

Trends in Multi-Unit Development

Darrell Johnson, President & CEO

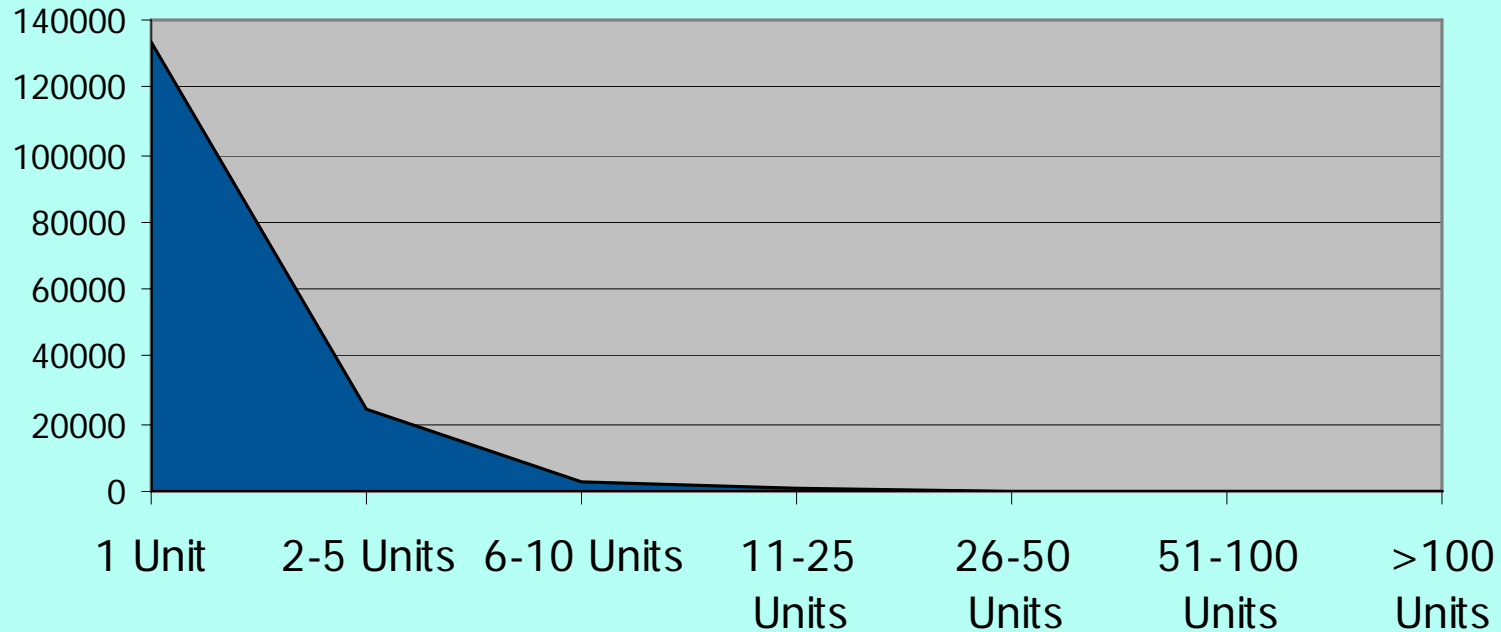
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Multi-Unit Sophistication

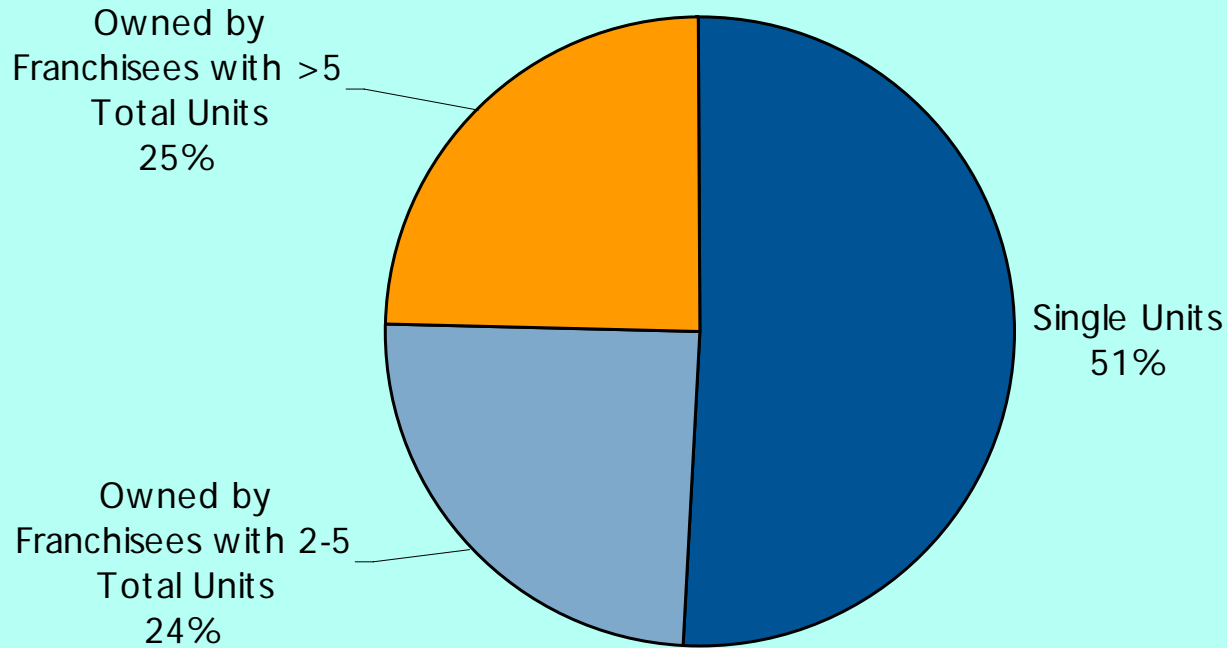
In addition to a zee owning more than 1 unit in a single Brand, today:

- MU zees may be Area Developers
- A MU zee could have 1 unit in each of 2 Programs for same Brand
- A MU zee could have 1 unit in each of 2 Affiliated Brands
- A MU zee could have 1 unit in each of 2 Unaffiliated Brands in same or different sectors

Count of Franchisees by Number of Units Owned



Unit Ownership by Franchisees

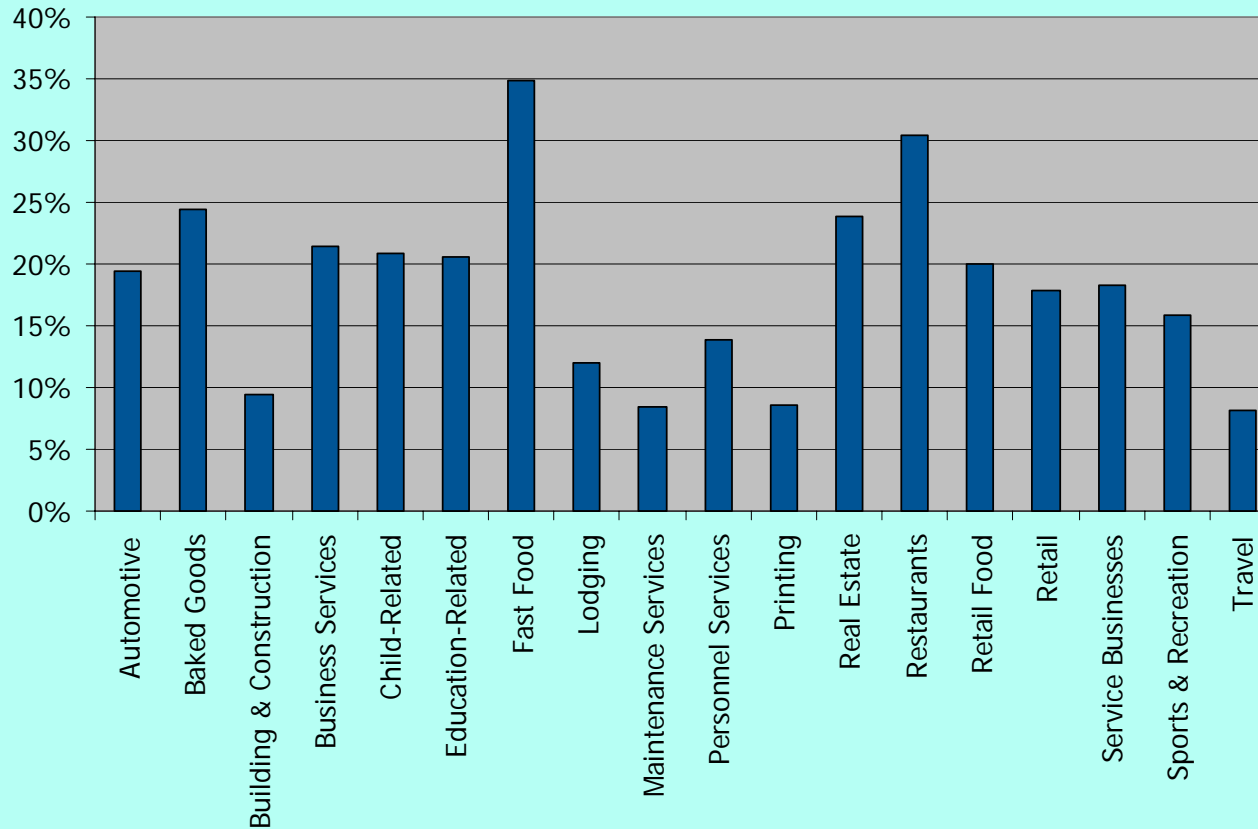


- 82% of franchisees are single-unit operators and control 51% of the units
- 15% own between 2-5 units and control 24% of the units
- 3% of franchisees own >5 units and control 25% of the unit locations

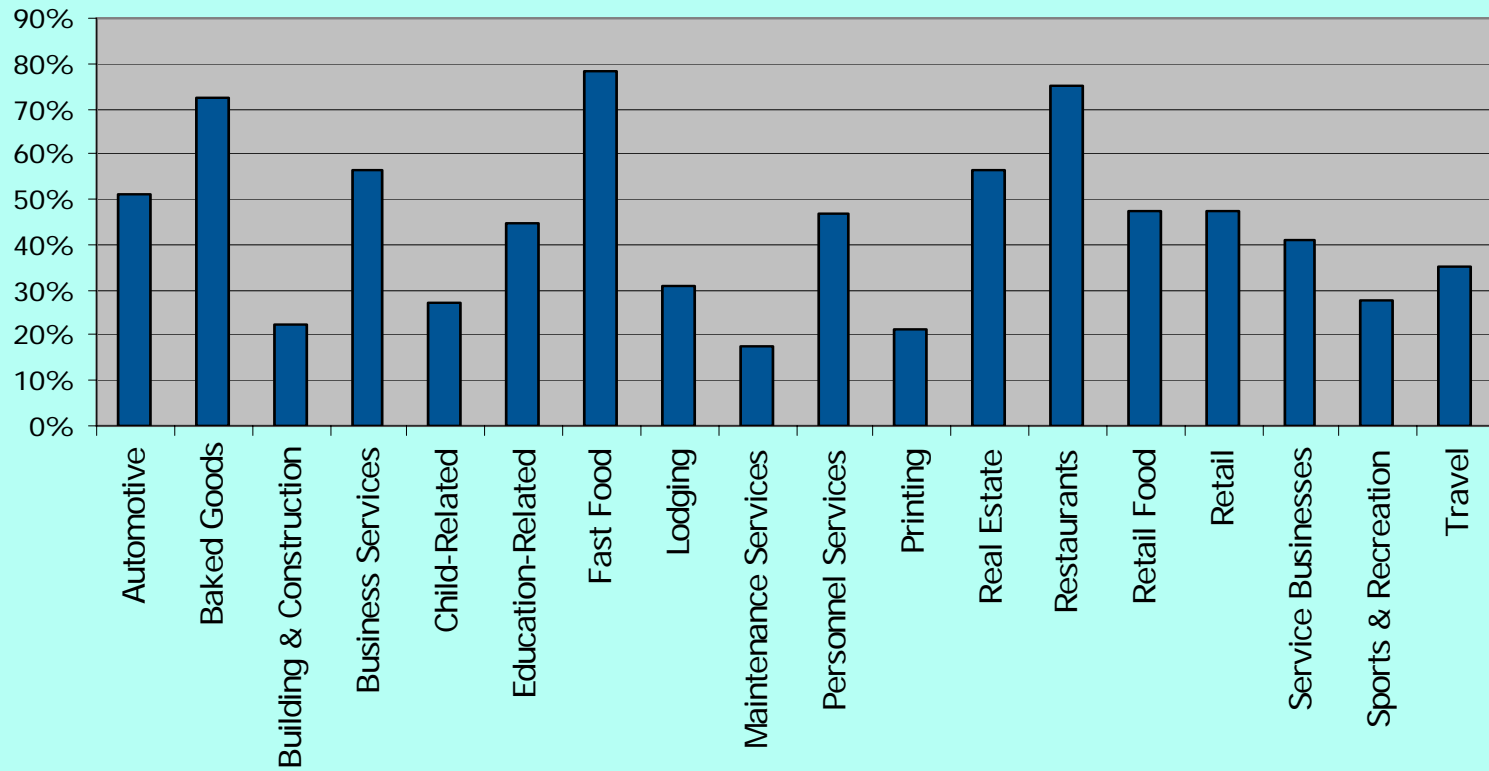
Methodology

- Franchisee database of 166,000 franchisees, 245,000 unit addresses, from 1200 franchise brands
- Originates with UFOC lists, augmented by phone, web data verification
- Franchisee “entity” (corporate owner or principal contact) matched across units and brands

By Industry, Percentage of Franchisees who Own >1 Unit



By Industry, Percentage of Units Controlled by Multi-Unit Franchisees



- 13% of multi-unit franchisees are involved in more than 1 franchise system
- 9% of multi-unit franchisees have units in different industry sectors

Types of Multi-Unit Zees

- Family Businesses
 - 2-5+ units, depending on sector
 - Little or no formal corporate infrastructure
- Corporate Entities
 - Up to 50 or more units, a few Brands, perhaps in different sectors
 - Technical professionals in key positions
- Large Corporations
 - Hundreds of units, multiple Brands and even Sectors
 - Often publicly traded or backed by significant private equity

How MUs are Changing Franchising

- Screening standards for prospective zees
- Training and operational support
- Financial performance claims
- Franchise agreement terms