



# MUFC

2024 Multi-Unit Franchising Conference

Produced By

FRANCHISE  
UPDATE  
MEDIA

GROW WITH US

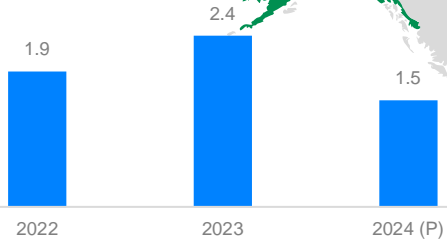
# STATE OF ECONOMY



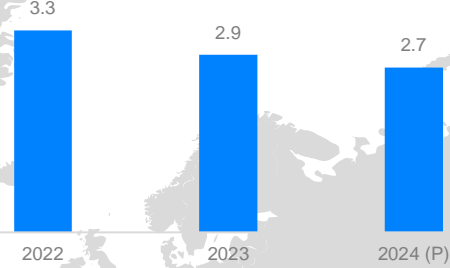
# World economy is trying to “stick the landing”



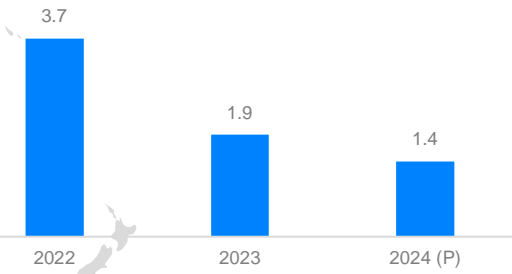
### U.S. GDP Growth Rate



### World GDP Growth Rate



### Australia GDP Growth Rate



# In US, record stock mkt, falling inflation = improved consumer sentiment in 2023

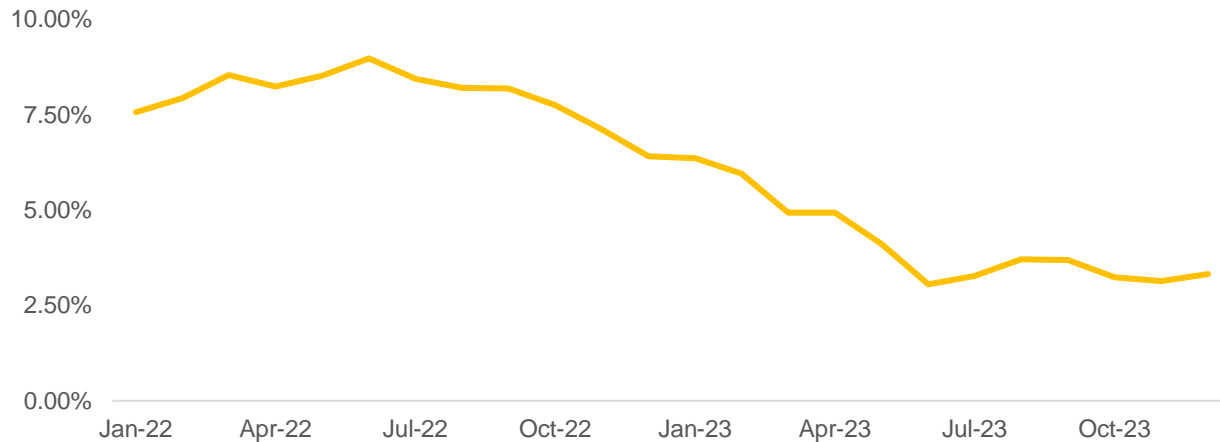
The economy blew past the cautious forecasts of recession and U.S. equity market rallied at the end of 2023

## Exhibit 1: Index Returns

Index	1-Month (%)	3-Month (%)	1-Year (%)	2-Year (%)	3-Year (%)
S&P 500	1.59	15.54	18.86	7.31	30.46
Dow Jones Industrial Average	1.22	15.42	11.92	8.59	27.24
S&P MidCap 400	-1.77	15.46	3.00	3.67	16.75
S&P SmallCap 600	-4.03	16.70	-0.09	-2.62	6.43

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2024. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

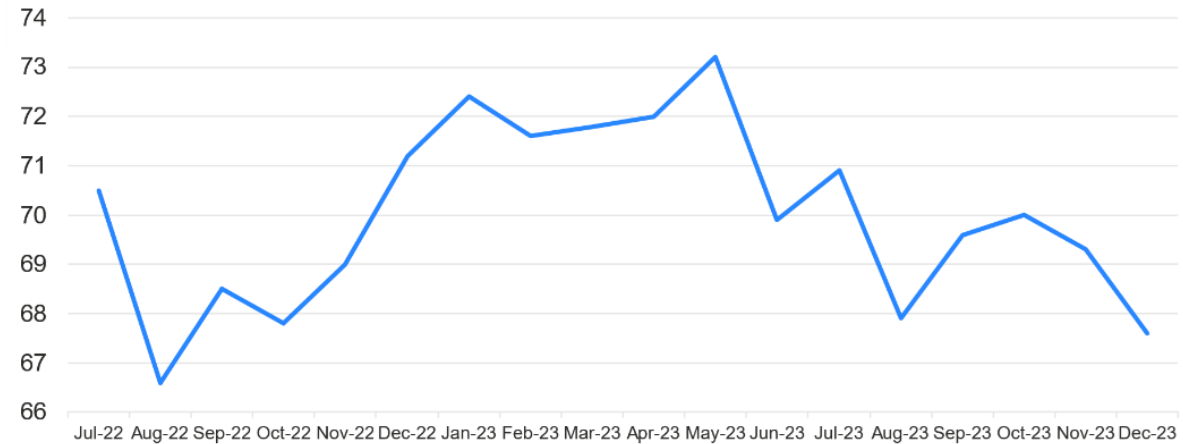
Unsnarling of supply chains, either by themselves or in tandem with cooling demand, explains 80 percent of the disinflation that has occurred in 2023



Source:

Consumers end 2023 with a surge in confidence and restored optimism for 2024

## Perceived likelihood of a US recession over the next 12 months "Somewhat + Very Likely" (Percent)

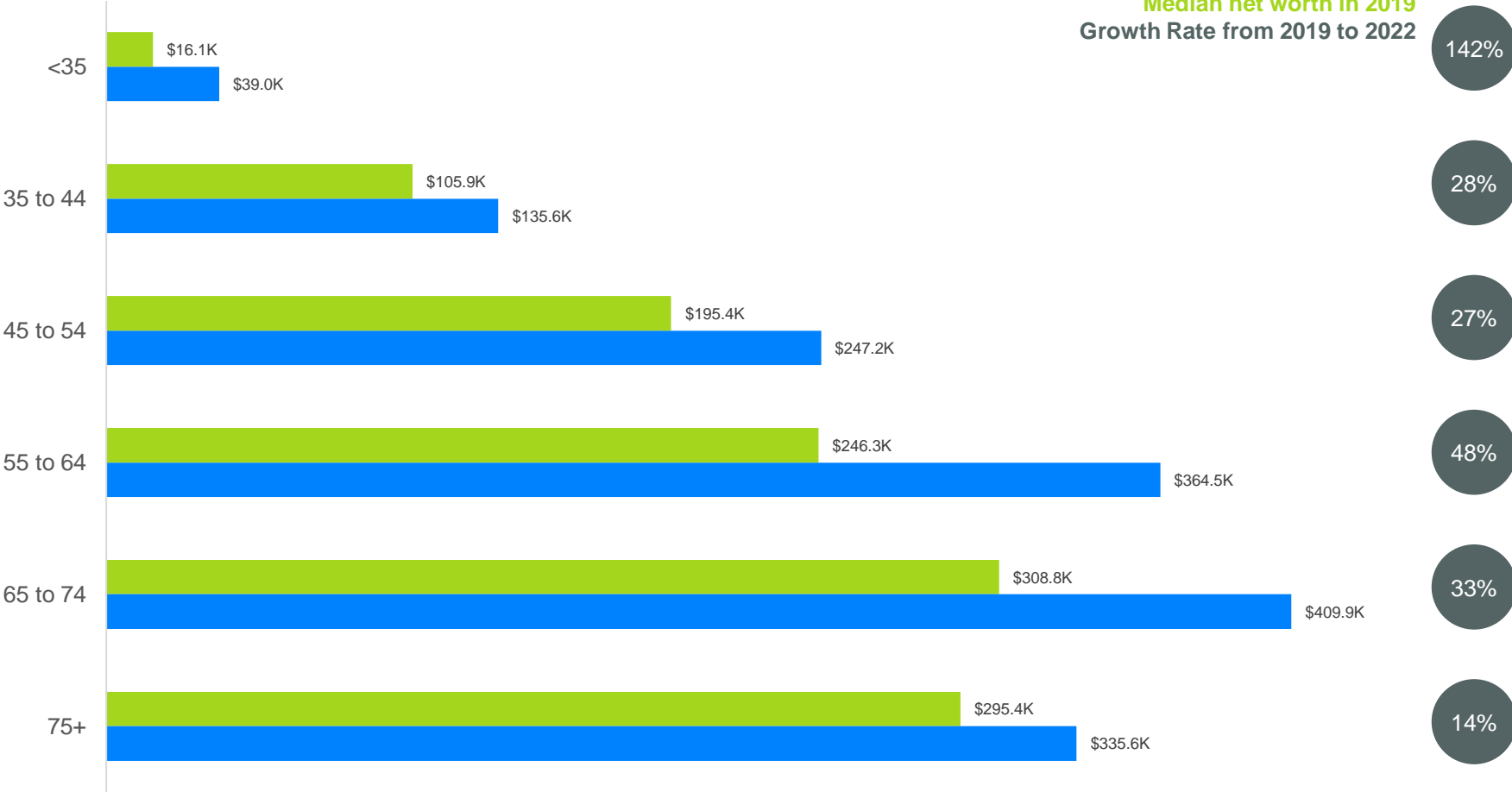


Source: The Conference Board, Consumer Confidence Survey®

# Net worth of typical U.S. household increased by 37% from 2019 to 2023

Median net worth in U.S. increased in 2022 vs. 2019 for all age bracket

Median net worth in 2022  
Median net worth in 2019  
Growth Rate from 2019 to 2022

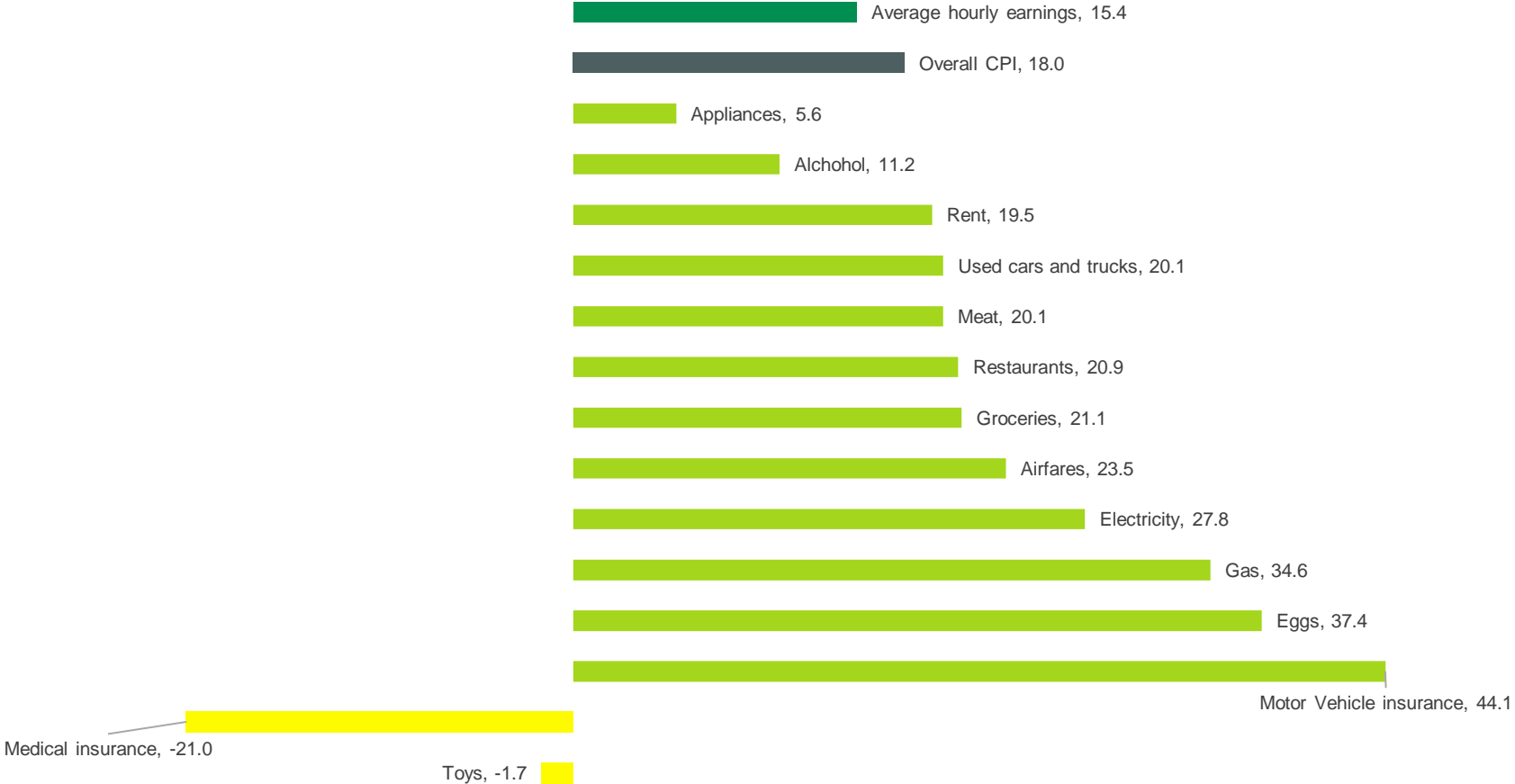


Source: CNBC, U.S. Federal Reserve Survey of Consumer Finances

# Cumulative inflation has outpaced wage growth impacting consumers' ability to spend

Inflation is 18% higher since Jan 2021; Many household purchases are up far more

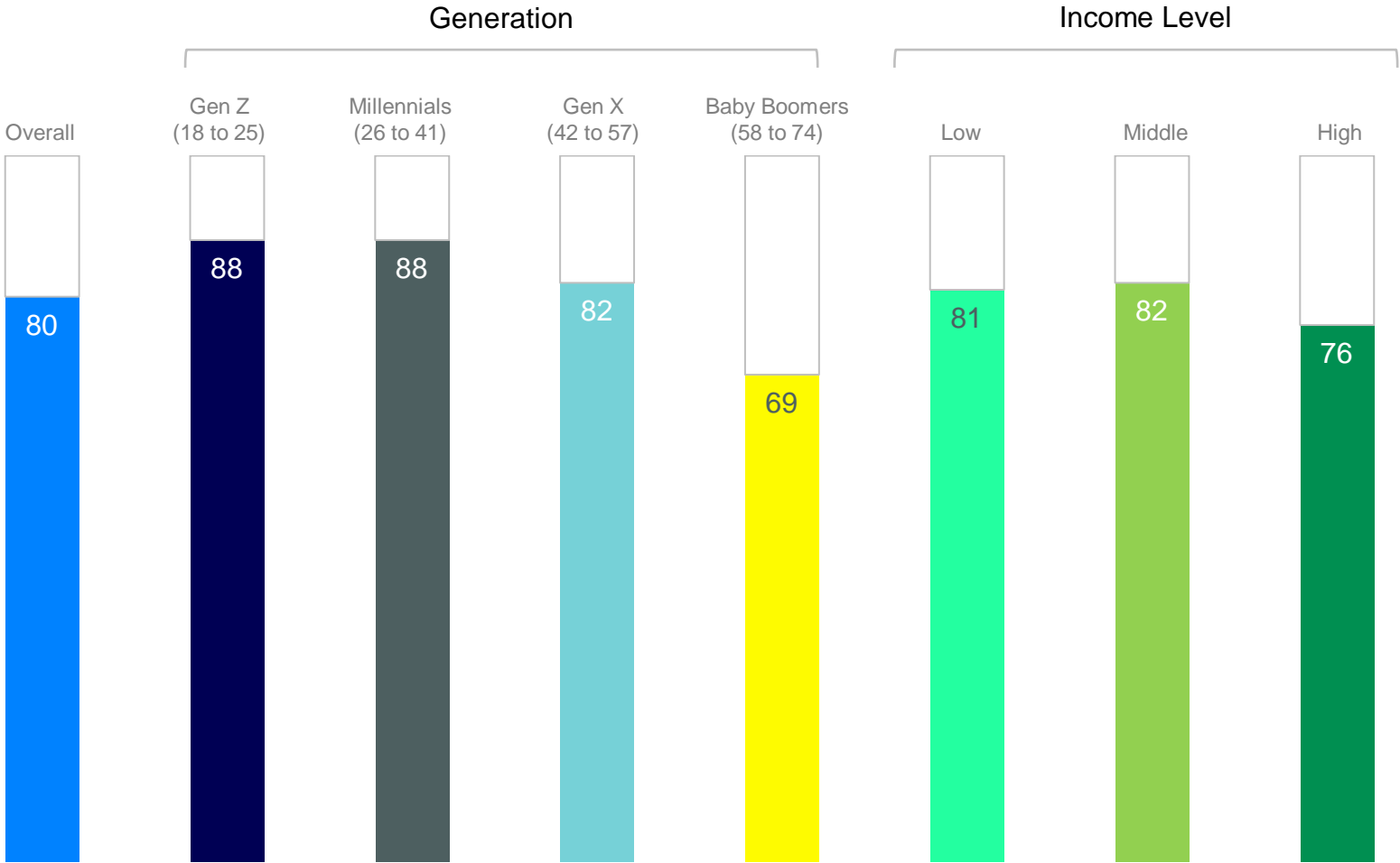
Change from Jan 2021 to Jan 2024



Source: The Washington Post

# Consumers are still spending but shifting buying habits, a trend likely continuing into 2025

Percent of consumers seeking value by trading down

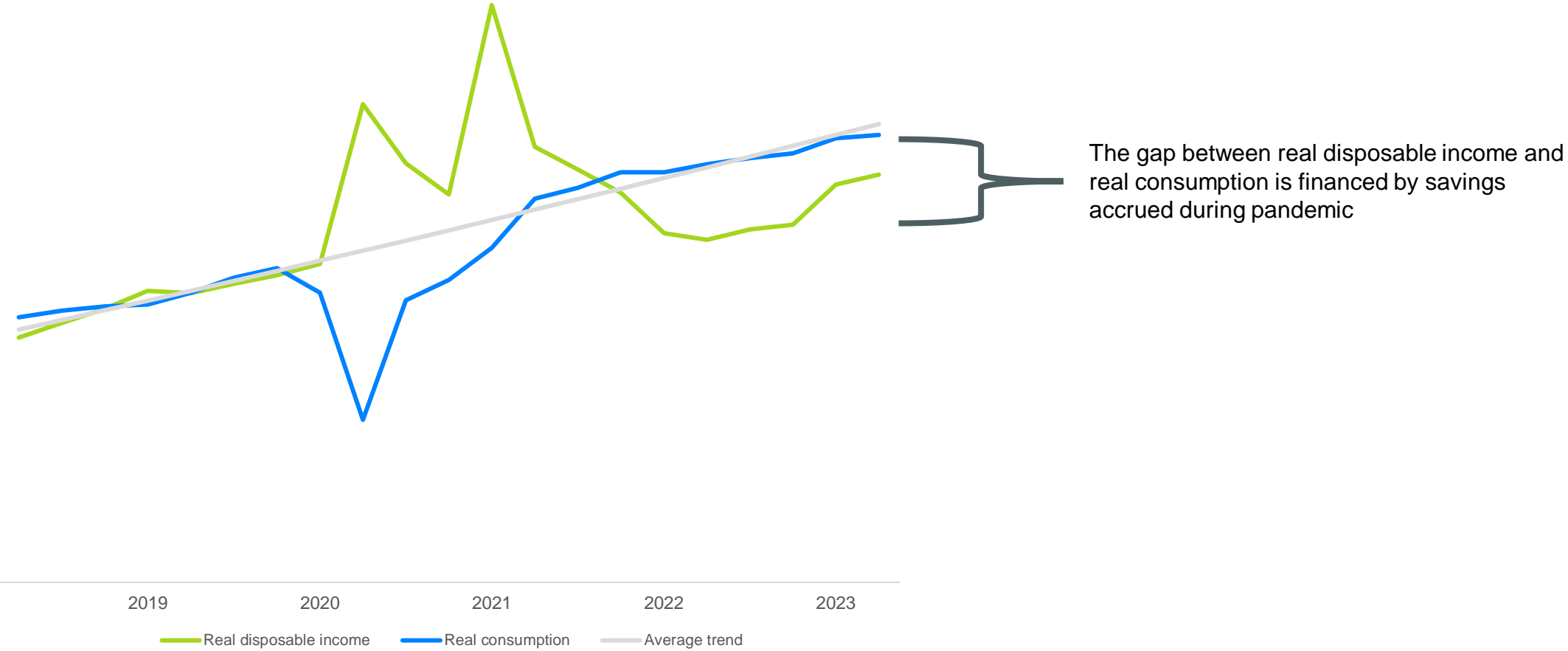


*% of respondents trading down*

Source: McKinsey & Company

# Real disposable income has lagged real consumption for two years posing a threat to consumer demand

Real disposable income lagged real consumption and average trend in 2022 and 2023



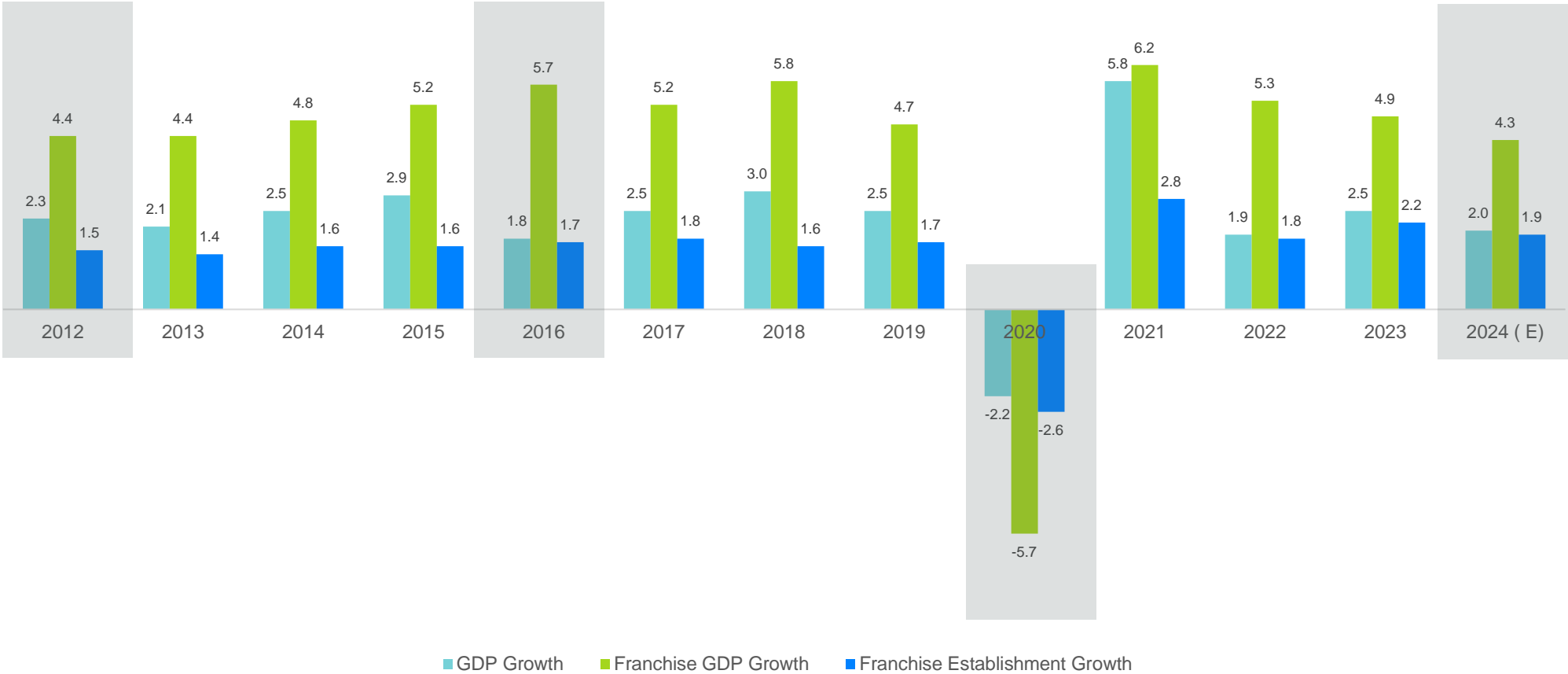
Source: Federal Reserve Bank of New York



# STATE OF FRANCHISING

# The effect of presidential elections on growth of franchising is minimal

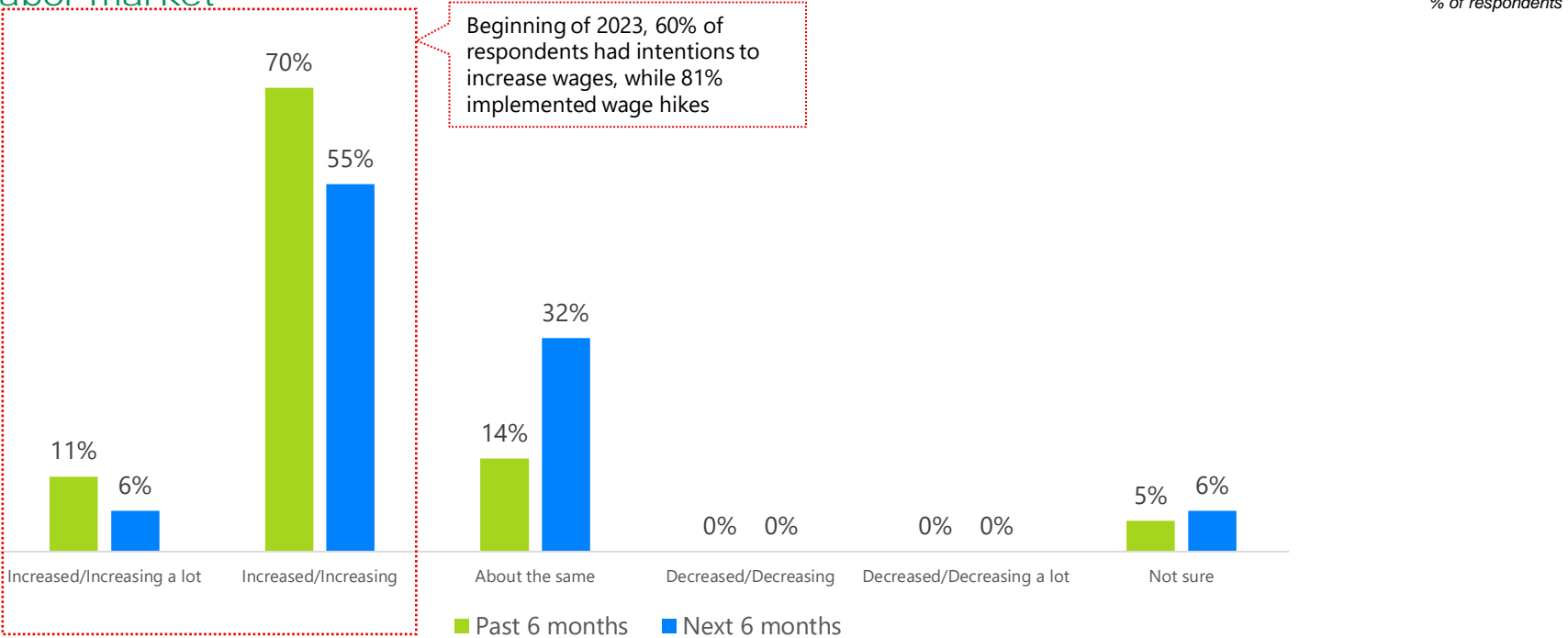
There is no correlation between election year and franchise GDP or franchise establishment growth.



Source: FRANdata Analysis, Morningstar

# Wage growth in 2023 was higher than anticipated by franchises

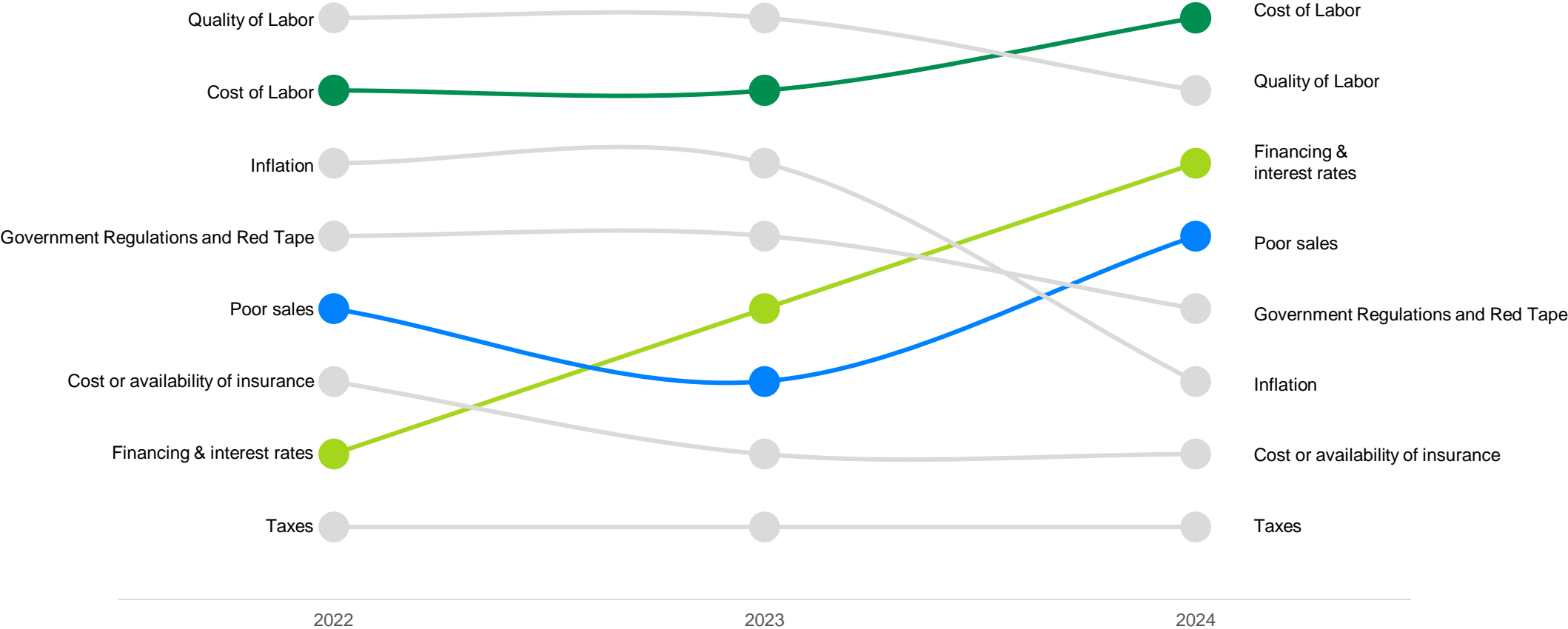
81% of surveyed franchise businesses increased wages in the past 6 months  
61% of the businesses are planning wage increases in 2024 indicating a cooling labor market



Source: IFA/FRANData 2024 Annual Franchisor Survey

# Consumer resistance to price increases compounded rising costs of labor and financing = margin pressure

Franchise businesses faces margin pressures as costs have increased but slowing consumer demand has impacted their ability to raise prices

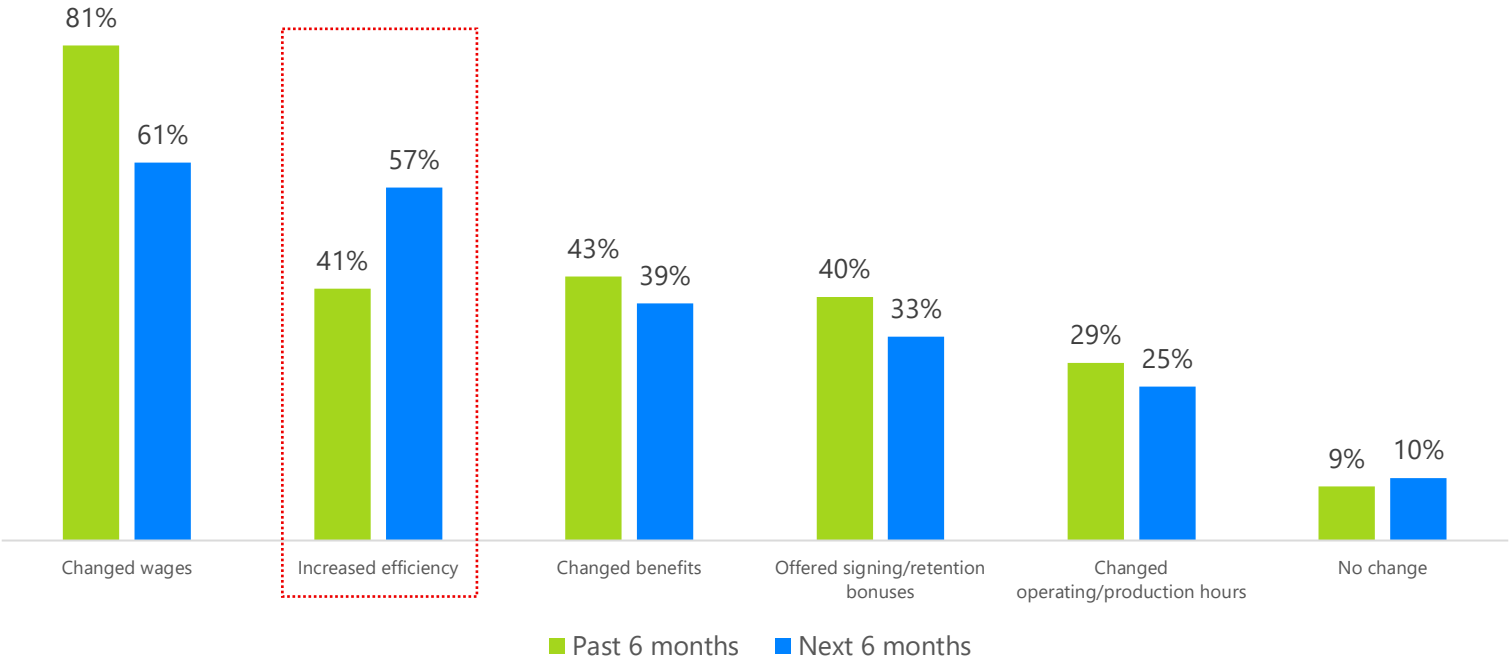


Source: IFA/FRANData 2024 Annual Franchisor Survey

# Franchise businesses are focusing on operational efficiencies to improve profit margin

In 2024, franchise businesses aim to address labor challenges by prioritizing efficiency through technology, rather than relying on increased wages and benefits

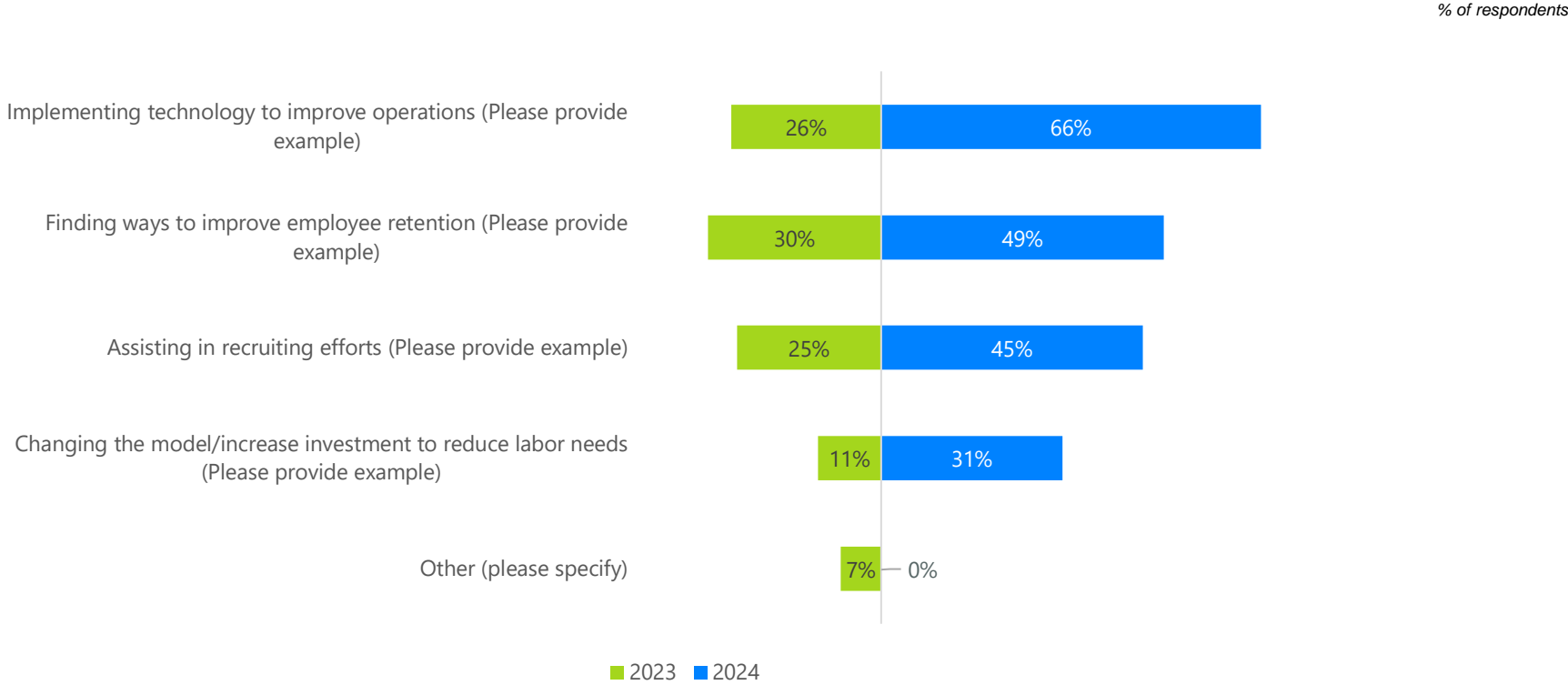
% of respondents



Source: IFA/FRANData 2024 Annual Franchisor Survey

# Where franchising is investing in technology to improve operational efficiencies

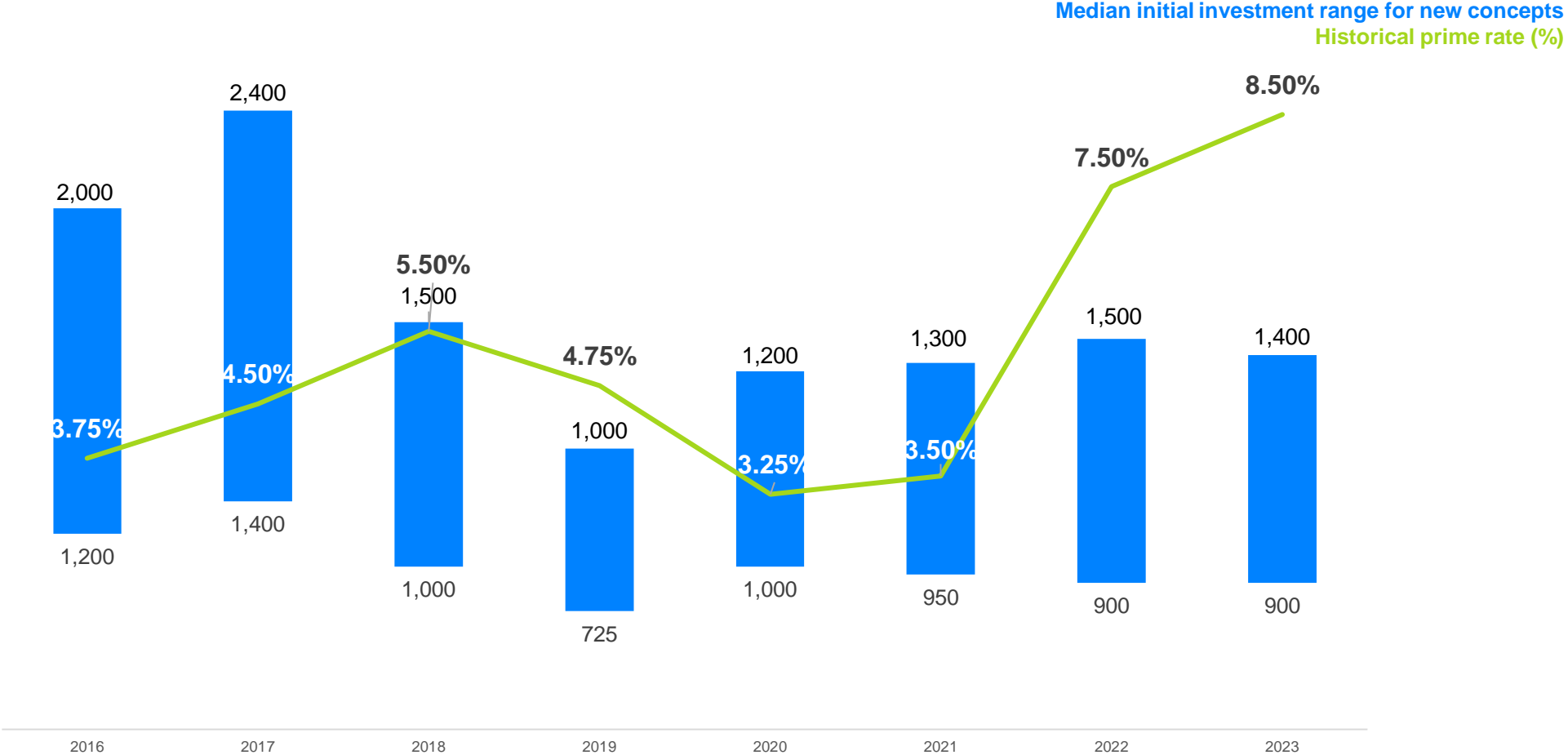
Compared to 26% in 2023, 66% of the franchise system are planning to implement technology that improves operations



Source: IFA/FRANData 2024 Annual Franchisor Survey

# Average retail footprint trending down

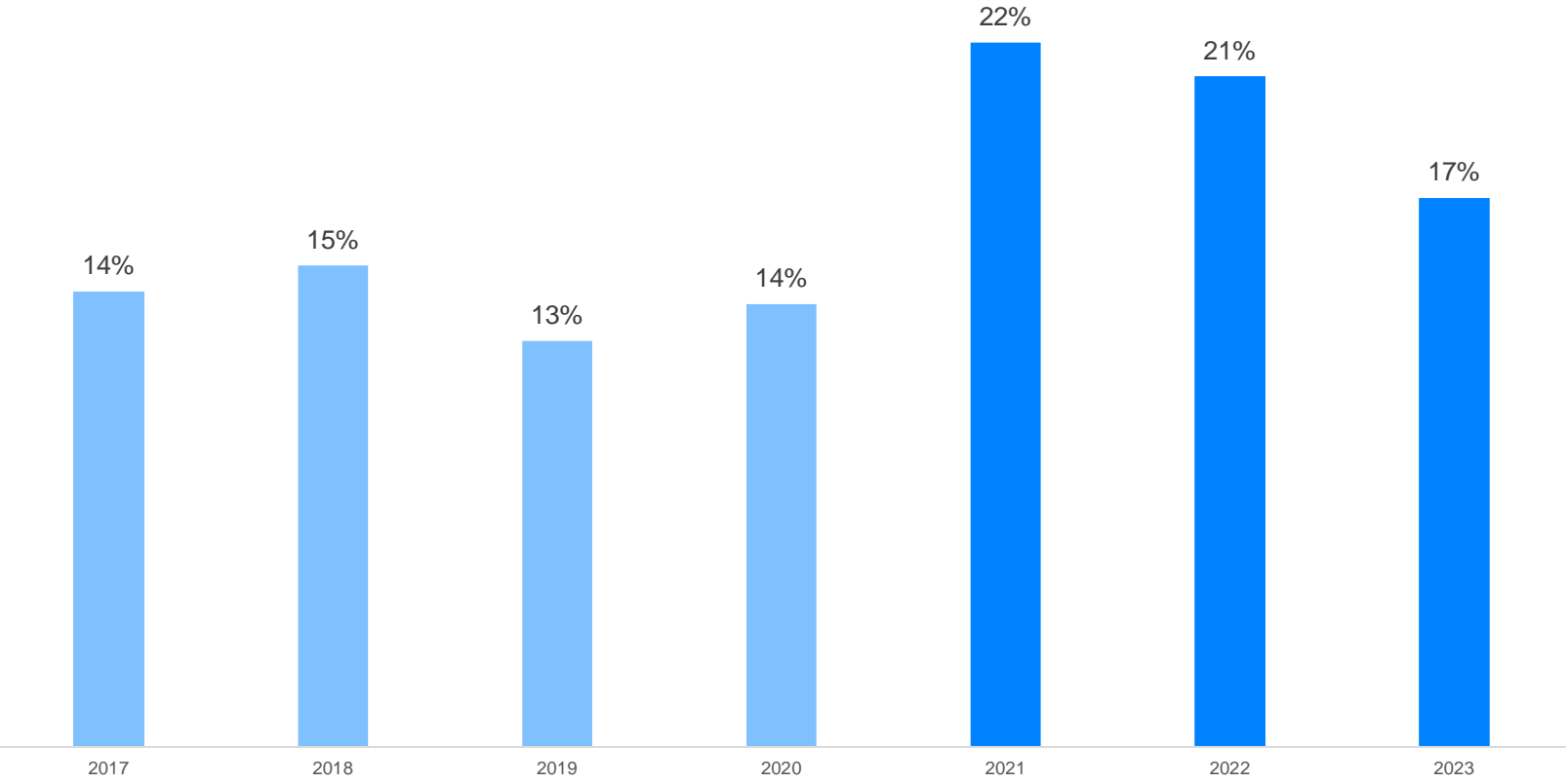
Average square footage of new concepts declined year on year



Source: FRANdata New Concept Report

# Mature franchise brands accelerate agility by launching new concepts

Number of new concepts with affiliate brands increased post pandemic



Source: FRANdata New Concept Report

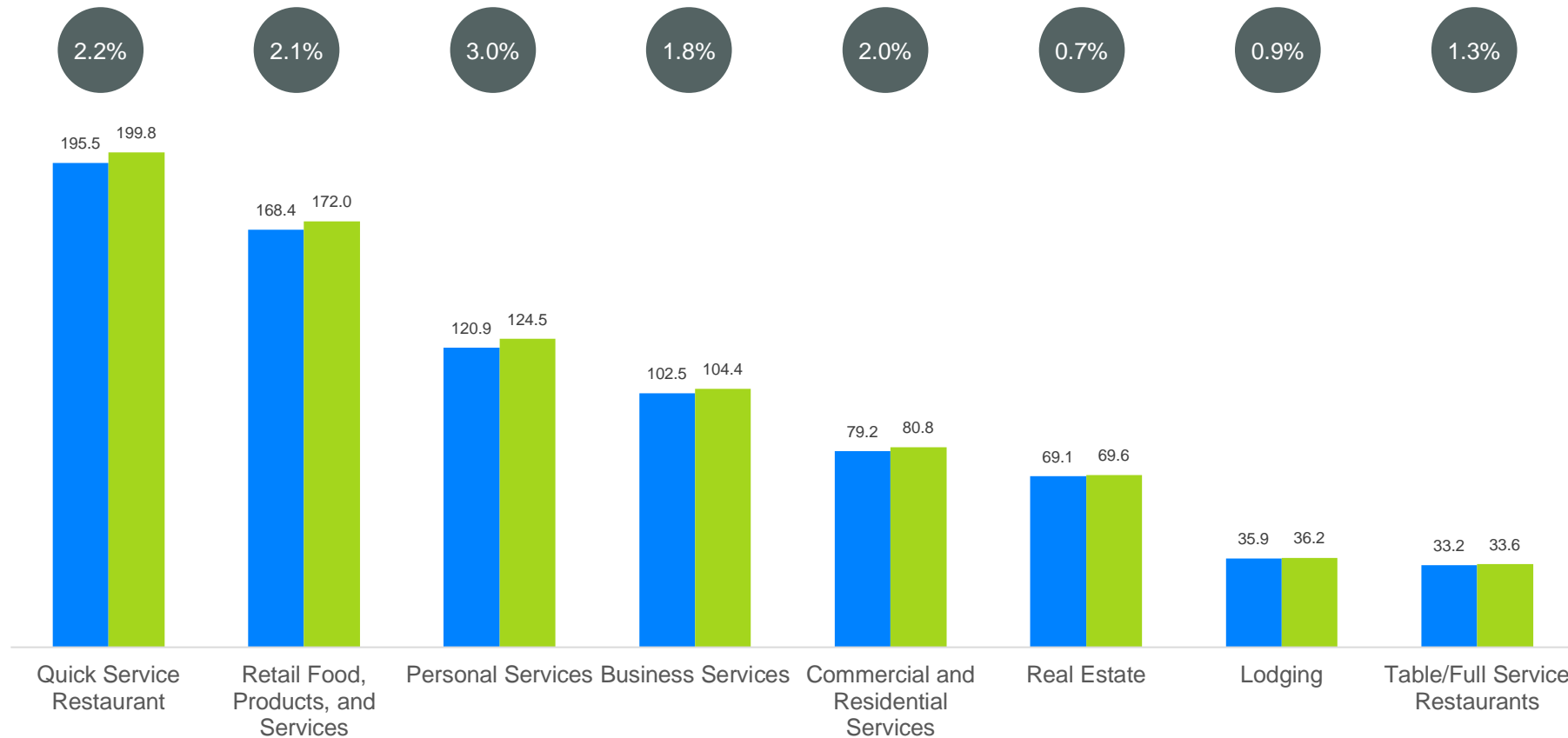




# Backed by strong consumer demand, growth in personal services and QSR is expected to exceed other sectors

Franchise establishment by business line and their expected growth in 2024

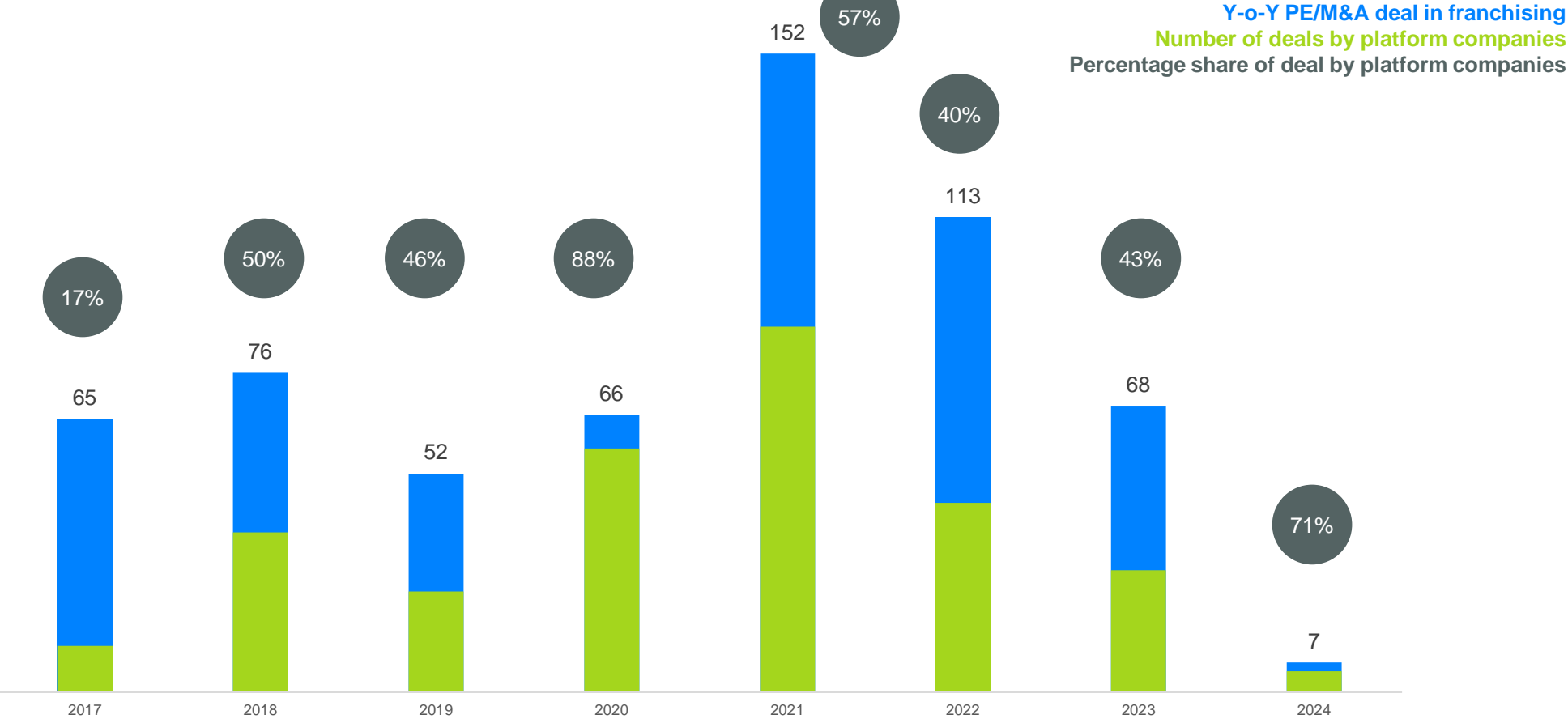
Franchise establishment (in thousands) in 2023  
Franchise establishment (in thousands) in 2024  
Expected growth rate in 2024



Source: IFA/FRANData Economic Outlook Report 2024

# Growth of platform companies acquiring brands within same industry/sector

Share of merger and acquisition by platform company increased during and post pandemic



Source: FRANdata

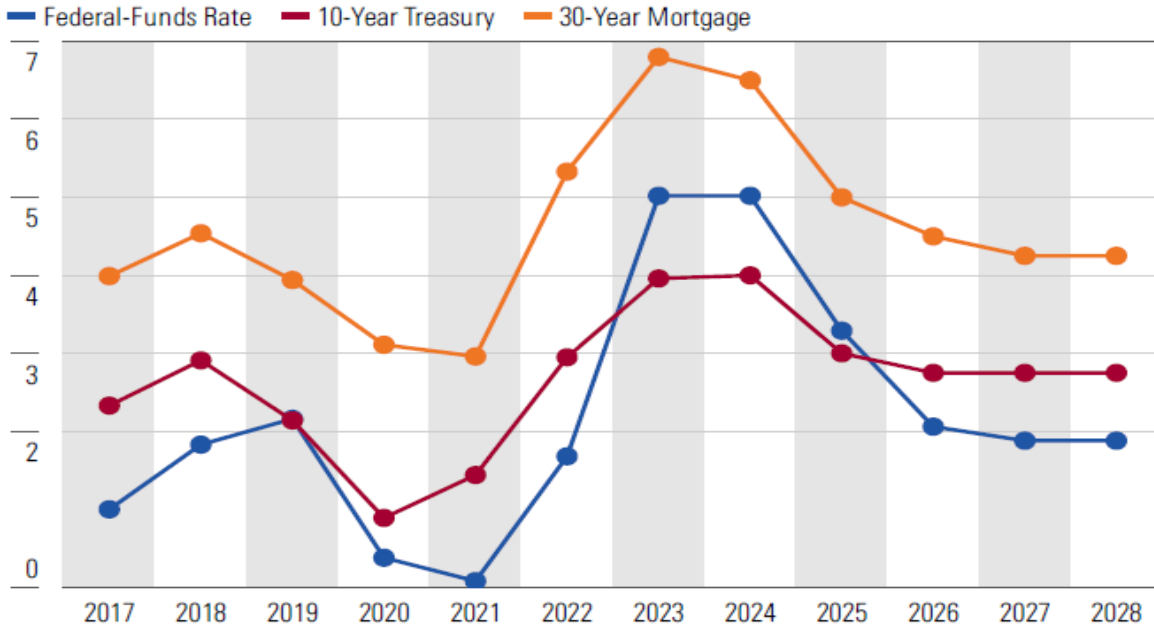
# STATE OF CAPITAL ACCESS



# FED rate easing cycle lies ahead

Interest rate will remain high in 2024 but then come down from year 2025

Interest-Rate Forecasts (Annual Average)



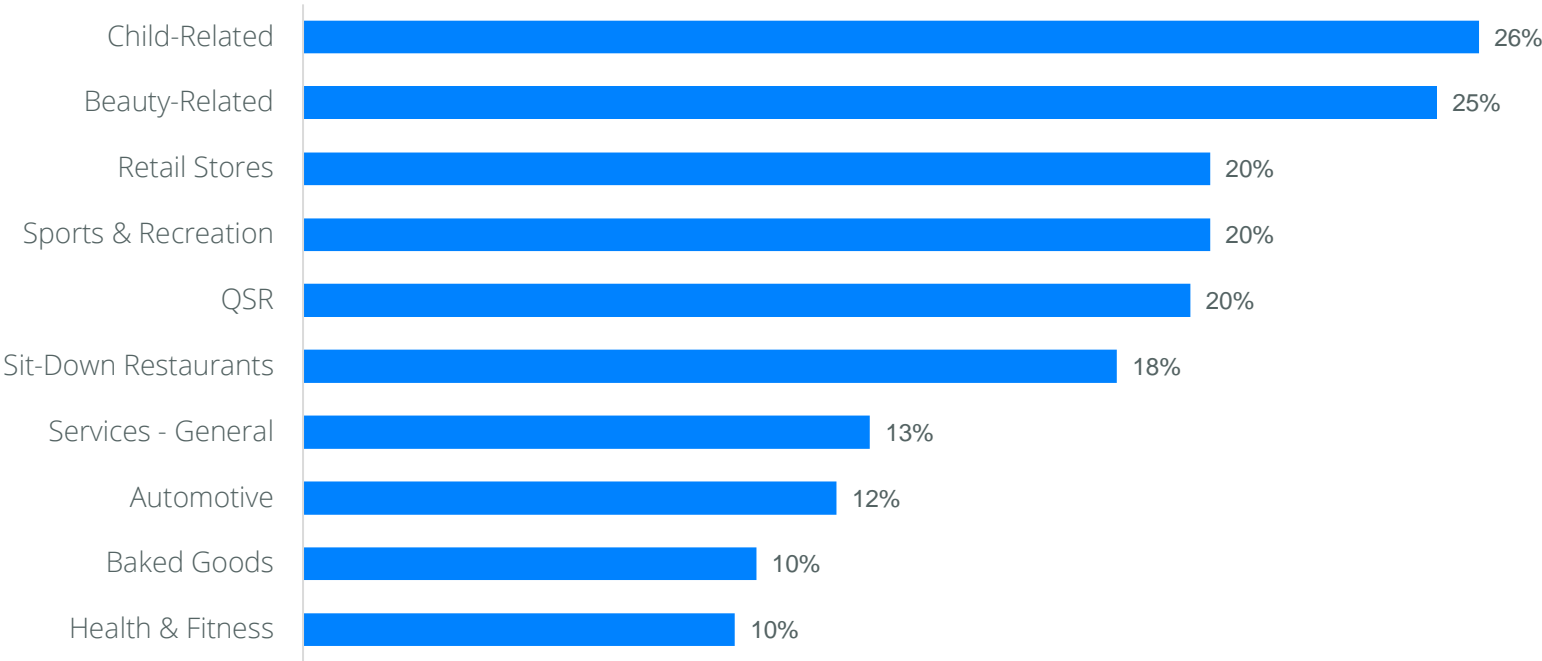
	2024	2025	2026	2027	2028
Fed Funds Rate	5.02%	3.29%	2.06%	1.88%	1.88%
10-Year Treasury	4.00%	3.00%	2.75%	2.75%	2.75%
30-Year Mortgage	6.50%	5.00%	4.50%	4.25%	4.25%

Source: Morningstar Report

# With margin compression, lenders becoming very data driven at sector, brand and borrower level

Concentration of High Performing Brands (with FUND scores 750+) by Industry

*% of all brands in the industry*



Source: FRANdata



# Lender landscape evolving rapidly, providing opportunities to forge new partnerships

1

Entrance of new lenders and exit of established lenders

2

Still a lot of \$ available but more closely priced for perceived risk

3

Borrower credit box in a tightening cycle

4

There is selective interest in smaller loan sizes and/or less collateral

5

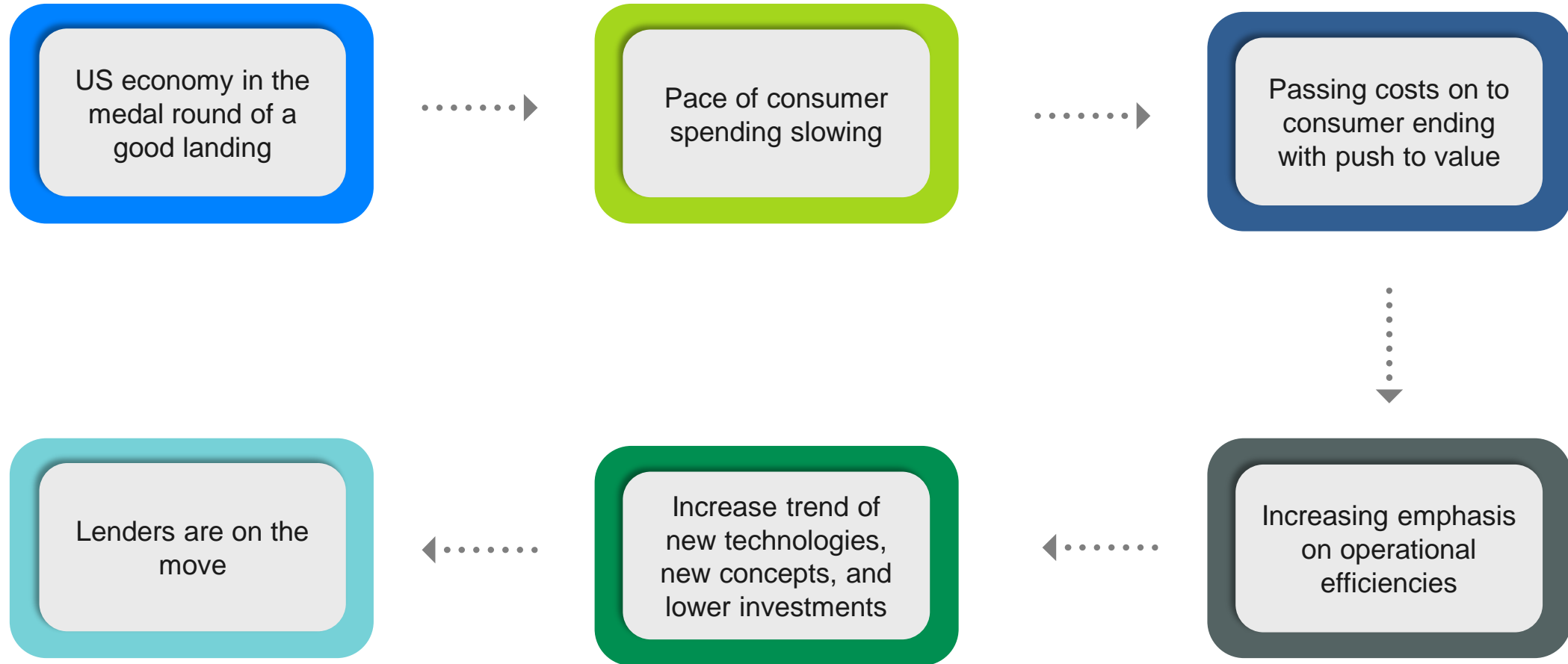
With so much lender movement, important to stay close to your lenders of choice

6

Also important to have some new banking relationships teed up

# KEY TAKEAWAYS

# Key Take-Aways for Franchising





2024  
**FUND™**  
**#TOP\$CORE**

*March 21<sup>st</sup>, Thursday*  
*1:30 pm*  
*Summit Ballroom*



# About FRANdata

# FRANdata: Where Insider Perspective Meets Strategic Insight

## Transforming Franchise Vision into Reality

Our research and advisory services are built upon both insider perspective and strategic insight stemming from more than 5,000 brands that span more than 30 years of analysis and information.

FRANdata has helped franchisors of all sizes and experience levels improve their, development and strategic growth plan for over 35 years.

### From Cradle to Grave, FRANdata is there throughout the Franchise Journey



#### **FINDING FRANCHISEES**

Leveraging the largest database of franchise owners, we help find the “right” target for your brands

#### **ATTRACTING FRANCHISEES**

Enable cost savings by profiling your ideal targets, understand why prospects are not buying to improve marketing outcomes and validate sales goals against what industry has achieved.

#### **FINANCING FRANCHISEES**

Through close relationships with over 9000 industry lenders via the Franchise Registry and a deep understanding of underwriting criteria, we help make the borrowing process more efficient and successful..

#### **FRANCHISEE SUPPORT**

We provide important insight to help franchisors with ongoing support with their franchisees whether it be relationship or litigation



# Get Your Franchisees Financed

By connecting more than 9,000 lenders to every franchise, FRANdata provides the information, services, and support that facilitate tens of thousands of loans to franchisees each year.

## Franchise Registry Membership

Streamlines the financing process

- Unlocks franchise information for lenders
- Franchisor gains access to FUND score to understand how lenders perceive their brand's credit risk
- Provides support for lender challenges
- Stay up-to-date with latest changes in critical SBA policy or lending shifts

## BCR Services

Decreases time to a "yes" from a financing institution with the best terms

- Directly improves the FUND score.
- Answers credits questions and is the foundation for the credit write-up
- Introductions to the best lenders that want to do business with a brand's franchisees

## Lender Acceptance Study

Increases lender pool & manages exec team's expectations

- Uncovers current financing terms for a particular industry
- Direct feedback from lenders on specific concept
- Introduction to lenders

# FRANdata Solutions

## Lenders

- Mitigating risks- Franchise Underwriting
  - Franchise Credit Scoring (FUND)
  - Portfolio Analysis
  - Portfolio Stress Testing
- Business Development
- Franchise Identification/Tracking (FRUNS Subscription)

## Suppliers

- Go-to-Market Strategy
  - Market Acceptance Testing
  - Sales Strategy
  - Industry Analysis
- Target Marketing and Branding
- Competitive Intelligence
- Business Development
  - New Concept Report
  - Franchisee Profiles

Enabling success with  
Other Parts of the  
Franchise Universe

## Private Equity

- Acquisition Due Diligence
- Franchise M&A Targeting Strategy
- Industry and Opportunity Analysis
- Cash Flow Modeling and Growth Projections
- Green Space Analysis on Targets

## Franchisees

- Portfolio Diversification Advisory