

# LUNCH N LEARN

IFA WEBINAR SERIES

## Growing Your Franchise Business in a Post-Covid Environment

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# Speakers



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# Today's Agenda

- Strategies for different stages of your Franchisees lifecycle
  - Startup Franchisees (0-1 units)
  - Emerging (2-5 units)
  - Mature (5+ units)
- Q & A

# Financial Strategies to Accelerate Your Growth

- **Alignment between your Franchisees financial and operational competencies and their growth plan**
- **Using debt where it serves best to meet goals**
- **Choosing debt based on your franchisee's growth plan, not the lowest interest rate**
- **Knowing when to pause to 'get their house in order'**
- **You cannot grow yourself out of mediocrity**



# Startup Franchisees: Pitfalls + Challenges

- **Inexperience with applying for financing**
- **Using all cash/personal assets up front on first unit**
- **Relying on FDD for all costs**
- **Selecting a financing source/path**



Preserve personal liquidity as much as possible to ensure they have the capital to reach breakeven (varies business model and location) – Sensible development schedules must be used!



# Startup Franchisees (0-1 Units)

## SBA Programs

- ✓ Leverage up to 80% of start-up costs on first unit
- ✓ Up to 10-year repayment terms
- ✓ Floating and fixed rates available

## ApplePie Core (brand specific)

- ✓ Leverage up to 85% of start-up costs on first unit
- ✓ 7 to 10-year repayment terms
- ✓ Fixed rates available
- ✓ No Personal Collateral



# Startup Franchisees: Getting Unit #1 Done



**Cash**  
(yours or someone else's)



**SBA Loans**



**401k Rollover**



**ApplePie Core**



Make sure growth plans align with your financing – Use a combination of products to maximize borrowing power





# Emerging Franchisees: Pitfalls + Challenges

- **Liquidity issues**
- **Temptations of risky financing (i.e. merchant cash advance)**
- **Opportunity cost of cheapest capital**
- **Unprofitable units**



Franchisee capital access is not something franchisors can be 'silent' on and still effect fast growth



# Emerging Franchisees: Growth Options

- ✓ **SBA**  
Consider the limitations and how it can affect your growth if you have aggressive growth targets
- ✓ **ApplePie Core**  
Flexibility for growth with no personal collateral requirements
- **Conventional**  
Not generally available to franchisees with < 5 units

*\*Some select brands can access conventional financing at this stage*



# Mature Franchisees: Pitfalls + Challenges

- **Leaving cash on the table – equity in their existing businesses**
- **Excluding small costs from financing – equipment & remodels**
- **Taking on burdensome loan covenants**



Understand growth potential with no cash out-of-pocket and determine implications of lower cost financing



# Mature Franchisees: Growth Options

- ✓ **Conventional**  
Generally offers lowest rates; however, covenants and prepayment penalties can cause issues for mature franchisees
- ✓ **ApplePie Core Financing** offers flexibility when it comes to growth and does not require personal collateral
- **SBA**  
Growing at this rate will not be possible with SBA limitations and profitability requirements



# WHO WE ARE



# Loan product considerations

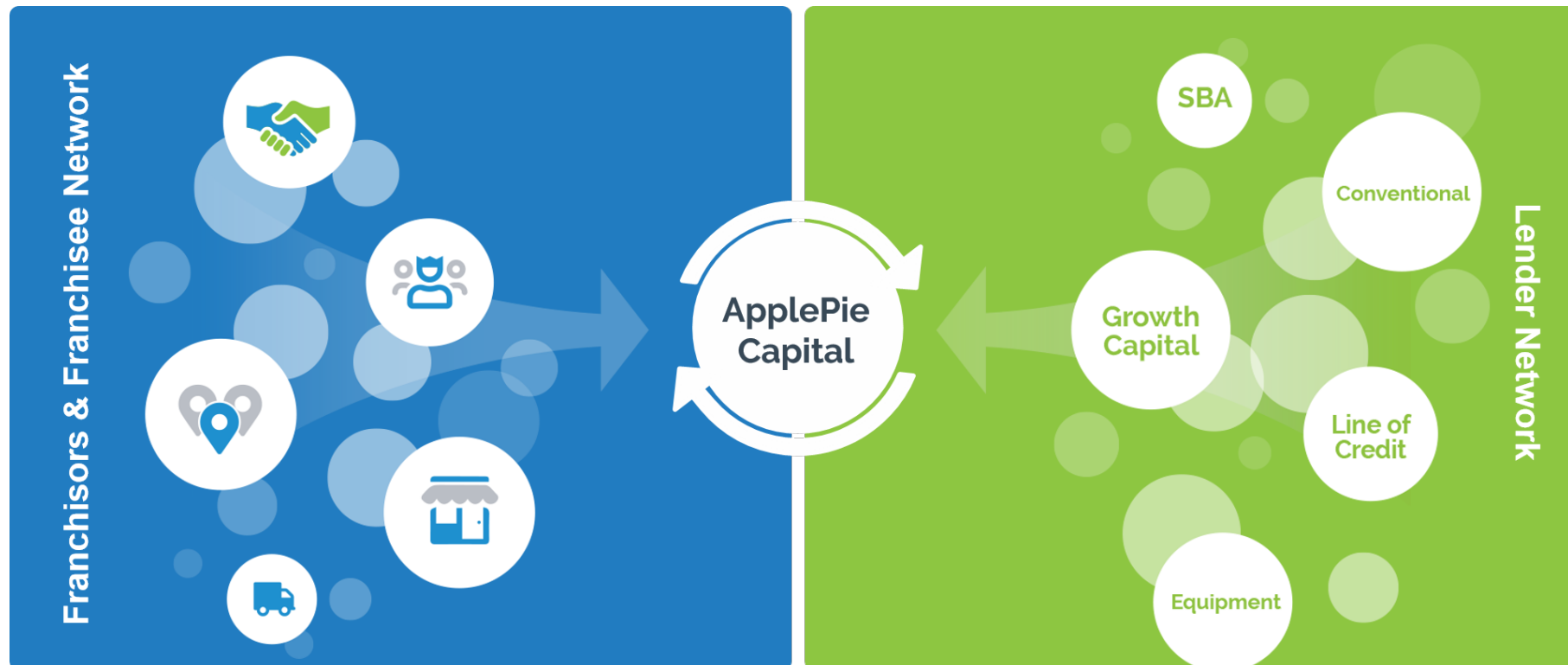
## ApplePie offers options based on franchisee objectives

	ApplePie Core	SBA	Conventional	Equipment/Remodel
Speed to funding	✓		✓	✓
No personal collateral	✓			✓
Projection-based lending	✓	✓		✓
Lowest monthly payments	✓	✓		
First-unit financing	✓*	✓		
Multi-unit commitments	✓		✓	
All financing needs in one loan	✓	✓	✓	

\* Brand Specific

# ApplePie's Lender Network

**With a network of 30+ lenders along with captive capital, ApplePie provides franchisees with a higher probability of getting a “yes” and faster**



# KEY TAKEAWAYS

- ✓ Your franchisees need to make money – they’re relying on you tweaking your system to assure that they do.
  - What can you do as a brand to support this?
- ✓ Buildout costs are skyrocketing- how can you mitigate that?
- ✓ Interest rates are rising, can your business model tolerate 8%, 10%?
- ✓ Financing involves more than lending - Operational competency is as important
- ✓ Know the SBA rules or partner with someone who does
- ✓ Have a reasonable plan for unit 2 before unit one is open
- ✓ Unit economics and transparency matter
- ✓ Resales/Consolidation strategy is imperative for franchisors
- ✓ It’s not about the initial franchise fee/Multi packs have risk to your brand



Questions?

Thank you for attending!