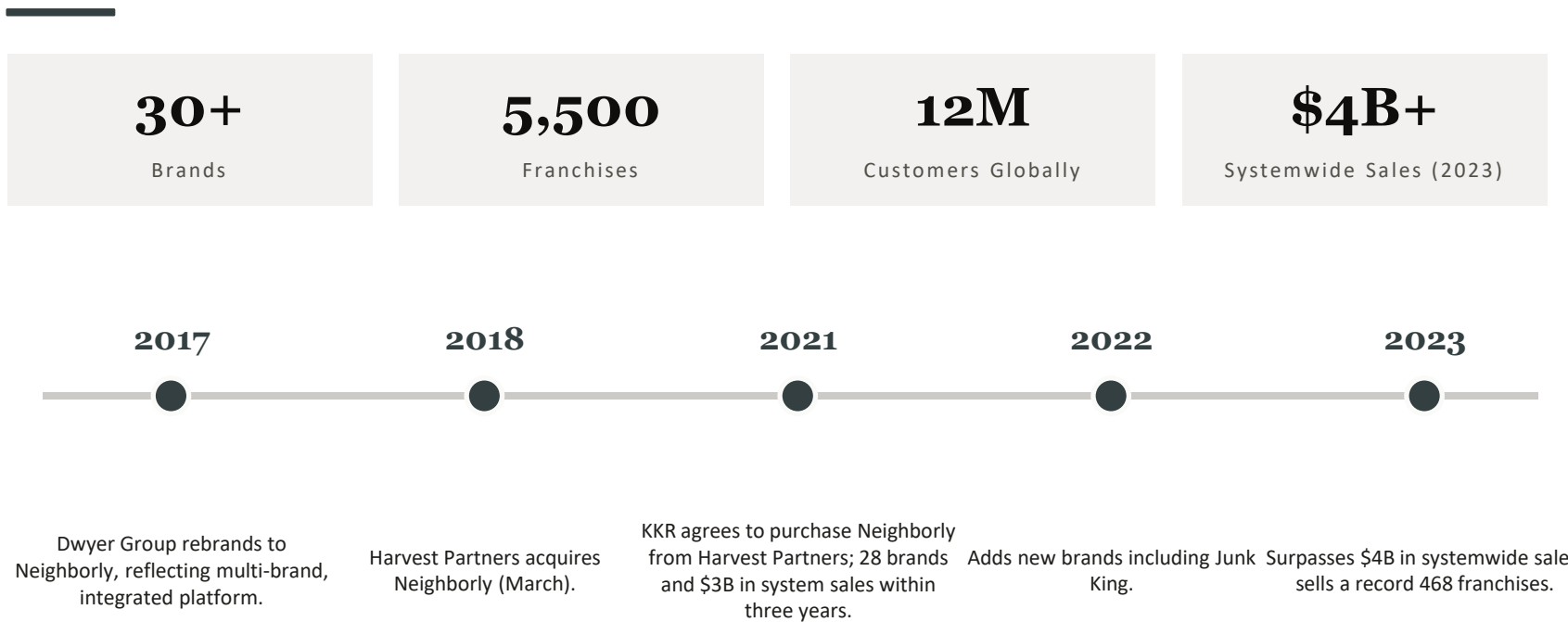
## Benefits

- Leverage resources across businesses
- Diversify portfolios and mitigate risk
- Respond to changing customer demands

## Industry Reach

*Originally dominated by restaurant operators; now extends to automotive, hospitality, and real estate.*

# Neighborly – A Multi-Brand Home Services Platform



*\$400M+ invested at the franchisee level by PE firms (such as Eagle Merchant, Franchise Equity Partners, CPC, SBJ Capital, Main Post, Prospect Partners, Monogram Capital Partners) in Mr. Rooter, Mr. Electric, Mr. Handyman, and Precision Garage Door, to name a few.*

# Shared Infrastructure Advantages

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*Centralization of support functions drives scale, savings, and professionalism.*

## INTEGRATED FUNCTIONS

- Marketing, legal, HR, IT & back-office systems
- Centralized marketing teams & data analytics
- Shared loyalty programs
- Unified digital platforms
- Platforms outspend and outperform stand-alone brands

## FOR PE

Enhances EBITDA and investment returns through cost savings and elimination of duplicative functions.

## FOR FRANCHISEES & FRANCHISORS

Access to cost-effective, sophisticated operational support — enabling scalability, operational excellence, market advantage, and increased professionalism.

# PE Sponsor Benefits

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## Repeatable Add-On Acquisitions

- Systematic acquisition of complementary, consumer-focused brands
- Lessons from prior deals applied through repeatable playbooks
- Operational separation where appropriate
- Shared best practices and back-office resources

## Cross-Brand Franchisee Expansion

- Facilitated movement and investment across brands
- "Multi-brand ownership pathways" for operator entrepreneurs
- Dual/concurrent license structures, integrated contracts, rights of first refusal
- Internal referrals, increased lead flow, higher revenues

# Franchisor Benefits

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## INCREASED INVESTOR ATTRACTIVENESS

- Accelerated unit growth with fewer franchisees and limited franchisor investment
- Faster market penetration; fewer relationships to manage
- Entry into new regions, countries, and markets
- Larger initial fees (master franchise: mid-to-high six or seven figures; two-tier structures; non-refundable AR fees)
- Less support required per unit

## IMPROVED RECRUITMENT & RETENTION

- Larger, financially stronger franchisees with higher business acumen
- Valuable experience in investment, planning, and operations
- Attracted by enhanced operational efficiencies and economies of scale

*"Multi-unit franchisees bring scale and sophistication — and require less handholding per unit."*

# Franchisee Benefits

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## CAPITAL & STRATEGIC GUIDANCE

- Capital infusion for multi-brand expansion
- Resources and staff otherwise unaffordable for smaller brands
- Faster scaling than traditional single-unit growth
- Strategic guidance and industry insight from PE firms
- More sophisticated metric tracking
- Experienced operators and brand professionals
- More favorable borrowing terms via PE–lender relationships
- Exit ramp and succession-planning options

## RISK MITIGATION & REVENUE DIVERSIFICATION

- Multiple revenue streams across franchised units
- Greater bargaining power for bulk purchasing
- Economies of scale in marketing, HR, and training
- Multi-brand ownership smooths revenue if one brand underperforms
- Balances cyclical market rotations across sectors

# Issues and Challenges

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## **Brand Governance & Confidential Information**

Conflicts of interest and misuse of confidential information across competing/synergistic brands; pressure to relax non-competes; heightened risk when staff cross between brands.

## **Recruitment & Capability Risks**

Difficulty assessing whether large multi-unit franchisees can meet scaling obligations — requires robust due diligence and ongoing oversight.

## **PE Partner Risks**

Short-term pressure and exit timing may misalign with brand strategy; tensions with legacy management overgrowth, cost, and cultural vision; learning costs of operating a combined platform.

## **Threats to Brand Equity & Profitability**

Brand-on-brand contamination; direct competition within the MUMBO; customer confusion; integration challenges; smaller brands "getting lost"; franchisor resources redirected.

CONCLUSION

# Key Takeaways

## Structural Shift

Platform franchising has supplanted single-brand growth as the dominant engine of scale.

## Capital & Sophistication

PE sponsors supply capital, playbooks, and infrastructure that raise operational ceilings across brands.

## Multi-Stakeholder Gains

Franchisors, franchisees, and investors all benefit — but governance discipline is essential.

## Watch the Risks

Brand contamination, non-compete tension, and exit misalignment remain material legal and commercial issues.

*Platform franchising is now a defining feature of the modern franchise economy.*

# Royalty Deals: A New Frontier in Franchising



# Royalty Transactions

Several leading franchisors in Canada have entered into a royalty transaction:



## Case Study:



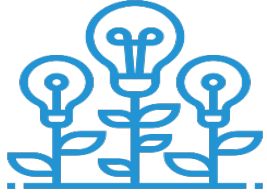
Cheba Hut (USA):

- In 2025, Cheba Hut Toasted Subs (“Cheba”), a franchise business, was operating in 77 markets generating ~\$175M system sales and profitable
- Strong outlook with near-term goals to more than double store count
- DIV and Cheba completed the 2<sup>nd</sup> US franchisor royalty transaction in June 2025

# WHY A ROYALTY DEAL?

- It takes a big effort and often a long time to build a franchisor to scale / profitability
- Many owners want to take some money off the table once profitability is reached
- Trademark and royalty transaction structure provides the owners of high-quality franchisors with the liquidity of a private equity deal, while retaining 100% control and the economic upside of continued new store growth
- Since there is no change of control, the all-important relationship between the franchisor and franchisees is unaffected
- Relationships with professionals and advisors are also unaffected
- Market leader is Diversified Royalty Corp (Canada), but FastFare Royalty Company (USA) appears to be actively seeking a transaction
  - DIV is publicly traded on TSX

# TARGETS



Privately-owned franchisors

Founder doesn't want to give up control

Founder believes in the continued growth potential



Solid franchisor EBITDA

Strong unit economics / low franchisee churn

Growing store count



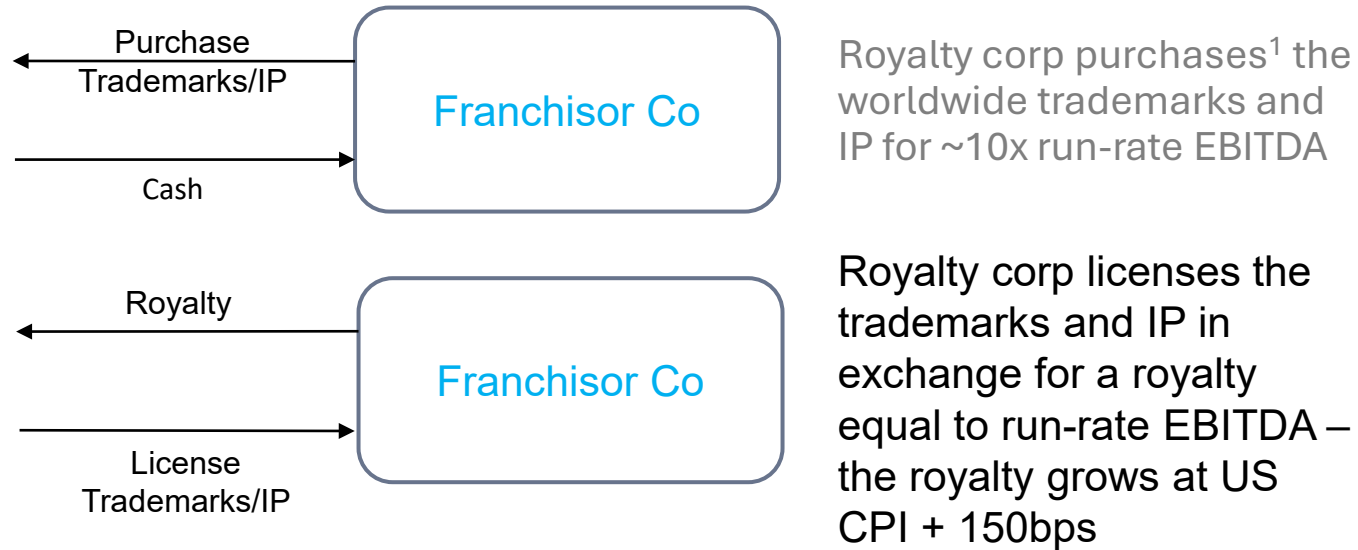
Founder doesn't want to become an employee

Founder doesn't want external Board Members / analysts questioning business decisions

The royalty transaction is primarily targeted at **individually-owned franchisor businesses** that are **seeking a liquidity event** and **don't want to sell out** to traditional private equity

# HOW A ROYALTY TRANSACTION WORKS

## Step 1



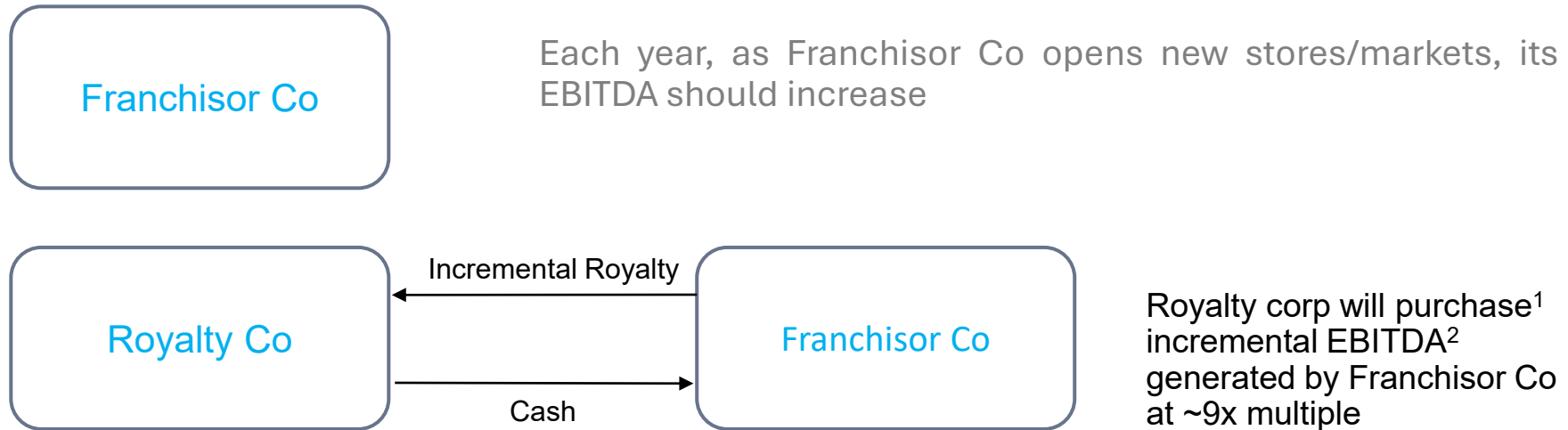
The owners of Franchisor Co:

- sale of IP is taxed as a **capital gain**
- realize a **material liquidity event** – in many cases equivalent to a PE deal
- retain **100% equity** ownership

<sup>1</sup> taxed as a capital gain

# HOW A ROYALTY TRANSACTION WORKS

## Step 2



Since the owners of Franchisor Co owns 100% of the equity, they can realize the benefit of **monetizing increased profitability** from continued new location expansion and operating leverage over time

<sup>1</sup> taxed as a capital gain <sup>2</sup> subject to a royalty coverage test

# HOW A ROYALTY TRANSACTION WORKS

- Completing a royalty transaction is similar to a PE deal
  - Business due diligence (less onerous than PE)
  - Legal due diligence
  - Quality of Earnings Report
- Negotiating royalty transaction agreements is simpler than a PE deal – there are no arguments regarding “normal” working capital – reps and warranties are less onerous
- Governance
  - The royalty agreement requires the franchisor to continue operating in the same/similar business
  - DIV’s Approach: A representative of DIV is an observer on the board – not a voting position
  - Quarterly board meetings
- Financial Reporting
  - Quarterly unaudited financial statements
  - Annual audited financial statements

# EXAMPLE ROYALTY DEAL

- Assumptions
- Franchisor Metrics:
  - Locations: 200
  - TTM System sales: \$230M
  - Franchisor TTM EBITDA: \$10.5M
  - Run-rate EBITDA: \$11.3M
  - Next 12 months EBITDA: \$12.9M
  - New store openings: 20/year
- Trademark Purchase Price:
  - 100% of run-rate EBITDA x 10 multiple
  - \$11.3M x 10 = \$113M
- **Equivalent TTM EBITDA multiple ( $\$113\text{M} / \$10.5\text{M}$ ) = 10.8x**

# CASE STUDY – CHEBA HUT

- In 2025, Cheba Hut Toasted Subs (“Cheba”), a franchise business, was operating in 77 markets generating ~\$175M system sales and profitable
- Strong outlook with near-term goals to more than double store count
- The founder was seeking a liquidity event, and the management team were seeking to increase their ownership stake
- The founder’s friend had recent negative experience with PE and he did not want to risk the all-important strong relationship with franchisees
- DIV and Cheba completed DIV’s 2<sup>nd</sup> US franchisor royalty transaction in June 2025
- Met all objectives:
  - Meaningful Liquidity
  - Maintain Control
  - Economic upside of continued growth
- 2024 EBITDA was \$2.7M – given the strong growth profile, DIV structured a \$36M royalty transaction – equivalent to 13.3x TTM EBITDA



# Summary

- Owners of great franchisor businesses have been programmed to think their only source of meaningful liquidity is to sell to private equity
- Private equity has made a fortune over the past 20 years buying the equity of great franchisor businesses
- Royalty transaction provides the liquidity of a PE deal without selling any equity
- While a royalty transaction might not be a “fit” for all franchisor owners – many will want to know all options available to them for a material liquidity event – some will highly value the ability to realize a material liquidity event and retain full control of their business

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