



#IFA 2017

CONVENTION

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Maximizing Enterprise Value: Strategies Franchisors Can Implement to Attract Higher Valuations in the Sales Process

**Tuesday, January 31, 2017
10:15 am – 11:45 am**

Maximizing Enterprise Value: Strategies Franchisors Can Implement to Attract Higher Valuations in the Sales Process

Moderator:

Gaylen Knack, CFE, Principal, Gray Plant Mooty

Speakers:

Ronald Feldman, CFE, Principal & Chief Brand Strategist, Siegel Financial Group

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The Challenge

- How can owners maximize the value of a Franchise System before and during the Sales Process?



Takeaways from this Presentation

- Identify the problem – to what extent do Owners fail to Maximize Value when selling Franchise Systems?
- Examine 8 Steps Franchisors can take to Improve or Maximize Value when selling the Franchise System
- Highlight potential Deal Killers that Franchisors must avoid

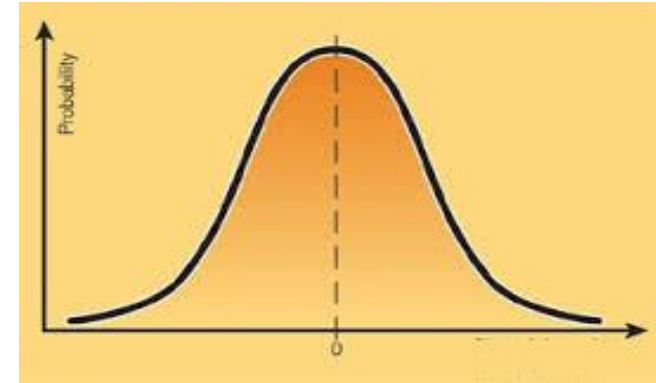
Attracting Higher Valuations – What is the Problem?

- How often are Franchise Systems missing out on Higher Valuations?
- How important are first impressions?
- How relevant is this topic in a Distressed System situation?



Maximizing Enterprise Value – Predictability of Unit Economics

- To what extent are Unit Economics predictable?
- Addressing potential ROI for the individual Franchisee
- Are Franchisees achieving maximum potential?
- Availability of current financial information



Maximizing Enterprise Value – Determining the Amount of “White Space”

- What is “White Space” and how much does the Franchise System have?
- Identifying limitations on “White Space”
- Determining Short-Term growth potential



Maximizing Enterprise Value - The Stress Test (Two Parts)

- How may macroeconomic forces (e.g. economic recession) impact the Franchise System and unit performance?
- Is the business or industry segment susceptible to technological changes or other market specific descriptions?



Maximizing Enterprise Value Tax Impact on the Parties

- How does a potential sale impact potential tax liability for the seller?
- What alternative structures exist to lower tax liability?
- What is the potential tax impact of a structure that a buyer may propose?



Maximizing Enterprise Value - Assessing & Reducing Liability Risk

- What types of risk may arise?
- When is a potential liability risk significant?
- How can a franchisor minimize those risks?
- The role of rep and warranty insurance.



Maximizing Enterprise Value - Assessing the Regulatory Environment

- How does the current/future regulatory environment impact the franchise system?
- How do you assess potential shifting policies such as minimum wage and joint employer concerns?



Maximizing Enterprise Value - Review of Financial Statements

- Is the Franchisor entity appropriately structured?
- Do the financial statements present an accurate picture? Or will adjustments/restatement be necessary?



Maximizing Enterprise Value - Developing/Communicating a Positioning Statement

- What is the prospective seller's "story"?
- Tying in data to support the story.



Avoid These Deal Killers – Seller's Remorse

- How and when can it arise?
- Anticipating and addressing seller's remorse in advance or during final negotiations.



Avoid These Deal Killers – Other Challenges

- Avoiding awkward issues
- Untested new sales programs
- Missing estimated sales and earnings projections
- Older FDDs or outdated franchise agreements with legal holes
- Sloppy record-keeping (e.g., accounting or legal)



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Eight Steps to Improve or Maximize Value When Selling the Franchise System

- Examine Predictability of Unit Economics
- Determine the amount of “White Space”
- Conduct a Stress Test on the System
- Examine the Tax Impact on the Parties
- Assess and Reduce Liability Risk
- Assess the Impact of the Regulatory Environment
- Review the Financial Statements
- Development and Perfect a Positioning Statement

Questions

Thank you!

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