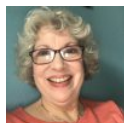


# How Investment Banks Help Franchisors Grow



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## With Deeper Pockets, Emerging and Middle-Market Franchises Can Zoom to Success

Investment bankers serve as advisers to franchisors who seek capital, often by working as matchmakers between franchises and private equity firms. Here's how that works: In return for providing money, the PE firm receives an ownership stake – typically this will be a controlling/majority interest or a 100% buyout – in the franchise. The PE firm is betting that its financial support will help a franchise realize greater potential and therefore increase in value. Then the PE firm will sell its share of the franchise for a profit.

PE firms and investment banks have been quite active in franchisor deals during the past few years. Much of the action has taken place in the Goldilocks middle market: the acquisition of companies that aren't too big and aren't too small, but just right.

Bob Marcus, head of capital markets for Cincinnati-based Fifth Third Bank, says there are a couple of key reasons



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*— J. Patrick Galleher, Boxwood Partners*

## Boxwood Partners Active in Middle Market

Boutique middle-market investment bank [Boxwood Partners](#) was busily involved in facilitating acquisitions during 2022. “We had an extremely productive year serving our middle-market clients,” says Boxwood managing partner J. Patrick Galleher. Galleher also expects his company’s merger-and-acquisition (M&A) activity to continue “with similar momentum in 2023.”

Boxwood Partners, established in 2007 and based in Jupiter, Fla., found investors for several franchises and other high-profile brands last year. Some of those deals include: Junkluggers and Color World Painting, both of which were sold to umbrella franchisor Authority Brands; Junk King, sold to umbrella franchisor Neighborly; Granite Garage Floors, to umbrella franchisor Threshold Brands; Hand & Stone Massage and Facial Spa, to Harvest Partners PE firm; Franchise FastLane, to Southfield Capital; Adams Flavors, Food & Ingredients, to Deason Capital Services, Midwest Growth Partners, Brookside Capital Partners and Valesco Industries.

## Umbrella Franchisor Deals

It’s noteworthy that so many of Boxwood Partners’ 2022 deals involved umbrella franchisors. Galleher says those franchisors can offer important benefits to emerging brands. “Franchisor aggregators can provide many benefits, including centralized back-ends, competitive analysis, and central-office expertise in marketing and other

functions. This lowers overhead costs and allows entrepreneurs more time to focus on the areas they enjoy the most.”

Financial support from PE firms and the deal-making talents of investment banks can position franchises for significant expansion as well as lasting stability and profitability, Galleher says. “Emerging franchise brands are



“Each time we assist entrepreneurs on the sell-side to help them find the right partner, maximize the value of their business, and close the transaction on the best possible terms, we are positively impacting franchising.” Because the franchise business model is different from other companies’ structures and operational processes, Galleher advises franchisors to “always hire an investment bank with experience in the franchising space.”



### **Mary Vinnedge**

Mary Vinnedge is an award-winning writer who has served as editor in chief, managing editor and senior editor at national and regional publications, including SUCCESS and Design NJ magazines. A seasoned journalist, Mary covers the latest industry news in her role as staff writer for FranchiseWire.